China-Nepal Relations

A Cooperative Partnership in Slow Motion

*Buddhi
Prasad Sharma*

Abstract: Despite the long-standing friendship between Nepal and China, their relationship has developed rather slowly since the reestablishment of democracy in Nepal in 1990, mainly due to the constant pressure from Western forces faced by Nepali political elite, as well as the ignorance of most democratic governments about balancing Nepal's foreign relations, especially between its two giant neighbors, India and China. In recent years, however, the Nepali government has been trying to promote pragmatic cooperation with China in order to garner support for its own development. With the signing of the memorandum of understanding (MoU) on cooperation in building the "Belt and Road Initiative (BRI)," the China-Nepal relationship is likely to enter a new era. Based on a historical review of the development of China-Nepal relations, this article offers some suggestions on how to enhance their cooperative partnership in the future.

Buddhi Prasad Sharma is a PhD Scholar at the Institute of Communication Studies, Communication University of China. His mailing address is: International Center, Communication University of China, Dingfuzhuang Street, Chaoyang District, Beijing 100024, China. He can also be reached at yesmanbush@gmail.com.

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Introduction

Over the past 15 years, there has been much political and academic discussion as well as media reports on China-Nepal relations in various fields. During his study in China, the author was amazed to find a growing number of Chinese scholars following and studying Nepalese affairs, indicating China's stronger interest in further improving its relationship with Nepal. Indeed, trade and investment has grown so rapidly, and the bilateral relationship has become so important, that experts on Nepalese affairs and China-Nepal relations are in great demand in nearly all major think tanks and other research institutions in both countries.

Although Nepal and China established their formal diplomatic relations as late as in 1955, they have enjoyed a long history of exchange in culture, economy and trade, dating back to Nepal's Licchavi (approximately 400 to 750 A.D.) and China's Tang dynasty (618 to 907 A.D.). Reviewing history, one may find that trans-Himalayan trade was one of the most important links in the sequence of continental trade of Asia in the 17th and 18th centuries, benefiting the markets not only of South Asian countries like Nepal and India, but also of Central Asia, Mongolia and parts of China.¹

Conventionally, China has only sought to retain its position on its side of the Himalayas, and it would not intervene on the other side unless it identifies a threat to its security north of the mountains.² Their relationship remained robust even at the time of conflict between the two countries on the issue of Tibet (Some Chinese experts assert that Chinese invasion of Nepal in 1792 was triggered by Nepal's belligerent policy toward Tibet; yet during the early 19th century, China's political and military engagement, though not as timely as expected, was one reason for the British invader Lord Hastings, then Governor of the British East India Company, to return

¹Kunjar M. Sharma, *The Economic Theme in Nepali Foreign Policy: A Historical Analysis up to the End of the Anglo-Nepal War*, Ph.D. dissertation, University of Denver, 1973, p. 112.

²Vijaya Kumar Manadhar, *Cultural and Political Aspects of China-Nepal Relations* (Delhi: Adroit Press, 1999), p. 123.

most of the Terai to Nepal).³ Due to China's internal instability and external aggression, from the mid-19th to mid-20th century, the Rana ruler of Nepal had to become a protege of British India and built an informal alliance with it.

There seems to be a short break in China-Nepal relations after China's Revolution of 1911 until 1949. The establishment of the Communist regime in China under the leadership of Mao Zedong and its resumption of control of Tibet in 1957 enabled King Mahendra of Nepal to revive the strong relationship with China. As Nepal's pioneer of modern economic development and foreign policy maker, King Mahendra strove to maintain a balanced neighboring policy by establishing relationships with many countries and attracting huge amounts of investment. China's financial and technical assistance increased during his tenure, even after his death.

Despite the geographical proximity and close high-level contact between them, China and Nepal had little trade and cultural exchange for most parts of the 20th century. For one, Nepal borders the most sparsely-populated areas of Tibet, with poor transportation conditions that make border trade difficult; for another, Nepal has been under the overwhelming influence of India both economically and culturally, thus its relationship with China could hardly improve whilst China-India relations bumped along slowly. As the bilateral relationship between China and India was constantly in flux, Chinese President Jiang Zemin paid a state visit to Nepal in 1996 and a good neighborly partnership was formally established, which facilitated a steady — albeit still quite slow — increase of trade and cultural exchange between both countries.

