

# **NEPAL – CHINA RELATIONS, 1990 – 2009**

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**Date: 21 July 2010**

**DECLARATION**

I declare that the dissertation entitled “Nepal – China Relations, 1990 – 2009” submitted by me for the award of the degree of **Master of Philosophy** of Jawaharlal Nehru University is my own work. The dissertation has not been submitted for any other degree of this University or any other university.

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*Dedicated To*  
*My Parents and Teachers*

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## **ABBREVIATIONS**

<b>CIA</b>	Central Intelligence Agency
<b>CPAFFC</b>	Chinese People's Association for Friendship with Foreign Countries
<b>CPN</b>	Communist Party of Nepal
<b>CPN-M</b>	Communist Party of Nepal- Maoist
<b>CPN-UML</b>	Communist Party of Nepal- Unified Marxist Leninist
<b>CSCs</b>	China Study Centers
<b>FDI</b>	Foreign Direct Investment
<b>FNCCI</b>	Federation of Nepalese Chambers of Commerce and Industry
<b>HM</b>	His Majesty
<b>HMG</b>	His Majesty's Government
<b>IDSA</b>	Institute for Defence Studies and Analyses
<b>INRs</b>	Indian Rupees
<b>m</b>	Million
<b>MOFA</b>	Ministry of Foreign Affairs
<b>MoU</b>	Memorandum of Understanding
<b>MPRF</b>	Madhesi People's Rights Forum
<b>NC</b>	Nepali Congress
<b>NCEC</b>	Nepal-China Executives Council
<b>NCMCS</b>	Nepal-China Mutual Cooperation Society
<b>NCNA</b>	New China News Agency (Xinhua News Agency)
<b>NGOs</b>	Non-Governmental Organisations
<b>NRs</b>	Nepalese Rupees
<b>PLA</b>	People's Liberation Army

<b>PM</b>	Prime Minister
<b>PRC</b>	People's Republic of China
<b>RMB</b>	Yuan (Renminbi)
<b>RSS</b>	Rastriya Samachar Samiti
<b>SAARC</b>	South Asian Association for Regional Cooperation
<b>SCMP</b>	Survey of China Mainland Press
<b>TAR</b>	Tibet Autonomous Region
<b>UN</b>	United Nations
<b>US</b>	United States



Chapter 1

# **Introduction**

## INTRODUCTION

Nepal occupies an important position between India and China because India and China's paramount concern in Nepal is related to security and stability.<sup>1</sup> Any disturbances in Nepal would influence both these countries because the most sensitive part of China, Tibet is at the north while Nepal and India have open borders. Apart from the economic and trade interest of both the neighbouring countries, they also have interest in containing the US influences here. Both the countries take each other as competitors and lack trust deficit after the 1962 war on border dispute. After the loss of Tibet as a buffer state in 1950 when China took control over it, Nepal has become strategically important for both the nations. Thus, both the countries want Nepal to be in their sphere of influence. Though Nepal is a separate political entity, it has always remained in India's security system.<sup>2</sup>

Before 1950, when Tibet was not a part of China, Nepal had closer relations with Tibet. There were very limited relations with China. After Tibet became a part of China, Nepal established relations with China and Lhasa became farther than Beijing. Nepal started to have direct relations with Beijing rather than Lhasa.

A close scrutiny of Nepal-China relations reveals that the economic aspects has always regulated the sphere of diplomatic relations between the two countries. Kathmandu, being the center point of Trans-Himalayan trade from the medieval period to the turn of this century; added a significant dimension to Nepal – Tibet relations.

The geographical study of Nepal reveals that, topographically, northern Nepal is wedded with Tibet but the southern landscape of Nepal – known as Terai and Hills – resembles to those of India. The culture, economy and politics of Nepal are closely interlinked with India. There are cross-border marriages as well.

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<sup>1</sup> Bhattarai, Rajan (2005), *Geopolitics of Nepal and Internal Response to Conflict Transformation*, Kathmandu: FFP Publications: 10

<sup>2</sup> Ray, Hemen (1983), *China's Strategy in Nepal*, New Delhi: Radiant Publishers: Preface

Nepal and China have a long history of cultural and political relations. Although the unofficial relations between both the countries started in 5<sup>th</sup> century AD through Buddhist cultural delegations, the recorded history shows that the official relations between both countries started in the middle of 7<sup>th</sup> century AD. Some of the prominent figures who started Nepal – China relations are Fa-hsien, Hsuan-tsang, Wang Hsuan-Tse, Buddhahadra and Arniko.<sup>3</sup>

One of the most significant events in the history of Nepal – China cultural relations was the introduction of Buddhism in China in 67 AD. After the rise of many empires in the 4<sup>th</sup> century, the Emperors like that of Tsin dynasty and others worked to promote Buddhist ideals by constructing monasteries. The 5<sup>th</sup> century was also a remarkable period in the history of Nepal-China cultural relations as it witnessed activities designed to promote Buddhism on the part of Nepalese and Chinese monk-scholars.<sup>4</sup>

In 5<sup>th</sup> Century, Fa-hsien, a Buddhist monk-scholar of Shanshi province, was one of the earliest Chinese pilgrims to visit Nepal. He helped Buddhahadra, one of the greatest Buddhist scholars of Nepal, visit China. Buddhahadra devoted the whole of his life to serve the people of China. He also worked in promoting of Buddhism in Kashmir of India.<sup>5</sup>

China's interest in Nepal started in 629 AD during the time of Tang dynasty.<sup>6</sup> The formal diplomatic relations between both the countries were also established. During Yung dynasty, there were a lot of setbacks in the relations, but it revived again in the Ming Dynasty. Chinese Emperor Hang Wu sent a diplomatic mission to Nepal in 1413 after Chinese goodwill mission visited Nepal in 1383. Nepalese mission also visited China during Hang Wu's time. The friendly relations between the two nations

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<sup>3</sup> Manandhar, V K (2007), *Cultural and Political Aspects of Nepal – China Relations*, New Delhi: Adroit Publishers: 1

<sup>4</sup> Ibid.

<sup>5</sup> Manandhar, V K, "Ven. Buddhahadra and His Contribution in Buddhism in 5th Century China", [Online: web] Accessed on 12 March 2010, URL: <http://www.scribd.com/doc/30920666/Vijay-Manandhar-Ven-Buddhabhadra-and-His-Contributions-in-Buddhism-in-5th-Century-China#fullscreen:0>

<sup>6</sup> Ray, Hemen (1983), *China's Strategy in Nepal*, New Delhi: Radiant Publishers: 1

continued. However, the relations were spoilt in 1792 when Nepal invaded Tibet which enraged China's Emperor, Tshien Lung.<sup>7</sup>

### **The War Years (1855 – 1896)**

In 1790s Nepal was also fighting a war with Garhwal. The Himalayan Kingdom was also facing a series of internal conspiracies launched by its unhappy groups. There were people struggling for power within the palace. In the same year, the Tibetans were seeking revenge for the defeat that they had suffered from the Nepalese. They conspired with the rulers of Sikkim and attacked the eastern part of Nepal. Taking advantage of the chaotic situation, the Chinese army invaded the Himalayan Kingdom. Realizing their folly, the Nepalese endeavored to come to terms with the Chinese. But China demanded that the arrested Tibetan dignitaries be freed and that the Tibetan political fugitive, Syamarpa Lala, surrendered.<sup>8</sup> The Nepalese King refused to accept the Chinese terms on the ground that they were 'humiliating'. The Chinese army then attacked the Kukur Ghat fortress of Nepal and captured it without any strong resistance. Although reinforcements were sent, the Nepalese army lost the battle and withdrew to Kerung. The Chinese army then invaded Kerung. After five days of fierce fighting, the Chinese captured three Nepali fortresses in the Kerung Pass. But after losing eight battles and permitting the formidable Chinese army to tread upon several miles of Nepalese territory, the Gurkhas eventually defeated the Chinese in the battle of Kamare Garh.<sup>9</sup>

Fighting on foreign soil for a long time frustrated the Chinese army so much so that the Chinese commander Thung Thang, who was commanding the war, proposed a treaty.<sup>10</sup> But the offer was a fraud to deceive the Nepalese in order to capture Kathmandu valley. When negotiations for a treaty started, the Chinese Commander-in-Chief demanded the right to garrison the Chinese army in Nuwakot, 20 miles from Kathmandu. He threatened that if his proposal was not accepted, the Chinese forces

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<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

<sup>9</sup> Ibid: 2

<sup>10</sup> "Nepal- Tibet War", [Online: web] Accessed 14 July 2010, URL: <http://www.nepalarmy.mil.np/history2.php>

would attack them. Consequently, the negotiations between the Chinese and the Nepalese broke down. The Nepalese Regent Bahadur Shah, son of Prithvi Narayan Shah, decided to fight to the last man. Then ten thousand Chinese soldiers attacked Nepal from three points across the Betravati River, but the Gurkhas defeated the enemy in 1792. The Chinese Commander-in-Chief then proposed a ceasefire and a treaty to end the war.<sup>11</sup>

In 1792 at Nuwakot, China and Nepal signed a peace treaty. Under the terms of the treaty, the Chinese returned the captured territories to Nepal and Kathmandu agreed to send a mission to China bearing gifts. Subsequently, the Chinese claimed that Nepal had accepted Chinese sovereignty. The Nepalese authorities, however, contended that the agreement to send a periodic mission to China involve no subservience. Nepal's missions were merely to serve as the means of maintaining relations with neighbouring countries according to prevalent customs.<sup>12</sup>

There was a change in Nepal-Tibet relations in later period. Nepal – Tibet relations for a little more than half a century, which can be characterized by the expression “Live and Let Live.”<sup>13</sup> Both countries preferred not to interfere with each other in their foreign and domestic policies. In 1807, Nepal's attempt to introduce its currency in Tibet was rejected by the Chinese Amban in Lhasa. Towards 1814, Nepal realized that the British invasion was imminent and thus began to search for allies. First of all, Nepal asked for assistance from the Tibetan government. The records do not show whether Tibet sent an official reply to the request; yet some letters were written by the Tibetan administration to the heads of all the monasteries in Tibet which asked them to offer prayers for Nepal's success in the war.<sup>14</sup> It appears that the Tibetan Regent wrote a letter to the Nepalese King advising him to settle the dispute with the English in the best possible terms.<sup>15</sup> Nepal, too, sent a “tribute” to China in 1813, asking military help from China, but was refused. When the mission leader tried to persuade

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<sup>11</sup> Bajracharya, Bhadra Ratna (1992), *Bahadur Shah: The Regent of Nepal*, New Delhi: Anmol Publications Pvt. Ltd.: 322

<sup>12</sup> Landon, Perceval (1928), *Nepal*, Vol I, Kathmandu: Ratna Pustak Bhandar: 145

<sup>13</sup> Uprety, Prem R. (1998), *Nepal – Tibet Relations 1850-1930*, Kathmandu: Ratna Pustak Bhandar: 44

<sup>14</sup> Shakabpa, Tsepon (1967), *Tibet: A Political History*, New Haven: Yale University Press: 174

<sup>15</sup> Nepali, C R (1957), *Janaral Bhimsen Thapa ra Tatkalin Nepal* (General Bhimsen Thapa and the then Nepal), Kathmandu: Nepal Sanskritik Sangh: 311-12

China into the Anglo-Nepal conflict by saying that the English could probably disapprove the tribute being sent to China. The Chinese Emperor angrily replied:

*“Tell me you dare not report this language to me. As a matter of fact they can join the Feringhi rule if they like, so long as they send us tribute and so long as the Feringhi (English) does not cross Tangut (Tibetan) frontier.”*<sup>16</sup>

In 1830, the senior queen of Nepal, Samrajya Laxmi,<sup>17</sup> together with her allies and the Pandeys, contacted the Chinese Emperor twice. The first occasion was when the queen complained that the King was selling his kingdom to the British and the other was when she sent a tribute mission in a private capacity. The objective was to win the favour of the Chinese Emperor, but the Emperor decided not to listen to those complains. It was in the 1840's when Nepal was reported to have asked from Tibet compensation for British encroachment. This appeal was sent both to China and Tibet. But the Emperor, however, not only refused to give Nepal land, money, and troops but also scolded her for making such a “silly request.”<sup>18</sup> This was followed by another curious proposal Nepal is said to have made to Tibet. This proposal is short, desired permission from the Emperor to rule Chirong and Niram<sup>19</sup> for three years for each ten years of Tibetan rule of these two districts.<sup>20</sup> There is little logic in either one of these requests, and if they were ever made only reflect the political turmoil Nepal experienced between 1841 and 1846 during which we see a dearth of mature judgment and sound leadership.

