



CHINESE IMPACT ON INDO-NEPALESE RELATIONSHIP

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ABSTRACT

India cherishes its long-standing connection with Nepal, which is rooted in geographical proximity, shared cultural traits, economic bonds, and historical links. This summary explores the enduring relationship between India and Nepal, underscoring their historical, cultural, economic, and geographic affinities. It underscores India's deep appreciation for this enduring bond, encompassing aspects such as socio-economic, cultural, religious, and historical ties. However, with the passage of time, the dynamics of this relationship have evolved, with China's increasing influence in Nepal also coming into play.

The article delves into the consequences of China's expanding presence in Nepal and its effects on the bilateral ties between India and Nepal. It draws on various sources, such as books, journals, and international coverage, to analyze India's opportunities to compete with China in Nepal. It stresses the importance of India demonstrating both capability and political will in effectively managing its complex approach towards Nepal.

Moreover, the article argues that Nepal's independent foreign policy can be advantageous, rather than detrimental, to India in the changing geopolitical landscape. It cautions Nepal against becoming overly dependent on China, drawing insights from the experiences of Sri Lanka and Pakistan. By fostering its own independent foreign policy, Nepal can enhance its position in the region and contribute to stable and mutually beneficial relationships with India and China both.

In essence, the abstract underlines the enduring nature of India-Nepal relations while acknowledging the new challenges posed by China's increased involvement in Nepal. It highlights the need for India to adapt its approach while also emphasizing the benefits of Nepal maintaining its sovereignty and independence in navigating its international relations. The article suggests that a delicate balance needs to be struck for the continued prosperity and stability of the region.

KEYWORDS: Connectivity, Economic, India-Nepal-China Trilateral, Interdependencies, Regional Cooperation,

INTRODUCTION

India and Nepal share a deep-rooted and unique relationship, characterized by strong socio-economic, cultural, religious, and historical ties that span back to ancient times.

Despite facing various ups and downs throughout history, their enduring connection has remained steadfast, distinguishing it from any other nation's ties. Nepal's geographical location places it at the crossroads between India and China, sharing borders of 1,414 kilometers with China and 1,753 kilometers with India. As India and China have emerged as global powers, Nepal's relatively slower development has led to an increased dependency on both countries.¹

As China becomes more involved in Nepali politics, India encounters the task of upholding its influence and protecting its interests. Prime Minister Narendra Modi of India has initiated actions to address Nepal's worries, demonstrating his desire to nurture a more positive connection. India's capability to rival China's sway in Nepal hinges on two critical factors: New Delhi's ability to counter China's influence and India's determination to rectify any contentious approaches it may have taken towards Nepal. The fate of India-Nepal relations rests on India's endeavors to maintain its unique bond with its neighboring country.²

The changing geopolitical landscape necessitates a diplomatic balance, and India's ability to navigate this complexity will play a significant role in determining the course of the bilateral ties in the years ahead.

NEPAL'S POLICY DEPARTURE

Nepal's growing involvement with China has attracted attention from observers, who sometimes misinterpret it as a strategy to gain leverage over India. However, this approach is consistent with Nepal's longstanding tradition of pursuing a diversified foreign policy and forging partnerships based on its strategic geographical position. The Nepalese government aspires to maintain an independent relationship with China, separate from its ties with India. This raises the question of whether Nepal can effectively realize this goal, given India's concerns about the increasing proximity between Nepal and China.

Both Nepal and China have expressed their dedication to deepening their engagement with each other. To understand Nepal's policy motives, it's crucial to acknowledge the historical perception of New Delhi in Kathmandu as being "hawkish" and "selfish" in handling sensitive issues. This perception has contributed to a negative image of India in Nepal. Instances such as disputes over river treaties, India's hesitance to address border encroachments, construction of tall structures along the border causing flooding, the behavior of armed border forces, trade and transit crises, and embargoes have fueled Nepal's quest for alternative options.

Is this conversation helpful so far?

Nepal's necessity for engaging with China outweighs any potential challenges that may arise in the Sino-Nepal relationship. Nepal seeks to diversify its partnerships and expand economic

¹ Khilnani, N.M. (1993), "Socio-Political Dimensions of Modern India," M.D. Publications Pvt. Ltd, New Delhi, p. 71.

² Sahu, A. K. (2015). Future of India-Nepal Relations: Is China a Factor? *Strategic Analysis*, 39(2), 197-204.

opportunities, considering the benefits that cooperation with China can offer. The country's approach reflects its strategic vision, wherein it aims to maintain balanced and beneficial relations with both India and China, leveraging its geostrategic position for its own interests.

AREAS OF CONFLICT

To address these challenges and opportunities, both India and Nepal must proactively work towards finding mutually beneficial solutions and fostering understanding and cooperation. The relationship between India and Nepal is marked by asymmetry due to the vast difference in their sizes.

Nepal has expressed concerns over treaty-based agreements, which it perceives as providing unequal treatment from India.³

The open border between the two countries has been a contentious issue, with debates over the impact of free cross-border movement, which can lead to populism and extremism in certain cases.

