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# Growing Nepal-China security cooperation and its ramifications for India

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#### **Abstract**

Due to its geostrategic location, Nepal is extraordinarily exposed to external influence. As a small, land-locked country positioned between two major Asian powers, India and China, the country is permanently an object of regional ambitions and rivalries. Safeguarding its national security and independence, Nepal's foreign policy has centred on the not always reconcilable task of maintaining friendly relations with both sides. Therefore, Nepal's current attempt to follow a policy of non-alignment (Xavier, 2017), and to keep foreign influence at bay is nothing new. However, this article argues that Kathmandu's ongoing efforts in maintaining control in political decision-making through an increased cooperation with Beijing possesses severe risks for Nepal's national interests. In view of the challenging process of its democratic transition, weak institutional structure, and unhealthy civil-military relations, China has a multitude of opportunities to gain crucial leverage within Nepal's political-administrative structure. Furthermore, Nepal-China cooperation, especially in the field of defence and security, determines a severe issue for Kathmandu's relation with India. In sum, China's growing engagement in Nepal has remarkable security implications for New Delhi since it determines an intrusion in India's sphere of influence.

**Keywords:** China, India, Nepal, security, foreign policy, communists, civil-military relations, elections

### **Contextualising India-Nepal relations**

The long, permeable border (around 1,800 km) with India has upheld a close yet sometimes acrimonious relationship between the two countries, with Nepal's economy functioning as an appendage to that of India. Subsequently, relations between India and Nepal have not only been influenced by cultural and historical links, but also by deeply entrenched economic and political ties burdened by suspicion and resentment. One should however also keep in mind that the Nepalese people have traditionally a great affection for India. The results of the 'Insights South Asia - Nepal survey 2011', jointly conducted by the South Asia Democratic Forum (SADF) and Gallup Europe, showed that 84 per cent of the respondents had a rather positive opinion about their big neighbour.<sup>1</sup> Besides substantial cooperation and common interests characterising the bilateral relations, a major reason for such a positive perception is that many Nepali people found employment in India and because of New Delhi's "role as the midwife of Nepal's democracy" (Gayley, 2001). The latter phenomenon was formally acknowledged in the 1950 'Peace and Friendship' treaty between both countries, signed by the Nepali Rana dynasty.<sup>2</sup> The Rana dynasty came to an end in 1951, after ruling the country in an autocratic manner, leading to the first general elections in Nepal in 1959 supported by India. But in 1960, Nepal witnessed a royal coup, which stifled the progress of the 'democratic experiment'. Witnessing the democratic backslash as well as experiencing a border war with China in 1962, New Delhi changed its Nepal policy and started to improve its relations with the monarchy. Subsequently, trade and transit rights were established, and India secured, through a secret agreement, a monopoly on arms sales to Nepal.

### Nepal's search of equidistance and the notion of the Zone of Peace

It is interesting to note that Nepal maintained neutrality during the 1962 border war between New Delhi and Beijing (Jain, 2013, p.61), which was a remarkable move by the then king to create its own space in foreign policy decision-making. To underpin its independence from India, the monarch tried to push the diversification of Nepal's economic relations and expanded the country's

<sup>&</sup>lt;sup>1</sup> Regarding the same survey, only 9 per cent held an opposite view and 7 per cent said they "did not know" (or preferred not to give an answer). Respondents (90 per cent) who had visited India were overall the most likely to see the country in a positive light (SADF, 2012).

<sup>&</sup>lt;sup>2</sup> Members of the Rana family controlled Nepal between 1846 and 1950. Although the king maintained symbolic power, the Ranas ruled the country, institutionalising the position of Prime Minister as their hereditary prerogative. The Ranas married into the royal family and maintained power by collaborating with the British imposition of colonial rule over India, in the process securing Nepal's own sovereign status. Following Indian independence in 1947 and the prodemocracy movement launched by the Nepali Congress, the Rana family gradually lost its guaranteed position of predominance. Nevertheless, through wealth and power acquired over more than a century, the Ranas continue to be influential figures in Nepal's economy and other sectors (Mitra et al., 2006).

foreign relations with China. For example, the start of the construction of the Kathmandu-Kodari Road as well as air and railway links with China were some of the outcomes of the Kathmandu-Beijing rapprochement in the early 1960s (Jain, 2013, p.61).