In 1847, China again appears in the diplomatic arena of two countries. Accordingly, King Surendra informed the Chinese Emperor of the abdication of his father and his own accession.<sup>21</sup> This was a new foreign policy innovation in the diplomatic history of Nepal. First, since by this time, Nepal was in close political communication with the British. Nepal thought that it was her duty to inform a powerful neighbour like

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<sup>16</sup> Parker, E H (1899), “Nepaul and Tibet”, *Asiatic Quarterly*, 7: 72

<sup>17</sup> Bajracharya, Bhadra Ratna (1996), *Diary of Events in Nepal, 1841-1846*, New Delhi: Anmol Publications Pvt Ltd: 3

<sup>18</sup> *Ibid*: 80

<sup>19</sup> Chirong can be identified with Kerong, while Niram denotes the Kuti region, an area always covered by the Nepalese

<sup>20</sup> Parker, E H (1899), “Nepaul and Tibet”, *Asiatic Quarterly*, 7: 72

<sup>21</sup> *Ibid*.

China of the political developments within the country. Secondly, the abnormal times characterized by alarms, change in ministries and increasing suspicion that culminated into the explosive night of 14 September 1846 and its after events, led Jung Bahadur Rana to seek legitimacy for his actions by external power. Above all, the government of Jung Bahadur Rana felt that the recognition of both India and China would help to institutionalize his government. Thus, the abnormal situation led to this new foreign policy innovation, which ever since became a distinct feature of her foreign policy.<sup>22</sup>

The third Nepal – Tibet war (1855 – 1856) ended with the Treaty of 1856. This treaty, which was possible only due to far reaching compromises made by both the contracting parties, did have far reaching consequences. This last war between Nepal and Tibet can be analyzed from historical perspectives as well as in retrospect. This treaty that closed the Third Nepal – Tibet war, when analyzed from the historical perspective, reveals both positive and negative features. Negatively speaking, the two principal wars aimed to Nepal, namely, the annexation of the broader towns of Kutti and Kerong and the effort to direct the entire flow of Trans – Himalayan trade to Tibet via Kathmandu were not realized. On the positive side, Nepal was able to extract the ten thousand rupees from Tibet as tribute and Nepal promised to come to Tibet's help if she was invaded by a foreign power had two-fold significance. First, Tibet was reduced to a semi-satellite status and secondly in the process Nepal, too, assumed the traditional Chinese role of the protector of Tibet during moments of external threats. This was in sharp contrast to the provisions of treaty of 1792, which had given to China the dominant over Nepal – Tibet relations. The Tibetan minister had agreed to the provision permitting Nepal to emerge as the protector of Tibet for he wanted to use Nepal's military assistance to Tibet to overthrow the Chinese yoke from the country. Jung Bahadur Rana, probably, even hoped that the Chinese envoy would be expelled from Lhasa and his lawyer would replace the Amban. However, the provisions of the treaty were observed by the Tibetan only for one year since then they became a dead matter. The treaty only became a source of friction between the two governments for many more years to come. Again, Nepal was able to extract ten thousand rupees annually from Tibet for the loss of 6,683,568 rupees in the war. The

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<sup>22</sup> Uprety, Prem R. (1998), *Nepal-Tibet Relations 1850-1930*, Kathmandu: Ratna Pustak Bhandar: 45

clauses relating to the Nepalese commercial rights in Tibet were not new but almost identical to those of the Treaty of 1792.<sup>23</sup>

The treaty can be better understood and evaluated in retrospect. The post-war decades basically between 1862 and 1896 formed a base for the testing of the Treaty of 1856. The civil war of 1862 in Tibet, the diplomatic crisis of 1872 between Nepal and Tibet and the riots of Lhasa of 1883 provided three major occasions for this testing. A careful scrutiny of these decades' shows how fragile the nature of the Treaty of 1856 that was so meticulously drawn up by the two countries. It was, in fact, too weak to stand the test of time. The traditional friendship between the two countries only brought fear and jealousy. The Tibetans sincerely believed that the treaty was imposed by the Nepalese upon them. Thus, the history of Nepal – Tibet relations between 1857 and 1950 was one of the persistent violations of the Treaty of 1856 by both the contracting parties. As the 20<sup>th</sup> century unfolded both the parties began to interpreting the provisions for the treaty to suit their mood and national interests. While analyzing the treaty in retrospect one gets the queer feeling that Jung Bahadur Rana had little reason to celebrate so jubilantly the victory of Nepal's boundary up to the watershed by neither annexing Kuti and Kerong was not accomplished nor were the border problems permanently checked. Indeed, the treaty was more a sign of relief than the embodiment of territorial and material benefits that follow a triumphant war.<sup>24</sup>

Perceval Landon quoted the Maharaja of Nepal saying that these missions were merely channels by which “we tried to keep our friendly intercourse with distant China to express our regards and respect for the celestial Emperor and to cultivate the goodwill and friendly feeling of the Chinese government, especially on account of our heavy stakes in Tibet.”<sup>25</sup> Landon added that the missions involved no condition of ‘subordination’ to China and “this is no more than prevails in relations of other oriental countries.”<sup>26</sup> Yet China continued to assert its claim that Nepal was one of its territories. In October 1902 shortly after the assumption of power by Maharaja Chandra, the Chinese Emperor conferred upon him the honorary title of

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<sup>23</sup> Ibid: 191-92

<sup>24</sup> Ibid: 192

<sup>25</sup> Landon, Perceval (1987), *Nepal*, Vol II, Kathmandu: Ratna Pustak Bhandar, Reprint: 102

<sup>26</sup> Ibid.



“Commander-in-Chief of the force- True Valiant Prince,” the highest rank in the Manchu Army. A year later, he sent a special mission to Kathmandu with presents.<sup>27</sup> The system of sending missions to China continued until 1908 when diplomatic relations broke down as a result of the emergence of the new rule at the end of the monarchy in China.

The change, however, had no influence on the Chinese claim that Nepal was one of their territories. The Chinese government sought with vigour and intensity to bring Nepal under its control. At the end of 1908 the Chinese resident in Lhasa, Chang, endeavored to assert the Chinese claim of sovereignty over Nepal. He suggested that “Tibet and Nepal being untied like brothers under the auspices of China, should work in harmony of mutual good.” He also urged upon the Maharaja of Nepal “the blending of five colours- China, Tibet, Nepal, Sikkim and Bhutan – and compared Nepal, Bhutan and Sikkim to the molar teeth lying side by side in man’s mouth.”<sup>28</sup>

The downfall of the Manchu dynasty in 1911 also did not affect the Chinese perception of the Himalayan Kingdom. The Chinese representative in Lhasa made a new offer to Nepal for a “union of five race of China.” Maharaja Chandra rejected the proposal saying that Nepal could not “for a moment entertains the idea of a union with the affiliated races which constituted the glorious Republic of China.”<sup>29</sup> Shortly afterwards, China demanded the right to enlist the Nepalese half-breeds in its Tibetan contingent. Nepal once again rejected the Chinese demand. Nevertheless, in a statement the Chinese government reiterated that Nepal had accepted Chinese suzerainty. This time, the British authorities made it clear that they would resist any Chinese attempt to enforce their demands and defend the integrity of Nepal.<sup>30</sup> China, however, made no attempt to assert its suzerainty on Nepal. In 1924, during his visit to Beijing when Landon raised the question for Sino – Nepalese relations with Foreign Minister Wellington Koo, he received a letter from the Chinese Foreign office saying that

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<sup>27</sup> Ibid, p 114

<sup>28</sup> Ibid, p 128

<sup>29</sup> Landon, Perceval (1987), *Nepal*, Vol II, no 2, Kathmandu: Ratna Pustak Bhandar: 130

<sup>30</sup> Ibid, p 134

*...the last tribute from Nepal came in April 1908. No tribute has come under the Republic. In the early days of the Manchu dynasty, the tributes came once in five years, but no account of the distance between China and Nepal, it was agreed that they should come once in twelve years instead.*<sup>31</sup>

The Nepalese government knew nothing about such an agreement. Though rejected, the Chinese government continued to maintain that Nepal was under its suzerainty and that the Nepalese had agreed to continue to send a tributary mission once in twelve years. In 1930, the Guomindang government sent a “friendship mission” to Nepal to persuade the Himalayan Kingdom to resume its tributary mission to China. Sixteen years later, at the end of the Second World War, in 1946 a new Chinese mission came to Kathmandu to establish the “old relationship” between China and Nepal.<sup>32</sup>

### **Diplomatic Relations from 1900 – 1930**

The period between 1900 and 1930 was one of challenges hopes and frustrations in the diplomatic relations between Tibet and Nepal. The turn of this century took Nepal by surprise, for Tibet had been converted into a cockpit of international tensions, where the two superpowers Russia and Britain, competed for a commercial foothold. Nepal soon began to feel the pinches of Anglo-Russian rivalry in Tibet. The result of this changed context was that Nepal’s political influence in Tibet was eroded and her commercial privileges, too, crumbled down. However, Nepal did manage to adjust in this strong tide of misfortune, and through her diplomatic endeavors was able to remain a strong element in Tibetan politics. Three elements namely, the opening of the Phari route, the decline of the Chinese suzerainty in Tibet and the attempt by Russia to fill the political vacuum, served to disturb the political status quo in the Trans – Himalayan region.<sup>33</sup>

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<sup>31</sup> Ibid: 103

<sup>32</sup> *The China Weekly*, December 1930.

<sup>33</sup> Uprety, Prem R. (1998), *Nepal-Tibet Relations 1850-1930*, Kathmandu: Ratna Pustak Bhandar: 193

The first three decades of the twentieth century, saw a crisis in Nepal – Tibet relations as reflected by the Gyalpo affair and border disputes. Beside, new stress and strain appeared in the relations as commercial issues emerged. The period between 1880 and 1930 was to see the breakup of Nepalese hegemony in the Trans – Himalayan trade. The causes for this breakdown was the opening of the Phari route that linked directly India and Tibet in the 1890's. This new trade route brought the end of existing trade routes of Kuti and Kerong via Kathmandu. As Nepal was no longer an intermediary in the Trans-Himalayas trade Tibet began to adopt an independent attitude towards Nepal. Nepal's traditional trading rights in Tibet were, accordingly, ignored and the salt trade crisis occurred in Mustang, Kuti and Kerong. A study of the salt trade crisis in different parts of Nepal shows that Tibet was determined to eliminate Nepal out of the Trans-Himalayan trade in the third decade of this century. It is difficult to explain the changed mood of Tibet in this period. But this has to be explained within the general framework of historical antecedents, in particular, the humiliating treaty that Nepal had imposed upon Tibet in 1856. Besides, Nepalese disregard of the Tibetan laws and customs also helped to shape an adverse Tibetan attitude towards Nepal during the first three decades of this century.<sup>34</sup>

In spite of this setback, Nepal continued with limited amount of trade with Tibet by transferring her merchants from Kathmandu to Kalimpong. But she maintained her political importance in the affairs of Tibet by playing the role of mediator during the Tibet-China conflict that occurred during 1908 to 1913. It is true that the economic and political relations between the two countries were disturbed by the Gyalpo affair and the border disputes from the dawn of the twentieth century to 1930, yet they were more or less satisfactorily settled by the close of the third decade of this century. Two factors were responsible for the fading away of the political and economic differences between Nepal and Tibet after 1930. They were the rise of political awakening in Nepal and the growth of Chinese influences in Tibet which diverted the attention of both these countries from foreign affairs to domestic politics. Thus, the volatile atmosphere in Nepal – Tibet relations slowly gave place to a relative peace and tranquility.<sup>35</sup>

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<sup>34</sup> Ibid: 193-94

<sup>35</sup> Ibid: 194

Relations between Nepal and China and Tibet continued without critical incident until 1904, when British India sent an armed expedition to Tibet and Nepal rejected Tibet's request for aid to avoid risking its good relations with Britain. Beginning in 1908, Nepal stopped paying tribute to China.

By 1910, apprehensive of British activity in Tibet, China had reasserted its claim to sovereign rights in Tibet and feudatory missions from Nepal. In 1912 Nepal warned the Chinese representative at Lhasa that Nepal would help Tibet attain independent status as long as it was consistent with British interests. Nepal broke relations with China when the Tibetans, taking advantage of the Chinese revolution of 1911, drove the Chinese out.

### **Mao Era (1949 AD)**

When the Chinese communists invaded Tibet in 1950, Nepal's relations with China began to undergo drastic changes. Although annual Tibetan tribute missions appeared regularly in Nepal till 1953, Beijing had started to ignore the provisions of the 1856 treaty by curtailing the privileges and rights it accorded to Nepalese traders, by imposing restrictions on Nepalese pilgrims, and by stopping the Tibetan tributary missions.