India's reluctance to address Nepal's demand for revising the treaty has resulted in grievances and a loss of popular support for India in Nepal. Trade and commerce have been sources of tension, with Nepal heavily reliant on India due to geographical constraints. Nepal's geographical positioning has led to a significant reliance on India, making it challenging for domestic industries to thrive, as they struggle to compete with the influx of competitively priced Indian goods in the Nepalese market.⁴

India's use of non-tariff barriers and its subpar infrastructure have added to Nepal's dissatisfaction with its neighbor. Given its geographical constraints, Nepal has developed a significant reliance on India. Local enterprises face difficulties in expanding their operations due to their inability to compete with the lower-priced Indian products flooding the market. The presence of non-tariff barriers and inadequate infrastructure from India has further fueled Nepal's discontent. Import and export costs have become excessively high. Shipping goods to the export destination through Indian ports takes 42 days, while receiving supplies from suppliers requires 35 days, resulting in a substantial shipping cost of US\$ 2,700 per 13 containers. As of 2018, the country's trade deficit ratio stands at a concerning 1:14.9. India, Nepal's largest trading partner, constitutes 65 percent of the total trade, and Nepal consistently experiences a substantial trade deficit with India. There was some improvement after the trade commerce treaty with India was revised in 1996, leading to increased exports and a reduction in the trade deficit.

The inundation of the Nepalese market by more stable and prosperous Indian products has hindered the growth of local businesses. Non-tariff barriers and insufficient infrastructure have further contributed to Nepal's dissatisfaction. The high costs associated with exports and imports have

³Dharamdasani, M.D. (ed.) (2001), *India and Nepal – Big Power-Small Power Relations in South Asia*, South Asian Publishers Pvt. Ltd., New Delhi, p. 63.

⁴ Karki, K. K. & KC, H. (2020). *Nepal-India Relations: Beyond Realist and Liberal Theoretical Prisms*. *Journal of International Affairs*, 3(1),

resulted in a significant trade deficit, with India being Nepal's primary trading partner. Another longstanding issue between India and Nepal revolves around the implementation of existing river treaties. Nepal asserts that India has taken advantage of its willingness to share water resources and has not provided adequate benefits to the upper riparian state.

Issues with the Koshi and Gandaki rivers, as well as the unresolved Mahakali agreement, have strained the relationship further.

Amidst the complexities of the India-Nepal relationship, China's presence has emerged as an ally for Nepal, offering alternative opportunities for trade and infrastructure development. China's engagement with Nepal has added another layer of complexity to the already intricate relationship between India and Nepal should be seen as an opportunity for constructive engagement rather than a source of further tension. By respecting each other's sovereignty and finding common ground, India and Nepal can strengthen their bilateral ties and contribute South Asian region.

POSSIBLE FACTORS CONTRIBUTING TO NEPAL'S INCREASING CLOSENESS TO CHINA

- **Geopolitical Balancing:** Nepal, situated between the nations of India and China, seeks to uphold an equitable relationship with both of them in order to safeguard its sovereignty and interests. This approach serves to mitigate the risk of becoming overly dependent on any single country.⁵
- **Overreliance on India:** Nepal's dependency on India has been significant, as it has not been able to develop a competitive edge to boost its exports. It struggles to compete with the abundance of lower-priced Indian goods that saturate the market.
- **Economic Cooperation:** China has invested in Nepal's infrastructure, promoted trade, and provided financial aid, which has strengthened economic ties and offered opportunities for Nepal's development.
- **Border Disputes with India:** Ongoing border disputes with India have strained Nepal's historically close ties, prompting Nepal to diversify its international relationships to reduce its dependence on India.
- **India's delay in implementation of various projects** India's slower progress in carrying out various projects in Nepal, particularly when compared to China's prompt execution of agreed-upon projects, is evident. For instance, the Mahakali agreement has languished for more than two decades without any tangible initiation.
- **Sovereignty Concerns:** Nepal may perceive China as less likely to interfere in its domestic affairs compared to other nations, which aligns with its goal of protecting its sovereignty and autonomy.
- **Belt and Road Initiative (BRI):** Nepal's interest in the BRI stems from the promise of infrastructure development and improved connectivity, which aligns with Nepal's development goals.

⁵<https://www.aljazeera.com/opinions/2020/7/29/nepal-is-walking-a-tightrope-between-india-and-china>

- **Chinese Diplomacy:** China has been actively involved in diplomatic initiatives within South Asia, particularly in Nepal, with the aim of bolstering its influence in the region. These efforts encompass high-level visits and diplomatic endeavors to fortify bilateral ties
- **Cultural and People-to-People Connections:** The increased cultural and educational exchanges between Nepal and China have nurtured goodwill and collaboration, fostering stronger connections between the two nations.
- **Strategic Considerations:** Nepal may view a closer partnership with China as a strategic move, reducing its dependence on India and expanding its foreign policy options in the region.
- **International Political Landscape:** Nepal's alignment with China can also be shaped by broader international political dynamics and alliances, as it seeks to align itself with countries that share its interests.

CHINESE GROWING INTEREST IN NEPAL

China's main objective in Nepal is to prevent Nepalese soil from becoming a base for Tibetan dissidents. Initially, from the 1950s to the 1980s, China aimed to establish an economic presence in Nepal, which significantly expanded in the post-1990 era. China has expanded its influence in Nepal in diverse areas, such as infrastructure, education, and healthcare, and has bolstered its economic involvement with the nation.⁶

Soft Policy

In the past ten years, China's engagement with Nepal has expanded beyond conventional diplomatic and economic relationships, particularly in the Terai region. A notable aspect of this involvement is the establishment of Mandarin language training centers. This initiative serves multiple purposes and reflects China's multifaceted approach to increasing its influence in the area.