The king's aim was to seek a policy of equidistance between China and India, much to the dislike of India (Jain, 2013, p.62). Therefore, since the mid 1970s, the idea of Nepal as a "Zone of Peace" (ZoP) was developed (Muni, 1984). The initial notion of the ZoP concept got inspired by the basic ideals of the UN and the principles of non-alignment. Besides the fact that a concrete definition of the scope of the ZoP came much later (in February 1982), the aim of this new foreign policy direction was clear: Nepal does not intend to take sides in any regional conflict. The monarch was convinced that only the establishment of Nepal in the framework of ZoP would guarantee the country's sovereignty, independence, and territorial integrity, and subsequently ensure political stability and economic progress (Mitra, 1982; Muni, 1984). However, India perceived this move of the then king to establish an independent foreign policy for Nepal as a challenge for its own national interests, especially its security. Being identified as a buffer state towards China, Nepal gains special momentum in India's foreign policy. When this state gets under unrestrained control of Beijing and/or the Maoists, it becomes a strategic liability and security concern for India's decision makers. Against this backdrop, New Delhi viewed the ZoP as a strategic attempt by China and Pakistan to cut the close ties between India and Nepal. In consequence, New Delhi reacted and started to extensively support the pro-democratic elements, foremost the Nepali (National) Congress.

# Semblance of 'special' India-Nepal relations and China-Nepal rapprochement

During the 1970s and 1980s we observed economic cooperation India and Nepal as well as friction over New Delhi's support for the Nepalese opposition and Nepal's persistent feeling of vulnerability with India as the regional hegemon. In June 1988, the royal palace went ahead with a secret conclusion of an arms treaty with China. This arrangement includes the purchasing of anti-aircraft military hardware from Beijing, and training of military personnel. However, the procurement of weapon systems from China was considered by New Delhi as an attempt to discard the Indian security umbrella to seek an independent security and defence policy (Jain, 2013, p.63). As such, the arms deal was regarded in New Delhi as a threat to India's own security environment as well as

a direct contravention against the established structure of friendly, 'special relations' between Nepal and India (Mitra et al., 2006). The ensuing Trade and Transit dispute in 1989 marked a low point in relations<sup>3</sup> as India refused to renew respective agreements in retaliation for the arms deal between Nepal and China (Mitra et al., 2006). However, relations improved significantly after a democratically elected government came to power in May 1991, although India's security-related concerns remained. Political instability in Nepal has added to fears of possible anti-India activities being launched from Nepal. Furthermore, both countries were wary of spill over effects of militancy and criminal activities facilitated by the open border between the two. Concretely, New Delhi is being concerned about support cells for India's northeast insurgencies generated by the Maoist movement and Nepal of co-operation between Indian and Nepali Maoists during the last two decades. However, after the ouster of the king by two major pro-democracy movements (Jana Andolan I & II) and the end of the Maoist insurgency (People's War), Nepal is once again in a process of transition towards democracy. But the subsequent positive ramifications for India-Nepal relations were not utilised due to an ambiguous foreign policy of the Indian National Congress led by the United Progressive Alliance (UPA) governments during the last decades (Wolf, 2014). Yet the India-Nepal relations reached under the 10 years UPA government (2004-2014) an all-time low (Kumar, 2016).

### China's growing activities in Nepal and the 2017 elections

Since 2014, the following BJP-led government under Prime Minister (PM) Narendra Modi tried to bring out a turnaround in the bilateral relations.<sup>4</sup> One of the major reasons for New Delhi's reorientation in its Nepal policy was the tremendous increase of Chinese investments in the infrastructure, energy and other sectors of the Himalayan country (Kumar, 2016). As already indicated, Chinese investments in Nepal became already a well-known phenomenon. Here, the new Chinese Belt and Road (BRI) initiative will give further momentum for China-Nepal development cooperation. Kathmandu already proposed several ideas for joint projects within the framework of BRI.

<sup>&</sup>lt;sup>3</sup> Annual economic growth in Nepal, which had averaged 4 per cent in the 1980s, declined to 1.5 per cent in 1989/90 as India imposed a virtual economic blockade. Economic discontent as a result of the embargo, combined with mounting political instability during the Jana Andolan movement, pressured Nepal's king to reach an agreement with India. In June 1990 a joint Kathmandu-New Delhi communiqué granted commercial privileges to India, reopened transit routes for Nepal's exports to India and restored co-operation on security matters (Mitra et al., 2006).

<sup>&</sup>lt;sup>4</sup> For example, shortly after Narendra Modi took office in 2014, he visited Nepal twice to underpin India's goodwill and to bridge differences (Kumar, 2016).