Even before he came to power, Mao Zedong regarded Nepal as Chinese territory – a territory which must be recovered. In the book, *“The Chinese Revolution and the Chinese Communist Party*, he listed Nepal as one of the ‘lost’ territories of China. “In defeating China in war,” Mao declared, “the imperialist powers took too many Chinese dependent States and a part of her territories. Japan took Korea, Taiwan, the Ryukyu Islands, the Pescadores Islands and Port Arthur. England seized Burma, Bhutan, Nepal and Hong Kong...”<sup>36</sup> In 1950, shortly after the occupation of Tibet, Chief of the Central Office of the Chinese Communist Party Yuang Shangkim asserted that as a result of Tibet’s liberation “the Chinese people and the Nepalese people will be united

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<sup>36</sup> North, Robert C (1960), *The Sino- Soviet Alliance*, *The China Quarterly*, 1: 57

in closer solidarity for the sake of defending Asia and preserving world peace.”<sup>37</sup> The Chinese also proclaimed their intention to follow up the “liberation” of Nepal by the formation of a “Himalayan Federation” of all Mongol people under the Chinese leadership. The Federation was to include Nepal, Bhutan and Sikkim.<sup>38</sup> They then denounced Nehru for his “imperialist intentions” against Bhutan and Sikkim. “Under the long standing influence of British imperialism, the bourgeoisie of India, of whom Nehru is the representative, have learned the ways of imperialists and are bar boring intentions against Tibet, Sikkim and Bhutan.”<sup>39</sup>

At the same time China also warned Tibet from sending further tributary mission to Nepal. Under the treaty of 1856 Tibet paid 10,000 rupees annually to Nepal. The Chinese declared that “Tibet is the territory of People’s Republic of China”... since this is the case, the Lhasa authorities have no right to arbitrarily send out any mission and still more to prove Tibet’s independence... if the Lhasa authorities send out illegal mission to engage in splitting and traitorous activities, the central Peoples’ Government of China will not tolerate such traitorous activities of Lhasa authorities. They also warned Nepal from receiving Tibetan tributary mission. “Any country receiving such illegal missions,” the Chinese declared, “will be regarded as harboring hostile intension towards the People’s Republic of China.”<sup>40</sup>

Both Nepal and Tibet ignored the Chinese warning and continued their traditional friendly relationship. Dalai Lama expressed the hope that relation between Tibet and Nepal would continue “as usual.”<sup>41</sup> King Tibhuvan assured the Tibetan people that Nepal’s relation with Tibet would not be affected by Chinese action.<sup>42</sup> Tibet also sought to gain Nepalese support against China under the treaty of 1856. Article two of the treaty stipulated that Nepal would afford “assistant and protection” to Tibet “as far as it can if the troops of any foreign country [Raja] invade Tibet in future...”<sup>43</sup> A Tibetan mission on this way to China for discussion on “peaceful liberation” of Tibet

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<sup>37</sup> Jain, Girilal (1959); *India Meets China in Nepal*, Bombay: Asia Publishing House: 108

<sup>38</sup> *The New Leader*, 7 September 1959: 22

<sup>39</sup> *Shih-Chieh Chieh-shih*, 16 September 1949. China also proclaimed that it would “liberate Sikkim, Bhutan and Ladakh” which were being “wrongfully held by the Indian imperialists.”

<sup>40</sup> *Xinhua*, Beijing, 20 January 1950.

<sup>41</sup> *The Statesman*, New Delhi, 15 March 1950

<sup>42</sup> *Gorkhapatra*, Kathmandu, 7 July 1950

<sup>43</sup> *United Asia*, January 1963, Document D: 11

stated that his country counted on “military aid from Nepalese government in as much as the Tibetan-Nepalese treaty for 100 years binds Nepal to aid Tibet in case of any foreign invasion.” The mission also warned that China would “definitely attack Nepal following the occupation of Tibet and then invade India.”<sup>44</sup>

In 1953, Tibet suddenly stopped paying the annual tribute of 10,000 rupees to Nepal. When asked, Kathmandu was politely told to refer the matter to Beijing because “Tibet is a part of China.” In a communication to Nepal, the Chinese made it clear that they would no longer tolerate the continuation of the traditional relations between Tibet and Nepal.<sup>45</sup>

The occupied Tibet continuously strengthened the Chinese position to assert their historical claim on Nepal. They made it abundantly clear that Nepal now figured in their calculations. At the beginning of 20<sup>th</sup> century the 13th Dalai Lama, who was then living in Darjeeling, saw the Chinese danger in Nepal. If China would successfully bring the Tibet under its control, he argued, it would also try to draw Nepal under its domain.<sup>46</sup>

The transformation of Tibet into a Chinese military base and the continued movements of Chinese troops to Nepal’s northern frontier alarmed India. Nepal now became a frontier state of paramount importance. The threat to India’s security also become real because it has an open border with Nepal. The 500 mile long Nepal – Tibet frontier is also natural defence of India. If China were to draw Nepal under its influence, India’s strategic position would be seriously undermined. Nehru declared:

*From the immemorial the Himalayas have provided us with the magnificent frontier. Of course, they are no longer as impassable as they used to be; but they are fairly effective. The Himalayas lie mostly on the northern border of Nepal. We can not allow that barrier to be penetrated, for it is also the principal barrier to India. Much as we stand for the independence of Nepal,*

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<sup>44</sup> *China Quarterly*, October- December 1963: 84

<sup>45</sup> *Xinhua*, Beijing, 21 March 1953

<sup>46</sup> Landon, Perceval (1987), *Nepal*, Vol II, no 2, Kathmandu: Ratna Pustak Bhandar: 130

*we cannot allow anything to go wrong in Nepal or permit that barrier to be crossed or weakened, because that would be a risk to our own security.*<sup>47</sup>

In the apparent attempt to warn China that New Delhi would brook no mischief in the Himalayan kingdom, Nehru emphasized India's special relation with Nepal. He said that

*it is not possible for the Indian government to tolerate any invasion of Nepal from anywhere; even through there is no military alliance between the two countries. Any possible invasion of Nepal would inevitably involve the safety of India.*<sup>48</sup>

Nehru also pointed out that "in so far as certain developments in Asia" were concerned "the interest of India and Nepal are identical."<sup>49</sup>

Bearing out the judgment of one of the leading experts on Nepal, Perceval Landon, in 1928, that "in all the varied theatres of Indian politics there is nothing which surpasses in interest the ultimate destiny of Nepal."<sup>50</sup> India and Nepal signed a Treaty of Peace and Friendship on 31 July 1950. The treaty declared that "the two governments hereby undertake to inform each other of any serious friction or misunderstanding with any neighbouring states likely to cause any breach in the friendly relations subsisting between them," Shortly there after, India and Nepal agreed to set up military check posts along the Nepal – Tibet frontier manned jointly by Indian technicians and Nepalese military personnel. If the Chinese disapprove the setting up of military check posts in the northern frontier of Nepal, they did not utter a word in public. Nevertheless, they continued to seek ways and means to undermine Indian influence in Nepal and bring the Himalayan Kingdom under their domain.<sup>51</sup>

In October 1951, with Chinese blessings the Communist Party of Nepal (CPN) became active in northern Nepal. In October they send their first greetings to Mao

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<sup>47</sup> Jawaharlal Nehru's *Speeches 1949-53*, Publication Division: Government of India, 1954: 176

<sup>48</sup> Ibid: 147

<sup>49</sup> Ibid.

<sup>50</sup> Landon, Perceval (1987), *Nepal*, vol II, no 2, Kathmandu: Ratna Pustak Bhandar: xiii

<sup>51</sup> Ray, Hemen (1983), *China's Strategy in Nepal*, New Delhi: Radiant Publishers: 7

Zedong and wished him “ten thousand years.”<sup>52</sup> In early 1952 after the abortive revolt when the rebels fled to China, Beijing readily granted them asylum and provided them broadcasting facilities to persuade the population to overthrow the “reactionary” rule in the Himalayan Kingdom and set up a Chinese style “people’s democracy.” It also offered to provide military assistance to the rebels to “liberate” Nepal and brutally rejected Kathmandu’s request to extradite them.<sup>53</sup> In August 1952 fourteen communist leaders were arrested in the north-western frontier of Nepal while returning with “important documents” from Tibet.<sup>54</sup>

In June 1952, the Chinese further demonstrated their assertive attitude towards Nepal and described Mount Everest as “our highest mountain.” China renamed Mount Everest as “Chomolungma, the name was given it on the map published in 1717 by Emperor Kang His.” It also condemned the name Mount Everest as “cultural aggression” against China because it was connected with an “imperialist colonial administrator.”<sup>55</sup>

When their pressures failed to produce the expected result, the Chinese adopted a zigzag course. For a while, they changed their tactics in the belief that a smiling face would serve their purpose better than a frowning one. Such a policy would remove suspicions, secure much needed help in international affairs and keep the enemy napping while they prepared for the next move. Hence they sought India’s aid to establish diplomatic relations with Nepal as a first step to come in contact with the Himalayan Kingdom. Prime Minister Zhou En-lai indicated to the Indian envoy, K M Pannikar that China would welcome India’s good offices for the establishment of diplomatic relations with Nepal. Though India was not adverse to such a step, Pannikar explained that “the position of Nepal was little confused and uncertain and it would be better to wait for a time before taking up the matters.”<sup>56</sup> At the time Nehru did not favour the establishment of diplomatic relations between Nepal and China because of events in Tibet.<sup>57</sup>

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<sup>52</sup> *Xinhua*, Beijing, 12 October 1951

<sup>53</sup> *Indian Express*, New Delhi, 26 September 1955

<sup>54</sup> *The Times of India*, New Delhi, 7 June 1952

<sup>55</sup> *Xinhua*, Beijing, 7 June 1952

<sup>56</sup> Pannikar, K M (1955), *In Two Cities*, London: George Allen and Unwin Publication: 113

<sup>57</sup> *The Hindu*, New Delhi, 12 June 1951



The Chinese realized that they could not entrench themselves into Nepal as long as Indian interests prevailed there. For a while, they played their hand with circumspection. But the conclusion of the Sino – Indian agreement in April 1954 recognizing in Tibet as an integral part of China changed the entire situation. It was a Himalayan blunder for India and a great victory for China. It exposed India's weakness; threatened New Delhi's special relations with Nepal opened the strategically situated Himalaya country to the world of Chinese contained north of the Himalayas.<sup>58</sup>

Nepal – China relations flourished during King Mahendra time when the democratic forces were working from the Indian soil and India didn't do much to stop such activities. To response, King Mahendra developed better relations with China and China also maintained good relations and gave lots of assistance to Nepal. Thus, Nepal's relations with China flourished when the relations with India was strained. China continued to maintain good relations with China during King Birendra but there were also shift in relations after abolition of Monarchy. China maintained cordial relations with political parties as well as the King till Gyanendra's period. But after Nepal became republic, Chinese had to opt for new stable and strong power in Nepal who could serve their security Interest. Thus, China maintained good relations with Maoist as they had emerged as strong political force and Maoist were also willing to have better relations with them because of ideological affinities.

There were series of Tibetan protests in Nepal in 2008. Thus, China was concerned in Nepal due to its security concern and there here number of high level delegations. It is seen as China being pro-active in Nepal in recent times. It was also seen that Maoist maintained distance with India and went closer to China. Thus, at these scenarios, I would like to study relations between Nepal – China.

Nepal – China relations have been dominated by varied and complex factors that range from physical and economic to political and cultural components. However, this study is confined to analyze economic, military and political relations between Nepal and China for a period of 19 years, or in other words, from 1990 to 2009. The period

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<sup>58</sup> Ray, Hemen (1983), *China's Strategy in Nepal*, New Delhi: Radiant Publishers: 8

1990 to 2009 is considered as the most crucial period in Nepal – China relations because Nepal became democratic in 1990. The country also faced political instability because it was the transition phase.

The objective of the study is to attempt to find out the developments in Nepal – China relations after Jana – Andolan of 1990, particularly the economic, political and strategic relations. It attempts to examine the Chinese concerns in Nepal as well as Nepalese concern in developing relations with China. It also analyzes the Indian response to the transforming relations between Nepal and China and finds alternative ways to maintain relations with China without affecting India – Nepal relations. It critically views the role of domestic politics in developing relations with China.

The study attempts to test the hypothesis whether the growing Nepal – China relations will have an adverse impact on Nepal – China relations. The study also looks at Nepal's interests in China and China's interests in Nepal along with the areas of convergence and divergence between both the countries.

The methodology for the proposed study would utilize both primary and secondary sources. The primary sources of data would include documents of the government agencies, press release, joint statements and organizational reports and the secondary source of data will include books, news reports, various journal articles, newspaper clippings, and various academic papers. The study also uses information and data collected through various seminars, symposium, think tank analysis of world wide organizations, interviews and internet sources. The study compares Nepal's relations with China and India and use historical, comparative methodology.