Since the beginning of Maoist insurgency in 1996, external interference, either direct or indirect, from India, the European Union, the United States and some Scandinavian countries in the internal affairs of Nepal has increased tremendously. To a large extent, interference from these democratic countries has made Nepali democracy ineffective. Therefore, anti-India and anti-Western sentiments in Nepal have been rising, blaming India and Western powers for Nepal's lasting instability and underdevelopment. More Nepali experts question the structure and future of Nepali democracy, arguing that there should be a Nepali style of democracy that is different from the Western model.

³Ramakant, *Nepal, China and India* (New Delhi: Abhinav Publication, 1976), p. 64.

The increasing engagement of Western powers in Nepal has compelled China to become aware of the possible regional impact and geopolitical implications. Worrying that Western powers are trying to use Nepal to create instability in Tibet, China has been enhancing political, diplomatic, economic and cultural exchange with Nepal over the past two decades. Today, China's investment in Nepal is more than India's; and the number of Chinese tourists has been rising. Will Nepal be successful in balancing its neighboring policy under such a delicate geopolitical situation? And what are the prospects of China-Nepal comprehensive cooperation under the framework of the China-led "Belt and Road Initiative (BRI)"? This article tries to find answers to these vital questions by highlighting some historical elements of China-Nepal relations and analyzing the new dimensions of the bilateral cooperation in recent years.

The First 35 Years: Strong Political Ties, Loose Social Bonds

When the People's Republic of China (PRC) was founded in 1949, Premier Zhou Enlai was very concerned about China's relationship with Nepal. He talked with K. M. Panikkar, then Indian ambassador to China, during a tripartite meeting among China, India and Nepal to seek resolution to the border disputes and other issues, trying to forge mutual understanding and trust.⁴ In 1955, at the Bandung Conference, Premier Zhou met with the Nepali delegation and proposed to establish diplomatic relations with Nepal; the Nepali delegation welcomed the proposal and agreed to work with China to set up diplomatic relations based on mutual trust and the famous "Five Principles of Peaceful Coexistence."⁵

On August 1, 1955, China and Nepal established diplomatic ties. A year later, they signed the *Agreement on Maintaining Friendly Relations between the People's Republic of China and the Kingdom of Nepal* and the *Agreement on Trade and Intercourse between the Tibet Region of China and Nepal*. On Premier Zhou's invitation, Prime Minister Tanka Prasad Acharya of Nepal made the first official visit to China from September 26 to October 7,

⁴Kavalam Madhava Panikar, *In Two China* (Connecticut: Hyperion Press Inc, 1995), p. 164.

⁵Niranjan Bhattarai, *Nepal and China, A Historical Perspective* (New Delhi: Adroit Publishers, 2010).

1956, during which time another agreement was signed on China providing economic aid to Nepal, with the presence of Chairman Mao.⁶ China-Nepal relations began to develop slowly afterwards. China and Nepal often found themselves speaking in one voice on various international forums; and Nepal had supported the PRC's readmission to the United Nations.

When Premier Zhou visited Nepal in January 1957, he expressed much hope for an even closer China-Nepal relationship, highlighting the importance of expanding cooperation in the following years. Consequently, a joint communique was issued, stating that "In the spirit of the intimate and friendly talks which they had in Peking, the two Premiers recalled and affirmed the traditional friendship which has existed since the time immemorial."⁷ Nepal's first elected Prime Minister B. P. Koirala visited China in March 1960. His talks with Chairman Mao and other Chinese leaders further strengthened the bilateral relationship; most importantly, he signed with his Chinese counterpart an agreement on locating and demarcating the Nepal-Tibet boundary, settling the toughest issue between the two countries that had lasted for decades. In addition, the Chinese government agreed to provide loans for Nepal to build a new road linking Kathmandu and Lhasa, capital of the Tibet Autonomous Region.