However, the new, unprecedented amounts of cash flow from Beijing come at a time when the domestic political turmoil and deterioration of economic conditions reached again an extraordinary critical point. Kathmandu's difficulties to handle the catastrophic April 2015 earthquake and its aftermath, or the many years of constitutional limbo until the much criticised, new constitution got adopted in September 2015 (Wolf, 2015a; Wolf, 2015b)<sup>5</sup>, created a new wave of critique and frustration among the Nepali people towards the traditional establishment and their political parties. The subsequent protest movements, especially along the Indian border by Madhesi groups<sup>6</sup>, led not only to a five month<sup>7</sup> long standstill (blockade) in cross-border trade and a severe shortage in crucial goods, but also had negative ramifications for the relations between Kathmandu and New Delhi (Iyengar, 2015). Here, many observers in Nepal claimed India for facilitating the blockade which created additional anti-Indian sentiments.

The mix of all these different, unfortunate factors got reflected in the latest national elections on 26 November 2017, leading to a landslide victory of the alliance of ideological left parties. This allied force consisted of the two major, former hostile parties: the Communist Party of Nepal-Unified Marxist-Leninist/CPN-UML and the Nepal Communist Party-Maoist/CPN-M (Gupta & Liang, 2017). This 'communist alliance' was able to secure overwhelming majorities in both the federal bicameral legislature (the House of Representatives and National Assembly) and the provincial assemblies (Bhattarai, 2017). As such, besides being in control of both houses of the Nepali Federal Parliament, the left alliance will form the government in six out of the seven provinces (Bhattarai, 2017). Nevertheless, the success of the communist parties is not due to the support or influence by China, but rather because of the vibrant, effective organisational structure and party discipline, especially at the grassroot level, of the left parties — then the one by the established parties like the National Congress. Furthermore, Nepal's electorate, particularly the rural one, had always a tendency towards the left at the polls. Moreover, the left alliance was better in communicating their agenda of stability and prosperity. However, Nepal's troubled political histories shows that the left parties suffered from remarkable infightings, ruptures and disintegrations as well as from conflicts

<sup>&</sup>lt;sup>5</sup> After the end of a 10-year Maoist insurgency in 2006, it is drafting a new constitution. Due to numerous unfortunate political undercurrents, numerous interruptions meant the constitutional-building process was delayed for more than seven years. Finally, on 20 September 2015, Nepal has formally adopted a new constitution, the first to be drawn up by democratically elected representatives after centuries of autocratic rule.

<sup>&</sup>lt;sup>6</sup> The Madhesi groups felt that the new constitution did not adequately address their concerns and asked for proportional representation in government and changes to the way electoral constituencies are drawn up (Iyengar, 2015).

<sup>&</sup>lt;sup>7</sup> From September 2015 to February 2016 (Baral, 2017).

among each other. Furthermore, the fact that there is no single-majority party and the victorious 'left alliance' is far away from being an ideological cohesive force, indicates "no guarantee that the victory by the left alliance will ensure political stability in Nepal" (Bhattarai, 2017). Nonetheless, there is much hope in Beijing that the new ruling communist alliance will be closer to China than the former NC government, which maintains traditional, good relations with New Delhi (Gupta & Liang, 2017).

### Security dimension of China's increasing role in Nepal

During the last years, China boosted its security cooperation with Nepal. An important step was the agreement on a Comprehensive Strategic Partnership Programme (Nayak, 2017; Mehta, 2017). Beijing invested heavily in Nepal's security forces, particularly in its armed police and paramilitary forces. The major aim of the tremendous increase of financial assistance and provision of equipment was to build up new security capacities and to modernise Nepal's armed forces. The security capacities of Nepal that protect (seal) the Nepal-Tibet border and thus undermine cross-border activities of 'Free-Tibet' activists remain of key interest to China (Baral, 2017). In other words, Beijing seeks a more active support of Kathmandu for Beijing's 'One-China Policy' (Mehta, 2017).

Furthermore, China and Nepal agreed to hold regular drills of their armed forces focusing on counterterrorism and disaster management. The first joint military exercise between both countries, the 10-day 'Sagarmatha Friendship 2017', took place in April 2017 (KP, 2017). One should expect that the conducting of such joint military exercises will be a crucial element in the future security cooperation of Nepal and China. This is gaining significance since Kathmandu carried out such endeavours only with India and the US. Another significant element of the bilateral security cooperation in the remarkable increase of exchange programs and high-level delegation visits to push military-to-military contacts.