To make the study detailed, analytical and comprehensive, the study is divided into four chapters and conclusion. This chapter deals with the historical background of Nepal – China relations. It describes the evolution of relations between the two nations till 1950 AD.

The next chapter deals with Nepal – China relations from 1950-1990, the monarchy period. Towards 1950, there was major political transformation in China, Nepal and India. China emerged as a communist state, India became independent from British

rule and Rana autocratic regime in Nepal came to the end. Thus, there was reform in policies of all these countries since 1950. The study will look at new policies adopted by China and Nepal under new leaderships. The study will also analyze the relations between the two countries after Sino – India war of 1962.

The third chapter will critically analyze the relations between Nepal and China from 1990 to 2009, the democratic era. This chapter will analyze the relations between two nations after *Jana Andolan I* that brought democracy in Nepal. It will also look at the relations during Gyanendra's period and post Gyanendra period. The study will deal with military, economic and political relations between the two nations.

The fourth chapter will be on India's Response to Nepal – China Relations. The study will examine the India's reaction towards Nepal – China relations. Growing Nepal – China relations had adverse impact on Nepal India relations.

This study is closed with a conclusion in Chapter 5 where an effort will be put towards summarizing the various findings done during the course of the study. It will test the hypotheses and will try to answer the research questions.

## Chapter 2

# **Nepal – China Relations from 1950 – 1990**

## NEPAL – CHINA RELATIONS FROM 1950 – 1990

Towards the beginning of 1950, Nepal, India and China were under transition as major political change had taken place in all these three countries. India became independent from British Empire in 1947 AD; China emerged as Communist state in 1949 AD and 105 years of autocratic Rana regime ended in 1950 AD. All these countries were facing political transformation. They were also moving towards expanding their international contacts.

In 1951, Peoples' Republic of China approached Nepal to establish diplomatic relations with each other. On 4 July 1952, King Tribhuvan said that Nepal continues to maintain its close relations with Tibet and the Chinese government and forwarded well wishes to the government of both the countries. Stating the need of having diplomatic relations with the neighbours, King Tribhuvan and Prime Minister of Nepal M. P. Koirala said that isolation was no longer possible in modern times.<sup>1</sup>

All the political parties in Nepal also supported that maintaining good relations with China is in the interest of Nepal. In 1951, Nepali Congress passed the resolution for maintaining good relations with China and on 4 July 1954, the parliamentary board of Nepali Congress again talked about maintaining good relations with all its neighbours including China. Tanka Prasad Acharya, the leader of Praja Parishad also supported for the demand for diplomatic relations with China and argued that "Nepal's neutrality should be made effectively by procuring a guarantee both from India and from China."<sup>2</sup> The leader of United Democratic Party, K. I. Singh also supported similar

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<sup>1</sup> *Hamro Pararastra Sampark*, Kathmandu, 13: 19-23 and 49-58

<sup>2</sup> *Hindustan Times*, New Delhi, 10 May 1952

ideas.<sup>3</sup> Ideologically, the Communist Party of Nepal was also in favour of better relations with China.

After China emerged as Communist country, many socialist and the supporters of China formed Nepal – China Friendship Association in August 1954. In the same year, a youth team led by the Nepalese poet, Laxmi Prasad Devkota visited China and expressed the message of Friendship between the two countries. The association also passed the resolution in December asking for establishing diplomatic relations with China.<sup>4</sup>

At that point, foreign policy of India was also dominated by the theme of Afro – Asian unity. Pakistan had joined the American military alliance system after signing of US-Pakistani Mutual Defense Assistance Pact, the SEATO and the Bagdad Pact. China was always suspicious about US actions in their neighbours because China and US did not have harmonious relations after being a socialist country. China was not strong enough to counter US influence in their neighbours. Thus, China and India came closer to each other in order to checkmate the United States from making further penetration in Asia. In this situation, India and China tried to solve the bilateral problems. In 1950, India accepted China's right to Tibet and China didn't challenge Indian and Nepalese commercial privileges in Tibet. It didn't even contradict Nehru's unilateral assertion about the McMahon Line and India's special position in Nepal. India repeatedly warned China about its interests in Nepal and other Himalayan states.<sup>5</sup>

On April 1954, India and China reached an understanding and India accepted Tibet as an autonomous region of China and India's special position in Nepal. The two countries also declared "Five Principles of Peaceful Co-existence" to

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<sup>3</sup> Devkota, G. B. (1959), *Nepal Ko Rajanitik Darpan*, Kathmandu: 63

<sup>4</sup> *Survey of China Mainland Press (SCMP)*, Hong Kong, 875: 15

<sup>5</sup> Ramakant (1976), *Nepal – China and India*, New Delhi: Abhinav Publication: 84

govern mutual relations among Asian-African countries as had divergent political systems. The broad understanding also implied that China had accepted India's primacy in sub – Himalayan states, not merely in Nepal but also in Sikkim and Bhutan.<sup>6</sup>

On 23 September 1954, the Chinese Prime Minister Chou En-lai stated in their first People's Congress held in Peking that China is willing to establish normal diplomatic relations with Nepal.<sup>7</sup> Nepal had also shown interest for establishing diplomatic relations with China several times. Nepal's Prime Minister and Foreign Minister welcomed the statement and the joint statement was release which said "We welcome the Chinese Prime Minister's desire to establish normal relations between China and Nepal. China is our neighbour, and our relations with that country are historical. We shall give serious consideration to the question."<sup>8</sup> After the joint statement, Indian Prime Minister also cautioned Nepal against haste in approaching China.<sup>9</sup>

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### **King Mahendra's Period (1955 – 1972)**

A new era began in Nepal's foreign relations after King Mahendra ascended the throne on 13 March 1955. King Mahendra had great desire for power. He wanted to have absolute monarchy and he knew that democratic India can be an obstacle. He also knew that Nepal can't remain isolated from international developments and Nepal should also seek its place in a world based on the sovereign equality of nations. King Mahendra set two basic objectives before himself: assertion of Nepal's independence and its economic development.<sup>10</sup>

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<sup>6</sup> Ibid: 85

<sup>7</sup> SCMP, Hong Kong no 895: 3

<sup>8</sup> Ibid.

<sup>9</sup> Ramakant (1976), *Nepal – China and India*, New Delhi: Abhinav Publication: 87

<sup>10</sup> Ibid: 90



China was very important factor in King Mahendra's foreign policy. King Mahendra realized that China could be a balancing factor against India's influence in Nepalese politics.<sup>11</sup> The negotiations with China, which had been going on since November 1954, were resumed in April 1955, during the Bandung Conference. General Suvagh Jung Thapa led the Nepalese delegation and met Chinese leaders in Bandung. China also responded keenly. In July 1955, a six-member delegation, led by the Chinese Ambassador to India General Yuan Chung-hsien visited Kathmandu.<sup>12</sup> For five days the Nepalese delegation, led by the King's Principal Adviser, Sardar Gunjman Singh, held prolonged negotiation with it. The negotiation was to evolve a new structure of relationship with the China under new political system and to replace the old historical relationship between Tibet and Nepal. China wanted to reform its relationship with Nepal as it was under the new leadership with Mao where Tibet was part of China.

A joint communiqué statement was issued on 1 August 1955.<sup>13</sup> The "Five Principles of Peaceful Co-existence" were accepted as "the basic principles to guide the relations between the two countries." It was agreed to "establish normal diplomatic relations and to exchange ambassadors between the People's Republic of China and the Kingdom of Nepal. This send the clear signal that Nepal had formally recognized the Communist China; and that it also accepted Tibet as integral part of the mainland China."<sup>14</sup>

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<sup>11</sup> Ibid

<sup>12</sup> *Survey of China Mainland Press (SCMP)*, Hong Kong, 1100: 28

<sup>13</sup> Bhasin, A. S. (1970), *Documents on Nepal's Relations with India and China 1949-66*, New Delhi: Academic Books, 3: 181

<sup>14</sup> Sardar Gunjman Singh clarified it later thus: "Nepal had no more direct relations with Tibet...and Nepal did not propose to bypass China in any matter on trade relations with Tibet." *SCMP*, Hong Kong, 1174: 40



The negotiations were aimed at the establishment of formal relations only. In deference to India's wishes, China agreed not to open a Resident Embassy in Kathmandu. The Chinese Ambassador in New Delhi was responsible for Nepal. Even in September 1956, when an agreement on Tibet was concluded, it was agreed that, "for the time being their ambassadors accredited to India" would continue "to represent each other."<sup>15</sup>

It is also interesting to note that the Chinese delegation which came to negotiate the agreement was almost immediately accredited as Ambassador designate and he presented the credential to King Mahendra on 3 August 1955. It seems that Nepal was willing to establish diplomatic relations with China without further loss of time.<sup>16</sup>

While presenting the credentials, the Chinese envoy spoke of common boundaries, close relations between the two countries in history and also affirmed the principles of peaceful co-existence. His broadcast over Nepal Radio was not much different, except that he expressed his appreciation of the glorious achievements of Nepal in the field of culture, art, philosophy and religion and recalled that Nepal was the birthplace of Buddhism. The King, while accepting the credentials, specifically observed that the traditional friendly relations between the two countries had been placed on a "new basis."<sup>17</sup>

King Mahendra appointed Tanka Prasad Acharya, the leader of Praja Parishad, as the Prime Minister on 27 January 1956. The king also knew that he could consolidate his power only by giving a new direction to foreign policy. The democratic parties in Nepal were supported by India and King wanted to

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<sup>15</sup> Bhasin, A. S. (1970), *Documents on Nepal's Relations with India and China 1949-66*, New Delhi: Academic Books, 3: 188

<sup>16</sup> Ramakant (1976), *Nepal – China and India*, New Delhi: Abhinav Publication: 92

<sup>17</sup> *Ibid*: 92

divert Nepal's foreign policy towards China. He wanted to minimize India's influence on Nepal to achieve his desire for power. As a leader of Praja Parishad, Acharya was convinced that his tenure as Prime Minister depended on the king's pleasure, so he took a clear stand on foreign policy in keeping with the King's desire.<sup>18</sup>

Both China and India were big countries with huge population and both were determined to be powerful and were competing with each other. Their security interest in Nepal was overlapping. Due to their security interest overlapping, they were struggling to bring the neighbours into their sphere of influence. A regional balance between India and China being very important, Nepal also sought a more meaningful relationship with China. Acharya attempted new orientation in Nepal's foreign policy, the policy of equidistant from both the neighbours and gave China the opportunity it had been looking for. This was to balance India's strong influence in Nepal. The Chinese Ambassador lost no time in coming over to Kathmandu on a four-day visit on 3 February. Apart from other things, he expressed China's willingness to give economic assistance to Nepal.<sup>19</sup>

Gradually, the Nepalese government prepared the ground for a meaningful dialogue with China. On 14 February 1956, Tanka Prasad Acharya, the Prime Minister announced his government's intention to take up the question of Tibeto-Nepalese relations and border demarcation with China.<sup>20</sup> General Daman Shamsheer Rana was sent as the first Nepalese Ambassador to Peking in June 1956.<sup>21</sup> Next month, Nepal agreed to establish diplomatic relations with the Soviet Union. After the visit of Ulanfu, Acharya declared that his government had agreed to a revision of the Tibeto-Nepalese Treaty of 1856

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<sup>18</sup> Ibid: 93

<sup>19</sup> Ibid: 95

<sup>20</sup> *Asian Recorder*, 11-17 February 1956: 678

<sup>21</sup> *Current Background* (Hong Kong), 440: 7

and the talks on that subject would soon begin. To probe the Chinese mind further, Bal Chandra Sharma, Minister for Education and a close associate of Acharya, went on an eleven-day visit to China in July 1956.<sup>22</sup>

The next round of detailed negotiations were held between the Chinese delegation led by Ambassador Pan Tzu-li and the Nepalese delegation led by Foreign Minister Chuda Prasad Sharma from 14 August to 20 September in Kathmandu.<sup>23</sup>

The foreign visits to India and England particularly aimed at strengthening the government at home and asserting Nepal's independent status abroad have been an old exercise in Nepalese history. Bhim Sen Thapa in 1853 and Jung Bahadur Rana in 1850 had the similar motive. In the post 1951 Nepal, when anti-Indian sentiments was an important strand of political life, China occupied a special position in the minds of the people. Both King and the Prime Minister were aware of the advantage that a visit to China would bring in the mind of the people and strengthen their own power base.<sup>24</sup>

Prime Minister Acharya under took a formal 13-day visit to China from 25 September 1956. It was Acharya's first visit to any foreign country as the Prime Minister. The Chinese government gave him a warm welcome, which was profusely acknowledged by Acharya. Several banquets were arranged in his honour and important leaders such as Mao Tse-tung met him. He also addressed a public rally in Peking.<sup>25</sup>

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<sup>22</sup> *Asian Recorder*, 18-24 August 1956: 982 Bal Chandra Sharma had several meetings with the Chinese Leaders and met Mao Tse-Tung on 14 July 1956

<sup>23</sup> Bhasin, A. S. (1970), *Documents on Nepal's Relations with India and China 1949-66*, New Delhi: Academic Books, 3: 182-91

<sup>24</sup> Ramakant (1976), *Nepal – China and India*, New Delhi: Abhinav Publication: 100-101

<sup>25</sup> *Ibid*: 102

In his 13 day visit, he tried to discover and emphasize Nepal's historical ties with China. Acharya also stressed on the co-operative aspects of Sino-Nepalese relations, particularly in the field of economic development.