There was little economic and cultural exchange between China and Nepal before 1990.

King Mahendra of Nepal visited China in 1961, which opened a new window for China-Nepal cooperation. During his reign, Nepal and China enjoyed a full-fledged relationship in the political, economic, cultural and military arenas. King Mahendra was widely lauded as the architect of Nepal's modern foreign policy, for he took every effort to maintain a delicate balance with the

small country's big neighbors. While careful not to offend India, he supported road connectivity and border trade between Nepal and China. His friendly stance won financial and technical assistance from China worth millions of Chinese Renminbi (RMB), with which roads, paper mills, hydro-power plants and a number of other factories were built.

⁶Avtra Singh Bhasin, *Nepal's Relations with India and China* (Delhi: Siba Exim Pvt. Ltd., 1994), p. 153.

⁷Niranjan Bhattarai, *Nepal and China, A Historical Perspective*.

The visits of Prime Minister Kirti Nidhi Bista in 1972 and King Birendra in 1979 to China promoted the China-Nepal relationship to a higher level. Similarly, the visits of Chinese Premier Zhao Ziyang in 1981, President Li Xiannian in 1984 and Premier Li Peng in 1984 to Nepal also marked important events for the bilateral relationship. During this period, the two countries agreed to settle minor border issues and signed a number of trade agreements.

Although the king-ruled authoritative regime from 1960 to 1990 — “Panchayat” as it was called — was regarded as undemocratic, it did manage to restore peace and stability in the nation. Most of the major infrastructure projects seen today were launched during the Panchayat period. In foreign policy, Panchayat rulers were committed to upholding the non-alignment and Panchsheel principles (the Nepal term for the “Five Principles of Peaceful Coexistence”). From China to Russia, from the United States to Japan, Nepal succeeded in maintaining strong diplomatic relations with nearly all major countries on different continents. Concurrently, Nepal exhibited strong involvement and a loud voice on issues concerning Third World countries in various international mechanisms, in particular the United Nations. This became an ever stronger basis for China-Nepal cooperation as China reengaged with the international system and began developing at a rapid pace.

After the death of King Mahendra, his son Birendra Bikram Shah came to the throne. The new King’s liberal approach and people-oriented programs won him huge support and trust from the public. King Birendra carried on his father’s legacy of economic development and foreign policy. In his tenure, China-Nepal relations were further improved. Government-to-government exchanges helped advance Nepal’s economy and infrastructure development; China was also happy with the Nepali government for its adherence to the “one-China” policy and balanced stance in its neighboring policy.

Due to a series of strikes and pro-democracy riots, however, the King’s rule ended in 1990 and a multiparty system was reestablished under constitutional monarchy. Major political parties that sought to end the autocratic Panchayat system came in the front; and democratic exercises began with the democratic constitution and parliamentary election of 1991. To China’s relief, the new government of Nepal soon declared that it would maintain the non-alignment and Panchsheel principles in its foreign policy.

In sum, China-Nepal relations during the first 35 years of their diplomatic relationship demonstrate strong political ties and China's generous assistance to Nepal's development, although their economic and cultural exchange remained quite limited. Even after a joint commission on economic and trade cooperation was set up in 1983, the bilateral trade volume remained around US\$50 million, mostly from China's exports to Nepal; and there were few tourists or exchange students coming from either side.

Winding Path to a Comprehensive Partnership

The new democratic government of Nepal had doubts about past political leaders who were too closely connected with Indian leaders and government officials, and thus it took the initiative to further balance Nepal's relations with India and China. Prime Minister Girija Prasad Koirala visited China in 1992, and had a special meeting with Chinese Premier Li Peng, this meeting focused on building mutual trust and enhancing cooperation. Leaders of both countries were satisfied with the lasting progress of the bilateral relations on the basis of the "Five Principles of Peaceful Coexistence"; and they agreed to further strengthen cooperation in the fields of economy, trade, culture, and education.⁸

Koirala had been a most powerful and influential leader of Nepal till his death. His meeting with Chinese leaders proved that China-Nepal relations would not be affected by regime change in Nepal. Replying to a question by a Chinese journalist, Koirala said: "I have not come here just in a give-and-take spirit. I have come to China to extend to it a hand of friendship. I would like to strengthen this pillar of friendship and strengthen it further."⁹ However, Koirala was widely blamed for not being able to maintain political stability and economic development, and his government did a rather poor job in implementing signed agreements with China.