- **Soft Power Diplomacy:** Teaching Mandarin in Nepal serves as a form of soft power diplomacy. Through Mandarin language instruction, China aims to strengthen cultural and educational connections with Nepal, making Chinese culture and language more accessible and attractive to Nepalese communities.
- **Economic Integration:** China's interest in providing Mandarin language training is closely tied to its economic expansion and the need for a skilled workforce. By training Madhesis, who reside in the Terai region, China is preparing a potential labor pool that could contribute to its expanding economy. This aligns with China's broader strategy of integrating Nepal into its economic sphere.
- **Cultural Exchange:** Mandarin language training also promotes cultural exchange between the two nations, fostering mutual understanding and facilitating people-to-people connections, which can lead to stronger bonds and cooperation in various fields.
- **Strategic Influence:** By investing in language education, China can shape the future

⁶<https://mofa.gov.np/nepal-china-relations>

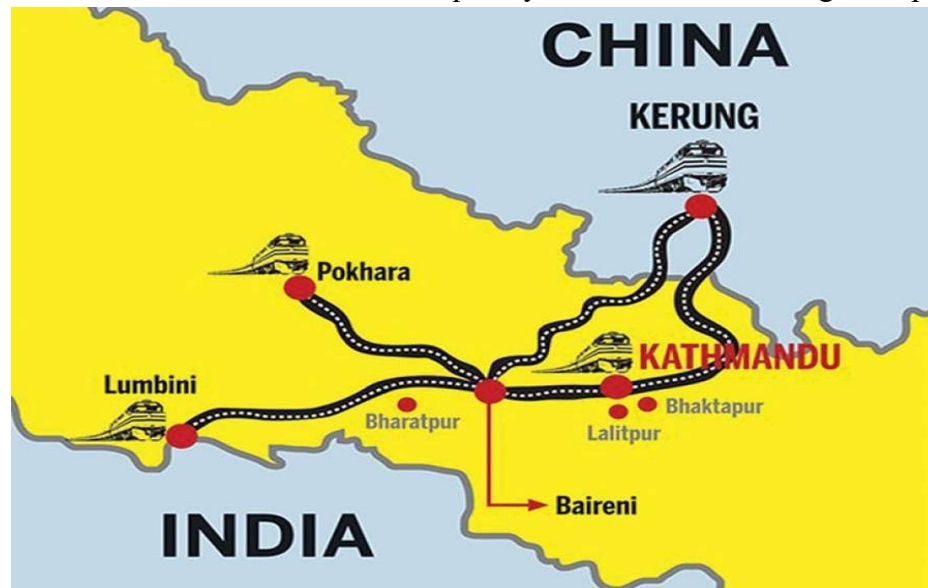
dynamics of Nepal's labor force and potentially influence the economic and political landscape in its favor. Given the significant presence of the Madhesi community in Nepal's population, they could play a crucial role in Nepal-China relations.

China's establishment of Mandarin language training schools in Nepal's Terai region is a strategic move that encompasses cultural diplomacy, economic integration, and long-term influence. It aims to create a skilled workforce, strengthen cultural ties, and potentially shape Nepal's economic and political landscape in alignment with China's interests. This soft power initiative underscores China's multifaceted approach to engaging with Nepal and its broader regional strategy.

The Trans-Himalayan Railway

This railroad project's history goes back nearly half a century, with Mao Zedong initially proposing it to King Birendra of Nepal in 1973. However, at that time, it was deemed technically and financially impractical. It wasn't until 2016, during Nepalese Prime Minister KP Sharma Oli's visit to China, that the project officially commenced. This development was part of China's Belt and Road Initiative, which aimed to boost connectivity and infrastructure across various countries.⁷

In 2021, Wang Yi, a Chinese official, reiterated China's commitment to helping Nepal shift from a landlocked to a land-linked country through a comprehensive network across the Himalayas, a concept similar to what China did in Laos. However, there are significant challenges. The terrain, situated near towering mountains over 8,000 meters high, is extremely challenging. Nepalese media have even referred to it as the "most technically difficult railroad in the world." Financing is another major obstacle, as the project could cost an estimated \$4.8 billion USD for Nepal alone, which exceeds 10% of its GDP. Consequently, much of the funding is expected to come from China.



⁷[Indianexpress.com/article/india/india-news-india/trans-himalayan-railways](https://www.indianexpress.com/article/india/india-news-india/trans-himalayan-railways)

Picture source: - "The Kathmandu post"

This financing approach raises concerns about debt traps. Such projects, funded by China, often lead to developing countries struggling to repay the loans and eventually ceding control of their infrastructure to Beijing. Nepal also lacks the technical expertise to thoroughly evaluate Beijing's feasibility studies and construction details. Consequently, the project is heavily reliant on China's leadership.

Pramod Jaiswal, who holds the position of Research Director at the Nepal Institute for International Cooperation and Engagement, underlined the importance of securing international funding for the advancement of Nepal's infrastructure. However, he cautioned against rushing into the project, citing China's poor international reputation due to the debt problems caused by its foreign lending. Protecting Nepal's economy from falling into a debt trap should take precedence over the railway project.