Chinese approach was one of caution. They emphasized the "traditional friendship relations"<sup>26</sup> and the common bond of "Buddhism" between the two countries. They appreciated Nepal's policy of "Peace and Neutrality" and laid stress upon Asian – African unity, a theme which formed the main trust of China's foreign policy.<sup>27</sup> Further, they repeatedly assured Nepal and they would not interfere in its affairs. The Chinese premier stated at a banquet, "In our relations with Nepal in the future, we will prove by deeds that we will strictly adhere to the five principles of peaceful co-existence –*Panchsheela*."<sup>28</sup>

The most interesting features of the Chinese leaders were that they would not refer Nepal independently of India. In a banquet Mao Tse-tung recalled China's close ties with India and Nepal and proposed a toast for friendship between the three countries. Prime Minister of China Chou En-lai also referred to "good relations between China, India and Nepal." Even in the joint statement issued on 7 October, there was a specific reference to India and *Panchsheela*.<sup>29</sup>

As China and Nepal were both keen on Nepal developing into modern state with China's economic assistance, an "Economic Aid Agreement" was signed on 7 October. China agreed to give Nepal sixty million Indian rupees in three years. One-third of this sum was to be in "foreign exchange and the rest in machinery, equipment, material and other commodities. The two sides agreed

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<sup>26</sup> Bhasin, A. S. (1970), *Documents on Nepal's Relations with India and China 1949-66*, New Delhi: Academic Books, 3: 194

<sup>27</sup> Editorial of *Jen-Min Jih-pao*, *SCMP*, Hong Kong, 1388: 27-28

<sup>28</sup> Ramakant (1976), *Nepal – China and India*, New Delhi: Abhinav Publication: 102

<sup>29</sup> *Ibid*.

that “no technical personnel shall be dispatched to Nepal in connection with the aid. The Government of Nepal shall have entire freedom in utilizing the above-mentioned money, goods and the Government of the People’ Republic of China shall not interfere.”<sup>30</sup>

China wanted to be friendly with Nepal and also give economic assistance because the United States and the United Kingdom were also giving it. China only wanted to reduce the amount of influence India has on Nepal.

Acharya stated that his visit was a great success and he also assured the Nepalese people that “China was so vast and so preoccupied with her own reconstruction that she didn’t want to have any design of territorial expansion.”<sup>31</sup> He also highlighted on the economic assistance that China had promised and said, “No condition has been attached to this economic aid and China will not send any technical personnel to Nepal. The money and material of this economic aid will be put entirely at the disposal of the Nepalese Government and the Chinese Government will not interfere.”<sup>32</sup>

Reaction to Acharya’s visit to Peking was quite varied. Acharya himself was greatly impressed, and he expressed his appreciation for the “amazing progress” made by China. He assured the Nepalese people that “China was so vast and so preoccupied with her own reconstruction that she did not entertain any design of territorial expansion.” In an indirect reference to India’s patronizing attitude, he observed that in China there was “none of the tendency towards great-nation chauvinism or self-conceit.”<sup>33</sup> He underlined the economic assistance that China has promised, and said: “No condition has been attached to this economic aid and China will not send any technical

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<sup>30</sup> Ibid: 103

<sup>31</sup> Bhasin, A. S. (1970), *Documents on Nepal’s Relations with India and China 1949-66*, New Delhi: Academic Books, 6: 197

<sup>32</sup> Ibid.

<sup>33</sup> *SCMP*, Hong Kong, no. 1395: 46

personal to Nepal. The money and material of this economic aid will be put entirely at the disposal of the Nepalese Government and the Chinese Government will not interfere.”<sup>34</sup>

The various political parties and leader reacted differently to Acharya’s visit.<sup>35</sup> The Nepali Congress, the Nepali National Congress, and the Gorkha Parishad welcomed the unconditional aid offered by China, but K I Singh, who was in favour with India, denounced it. He considered it a sell-out, and remarked that “six crore rupees is not the price of Nepal.”<sup>36</sup>

For China, the visit was an important gain. Chou En-lai and the Chinese Press acclaimed it as a “milestone” and a “new stage” in the development of Sino-Nepalese relations. Thus, however, could not yet be constructed as a deliberate challenge to India’s position in Nepal. More often that not, the initiative for innovations came from Nepal and whatever China did was by the way of reaction to Nepal’s initiative. Moreover, economic aid was part of *Panchsheela*. Even then China kept India informed of its moves and desisted from sending technical personal to Nepal.<sup>37</sup>

Acharya’s China visit was an important development in Nepal and the Himalayan region. The two agreements with China were an innovation in Nepal’s foreign policy. It was an important step towards a return to the traditional policy of finding a counterweight to India with the policy towards China. The agreement fed the anti-Indian feeling as critical comparisons began to be made between the Chinese and Indian attitudes towards Nepal. The Nepalese found the Chinese more reasonable and correct. While China had

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<sup>34</sup> Bhasin, A. S. (1970), *Documents on Nepal’s Relations with India and China 1949-66*, New Delhi: Academic Books, 6: 197

<sup>35</sup> *Asian Recorder*, 6-12 October 1956: 1061-62

<sup>36</sup> Ramakant (1976), *Nepal – China and India*, New Delhi: Abhinav Publication: 103-104

<sup>37</sup> *Ibid*: 104

signed the Panchsheela agreement, India had not. While India attached all sorts of conditions to her aid, China's aid was unconditional. It was also alleged that Indian-aided projects, eg. The Koshi Project, benefited India more than they did to Nepal.<sup>38</sup>

Indian reaction to the developments in Nepal – China relations was quick. It approved of the normalization of relations, but it regarded the manner of Acharya's visit, his public view while in Peking, the unconditional Chinese economic assistance, and the reaction to the Nepalese public as indicating an erosion of its influence. Chinese aid was regarded as political move aimed at weaning Nepal away from India's influence. As a countermove, the Government of India arranged for the President of India to go to Nepal on a four-day state visit, his first to any foreign country. In Kathmandu he laid stress on traditional, cultural, and historical ties between the two countries, and assured his hosts that Indian economic aid was not actuated by "purposes of domination."<sup>39</sup> India also offered a sum of Rs 110 million as aid for Nepal's first Five Year Plan. Besides thus appeasing Nepal, India also expressed its displeasure at the way the Acharya Government was moving in recent months, by giving his rival, K I Singh, a warm welcome in New Delhi. Even when the Nepalese Prime Minister came to India (4-7 December 1957) to reassure India of his country's continued regard and friendship, he was met with an unusual formal reception.<sup>40</sup>

After Acharya's visit to China, there were no significant developments. From 25 January to 29 January 1957, Chou En-lai visited Nepal. The visit was part of his "Peace Campaign" to eleven Asian and European Countries, which included all the countries of South Asia.<sup>41</sup> He was warmly received in

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<sup>38</sup> Ibid.

<sup>39</sup> *The Times of India*, New Delhi, 21 October 1956

<sup>40</sup> Ramakant (1976), *Nepal – China and India*, New Delhi: Abhinav Publication: 104-105

<sup>41</sup> *Current Background*, No 439, 1957: 12

Kathmandu. The Nepalese Prime Minister addressed him as a “soldier and statesman who is an intimate evoked hope of Sino – Nepalese economic cooperation. At a reception given by the Nepal’s Chamber of Commerce, Chinese assistance in Nepal’s economic development was specifically sought. It was alleged that Acharya also proposed a road link between Nepal and Tibet.”<sup>42</sup>

Two views have been advanced about Prime Minister Chou En-lai’s visit to Kathmandu. Leo Rose contends, that it “marked a significant change in Peking’s approach, for thenceforth its concern for Indian sensitivities was considered muted..the Chinese had began to compete openly with Indians in the use of cultural and racial factors in influencing the Nepali public.”<sup>43</sup>

Another view is the one advanced by Mira Sinha, a China expert from India. She agrees that “the year 1956 brought to the surface new strains in Sino-Indian Relations”, Chou En-lai did “remind India that the maintenance of the status quo of 1954 required an observance of the ground rules by both parties,” and that thereby he implied that India’s covert interferences in Tibet was against the mutual understanding but she contends that “China ...continues to display a tactical regard for India.”<sup>44</sup>

Nepal’s foreign policy during the Nepali Congress Government achieved its national norm. For BP Koirala, a close relationship with Indian continued to remain the basic context of Nepal’s International relations. In fact, he moved closer to India than before, on account of the similar political and economic ideas that the two governments upheld and the parliamentary structure within which two operated. Besides, Nepal was exposed to the serious Tibetan revolt

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<sup>42</sup> Ramakant (1976), *Nepal – China and India*, New Delhi: Abhinav Publication: 105

<sup>43</sup> Rose, Leo E (1971), *Nepal Strategy for Survival*, Berkeley, University of California Press: 213

<sup>44</sup> Sinha, Mira (1970), “Nepal’s Role in Sino – Indian Relations 1949-69”, *Institute for Defence Studies and Analyses Journal*, New Delhi, 2 (4): 470-71



of 1959 and the Sino – Indian rift. Nepal felt secure in getting closer to India. Yet Koirala took the blunt public stand that in case of an attack on Nepal, “India is treaty bound to come to our help if we seek her assistance- the initiative for asking must come from us.” He thus asserted Nepal’s political dependence vis-à-vis India. Nepal maintained this attitude during the entire period of the Nepali Congress Government. To hold that there was a shift<sup>45</sup> in Koirala’s policy some time in February 1960 is to misjudge the basic context within which Nepal was functioning, and to overlook the peculiar situation of the time. It is important to understand that the national norm of Nepal’s foreign policy was highly ‘titled’ towards India. What Koirala attempted was only a slight push towards the norms without prejudice to the fundamentals of his country’s relationship with India as determined by geo-cultural and economic factor.

The important moves made by the Nepali Congress government in Sino-Nepalese relations were dictated by the situation as it then obtained, and it received full co-operation and enjoyed the full confidence of the Government of India. Sino – Nepalese relations, therefore, stood within the framework of meaning on the basis of certain additional determinants. The first step in this direction was taken when, in 1956, the five principles of peaceful co-existence were stipulated in the Sino – Nepalese agreement on Tibet. On Chinese insistence these principles were reiterated in the Treaty of Peace and Friendship. Nevertheless this treaty cannot be compared at all with the Indo – Nepalese Treaty of Peace and Friendship, where not merely the principle of sovereign equality of nations, but certain more serious and practical obligations like mutual consultation and assistance have been undertaken. The

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<sup>45</sup> Rose, Leo E (1971), *Nepal Strategy for Survival*, Berkeley: University of California Press: 286

Chinese tried to neutralize the treaty with India by suggesting a non-aggression pact, but Nepal did not agree.<sup>46</sup>

It is also worthwhile to compare the Sino – Nepalese treaty with the Sino – Burmese Treaty of Friendship and Mutual Non-aggression.<sup>47</sup> Under the later treaty Burma agreed to maintain non-alignment and refrain from entering into any military alliance directed against China. This was obviously due to the different geo-political and cultural contexts of the two countries. Burma has huge population of Chinese origin, and it also has direct access to China from sea. But Nepal is land-locked with extensive cultural and economic relation with India.

The second step in developing relations with China on significant lines was taken with the border alignments as India did. It realized that wherever there were border disputes, the bigger and powerful country always succeeded in freezing the situation to its advantage. The best course for Nepal was, therefore, to get the border settled finally. It was, however, due to the prevailing international and regional politics that Nepal was able to reach a favourable settlement terms in spite of being a small country. It was due to the successful diplomacy of its leaders.<sup>48</sup>

The third and the final step towards achieving the norm in relations with China were tried through the Economic Assistance Agreement. It was obvious that in view of its own backward economy India alone could not have met all the needs of Nepal for quicker development. The western powers were already assisting Nepal in a big way, and China and Soviet Union also entered the field. Nepal, however, did not agree to the proposal for a Nepal – China road, which was considered uneconomic.