Nepal's first ever elected communist Prime Minister Manmohan Adhikari paid a week-long visit to China in April 1995. He met with Chinese President Jiang Zemin and Premier Li Peng. During their

⁸Ibid.

⁹Bhasin, *Nepal's Relations with India and China*.

meetings, Adhikari reiterated Nepal's historical stand; and a number of new agreements on economic and technical cooperation were signed. Although bilateral trade grew slowly from the mid-1990s to the early 2000s (the total bilateral trade volume was little more than \$70 million in 1995 and was less than \$175 million in 2003), there were more Chinese tourists visiting Nepal, and more Nepalese students studying in Chinese universities. It is said that China-Nepal relations under the Adhikari government was most productive since 1990. Indeed, the key to the success of Adhikari's foreign policy was balancing Nepal's relations between China and India.

There was an increasing number of high-level visits from both sides after 1990, the most important of which was the official visit of Chinese President Jiang Zemin to Nepal in December 1996. On his visit, he expressed China's willingness to work closely with the Nepalese people in all fields, saying that China-Nepal relations were based on mutual trust, goodwill, and win-win cooperation.¹⁰

Despite such frequent visits of top leaders, many agreements signed with China — though meant to be beneficial for Nepal's development — were not implemented properly, mainly for reasons on the Nepali side. As a matter of fact, many Nepali governments after reestablishment of democracy in 1991 never took concrete actions to boost China-Nepal relations. In this regard, a forum on business cooperation was established in 1996 facilitated by the Association of Industry and Commerce of both countries, in order to promote their trade and economic cooperation.

When King Gyanendra succeeded the throne after the death of his brother, King Birendra, in 2001, he was determined to maintain a stronger balance in Nepal's neighborhood. Though widely blamed for rejecting the democratic system and trying to restore autocratic rule, King Gyanendra took great pains to assert Nepal's strong stand in the international arena and, in particular, to improve relations with China: he visited China in 2002

Mainly for reasons on the Nepali side, many agreements signed with China were not well implemented.

¹⁰Ibid.

and signed various agreements to enhance the bilateral relations; he also played a prime role in helping China to gain a seat as an observer in the South Asian Association for Regional Cooperation (SAARC).

Nepal faced a decade of Maoist insurgency in the 2000s. The Twelve-Point Agreement reached between the then seven-party alliance and the Maoist rebels in Delhi created a path for peaceful agitation against the direct rule of the king. Nepal was once again thrust into a democratic framework. The Maoist party became the largest party at the first constitutional assembly election, and its leader Pushpa Kamal Dahal (Prachanda) became the first Prime Minister of the Republic of Nepal. Unlike past leaders who would choose New Delhi for their maiden foreign trip, Prachanda visited China first in August 2008 to attend the closing ceremony of the Beijing Olympics, where he met with Chinese President Hu Jintao, Premier Wen Jiabao and other leaders of the Communist Party of China. Agreements were signed between the two governments to further strengthen bilateral cooperation.

Prachanda's visit sent a strong signal that Nepal would go on promoting pragmatic cooperation in the spirit of the "Five Principles of Peaceful Coexistence," and that China did not need to worry about the massive political change in Nepal and its possible impacts on China-Nepal relations, especially on Tibet. Although he was faced by criticism for prioritizing amending the India-Nepal relationship and thus largely ignoring China affairs during his second term as Prime Minister (from August 4, 2016 to June 7, 2017), Prachanda believed it would not affect Nepal's friendship with China, for "all the political parties in Nepal see eye to eye with each other on maintaining close relations with China."¹¹ As evidence, he paid a visit to China shortly before leaving office. On his meeting with Chinese President Xi, Prachanda assured that his government had always taken China-Nepal relations seriously and would like to join in the BRI. In his speech at the Beijing Foreign Studies University, Prachanda reiterated that China and Nepal have much room for cooperation in economy and trade, infrastructure building, hydro-power development and tourism,