## Final thoughts - China's influence in Nepal and security implications for India

Nepal's increasing incorporation in Chinese infrastructure networks in the extended Himalayan region has tremendous security implications for India. Besides the potential military use of such road, air, and railway links, most importantly is that these are neutralising India's traditional

advantage of having a better geostrategic access to Nepal. Against this backdrop, New Delhi needs to be much more flexible and comprehensive in its reaction towards developments in Nepal in general and China's multifaceted involvement in the country in particular. This is gaining significance since Beijing gave up its policy of non-interference into Nepal's domestic politics.8 The administration of PM Modi reacted already by beefing up its investments in Nepal's infrastructure. Another important step was the final ratification of the Bilateral Investment Promotion and Protection Agreement (BIPA) between Nepal and India which was much needed and demanded.

As mentioned above, Beijing already started quite some time ago to fill the apparent gaps regarding financial and technical support, including equipment and training, for Nepal's armed forces. New Delhi was for many years quite reluctant to do this move. Due to the latest massive increase of Chinese support for the Nepalese army as well as the increased defence and security cooperation, Beijing will gain more influence within Nepalese main security sector agent. This is becoming increasingly important, since the military is also an important player in Nepal's political arena. Due to the lack of institutionalised civilian control and the problematic development of the peace process, one should expect that the leverage of the Nepalese top-brass might further increase. Here, necessary reforms of the security sector, enforcement of civilian supremacy, and the institutionalising civilian control of the military are still central challenges of and for democratic governance in Nepal.

In simple terms, the Nepalese Army has a tradition of respecting civilian supremacy, which lasted around two-and-a-half century. However, taking into account the political and institutional structure of the country, one has to argue that this had nothing to do with what is generally understood as democratic civilian control (Croissant et al., 2010). The still unfinished, insufficient process of reconciliation and the simmering tensions between the former combatants of the country's one decade long civil-war (from 1996 to 2006) which merged within the security sector, might lead to a continuation of conflicts within the existing agencies of the state, and will enforce factionalism. Furthermore, there is a phenomenon that politicians and political parties in Nepal have the habit to

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<sup>&</sup>lt;sup>8</sup> There are several occasions on which China interfered into domestic political trajectories. For example, Beijing provided assistance during the past elections to the constituent assembly and the local elections (Gupta & Liang, 2017). Furthermore, there are clear indication that Beijing prevented the collapse of the Left Alliance K. P. Oli government which was blamed on India (Mehta, 2017).

influence the process of military organisation, particularly appointments, transfers, and promotions. The latter has created a relative high level of political awareness among the country's armed forces. Subsequently, there is the imminent threat that the country's armed forces are developing more interests in respective political affiliation than in military professionalism (Wolf, 2011). Such a potential pattern is not only a challenge for the consolidation of a stable, democratic order in Nepal, but also reading the growing interaction between the armed forces of China and Nepal.

Furthermore, besides the state-to-state level exchange and the military-to-military contacts, China was able to establish working relationship with Nepal's bureaucracy and the Armed Police Force (APF) which guards the Nepal-China border (Nayak, 2017). In the absence of a reliable and trustworthy government in Kathmandu, China has expanded its engagement from the earlier state-to-state level to institutional as well as people-to-people levels (Nayak, 2017). Here, Beijing started numerous measures to boost the exchange of key figures, like the increase of seats and scholarships in Chinese training institutes and universities for Nepali bureaucrats and police officers. Furthermore, China supported the build-up of training facilities in Nepal, like a new Policy Academy at Matatirtha in Kathmandu (Nayak, 2017). As such, Beijing was able to build-up a constituency among NA. The latter was so strong that some section among Nepal's top-brass are even arguing in favour of deeper military cooperation with China since it seemed that a collaboration with Beijing is promising more benefits, at least at the first sight. This trend has the potential to seriously shaken the traditional friendly relations between the Indian Army and the NA. However, it will undoubtedly help China to build-up the opportunity for multi-layered influence in Nepal's decision-making and implementation.

To sum up, we can see that China is on a path to becoming an increasing factor in India-Nepal affairs and critical issues. Here, Nepal might play the 'China card' in conflicts with India, especially territorial once like the controversy over Lipu-Lekh Pass (Nayak, 2015). And Beijing will additionally use its growing leverage to get involved in the relations between Kathmandu and New Delhi to ensure its national interests in the Himalayan region and beyond. Against this backdrop, Beijing's leadership likes to emphasise that China's increased collaboration with Nepal is meant to protect their respective national interest and is not directed against any third party, meaning India (Liping, 2016). However, it is important to note that Beijing never accepted New Delhi's notion of

its 'sphere of influence' of which Nepal is a crucia	l part. A	As such,	China's	role i	n Nepal	is a
challenge towards India's security interests.						

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