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<sup>46</sup> Ramakant (1976), *Nepal – China and India*, New Delhi: Abhinav Publication: 160

<sup>47</sup> Ibid.

<sup>48</sup> Ibid.

Sino – Nepalese relations were strengthened although good relations with India remained a matter of great importance. It may also be argued that the establishment of the Chinese power in Tibet in 1959 proved to be a great opportunity for Nepal, because it facilitated its efforts to restore the age-old balance between south and north. This could not be done by the Nepali Congress Ministry for various factors explained above, but after the Royal take-over in December 1960, Nepal, under King Mahendra's personalized rule, set out to exploit the situation and also achieve a fair degree of success.<sup>49</sup>

There were drastic changes in the situation and Indo-Nepal relations after Sino – India war of 1962. The Sino – Indian conflict of October – November 1962 had positive effect both on India and Nepal. The border attacks on Nepal by the volunteers of the Nepali Congress ceased forthwith, and the Indo – Nepalese border trade was resumed. India acquiescent in a new relationship with Nepal based on the understanding that it was for Nepal to decide for itself the type of government that it should have and that Indian Territory was not to be allowed to be used for anti-government activities.<sup>50</sup> Thus the accidental circumstances of the Sino – Indian conflict helped King Mahendra in achieving what he had long desired to achieve.

King Mahendra assumed a neutral stand in the Sino – Indian war of 1962. He stated on 10 November:

*Surely, it is a grievous and fearful matter, and China and India should expeditiously settle it through mutual negotiations..Nepal longs to maintain cordial relations with all friendly countries.. So this being a*

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<sup>49</sup> Ibid: 161

<sup>50</sup> Ibid: 198

*dispute between India and China, Nepal deems it most appropriate that they should resolve it through mutual understanding.*<sup>51</sup>

Nepal's envoy in the United Nations, R. K. Shah, also made it clear on 26 October 1962:

*We do not want to pass (judgement) on the merits of the Sino-Indian border dispute. As a country friendly to both, our own hope and prayer has been that the dispute be settled without resort to force and through negotiations, in a spirit of understanding.*<sup>52</sup>

It is also interesting to note that China also didn't ask Nepal for any help whether it's logistic, military or territorial.

Within the framework of neutrality the Government of Nepal displayed a basic sympathy with India. It also took certain steps to restore the old relations that had been disturbed following the coup d'état of December 1960. While proclaiming neutrality in the Sino-Indian struggle, King Mahendra also declared: "It is, however, an inborn virtue of the Nepalese to be sympathetic in a friend's distress because the Nepalese are a gallant people, and treachery is totally alien to their nature."<sup>53</sup>

Similarly, during the Galwan Valley incident in July 1962, when the Chinese used Radio Lhasa to accuse India of using the Gurkhas on its northern border and put pressure on Nepal to disallow their recruitment,<sup>54</sup> Nepal refused to comply. Indeed it justified its permission for continued recruitment of the

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<sup>51</sup> *Proclamations, Speeches and Messages*, 2 (1): 146-48

<sup>52</sup> Bhasin, A. S. (1970), *Documents on Nepal's Relations with India and China 1949-66*, New Delhi: Academic Books, 2: 238

<sup>53</sup> *Proclamations, Speeches and Message*, 2 (1): 148

<sup>54</sup> *The Hindu*, New Delhi, 7 September 1962

Gurkhas for service in the Indian Army as a treaty obligation.<sup>55</sup> Again, during Sino-Indian hostilities, Nepal banned the re-export of all goods of strategic value, as well as of certain specific essential commodities and consumer goods imported from India. These were clear hints that it was prepared to give thought and protect India's strategic interest.

These steps by Nepal and India were signs to the dangerous situation that had developed in the Himalayas and to the consequent need for a readjustment of their relationship. But the history of the previous two years had left a permanent imprint on Nepal's foreign policy. Nepal had successfully used China to pressurize India and to gain certain advantages. It had asserted its independence. The success was of course due to certain external circumstances, but in view of the extremely involved nature of Indo-Nepalese relations, use of China as a lever for pressurizing India assumed great importance in the years that followed.<sup>56</sup>

Chinese help to Nepal, though limited in quantum and used in certain selected sectors, has consistently increased towards 1970s. Starting with a political gesture of a few million rupees during the time of Tanka Prasad Acharya, China, on average has been giving 50 million rupees per annum for assistance to Nepal (Looking at data from 1959 to 1973). By 1971-72, China had extended a total of Rs 368,111,000 which is no a small amount. Its economic importance is undoubted, but the main motivation and consequences have been political. Nepal has used China's willingness to help as a means to pressurize India and attract aid from other countries. Nepal's success in managing aid from various donors is indeed impressive.<sup>57</sup>

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<sup>55</sup> *Janata*, 31 July 1962

<sup>56</sup> Ramakant (1976), *Nepal – China and India*, New Delhi: Abhinav Publication: 201

<sup>57</sup> *Ibid*: 251.

Nepal's China policy has obvious limitations. These were exposed in 1969-71, when India refused to be pressurized and adopted a strictly formal, strong, and reciprocal attitude. Nepal has ultimately to yield and sign a trade and transit treaty as India desired. China just could not help. The Nepalese know that India has great stakes in Nepal and also the means to achieve them.<sup>58</sup>

In accordance with its objectives, China has so far played only a limited role in Nepal. It has presented the image of a huge but benign neighbour. It has ensured a friendly Government, which has kept the Tibetan border quiet and has also maintained avowed neutrality between Sino-Indian rifts. It has not aimed at any fundamental change to the State to State relationship. Despite a good deal of talk about Chinese pressure, there is no evidence of China going all out either for a revolution or even creating a base for itself in Nepal. Excluding a domestic conflict with some spill-over into external affairs, China has not pushed Nepal towards a particular internal or external policy. Even in its trade relations it has not encouraged Nepal to develop Tibeto – Nepalese trade. In its economic assistance it has not been as big as India.<sup>59</sup>

The traditional attitude of China towards Nepal was changing as Chinese society was undergoing major change. In the year 1972, the relations between Nepal and China continued to progress on the lines desired by the rulers on both sides. The Chinese were glad to note that the Nepalese continued to maintain hostility towards India, and a warm hospitality was growing towards China. Moreover, the aid programme, the construction of highways between Lhasa and Kathmandu, and some Nepalese politicians showing an interest in renewed Chinese proposal for a Himalayan confederation continued to surrender momentum to strengthen relations between China and Nepal. Even though the political relations between these two countries were friendly,

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<sup>58</sup> Ramakant (1976), *Nepal – China and India*, New Delhi: Abhinav Publication: 260-61

<sup>59</sup> Ibid: 261

Nepal's attitude towards China was different. There was never any official criticism against China. This was partly due to the fear that China might some day make hegemonic claim on Nepal and partly due to a genuine respect for the great neighbour. Nepal considered it as in her interest to cultivate good relations with China, and even to assign her to the role of counterweight to India on certain occasions. China, on the contrary, was energetically trying to consolidate her position in Nepal by ways of diplomacy, economic aid and propaganda.<sup>60</sup>

### **King Birendra's Period (1972 – 2001)**

After the death of the King Mahendra on 31 January 1972, his son Birendra ascended the throne. On 17 February, Premier Chou En-lai in a message of congratulation to the new King said that Nepal was consistently pursuing a policy of peace, neutrality and non-alignment, and was unremittingly struggling to resist foreign aggression and interference. He added that he was deeply convinced that the friendship and co-operation between the two countries would grow stronger and develop continuously.<sup>61</sup> In September of the same year, a new Chinese Ambassador, Cao Ji, was set to Nepal.<sup>62</sup> A senior party leader and a moderate career diplomat, his posting was considered significant in political circles in Kathmandu. In November, Nepalese Premier Kirtinidhi Bista visited Beijing for the third time.<sup>63</sup> In the banquet speech given in his honour, the Chinese Premier, Chou En-lai not only praised the Nepalese people for their 'glorious tradition of resisting imperialist aggression', but went on to say that they 'withstood foreign pressure and safeguard their national independence and state dignity.' He went on to say

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<sup>60</sup> Ibid: 261

<sup>61</sup> *SCMP*, Hong Kong, 5076: 94

<sup>62</sup> *SCMP*, Hong Kong, 5227: 22

<sup>63</sup> *SCMP*, Hong Kong, 5263: 33-35

that the Chinese Government and the people “appreciate Nepal’s spirit of defying brute force. The Chinese government consistently holds that countries, big or small should treat each other as equal and that it is absolutely impermissible to carry out aggression, pressure and interference from any other countries under any pretext.”<sup>64</sup>

Chou En-lai’s statement was interpreted by some observers in India as well as Nepal as “a veiled threat” against India. They also pointed out that while Chou En-lai’s statement evoked no greater reason from Nepal than a quiet denial by Bista for existence of any external threat to Nepal, a similar statement by Nehru in the Indian Parliament had at that time led to a storm of protest in Kathmandu.<sup>65</sup>

Certain quarters argued that the Chinese leader could have made such statement only when he had the idea that the guest might like the same. And if the Nepalese had not liked such repeated support, they should have conveyed their feelings to the Chinese.<sup>66</sup>

In August 1973, China resumed the practice of offering scholarships to Nepalese students.<sup>67</sup> It may be recalled that during the Cultural Revolution, 10 Nepalese students were sent back.<sup>68</sup> About the same time, Nepal strengthened its Embassy in China, to bring it to the level of its mission in India.

In December 1973, King Birendra paid a week’s state visit to China.<sup>69</sup> In the joint communiqué, issued at the end of the visit, the Chinese Government praised King Birendra’s leadership and reaffirmed its support to the policy of

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<sup>64</sup> *SCMP*, Hong Kong, 5263: 35-39

<sup>65</sup> *The Rising Nepal*, Kathmandu, 28 December 1972

<sup>66</sup> *The Hindustan Times*, New Delhi, 8 December 1972

<sup>67</sup> *The Rising Nepal*, Kathmandu, 2 August 1973

<sup>68</sup> *Nepal Times*, Kathmandu, 4 September 1966

<sup>69</sup> *SCMP*, Hong Kong, 5518: 37-38



peace, neutrality and non-alignment, pursued by His Majesty's Government. The King of Nepal, on his turn, thanked the Government of People's Republic of China for its assistance to Nepal's development efforts, and spoke highly of the achievements of China in the fields of industry, agriculture, science and technology. Both sides held the view that the world situation was undergoing significant changes and the Third World playing an ever greater role in international affairs. Both sides were of the opinion that "every nation, big or small, has an inherent right to exist without committing itself to any power bloc." They agreed that "the idea of creating spheres of influence controversies the fundamental interests of the people and is, in itself, a manifestation of hegemonism." The Chinese government also agreed to send a delegation to Nepal for consultation on measures for further development of trade and cooperation between the two countries.<sup>70</sup>

On 2 September 1974, the *People's Daily* strongly condemned India for what it called the Indian Government's expansionist act of annexing Sikkim. The *NCNA* quoted an article from the Nepalese weekly *Arpana* which said that the Indian action in Sikkim had given rise to a "grave danger for Nepal and other countries in this sub-continent." It also quoted the Nepalese Panchayat member PC Lohani as saying that "we would be more vigilant against our southern border."<sup>71</sup> The *NCNA* and Radio Beijing were, thus, playing up Nepalese journals and dailies which condemned New Delhi's new relations with Sikkim, saying that Bhutan and Nepal might be the Indian Government's next target.