¹¹Fu Xiaotian, "Jingli Yindu 'Ruanfengsuo' hou Niboer Qinyin Haishi Qinzhong [Is Nepal Pro-India or Pro-China after 'Soft Block' from India]," News Ifeng, May 4, 2017, <http://news.ifeng.com/dacankao/niboeryidaiyilu/1.shtml>.

among other fields, and that they should join hands with other South Asian nations to make the "Asian Epoch."¹²

It is widely believed that the China-Nepal relationship reached a peak when KP Sharma Oli was in office as Prime Minister from October 2015 to August 2016, a critical time when Nepal faced the notorious economic blockade from India. At that time, The Oli-led Nepali government took a historic step to promote the comprehensive partnership with China, which had been established between both countries in December 2009 when then Prime Minister Madhav Kumar Nepal visited China. After nearly 7 years of slow progress in concrete cooperation between both countries, Oli visited China in March 2016 and signed 10 cooperation agreements or Memorandums of Understanding (MoUs) with his Chinese counterpart on using China's seaport facilities, enhancing railway connectivity and building a transmission line between both countries, building a regional international airport in Pokhara, and seeking to sign a bilateral free trade agreement and to explore oil and gas reserves in Nepal, among other things.¹³ He also signed the primary framework of the BRI.

Currently in his second term as Prime Minister, Oli is a committed participant in the BRI. Returning from China at the Tribhuvan International Airport of Nepal, he talked with domestic and international journalists and said that the 10-point agreements signed with China was a "significant achievement of the nation," for they have not only "ensured Nepal's right to access sea as a landlocked nation and the right to transit freedom through the Chinese land," but will also "expand land and air connectivity and improve infrastructures of land transport."¹⁴

Oli paid a second visit to China in June 2018 with a 100-plus delegation, and signed with China new agreements on railways, energy, transportation, infrastructure development, tourism, and so on, which, according to the Prime Minister, "have prepared the outline for long-term

¹²"Niboer Zongli Pulachangda Fangwen Beijing Waiguoyu Daxue Bing Fabiao Yanjiang [Nepal PM Prachanda Visited BFSU and Delivered Speech]," March 26, 2017, http://cn.chinadaily.com.cn/2017-03/26/content_28683254.htm.

¹³Ibid.

¹⁴"PM Oli Returns Home from China," *The Himalayan*, March 27, 2016, <https://the-himalayantimes.com/kathmandu/kp-sharma-oli-returns-home-china/>.

economic assistance [from China to Nepal].”¹⁵ Chinese media reported this visit with much enthusiasm: “While maintaining a good relationship with India, the Nepali prime minister is now turning more focus on diversifying the areas for and scope of engagement with China.”¹⁶

China-Nepal relations have picked up momentum over the past decade.

Oli’s stand with China was rather courageous. Fearing India, most of the governments after 1990 chose to procrastinate — though in most cases covertly — political and economic cooperation with China. Indian influence has been deeply rooted in Nepal. Some Nepalese politicians were

influenced by the Indian establishment to serve the latter’s vested interests, which led to constant instability and chaos in Nepal. That is why the Nepalese people tend to blame India for many problems in their country. Yet the Indian government failed to address India-Nepal relations effectively due to its century-long suzerain’s mentality. Thus, anti-India sentiments have been rising in Nepal, and Indian influence has been diminishing in recent years. In this sense, Oli’s endeavor to adopt an even more balanced policy toward India and China is but a reflection of the changing public opinion in Nepal.

