

# Himalayan Geopolitics: Contemporary Analysis of Sino-Nepali Relations

Written by Bibek Chand

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Nepal and China share a land border of 1,414 kilometers along the Himalayan frontier. They established formal diplomatic ties on 1 August 1955. Ever since the establishment of official ties, the two states have maintained increasingly close relations. However, Nepal's geopolitical and geoeconomic focus has been with its southern neighbor, India. Cultural, religious, linguistic and historical affinities coupled with Nepali reliance on India for trade have also played important roles in Indo-Nepali relations. On an official level, the bedrock of contemporary Indo-Nepali relations is the 1950 Treaty of Peace and Friendship which allows freedom of movement between the two countries. Despite these close cultural and social ties, China's rise has certainly impacted Indo-Nepali relations. Overall, this article assesses contemporary Sino-Nepali relations by highlighting the specific interests of Nepal and China in forging closer ties. First, Nepal's interests in having closer ties with China is assessed through the lens of Nepal being a small state and second, China's interests in Nepal are highlighted. The final concludes the paper and briefly highlights the implications of closer Sino-Nepali ties for India's security.

Nepal was founded in 1768 as a unified state by King Prithvi Narayan Shah who referred to his nascent empire as a 'yam between two boulders'. The realization early on was that it was surrounded by two big powers – the Qing Empire in the north and the British East India Company in the south. Nepal's status as a small state squeezed between two much larger powers continued with India's independence from the United Kingdom in 1947 and the establishment of the People's Republic of China in 1949. As a small state, Nepal's structural constraints remained. Nevertheless, Nepal's foreign policy has somewhat showcased an effort to internationalize its diplomatic ties. Despite the fact that small states are constrained by their relatively weak material and ideational position, an increasing literature on such states is emerging that highlights their agency.

Nepal's case provides an important perspective for this growing literature on agency of small states given that it has attempted to chart an independent foreign policy vis-à-vis its neighbors. This diplomatic independence is clearly evident during King Mahendra's reign between 1955 and 1972. Given extensive economic reliance on India as a landlocked state, he accelerated the country's diplomatic relations with states outside of the region. The logic was to hedge against Nepal's dependence on India. As such, the positive response by Nepal's political elites to recent overtures by China could be explained based on this foreign policy approach which seeks to "cushion" the country's dependence on Nepal.

Nepal's foreign policy conundrum stems from its status as a small state wedged between two larger and competing powers. Nepal's responses, as showcased by King Mahendra's actions, highlight its agency. Furthermore, cushioning its reliance on India is an integral aspect of its foreign policy approaches as well. In 1989 and 2015, Nepali ruling governments alleged India of orchestrating economic blockades on the country, effectively stalling the country's economy in both instances. The 1989 blockade was over Nepal's purchase of anti-aircraft guns from China, which New Delhi alleged was a direct violation of the 1950 Treaty. As for the 2015 blockade, India officially denied there is a blockade over Nepal's new constitution but Nepali political elites alleged that the border blockade was orchestrated by India using Nepali political parties from the south as proxies. India had expressed concerns about the new Nepali constitution over the demarcation of new federal provinces. Both of these events have become part of the political discourses at the elite and public levels. Time and again, Nepal's political leaders have used

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these blockades as a motivation for accelerating ties with China to lessen its dependence on India. Thus, the logic of 'Indian preponderance' carries political currency in Nepal's political culture and opens avenues for tightening ties with Beijing.

The presence of an economic dimension to Nepal's growing ties to China cannot be undermined either. China's increasing global economic impact is also felt not just in Nepal but throughout South Asia. The infrastructural funds that Nepal can garner through the Belt and Road Initiative (BRI) are a boon for the country's underdeveloped economy. Nepal currently has one of the lowest GDP per capita incomes in Asia, with the need for extensive infrastructure development to overcome its extremely challenging topography. As such, China's BRI projects provide much needed infrastructure investment to fill Nepal's infrastructure gap. Concurrently, the projects would further connect China and Nepal, possibly as a means to lessen the country's dependence on India.

The Sino-Nepali relations are growing. Nepal's status as a small landlocked state has not dissuaded it from pursuing an independent foreign policy. Within the context of Sino-Nepali relations, it is in Nepal's interest to forge closer ties with China to lessen its dependence on India. Additionally, BRI and other forms of economic aid are essential for the further development of Nepal's infrastructure and its underdeveloped economy.