On 4 September, the Indian Embassy in Kathmandu protested to the Nepalese Foreign Ministry against the Chinese Embassy issuing press releases regarding the Sikkimese development, which contained derogatory remarks against the

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<sup>70</sup> *The Statesman*, New Delhi, 9 December 1973

<sup>71</sup> *SCMP*, Hong Kong, 5702: 86-87

late Prime Minister Nehru and Prime Minister Indira Gandhi. The Indian Embassy pointed out that the Chinese mission was misusing the soil of a friendly country, Nepal, to launch an offensive propaganda breach of the diplomatic codes by the derogatory use of language in its propaganda materials, it was pointed out.<sup>72</sup> In her attempt to isolate India from her immediate neighbour in South Asia, *NCNA*, on 30 October, devoted its columns exclusively to New Delhi – Kathmandu relations, accusing India of intimidating the government and people of Nepal to achieve her expansionist first week of September by Nepalese students on Sikkim issue, the Indian Government had “flagrantly exerted pressure on and intimidated Nepal.” The Indian Government, in its view, was trying to assert her historical status in the Himalayan Kingdom of Nepal and Bhutan, now that Sikkim had been turned into an associate state of the Indian Union.”<sup>73</sup>

In the later half of 1974, armed Khampa refugees from Tibet, living in the northern part of Nepal, were making attacks into Tibet. Khampa tribesmen constituted the backbone of Tibetan resistance against the Chinese administration in Tibet, after the flight of the Dalai Lama from Lhasa in 1962. Nepal was wary of Khampa activities and often tried to check them. In early August 1974, the security forces launched a drive to round up armed Khampas who failed to surrender their arms by the end of July. On 28 August, the *NCNA* under a Kathmandu dateline, reported measures recently taken by the Nepal Government to disarm the Tibetan ‘rebels’ who were using the kingdom as a base for hostile activities in China. A spokesman of the Nepalese Foreign Ministry, on 21 July, categorically ruled out any plan for a coordinated action with China against armed Khampas living in the Kingdom. He discounted the report that Nepal was taking action against Khampas under Chinese

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<sup>72</sup> *The Hindustan Times*, New Delhi, 5 September 1974

<sup>73</sup> *SCMP*, Hong Kong, 5733: 197-99

pressures.<sup>74</sup> Nepal's home Minister HB Shrestha, in an interview with official news agency Rastriya Samachar Samiti (RSS), published on 23 July said: "There is no concrete evidence to substantiate allegations that India is encouraging armed Khampa refugees."<sup>75</sup> Speaking at a reception in honour of the heads of states and governments who attended his coronation in Kathmandu, King Birendra, on 25<sup>th</sup> February 1975, made a proposition that Nepal be declared a zone of peace. "Only under a condition of peace will we be able to create a politically stable Nepal with a sound economy which will in no way be detrimental to any country," he said. "If our relations with India have been deep and extensive, our relations with China have been equally close and friendly, consistently marked by understanding of each other's problems and aspirations. We adhere to the policy of non-alignment because we believe that it brightens the prospects of peace," he added.<sup>76</sup>

Talking to a team of visiting India journalists on 23 May 1975, Nepal's Foreign Minister, Krishna Raj Aryal, suggested publicly, for the first time, that India should have responded to the Kingdom's desire to be declared "a zone of peace." "Nepal would have been happy if India had been the first country to respond to her proposition," he said. He added that the Soviet Union, Pakistan and China had welcomed the proposal.<sup>77</sup> In an interview to a *Kyodo* correspondent, Aryal said that Nepal hoped to obtain India's support to the concept. Referring to Nepal's relations with China and India, he said "The problem is that China seems to think that Nepal is closer to India while India sees Nepal as being on the Chinese side."<sup>78</sup>

The main reason behind India's silence was said to be "the lack of clarity" around the concept. Besides it was pointed out by commentators that Nepal

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<sup>74</sup> *The Hindustan Times*, New Delhi, 23 July 1974

<sup>75</sup> *The Hindustan Times*, New Delhi, 24 July 1974

<sup>76</sup> *Gorkhapatra*, Kathmandu, 26 February 1975

<sup>77</sup> *Patriot*, 2 June 1975

<sup>78</sup> *The Rising Nepal*, Kathmandu, 25 May 1975

overlooked prior consultation with countries whose views it valued most. Countries like the Soviet Union, Pakistan and China had reacted to the proposal, keeping in mind their own larger context. On 1 August China pledged support to the King Birendra's concept for Nepal as a 'zone of peace'. In an article, greeting the 20<sup>th</sup> anniversary of the establishment of the Sino-Nepalese relations, the *People's Daily* made it formally known.<sup>79</sup>

Between 1975 and 1978 many important developments took place in China. Mao Zedong and Chou En-lai who had been at the head of affairs since 1949, died in 1976. Internally China went through a power struggle in which the so-called moderates won against the radicals and tried to change China's internal and external policies. In the internal sphere, the moderate leadership emphasized on rapid growth and modernization, and to sustain the campaign for Four Modernizations, China's foreign policy was modified to accept Western financial and technical collaboration.

All these changes, however, did not bring any noticeable change in China's policies towards Nepal. Although Chinese leaders in their speeches gave a wider perspective to Sino – Nepalese relations by linking it with other developments in the world, in essence the relationship was directed by the two constants- geography and India. The logic of the constants prevailed over the variables in world politics.

Important events in China-Nepal relations of this period were King Birendra's visit to China in June 1976,<sup>80</sup> and Chinese Vice-Premier, Deng Xiaoping's visit to Nepal in February 1978.<sup>81</sup> In a message to the nation before he left for China the King said "China is one of our neighbours. The visit will strengthen the traditional friendship with China and will increase the scope of mutual

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<sup>79</sup> *SCMP*, Hong Kong, 5914: 132-33

<sup>80</sup> *SCMP*, Hong Kong, 6114: 39

<sup>81</sup> *Beijing Review*, 10 February 1978: 4-5

cooperation.”<sup>82</sup> The King declared that “personal contact not only led to a better understanding between the two but also helped further develop the bonds of close relationship leading to fruitful co-operation.”<sup>83</sup>

During Deng Xiaoping’s visit to Nepal in 1978, China gave “firm support to King Birendra’s proposal of Nepal as a “zone of peace.”<sup>84</sup> This stand was exactly the opposite of Indian stand. India suggested making south of Himalayas as a zone of peace thereby diffusing any support to King’s concept of declaring Nepal as a zone of peace.<sup>85</sup> During his visit Deng was careful not to display any hegemonic nature. In fact, he made it a point to emphasize that China and Nepal were both developing countries belonging to the Third World. This was the assurance to Nepal that China was not assuming a posture of superiority.<sup>86</sup> Deng’s visit was also remarkable for the avoidance of any offensive statement against India. There was no indication that Deng wanted to neutralize the warmth between his host country and its southern neighbour generated in the wake of the Indian Prime Minister’s visit to Nepal in December 1977. On the other hand, it was amply evident that Deng had in mind the thawing of his country’s relations with India. Side tracking anything which might have hurt India’s susceptibilities and indirectly accepting the role which India had played leading to an improved atmosphere in South Asia; Deng expressed his country’s “eagerness” to bring relations between India and China closer.<sup>87</sup> The attitude was further continued during the Nepalese Prime Minister’s visit to China in September 1978.<sup>88</sup> In his speech at the Great hall, Deng Xiaoping referred to Soviet “hegemonism” and American

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<sup>82</sup> *Gorkhapatara*, Kathmandu, 3 June 1976

<sup>83</sup> *The Times of India*, New Delhi, 6 June 1976

<sup>84</sup> *The Hindustan Times*, New Delhi, 4 February 1978

<sup>85</sup> *The Hindustan Times*, New Delhi, 19 January 1978

<sup>86</sup> *Indian Express*, New Delhi, 6 February 1978

<sup>87</sup> *The Hindustan Times*, New Delhi, 7 February 1978

<sup>88</sup> *Beijing Review*, 6 October 1978

“imperialism”; but there was no reference to Indian “reactionaries” as it was done during earlier periods.<sup>89</sup>

During this period Nepal was not only seeking the support of China for ‘zone of peace’ proposal but also wanted to involve China in the development of regional water resources.<sup>90</sup> But during his visit to Nepal, Deng Xiaoping took care not to be pushed into supporting such a demand without studying the complications involved.<sup>91</sup> On her part, India rejected the participation of China in such measures on the basis that China was not a South Asian country.<sup>92</sup>

During his visit to China in July 1982, King Birendra of Nepal spoke of "the mutual trust and confidence that exist between our leaders and people. It has withstood the vagaries of time by having remained steady much like the mountain that unites us. I am therefore happy to note with satisfaction the state of relations existing between our countries,"<sup>93</sup> When Surya Bahadur Thapa, then prime minister of Nepal, received the National People's Congress delegation of China in March 1983, he commented, "Sino-Nepalese relations are very good with no problem between the two countries."

Given the international situation prevailing since the mid-1970s, Nepal further recognized its true interests and its true friend, particularly after the Soviet military intervention in Afghanistan and Vietnam's Soviet supported invasion of Cambodia, and world opinion of these events. Both Nepal and China have consistently condemned these actions and insisted that both the USSR and Vietnam withdraw their troops unconditionally. This struggle is a task for the international community as well as for China and Nepal in the 1980s. It requires cooperation between the two countries and with others in order to

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<sup>89</sup> *The Rising Nepal*, Kathmandu, 28 September 1978

<sup>90</sup> *The Times of India*, New Delhi, 15 January 1978

<sup>91</sup> *Indian Express*, New Delhi, 6 February 1978

<sup>92</sup> *The Hindustan Times*, New Delhi, 7 February 1978

<sup>93</sup> *The Rising Nepal*, Kathmandu, 28 July 1982

promote justice and peace in Asia and the world. As King Birendra points out, "There is a need for global realization and a unity among the Third World,"<sup>94</sup> and "Nepal and China should keep close relations."<sup>95</sup> The visits by Premier Zhao and King Birendra provided chances for the two leaderships to exchange views on international issues of concern to both sides, exchanges that definitely will promote mutual understanding and friendship in this decade.

By 1970, China assisted Nepal in some 20 construction projects including roads, power stations, and various kinds of factories, contributing to Nepal's national economy. But as its economy developed, Nepal's requests for foreign aid increased rapidly. This tendency was clearly seen in the foreign aid it received in the late 1970s. The total foreign aid inflow was more than double in five years but China's aid actually decreased. China was not able to provide large assistance because China was a developing country itself and it was struggling to come out of a decade long disaster caused due to the Cultural Revolution.

Although in general China cannot satisfy Nepal's increasing requests, China's aid level since 1980 has been at par with or even slightly above the average amount of aid to Nepal in the latter half of the 1970s. Two pieces of evidence support this: (1) As estimated by the Nepal Ministry of Finance, Chinese aid to Nepal in 1980-81 was 56.5 million rupees,<sup>96</sup> lower than in 1977-78 but 50% higher than in 1979-80; and (2) a protocol was signed on June 25, 1982, for Chinese aid in road and bridge repair, at Nepal's request, even though China was in a budget deficit. Work commenced in April 1983 on the Bahrabise-Kodari section covering 26.7 kilometers of the Kathmandu-Kodari (Arniko) road which China helped construct in 1967.<sup>97</sup> It also agreed to rebuild the

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<sup>94</sup> *The Rising Nepal*, Kathmandu, 28 July 1982

<sup>95</sup> *People's Daily*, 28 March 1982

<sup>96</sup> *Economic Overview*, Ministry of Finance, His Majesty's Government, Nepal, Table 5.8

<sup>97</sup> *The Rising Nepal*, Kathmandu, 8 April 1983

Sino-Nepali Friendship Bridge on the border which, along with the road, had been undermined by erosion in a July 1981 flood.

Other engineering and construction projects in China's assistance program for Nepal were started or completed in the early 1980s. The 61-km Gorkha – Narayanghat road, with 22 bridges and more than 300 culverts, was started in March 1978 and completed in November 1981, four months ahead of schedule. The Pokhara hydropower and irrigation project, including a dam, a 1500 KW generator, and an irrigation system covering 750 hectares, was begun in November 1981. China also built a medium size paper mill, a sugar refinery with a capacity of 1000 tons of sugarcane a day and a yearly yield of 10,000 tons of sugar, and an ethyl alcohol factory. These were not big projects but it demonstrated the Chinese people's sincerity toward the Nepalese people because China didn't ask for anything in return though factories built under Soviet and other countries used to take first five years of the profit back.

Are there more effective ways of pursuing economic cooperation between the two countries? This is the question that our two peoples and governments should be concerned with. King Birendra, during his visit to China in 1982, said "the people of Nepal hope for building of new areas of economic cooperation which will be of mutual benefit to both our peoples."<sup>98</sup> And Vice Chairman Ngapoi Ngawang Jigme of the National People's Congress Standing Committee said during his delegation's visit to Nepal the following year that the two peoples "will make common efforts to create a new frontier for friendly cooperation and to consolidate and strengthen Sino – Nepali friendship."<sup>99</sup> As a result, new forms of economic cooperation appeared.

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<sup>98</sup> *The Rising Nepal*, Kathmandu, 28 July 1982

<sup>99</sup> *People's Daily*, 26 March 1983



On April 12, 1983, work on the Sunsari – Morang irrigation project, located in two districts in southeast Nepal and contracted to China, was begun. The main components of the project involve repairs to the present irrigation system that supplies 11,200 hectares, and certain other reconstructions. The schedule called for completion in three years at a cost of US \$14.5 million funded through a loan from the World Bank. The Sunsari – Morang project was China's first large engineering undertaking in Nepal and indicated that diversified economic and technical cooperation between the two countries had entered a new stage.

In addition to the above, China has also promised long term credit to finance Nepal's purchase of Chinese commodities and products for the purpose of national construction. Since both China and Nepal are developing countries and can learn from each other, economic cooperation between them will broaden as time goes on.