With the changing attitude of the Nepali government, China-Nepal cooperation has been progressing rapidly over the past decade. The bilateral trade volume more than doubled from \$414 million in 2009 to \$990 million in 2017; and China surpassed India as the largest aid donor and source of foreign direct investment (FDI) to Nepal in 2016. Reportedly, arrivals of Chinese tourists to Nepal overtook those from India during the first quarter of 2018 for the first time.¹⁷ Notably, China was among the first nations

¹⁵“Railway Connectivity Important Document of China Visit: Nepal PM KP Oli” The Economic Times, June 24, 2018, <https://economictimes.indiatimes.com/news/politics-and-nation/railway-connectivity-important-document-of-china-visit-nepal-pm-kp-oli/article-show/64722643.cms>.

¹⁶“Nepal’s Oli Visits Beijing amid China-India-Nepal Triangle,” Chinanews, June 20, 2018, <http://www.ecns.cn/news/politics/2018-06-20/detail-ifyvmeie7350328.shtml>.

¹⁷“Chinese Overtake Indian tourists in Nepal,” April 13, 2018, <https://www.thehindu.com/news/international/chinese-overtake-indian-tourists-in-nepal/article23525984.ece>.

to extend a helping hand after the devastating earthquake in Nepal in April 2015. Within two weeks, official assistance from China reached 60 million RMB, together with 546 tons of daily-use materials, including 1,600 tents, 10,000 blankets and 327 electric generators, etc. China's volunteer rescue and medical teams also joined international aid groups to provide timely support for disaster relief.¹⁸ China's generous help at the critical moment is not only cherished by the Nepalese people, but it will also win China new opportunities in Nepal's infrastructure building in many years after the earthquake.

BRI: New Opportunities for China-Nepal Common Development

Amid growing mutual trust and need, China and Nepal signed an MoU on BRI cooperation on May 12, 2017, which marks Nepal's official entry into the China-led major international project. Foreign Minister Prakash Sharan Mahat believed that the move is a major step forward in strengthening China-Nepal relations, saying that Nepal needs a significant boost in foreign investment and that Nepal is optimistic about reaping benefits after becoming part of the initiative.¹⁹ Similarly, Chinese Ambassador Yu Hong said that signing the agreement would bring new opportunities for China-Nepal cooperation and the development of South Asia. According to Professor Hu Shisheng, Director of the Institute of South-Southeast Asian and Oceania Studies, China Institute of Contemporary International Relations, the MoU on BRI cooperation is expected to provide critical guidance and policy support for the two governments to undertake cooperation in major projects related to development programs and strategies match-up or

¹⁸"Shangwubu: Zhongguo shi Zuizao dui Niboer Dizhen Tigong Yuanzhu Guojia Zhiyi [Ministry of Commerce: China is among the First Nations to Provide Aid for Nepal after the Earthquake]," People.cn, May 7, 2015, <http://politics.people.com.cn/n/2015/0507/c70731-26965126.html>.

¹⁹Sanjeev Giri, "Nepal, China Sign Deal on OBOR," Kathmandu Post, May 12, 2017, <http://kathmandupost.ekantipur.com/news/2017-05-12/China-Nepal-sign-framework-deal-on-obor.html>.

interface, physical connectivity, trade facilitation, financial assistance, as well as people-to-people and institutional exchange.²⁰

Unlike in the past when many signed deals between both countries were poorly implemented due to external pressure or domestic political factors, the Chinese and Nepali governments began to discuss concrete plans to implement the MoU on BRI cooperation soon after it was signed. At a joint press conference held by Chinese Foreign Minister Wang Yi and Nepali Foreign Minister Mahat after their meeting in Beijing on September 7, 2018, Wang declared that they have reached important consensus on deepening bilateral cooperation under the BRI framework, mainly on four fronts: (1) building a cross-border railway; (2) restoring two major roads linking both countries that were seriously damaged during the earthquake in 2015; (3) constructing three land ports on their borders; and (4) enhancing cooperation on trade, investment, post-earthquake reconstruction, energy and tourism.²¹

Many cooperation projects have been launched in Nepal under the BRI framework.