Nepal and China have agreed to "enhance the implementation of the Memorandum of Understanding (MoU) on Cooperation within the Belt and Road Initiative (BRI) to improve connectivity." cooperation encompasses various aspects, including roads, railways, ports, aviation, and communications, within the of the Trans-Himalayan Connectivity framework. The Chinese



Qinghai-Tibet railway, currently in operation up to Xigaze, is anticipated to stretch all the way to the Nepal border at Rasuwagadi in Gyirong⁸. Furthermore, there is a plan for a 100-kilometer railway from Kerung to Kathmandu. This entire trip can be completed in only 10 days, a considerably faster option compared to the 35 days needed for the maritime route via Kolkata. The construction of a Chinese railway in Kerung is poised to enhance trade and commerce between China and Nepal.

Nepal views the Chinese railway as a chance to draw Chinese pilgrims and tourists to Lumbini, the Buddha's birthplace, and the well-known Pokhara valley. Even without rail connectivity and the Belt and Road Initiative (BRI), the relationship between China and Nepal has deepened in various areas, including hydropower, aviation, tourism, telecommunications, and interpersonal connections.

⁸<https://www.thethirdpole.net/en/regional-cooperation/nepal-china-take-step-towards-one-of-worlds-toughest-railways/>

Economic policy

Nepal government recently allowed Chinese banks to open branches and other financial services in Nepal. They have also agreed to increase imports from China. The two nations have signed multiple Memorandums of Understanding (MoUs) concerning cultural and political exchanges, as well as industry and technology. However, the stability of China's own economy remains uncertain. Just three years ago, there was widespread concern about "the decline of China" following a stock market crash. While some of the forecasts about China turned out to be incorrect, certain projects did indeed falter. The extent to which China will engage with Nepal also hinges, in part, on the evolving broader understanding between India and China.⁹

Under the areas of Investment and Cooperation on Human Resource Development Cooperation, Production Capacity and Economic and Technical Cooperation, China has committed to "take affirmative measures to ease Nepal's exports to China" and support "product development and post-harvest technology in agricultural products." China aims to leverage Nepal's resources, including "construction materials, water conservation and hydropower, and organic agriculture and herbs." Both parties have also agreed to finalize the Nepal-China Free Trade Agreement (FTA).

Trade and transit agreements have already been reached, with Nepal looking to establish relation with the Chinese market, oil refineries, and the global supply chain through Chinese ports, such as the Tianjin seaport to the east, Central Asia to the west, and beyond. Nepal and China have deepened their economic.

The two nations have signed several MoUs, covering areas such as Human Resource Development Cooperation, Investment and Cooperation on Production Capacity and Economic and Technical Cooperation.

China has shown its commitment to supporting Nepal's export to its market and has pledged assistance in product development and post-harvest technology for agriculture-products. China is also interested in tapping into Nepalese resources, including water conservation, hydropower, construction materials, and organic agriculture and herbs. To further develop their economic relation, both countries are working towards finalizing the Nepal-China Free Trade Agreement (FTA). The current trade and transit pacts have created the foundation for Nepal to seek avenues for engagement with the Chinese market, gain access to oil refineries, and tap into the global supply chain via Chinese ports, including the eastern Tianjin seaport and the western route leading to Central Asia and further destinations.

Administrative and security

Nepal and China have taken significant steps to strengthen their bilateral cooperation beyond

⁹<https://mofa.gov.np/nepal-china-relations>

economic ties. The signing of a treaty on mutual legal assistance in criminal matters allows China to investigate cases of crime that may affect Nepal, promoting joint efforts in combating transnational criminal activities.

In a move to affirm its commitment to the "One China" policy, Nepal acknowledged Taiwan as an integral part of China. Additionally, Nepal promised not to allow any anti-China activities on its territory, emphasizing its adherence to the principle of non-interference in the internal affairs of other countries.

The two nations have also deepened their military cooperation through a Joint Military Exercise Pact. This agreement paves the way for joint military exercises and training opportunities between the two countries' armed forces, fostering better coordination and understanding.

Additionally, as a symbol of goodwill and in honor of the late leader of the Communist Party of Nepal, Madan Bhandari, China has agreed to establish the Madan Bhandari University for Science and Technology. This project underscores the deep cultural and historical ties between the two countries.

These agreements and developments demonstrate the growing diplomatic engagement between Nepal and China, beyond economic matters. Both countries are actively working to strengthen their mutual understanding, cooperation, and collaboration in various spheres, aiming to further solidify their bilateral relations.¹⁰

REPERCUSSIONS FOR INDIA

China's expanding engagement in Nepal can be partially linked to India's heightened military presence near its border. The period when India contemplated bolstering its border forces for defensive reasons in the past coincided with an upswing in China's focus on Nepal. This interest intensified notably following the Tibetan protests during the 2008 Beijing Olympics.

Nepal, while remaining an ally of India on paper, has constitutionally asserted its foreign policy principles based on nonalignment and the principles of Panchsheel.