China's interests towards Nepal accelerated after 2008. While relations between the two countries have existed since 1955, the nature and depth of relations have changed extensively since 2008. The riots that broke out in the Tibetan Autonomous Region (TAR) in 2008 right before the Olympic Games was a source of international scorn and embarrassment. Nepal happens to be home to over 20,000 Tibetan refugees, who have actively partook in protests against China. Following the 2008 riots, China has increasingly pressured Kathmandu to curb such activities and keep a curb on activities by Tibetan refugees within Nepal. Thus, a major interest of China in Nepal is to keep a lid on the Tibetan refugee population in the country.

Another major reason Nepal is strategically important for China is the 1,414 km long border between the two; given the Tibetan Autonomous Region's sensitivity for Beijing, maintaining stable relations with Nepal is key to the region's stability. Furthermore, the TAR remains one of the most remote and underdeveloped provinces of China. As one of Xi Jinping's central domestic policies has been poverty alleviation, it makes sense that the TAR has been targeted for development. A central component of this approach is to integrate peripheral provinces to neighboring states: Xinjiang with Central Asia, TAR with Nepal, and Yunnan with mainland Southeast Asia. The logic is to foster economic growth in these provinces by infrastructural integration of markets in neighboring states. Of course, there are others who argue that such infrastructure integration are more security based than economic, given the strategic importance of frontier provinces for China's internal security.

As a part of the efforts to integrate peripheral provinces with their neighboring markets, China has tentatively proposed starting construction on the Sichuan-Tibet railway link along with a railway link between Nepal and Tibet; the plan also includes a dry port in the region. Along with such efforts in the TAR, Beijing has also started its development aid to 15 northern districts of Nepal that border the region. For the first time, China International Development Cooperation Agency (CIDCA), the external aid and development agency of China proposed the Northern Region Border Development Programme. The deal is projected to invest anywhere in between 1 to 3 billion Nepali rupees (\$8.5 - 25.5 million USD). The development in the northern regions would ensure the following: other players' influences are kept at check in the areas surrounding the sensitive TAR region, development of Nepal's remote northern regions which generates goodwill with Kathmandu, and opens prospects for further integration of the TAR's economy with Nepal's market.

Finally, China's increased interactions with Nepal is a part of its wider strategy in South Asia. The region has traditionally been a strategic space where India has seen itself as being preponderant. China's increasing inroads in Nepal, a country India shares open borders with, poses security challenges for India. The contentious Sino-Indian relations is what drives the strategy of Beijing to increasingly challenge India's preponderance in the region.

Despite having disparate internal motivations, China and Nepal have begun forging closer ties with each other, a process which has significant implications for India and its perception of its own security. New Delhi has extensive

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concerns stemming from China's burgeoning presence in South Asia. Specifically in Nepal, increased interconnectedness would pose strategic threats given the open border between India and Nepal dating back to the 1950 Treaty of Peace and Friendship between the two countries. Expanding infrastructural integration between Nepal and China also undermines the historical buffer state function which has long been associated by India's political elites to Nepal – an idea that conceptualized the Himalayas as the protective barrier between India and China.

China's presence in the economy of Nepal is another major concern for India. In the 2020 fiscal year, China accounted for 90% of Nepal's foreign direct investment. Coupled with increased investments, China also pledged a \$500 million financial aid package to Nepal coinciding with President Xi Jinping's visit to Kathmandu in 2020. India has traditionally played an economically dominant role in Nepal. Between 2003-2010, over 50% of Nepal's trade was with India. In 2017, the figure is still over 50%. However, ventures from China are challenging this long running status-quo. While trade is geographically much easier to conduct through India, China's increased FDI could be a means of extending economic influence in Nepal.

Furthermore, the Himalayan frontiers between India and China remain contentious as showcased by the border clashes in Ladakh and the Doklam Plateau crisis. Increased Chinese influence in Nepal would add tensions to the already contentious Sino-Indian relations.

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## About the author:

**Bibek Chand** is an Assistant Professor in the Department of Political Science & International Affairs at University of North Georgia. His research interests include international relations of small states, Sino-Indian interactions in Asia, and the emerging notion of the Indo-Pacific. He also teaches a wide range of courses including Asian security, international security studies, and international relations theory.