Up to now, many tangible achievements have been made to enhance China-Nepal cooperation since early 2017. After the first joint military exercise between the Chinese and Nepali armies was held in Kathmandu in April 2017, focusing on countering rebels and anti-terrorism, Nepal began to use access to internet service through the route of China; September 19, 2017 saw the opening

ceremony of the “Suning-Yuba Sahabhagita School,” the first school established with Chinese donation after the earthquake in Nepal. While China is working to extend its railways to the border regions by 2020, Nepal has also made a 20-year plan to develop a 4,000-kilometer nationwide railway system, including a railway from Kathmandu to Keyrung, a town

²⁰“It Is Up to India’s Neighbours to Decide or Make a Choice,” Kathmandu Post, May 12, 2017, <http://kathmandupost.ekantipur.com/news/2017-05-12/it-is-up-to-indias-neighbours-to-decide-or-make-a-choice.html>.

²¹“Wang Yi: Zhongni ‘Yidaiyilu’ Kuangjia Xia Hezuo, Yao Zhongdian Banhao Sijianshi [Wang Yi: China and Nepal to Focus on Four Concrete Aspects for Cooperation under the BRI],” China Belt and Road Network, September 18, 2017, <http://business.sohu.com/20170908/n510454569.shtml>.

in Tibet that is only 24 kilometers away from the borders. Besides, China has agreed to provide financial and technical assistance for building Nepal's second international airport; and Nepal is taking serious measures to guarantee the safety and legitimate rights of Chinese tourists to the country.

Clearly, signing the MoU on BRI cooperation has opened a new era for China-Nepal relations, creating a better environment for Chinese investors and tourists while facilitating both sides in implementing the agreements signed in the past. After so many decades of slow and limited progress, the bilateral relationship has finally been elevated to a genuine comprehensive partnership. People of both countries aspire to more tangible and pragmatic cooperation, especially in the areas of economy, culture, technology and people-to-people exchange.

Great Power Game, the China Factor and Nepal's Future

Given Nepal's important geopolitical location, major powers have tended to play open or covert roles in its internal matters. India, the United States and some European countries, in particular, have been exerting all kinds of pressure on the Nepali establishment to fulfill their own interests, which gives rise to lasting instability and underdevelopment of Nepal.

Analyzing Nepal's relations with foreign countries, John Mage concluded that without a bold strategic figure like King Prithvi Narayan Shah, Nepal as a nation could hardly be stabilized.²² King Shah, who led the unification of the nation in the 18th century, also said that the geographically strategic location of Nepal should serve as the basis for its foreign policy. His famous statement that "Nepal is the yam between two boulders" emphasized a balanced relationship between the Chinese empire in the north and the British Empire over India in the south.²³ At that time, China was very weak due to internal instability and external inference. Rana rulers of Nepal had to maintain close relations with British India to defend its sovereignty and the regime.

²²John Mage, "The Nepali Revolution and International Relations," *Economic and Political Weekly*, Vol. 42, No. 20 (2007), pp. 1834–1839.

²³Sebastian von Einsiedel, David M. Malone, and Suman Pradhan, eds., *Nepal in Transition, From People War to Fragile Peace* (Cambridge: Cambridge University Press, 2012).

Autocratic as the political system was before 1990, Panchayat rulers had in general maintained good neighboring relations, and there was little Western influence in Nepal. No power would engage directly with or talk openly about internal matters of Nepal. After the reestablishment of democracy, however, foreign powers began to tap into the liberalizing political and social environment to pursue their covert agendas in Nepal; they use Nepal's political leaders, scholars, government officials and high-ranking security officers to serve their own interests, thus undermining Nepal's sovereign power and independent foreign policy.²⁴ Nepali democratic politicians have to some extent lost the ground to foreign influence, so to speak. That is the reason why Nepal is confronted by protracted crisis even till today.

China and Nepal are getting even closer as the latter adopts a truly independent and balanced foreign policy.