India's current situation with Nepal For instance, Panama, once considered an American "colony," severed its relations with Taiwan at the request of Beijing's. In recent years, Nepal's Prime Minister Oli has adopted an "ultranationalist" election rhetoric, which has strained the Indo-Nepalese relationship. Issues such as the Nepalese constitution, border blockade, and the depiction of Indian territories in Nepal's new map have contributed to a decline in bilateral relations between India and Nepal.

¹⁰<https://can.nepalconsulate.gov.np/bilateral-relations>

MOST RECENT DEVELOPMENT IN INDIAN, NEPAL AND CHINA

India Nepal territorial dispute

The matter resurfaced in November 2019 when India published a new political map that incorporated the disputed regions of Lipulekh, Limpiyadhura, and Kalapani as part of its territory within its international borders. This issue garnered strong opposition from the Nepali public and lawmakers, who protested India's claim to these territories. During that period, the Nepali government, led by Prime Minister Khadga Prasad Oli, introduced amendments to the Nepali Constitution to formally incorporate the contested regions. This further strained India-Nepal relations, which were already under tension since 2015 when India imposed an unofficial economic blockade on Nepal. The current Prime Minister, Sher Bahadur Deuba, has refrained from extensively commenting on the controversy surrounding Narendra Modi's recent statement regarding Lipulekh. Deuba is generally perceived as having a conciliatory stance towards India. Nevertheless, he has faced significant pressure from the opposition, his coalition partners, and members within his own party, the Nepali Congress, urging him to address the issue.

In November 2019, tensions between India and Nepal escalated when India released a new political map that integrated disputed areas, specifically Lipulekh, Limpiyadhura, and Kalapani, into its international borders. This development triggered widespread discontent among the Nepali public and lawmakers, who perceived it as an encroachment by India on their sovereign territory. This situation exacerbated the existing strain in India-Nepal relations, which had been under pressure since 2015 due to the perceived imposition of an unofficial economic blockade by India on Nepal.¹¹ During this period, under the leadership of Prime Minister Khadga Prasad Oli, the Nepali government responded to the controversy by amending the Nepali Constitution to officially include these disputed areas. This step aimed to assert Nepal's territorial claims and challenge India's position.

Nonetheless, the current Prime Minister, Sher Bahadur Deuba, has maintained a relatively composed stance in response to the recent controversy surrounding Indian PM Narendra Modi's statements on Lipulekh. Deuba's perceived diplomatic approach towards India has faced criticism from coalition partners, the opposition, and members of his own party, the Nepali Congress, who have urged him to take a more assertive position on the matter.

The issue of disputed territories and India-Nepal relations remains a sensitive and intricate matter, with various political forces in Nepal advocating for a resolute response from the government to safeguard the country's sovereignty and territorial integrity. Addressing the concerns of both nations and seeking a peaceful resolution requires delicate diplomacy and careful handling.

Chinese encroachment of Nepalese land

In November 2020, certain Nepali politicians made accusations that China had encroached on more

¹¹Border disputes between China and Nepal. Observer Research Foundation

than 150 hectares of Nepalese land. In response to the dispute in Limi, situated in Namkha Rural Municipality in Humla, the Nepali government assembled a team led by Jaya Naayan Acharya, who holds the position of Joint Secretary at the Home Ministry. This team included representatives from various government agencies, such as the Armed Police Force, Survey Department, Nepal Police, and National Investigation Department. This team conducted a thorough inquiry and, on September 26, submitted a report affirming the validity of the assertion that China had encroached on Nepalese territory. The report suggested the establishment of a collaborative initiative to address the dispute. Furthermore, another group, under the leadership of the NC Karnali Provincial Assembly party and former minister Jeevan Bahadur Shahi, also submitted a report advocating for the reclamation of Nepalese land. This proposal received support from NC vice-president and former Home Minister Bimalendra Nidhi, who had previously served as Deputy Prime Minister in the Second Dahal cabinet. In early 2022, a leaked government report revealed that while the previously identified buildings were located on the Chinese side. Infact China had constructed fences, a canal, and a road that encroached on Nepali land.

This incident has generated anti-China sentiments among many Nepali citizens and politicians, as concerns about territorial integrity and sovereignty have been heightened. The issue remains a sensitive and contentious matter in Nepal-China relations, and it calls for diplomatic efforts to find a peaceful resolution to the territorial dispute.

Indian raw chief and army chief visit to Nepal

The recent visit of the Director of RAW, Samant Kumar Goel, to Kathmandu on 21st October 2022, and his meeting with Prime Minister Khadga Prasad Sharma Oli, has sparked controversy in Nepal .¹²Goel's visit was aimed at conveying India's concerns and conditions for normalizing Indo-Nepalese ties, which had been strained by Oli's assertive and nationalistic stance.

Adding to the complexities, Indian Chief of Army Staff, General Manoj Mukund Naravane, embarked on a three-day visit to Nepal commencing on November 4, 2020. As part of his visit, he was bestowed with the title of General in the Nepali army during an official investiture ceremony. General Naravane engaged in discussions with Nepali President Bhandari, Prime Minister KP Sharma Oli, and his Nepali counterpart, General Purna Chandra Thapa. This visit occurred against the backdrop of persisting tensions related to bilateral territorial disputes concerning a Himalayan region.

The back-to-back high-level visits indicate the significance of the Indo-Nepal relationship, which remains sensitive and complex due to various geopolitical issues. Both countries have had historical ties and shared interests, but disagreements over territorial matters have occasionally strained their relations. These recent visits and engagements reflect efforts to address the concerns and find a way to normalize the relationship between India and Nepal. However, the situation remains delicate, and further diplomatic efforts will be required to find lasting solutions to the ongoing disputes.

¹²<https://theprint.in/india/raw-chief-meets-nepal-pm-oli-says-india-wont-allow-interruption-in-bilateral-relations/529118/>

Nepal joining USA, Millennium Challenge Corporation (MCC)

The Millennium Challenge Corporation (MCC) a U.S. Government's program, signed a \$500 million pact with the Government of Nepal in September 2017.¹³ After weeks of political differences among the parties, Nepal's Parliament ratified the MCC Nepal Compact on 27th February 2022. The MCC is a grant that provides \$500 million for infrastructure projects in Nepal, particularly focusing on India-Nepal cross-border connectivity projects, such as roads and transmission lines.

The primary goals of the agreement are to enhance road infrastructure, enhance the accessibility and dependability of electricity, and promote cross-border electricity trading between Nepal and India. These efforts are designed to attract investments, stimulate economic development, and reduce poverty in Nepal. This is particularly important as Nepal grapples with issues related to inadequate power supply and elevated transportation expenses.

The MCC Nepal Compact is seen as a significant step in strengthening the U.S.-Nepal partnership and supporting the Nepalese government in delivering critical services, improving the movement of goods within the country, and attracting private investments for sustainable development. By strengthening the dependability of crucial infrastructure, Nepal's economy is anticipated to witness more substantial expansion, which will, in turn, bolster regional stability, enhance security, and ultimately alleviate poverty. Nevertheless, the MCC Nepal Compact has encountered opposition from certain factions, leading to protests within Nepal against its approval.

. Some argue that the move is seen as "anti-China" and that these protests have received support from China. The situation highlights the delicate geopolitical dynamics in the region, as different countries seek to assert their influence and interests in Nepal's development projects.

The evolving relationship between India and the United States may have also influenced China's engagement in Nepal. China's actions in Nepal could be either directly related to India's actions towards China or completely independent of them. The uncertainty arises when considering Nepal's potential stance in the event of an India-China war, as Nepal has been reluctant to take sides in the past, despite its ally status with India through various treaties reflects its desire to maintain a neutral position, as demonstrated during the Doklam standoff in mid-2017.

An analogy is drawn with the US position in Latin America, which bears some resemblance to

Visit To India of Nepalese prime Minister Prachanda

During his recent visit to India in June 2023, Pushpa Kamal Dahal, also known as Prachanda, expressed great satisfaction with his four-day trip, marking a significant shift from the past when Nepalese Prime Ministers typically chose India as their first destination. This visit symbolizes a warming of relations between India and Nepal, moving them towards closer cooperation. During the visit, both countries focused on areas of convergence rather than contentious issues. They signed five projects and six MoUs, with an emphasis on hydropower cooperation, connectivity, trade, and people-to-people contacts.

- Collaboration in the field of hydropower featured prominently, with India procuring

¹³<https://np.usembassy.gov/mcc-in-nepal-top-ten-facts>

electricity generated from Nepal's hydropower sources and enabling Nepal to export 452 MW, leading to significant revenue for Nepal.

- The two nations agreed to augment Nepal's hydropower export allowance to 10,000 MW within the next decade.
- Additionally, they entered into an MOU for Indian companies to undertake the development of hydropower projects and facilitate the export of Nepalese hydropower to Bangladesh.
- Emphasis was placed on enhancing connectivity, trade, and people-to-people interactions, resulting in agreements related to a cross-border petroleum pipeline, cross-border financial transactions, infrastructure development, and collaboration between Foreign Service institutes.
- The Transit Treaty was renewed, integrated checkpoint facilities were inaugurated, and the inauguration of a cargo train from India to Nepal took place.

The focus was on mutually beneficial areas were in consistence with India's Neighborhood First policy, which prioritizes accommodating its neighbors' interests and Nepal's domestic challenges. Nepal's political instability, economic difficulties, and dependence on India for trade and economic integration played a role in this approach. Despite some irritants in the relationship, the successful visit reflects both countries' recognition of the strategic importance of their partnership and their commitment to building trust and cooperation.

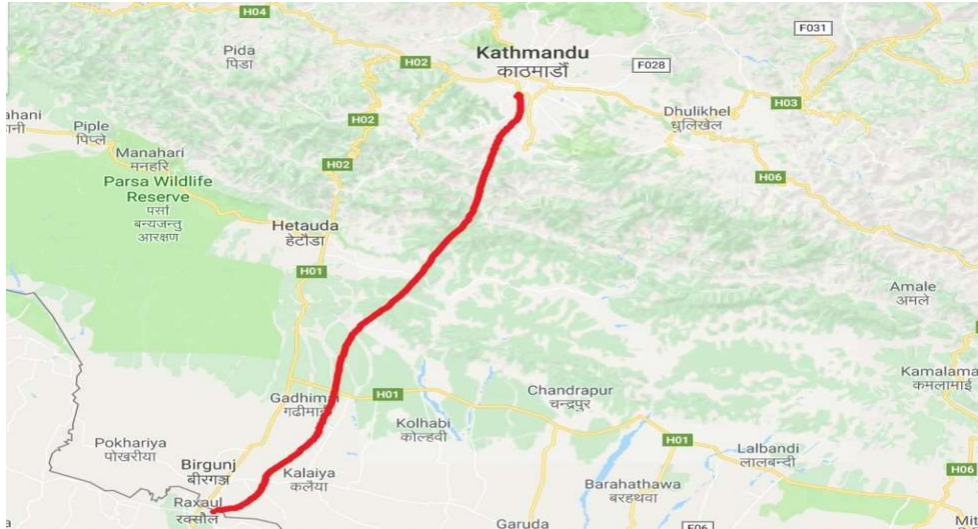
Prachanda's recent visit to India marked a positive turn in India-Nepal relations, with a focus on mutual benefits, particularly in hydropower cooperation, connectivity, and trade. The visit highlights the growing realization of the strategic importance of their partnership in the global order.