A major issue for great power competition is the Tibet issue, where geopolitical competition might escalate into serious regional confrontation, or even military clash, between great powers. Professor Melvyn C. Goldstein studied the issue intensively in his book *Tibet, China and the United States: Reflection on the Tibet Questions*, claiming that the Tibet issue emerged due to the dual strategy of the West.²⁵ Since the reestablishment of

democracy in Nepal in 1990, Western countries have been using some Nepali politicians and concerned parties to create instability in Nepal, hoping that it could have direct impacts on Tibet. As China's power continues growing in recent years, India, the United States and some European countries have been involving themselves — though not always openly — in Nepal's internal matters, to expand their strategic influence in South Asia and push for their political agendas regarding the autonomous region of Tibet.

As Leo E. Rose warned then Nepali rulers in his famous book, *Nepal: Strategy for Survival* (1971), Nepal is of much strategic importance to China, while it would not be stress-free to handle Nepal's neighbor policy if they were guided by narrow-minded interests, meaning that Nepal's prosperity

²⁴Ibid.

²⁵Melvyn C. Goldstein, *Tibet, China and the United States: Reflections on the Tibet Questions* (Los Angeles: University of California Press, 1995).

depends much on astute management of and balance in its neighboring policy.²⁶ Unfortunately, most Nepali politicians have turned a blind eye to these critical issues. Under the influence from India and Western powers, most of the Nepali governments since 1990 failed to take a pragmatic diplomatic stance in foreign relations, and thus were unable to uplift the nation in socio-economic aspects.

Today, most experts on China-Nepal affairs opine a common understanding that China's non-interference policy has helped it to win the hearts and minds of the Nepalese people while contributing to Nepal's economic development. In contrast, India, Nepal's largest trading partner and source of aid since the establishment of their diplomatic relationship in 1947, is losing the trust of the Nepalese because of its unpragmatic policy toward Nepal, coupled by the harmful encroachment of European and American powers in Nepalese affairs — for India cannot easily change its policy due to its traditional suzerain's mentality and pressure from European and American lobbies. After decades of India-oriented policy, Prime Minister Oli was bold enough to pledge that “we will make sure that our land would not be used to harm the sovereign rights of our neighbors.”²⁷ That is the strongest voice from a Nepali leader so far about Nepal's determination to adopt a truly independent and balanced foreign policy.

Drawing lessons from history, the Nepali establishment needs to be pragmatic and strategic in its foreign policy on neighboring relations. Until and unless the Nepali establishment understands the reality and balances its neighboring relations, achievement of stability and development would be mere aspiration.

Conclusion

History shows that to make a sovereignty strong, it would have to maintain political stability, develop its economy, and address the aspirations of the

²⁶Leo E. Rose, *Nepal: Strategy for Survival* (Berkeley: University of California Press, 1971), p. 87.

²⁷“Niboer Zongli Fanghua: Women de Lingtu Buneng Yonglai Shanghai Linguo [Nepal Prime Minister Oli Visits China: Our Land Not to be Used to Harm Our Neighbor],” *Global Times*, June 20, 2018, <http://baijiahao.baidu.com/s?id=1603772327149048082&wfr=spider&for=pc>.

common people. Beside mutual economic needs, similar history and culture are also contributing factors to a sound China-Nepal relationship. The Prachanda and Oli governments made the right decision to sign the MoU on BRI cooperation with China, which is expected to help promote Nepal's development while taking the bilateral relations into a new era. The hitherto lackadaisical cooperation is finally beginning to develop rapidly toward a truly comprehensive partnership. In spite of the temporary suspension of the China-developed 750 MW West Seti hydro-power project and the cancellation of the 1,200 MW Budhi Gandaki hydro-power project, current Nepali leaders have made it clear that they would make their decisions based on careful evaluation of their national interests, rather than external factors. In this regard, it is widely hoped that China-Nepal cooperation will be further improved, which will facilitate the social and economic transformation of Nepal.²⁸

The daunting challenge for Nepal, however, is how to effectively implement those agreements signed with China. Besides a strong and responsible political leader to balance the nation's neighboring relations, Nepal needs a huge amount of investment to support its infrastructure development, while China has the capital, technology, knowledge and experience to meet those needs. By enhancing rail, road, transmission line and cultural connectivity, the China-Nepal relationship is on its way to a new level of common development based on mutual benefits.

²⁸Ibid.