Indian Railways To Connect Kathmandu

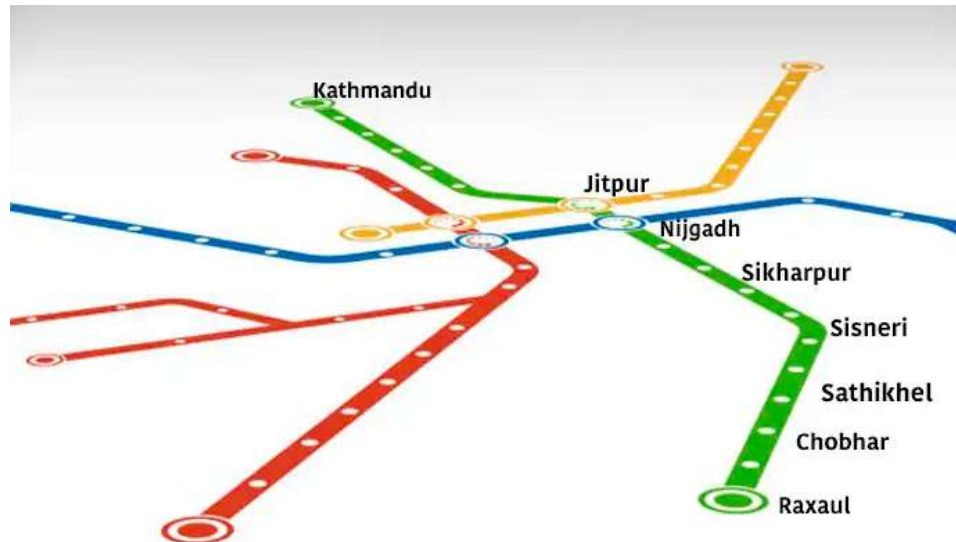
In July 2023, the preliminary version of the Detailed Project Report (DPR) for the Raxaul-Kathmandu Cross-Border Railway Project was delivered to Nepal. India presented this initial DPR to Nepal's Ministry of Physical Infrastructure and Transport (MoPIT) during this timeframe. MoPIT officials have affirmed that the ultimate DPR will be presented to the Nepali government by India, taking into consideration suggestions from Nepal. Bhimarjun Adhikari, the ministry's spokesperson, acknowledged the receipt of the preliminary DPR and clarified that it was primarily provided to solicit input from Nepal. The Railway Department will assess the report, offer feedback, and subsequently, India will prepare the final DPR for submission to Nepal.

The task of preparing the DPR for the railway project, which aims to establish a connection between Kathmandu and the Indian border town of Raxaul to the south, has been undertaken by India's Konkan Railway Corporation Limited (KRCL).¹⁴

¹⁴<https://ddnews.gov.in/international/draft-detailed-project-report-raxaul-kathmandu-cross-border-railway-project-handed>



According to the memorandum of understanding (MoU) signed between India and Nepal on October 8, 2021, the DPR for the project should have been completed within 18 months, by mid-April 2023. India has submitted the draft DPR approximately two and a half months later than the stipulated time. The preliminary report prepared by KRCL indicates that the proposed Raxaul-Kathmandu railway will span 136 kilometers. The initial estimate for the construction of the broad-gauge Kathmandu-Raxaul Railway is Rs 320 billion. The railway would link the Indian border city of Raxaul to the Nepalese capital, Kathmandu . The Konkan Railway Corporation conducted an initial engineering pre-feasibility study and traffic survey for this broad gauge (1,676 mm) railway project. According to this study, the railway would start from Raxaul, pass through various towns like Jitpur, Nijgadh, Sikharpur, Sisneri, and Sathikhel before reaching Chobhar and finally Kathmandu.



Picture source :- <https://www.indianarrative.com>

Once completed, this broad-gauge railway line Kathmandu will be directly connected with Indian

railway network, which will facilitate train travel to all major cities of India. The initial project report suggests there will be 32 tunnels, with the longest one extending to eight kilometers. Additionally, the railway project will include 40 kilometers of tunnels and 35 small and large bridges. Preliminary studies have also identified 13 stations along the railway line.

Following the receipt of the DPR, discussions regarding the construction modality of the project will commence, as per ministry officials. Nepal has been requesting India to finance the project as a grant. The agreement to construct a cross-border electrified railway which will connect Raxaul and Kathmandu was made during former Prime Minister KP Sharma Oli's visit to India in April 2018. In August 2018, both countries exchanged an MoU to conduct a preliminary engineering-cum-traffic survey for the broad-gauge railway. With India's submission of the draft DPR, the foundation for the project's construction has been laid. Upon completion, the railway will provide Nepal with direct access to the vast Indian market. Furthermore, the electrified railway will help in reducing dependence of fuel-based transportation, resulting in significant cost savings on fuel imports, according to ministry officials. Once operational, goods can be transported directly to Kathmandu from India and other third countries through the railway line. This railway link to Raxaul is significant in the context of countering Chinese influence in Nepal. It aligns with New Delhi's eagerness to strengthen its ties with Nepal.

COURSE OF ACTION FOR INDIA

China's involvement in Nepal is not a recent development, and India's ability to compete with China in protecting its interests and upholding its influence in Nepal will hinge on New Delhi's capability to counter China and its determination to reassess its contentious approaches regarding Nepal. Although Nepal cannot completely sever its dependence on India, India's former strategy of limiting Nepal's interaction with China is no longer practical. Instead, India should introduce fresh economic, developmental, and infrastructure programs that benefit the people of Nepal and address potential vulnerabilities that may emerge as Nepal strengthens its connections with China.

Recent developments between India and Nepal have shown positive signs for constructive progress in their bilateral relations. Joint inspection teams have visited border areas prone to flooding, this Group has already given recommendations on revising the 1950 treaty, and efforts are being made to implement projects like water connectivity and the Raxaul-Kathmandu railway.

Nonetheless, India's response to certain connectivity projects and issues related to power trade has been sluggish, and there is a pressing need for a more cohesive approach toward Nepal that aligns with the current circumstances. Concerning China's increasing influence in Nepal, India might contemplate preserving the existing state of affairs by potentially obstructing Nepal's collaboration with other neighbors, such as Chinese investments in infrastructure initiatives. However, this strategy is likely to prove ineffective since Nepal is resolute in exploring partnership opportunities with various countries, including China. To make progress, India must identify the underlying reasons for Nepal's evolving stance toward India and introduce measures that mutually benefit both nations while addressing potential vulnerabilities arising from Nepal's engagement with China.

India must adopt a proactive approach with innovative strategies and policies that transcend the conventional security perspective. This approach should take into account the shifting regional and global landscape, technological advancements, and emerging challenges like terrorism when shaping India's relationship with Nepal. Nepal, on the other hand, has experienced a historic political transformation but faces challenges in managing its population and economy, relying heavily on remittances from the Gulf countries.

India and Nepal must collaboratively explore new ways to move forward in their best interests. As Nepal becomes a member of China's Belt and Road Initiative, India faces challenges and must find ways to maintain a strong relationship with Nepal. The changing dynamics require both countries to adapt to the evolving regional and global landscape to ensure mutual prosperity and security.

CONCLUSION

In the context of the evolving power dynamics in the region, Nepal finds itself in a critical position where its relationship with both India and China requires careful consideration. As India seeks to counter Chinese growing influence in the region, Nepal must navigate this complex power discourse and ensure that its sovereignty and interests are protected.

India perceives Chinese inroads into Nepal as a strategic move to counterbalance its own influence in the region. However, Nepal maintains that its ties with China are primarily economic and do not pose a threat to Indian strategic interests. The increasing cooperation between Nepal and China signals a shift in the Himalayan region's dynamics, where traditional barriers are giving way to opportunities for connectivity and economic collaboration.

China's direct engagement with Nepali politicians has fostered trust and closer ties. A strong and sovereign Nepal can actually benefit India's security interests by relieving India of the need to deploy extensive military presence along the 1,400-km-long Nepal-China border. This allows India to focus its resources on its 4,000-km-long border with China, where the Doklam standoff exemplifies the challenges in deterring Chinese infrastructure development on disputed land.

Prime Minister Modi's cooperative diplomacy approach has yielded positive outcomes, fostering a better rapport between India and Nepal. As Nepal eagerly explores connectivity initiatives such as BIMSTEC and the Belt and Road Initiative, India may consider institutionalizing its current approach to engage more effectively with Nepal, thereby enhancing mutual benefits and strengthening bilateral ties.

Both India and China are employing soft power tools to expand their influence in Nepal, such as financial aid, infrastructural support, military training opportunities, and cultural exchanges. However, Nepal's longstanding people-to-people relationship and geographic proximity to both nations are equally valuable in shaping its foreign policy choices.

While the disputes between India and Nepal often receive significant attention, the border issues with China also need to be addressed. Nepal's involvement in the Belt and Road Initiative and transit treaties holds potential for expanding trade and commerce, bolstering its economy and connectivity with Chinese cities and ports.

To successfully manage its relations with India and China, Nepal must adopt a rational and assertive approach that upholds its national interests. By balancing its engagement with both neighbors and remaining committed to its sovereignty, Nepal can assert its unique position in regional affairs.

A sensible and mature political system and a stable foreign policy framework are crucial for Nepal to effectively navigate the complexities of the region's power dynamics. Promoting dialogue, understanding, and cooperation with both India and China will enable Nepal to play a positive and proactive role in regional affairs, contributing to peace, stability, and prosperity in South Asia.

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