On 20 March 1984, President Li Xiannian and his wife visited Nepal on the invitation of King Birendra and Queen Aishwarya. King Birendra thanked the president at the banquet organized in honour of the Chinese President, for the great Chinese contribution for the economic development of Nepal. King Birendra also appreciated the great prosperity and development China had achieved in short span of time. In response, President Xiannian said that Nepal -- China relation is based on respect, equality, mutual trust and honesty. The relation is strong and follows five principles of *Panchsheela*.

Later vice Premier Qiao Shi's visit to Nepal on May 28 1987. He was on five days visit to Nepal. There were other series of high level visits like King Birendra was on 4 days visit to China on 14 September 1987 and Prime Minister Kirtinidhi Bista was also there on 10 days visit to China from 5 September to 15 September in 1989.

On 21 November, 1989 Premier Li Peng was on 3 days visit to Nepal. King Birendra and Premier Li Peng appreciated the relation between the two countries and talked about the traditional relations between the two nations. Premier Peng also appreciated Nepal's role in international politics. He appreciated Nepal for its peaceful foreign policy and fighting against foreign interference. At the press conference, Premier Li Peng stated that it was his informal visit to Nepal and it would strengthen the mutual trust and friendship between the two countries.

Most of the official visits from the head of the state of Nepal or China were a goodwill one just to balance the going influence of India. China always talked about friendly relations, cooperation in economic development and security issues related to Tibet.

In 1988 Kathmandu signed an agreement with Beijing to purchase weapons. China had also won a contract for constructing a road in the western sector to connect China with Nepal. India found these developments as threat to her security.

In response for these developments, India put Nepal under a virtual trade siege. In March 1989, upon the expiration of the 1978 treaties on trade and transit rights, India insisted on negotiating a single unified treaty in addition to an agreement on unauthorized trade, which Nepal saw as a flagrant attempt to strangle its economy. On March 23, 1989, India declared that both treaties had expired and closed all but two border entry points.

The economic consequences of the trade and transit deadlock were enormous. Shortages of Indian imports such as fuel, salt, cooking oil, food, and other essential commodities soon occurred. The lucrative tourist industry went into

recession. To withstand the renewed Indian pressure, Nepal undertook a major diplomatic initiative to present its case on trade and transit matters to the world community.

The relationship with India was further strained in 1989 when Nepal decoupled its rupee from the Indian rupee which previously had circulated freely in Nepal. India retaliated by denying port facilities in Calcutta to Nepal, thereby preventing delivery of oil supplies from Singapore and other sources.

These acts also raised anti-India feeling among the Nepalese. China was shown as good neighbour by the swift change in relations took place after success of the democratic movement of 1990.

### **Role of Tibetan Refugee in Nepal – China Relations**

Today, approximately 20,000 Tibetans reside in Nepal. The vast majority of this population arrived before 1989 and particularly during the period between 1959, when the People's Liberation Army's (PLA) assault on Lhasa sent thousands of Tibetans into exile, and 1974, when the Nepalese government forcibly shut down the Tibetan guerilla base that had been operating for more than fifteen years in the western Kingdom of Mustang.<sup>100</sup> The remainder of the Tibetan refugee population in Nepal is comprised largely of the children of this first caseload and, to a much lesser extent, Tibetans who have fled since the late 1980s. The latter group, the second caseload, almost invariably proceeds to India because the Nepalese government no longer provides sanctuary to newly arriving Tibetan refugees.

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<sup>100</sup> Bose, Tapan K., *Protection of Refugees in South Asia: Need for a Legal Framework* 38 (2000).

While some Tibetan refugees arrived in Nepal in the early 1950s, the first major influx crossed the border in 1959, following the Lhasa Uprising. At that time most did not expect to remain in Nepal for more than a few months. They established camps primarily in the Himalayan border regions of Nepal such as in Mustang, western Nepal, as well as in Nubri, and Solukhumbu. The climate in these regions resembles that of Tibet. The refugees also felt that the proximity of the camps to the border would enable them to return home easily when the appropriate time come.<sup>101</sup>

The guerilla operation in Mustang created a second major source of Nepal's original Tibetan refugee population. From about 1959 to 1974, the Nepalese government turned a blind eye to a Tibetan military base located in the remote northwestern Kingdom of Mustang, which received covert support from the United States Central Intelligence Agency (CIA).<sup>102</sup> From this base, Tibetans, primarily former residents of the province of Kham, carried out guerilla strikes against the PLA. For about ten years, the CIA funded military training for Tibetan guerillas, including in "camouflage, spy photography, guns, and radio operation," and provided them with weapons and other equipment to sustain the Mustang base. By the late 1960s, however, the U.S. government's support for this covert operation dwindled, and the CIA gradually discontinued aid to

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<sup>101</sup> Many refugees settled in Pokhara have moved there from the Himalayan regions to which they had initially fled. The Nepalese government permitted them to construct permanent settlements in Pokhara and elsewhere in the late 1960s and early 1970s.

<sup>102</sup> Knaus, John Kenneth, *Orphans of the Cold War: America and the Tibetan Struggle for Survival* (1999); Ramananda Sengupta, *The CIA Circus, Tibet's Forgotten Army: How the CIA Sponsored and Betrayed Tibetans in a War the World Never Knew About*, OUTLOOK, 15 February 1999; Paul Salopek, *How the CIA Helped Tibet Fight Their Chinese Invaders*, CHI. TRIBUNE, 25 January 1997. Mustang, while theoretically a part of Nepal, remained a *de facto* independent kingdom at this time. Its remote location and traditional independence made Mustang essentially ungovernable from Kathmandu. See FORBES, *supra* note 10, at 149.

the guerillas.<sup>103</sup> At about the same time, Nepal began to seek a closer relationship with China because “[n]o longer fearful, as it had been in the early 1960s, of a Chinese attack, Nepal now wished to counter New Delhi’s influence in the region by furthering ties with [Beijing].”<sup>104</sup>

In 1974, the Nepalese government ordered the remaining Tibetan guerillas (about 1800 men) to shut down the operation. The Dalai Lama then conveyed a personal, tape recorded message to the guerilla forces requesting them to lay down their arms. Then they lay down their arms.

If we broadly look at Nepal – China relations from 1950 till 1990, we can see that 1950 onwards, Nepal – China relations were diplomatically established and it flourished. There were closer relations between the two nations during King Mahendra when Indo – Nepal relations were strained. India favoured the democratic forces of Nepal which were threat to the monarchy and thus King Mahendra looking at China to balance India. China also contributed in economic development of Nepal by providing development aids. The cordial relations continued during King Birendra’s rule as well. China’s major concern in Nepal was its security concern. China wanted Nepal to curb anti-China activities in Nepal basically those related to Tibet. China also impressed Nepal by being the first to endorse the proposal of ‘Zone of Peace’ of King Birendra.

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<sup>103</sup> United States support for the Tibetan government-in-exile ceased altogether by 1974, when the government cut off all subsidies to the Dalai Lama’s government. *Id.* at 310.

<sup>104</sup> Avedon, John F. (1979), *In Exile From the Land of Snows*: 125

## Chapter 3

# **Nepal – China Relations from 1990 - 2009**

## NEPAL – CHINA RELATIONS FROM 1990 – 2009

The democratic era started in Nepal in 1990 after the success of Jana – Andolan in 1990. The 1990 revolution was a milestone for people to realize the power of a mass movement. The Nepali Congress with support of "Alliance of leftist parties" decided to launch a decisive agitation movement, Jana – Andolan I, which forced the monarchy to accept constitutional reforms and to establish a multiparty parliament. In May 1991, Nepal held its first parliamentary elections in nearly 50 years. The Nepali Congress won 110 of the 205 seats and formed the first elected government in 32 years.<sup>1</sup> The 1990 movement brought complete change in foreign policy of Nepal.

Towards the beginning of 1990s, Nepal had established diplomatic relations with approximately 100 countries. Nepal was an active member of the United Nations (UN) and participated in a number of its specialized agencies. Nepal also was a founding member of the South Asian Association for Regional Cooperation (SAARC) and had successfully negotiated several bilateral and multilateral economic, cultural, and technical assistance programs. Because of its geographical proximity and historical links with China and India, Nepal's foreign policy was focused mainly on maintaining close and friendly relations with these two countries and on safeguarding its national security and independence. Nepal's relations with the United States, Europe, and the Soviet Union showed new signs of vitality in 1991.<sup>2</sup>

The relations between Nepal and China have gradually changed after 1990. China had maintained good relations with King in the past and gradually they tried to maintain good relations with the political parties as well. Some scholars have different view on this. Like in the book “Ties That Bind: An Account of Nepal – China Relations” authored by Pushpa Adhikari, founding executive director of the Sangam Institute for Policy Analysis and Strategic Studies writes that after the restoration of multiparty

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<sup>1</sup> “History of Nepal”, [Online: web] Accessed 10 May 2010, URL: <http://www.historyofnations.net/asia/nepal.html>

<sup>2</sup> “Country Studies, Nepal”, [Online: web] Accessed 10 May 2010, URL: <http://countrystudies.us/nepal/64.htm>

democracy, Chinese mind, which was not so political flexible, found it difficult to digest the demise of the partyless system in Nepal. He further says that partyless system was the unique system, similar to communism in China to some extent, thus Chinese cooperation and the extent of their support to Nepal gradually decreased after 1990.<sup>3</sup> He believes that after 1990, Nepal became closer to India as all the leaders of the political parties had maintained good relations with India. They had started the democratic struggle for Nepal from the Indian soil.

Pushpa Adhikari also reveals that when Foreign Minister Chakra Banstola went to China and conveyed Prime Minister Girija Prasad Koirala's wish to visit China, the Chinese extended the invitation to the King instead; a clear signal that the democratic government did not count much to China.<sup>4</sup>

Pushpa Adhikari also states that during King Birendra's rule, Nepal imported, among other military hardware from China, not only medium range missiles but also that they were actually "paraded in Kathmandu streets" to display "the Nepali regime's prowess."<sup>5</sup>

China always maintained relationship with the establishment, rather with the party or the leader. When Girija Koirala shared the benefits of multiparty democracy in Nepal, Chinese bluntly replied, "Mr. Prime Minister, China does not care what system you have in your country, our relation is state-to-state, not party-to-party relations."<sup>6</sup>

During this time Indo – Nepal relations improved as Nepal – China relations was strained. The political parties maintained good relations with the government and the political parties of India. However, Nepal had always kept the Chinese security concerns in mind and China also engaged with Nepal continuously due to its security need.

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<sup>3</sup> Adhikari, Pushpa (2010), *Ties that Bind*, Kathmandu: Sangam Institute: 189

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> "Nepal's China saga- Many lessons to be imbibed", *Peoples' Review*, 8 April 2010, [Online: web] Accessed on 12 June 2010, URL: [http://www.peoplesreview.com.np/index.php?option=com\\_content&view=article&id=3893:nepals-china-saga-many-lessons-to-be-imbibed-&catid=39:world-view&Itemid=62](http://www.peoplesreview.com.np/index.php?option=com_content&view=article&id=3893:nepals-china-saga-many-lessons-to-be-imbibed-&catid=39:world-view&Itemid=62)



China has always appreciated the stand of the Government of Nepal that Nepal will never allow her territory to be used for anti – China activities. Nepal has recognized Tibet and Taiwan inalienable part of the People's Republic of China. In this connection, the Nepal Government has clearly supported the Anti-secession Legislation enacted by the National People's Congress in 2005. Nepal has also appreciated 'one country two systems' principle as enunciated by China and applied successfully in Hong Kong and Macao in the form of special administrative regions.

### **China's Pro-establishment Policy**

The Tibet issue has become a major determinant of Chinese foreign policy towards Nepal since the Khampa rebellion in Tibet in 1959. Since then, until the abolition of the monarchy in 2008, China supported the monarchy for political stability in Nepal and adopted a soft approach towards it by offering periodic economic assistance. China supported the monarchy also because it felt that democratic forces and political parties were too much under Indian influence and might not take any action against Tibetans in Nepal, if they would come to power. China's policy of maximizing its influence on the king had also paid off in the past. Episodes like closing or reopening the Dalai Lama's office in Kathmandu and the attitude of the Nepalese authorities towards pro-Dalai Lama Non-Governmental Organisations (NGOs) reflected Chinese influence in Nepal. China also discouraged democratic movements in Nepal, fearing the influence of similar movements on China and Tibet.<sup>7</sup>

China has also been worried about Nepal being used by external powers to challenge its strategic interests. Some Chinese analysts argue that Nepal is used by the United States in its larger strategy of encircling China.<sup>8</sup> Since the demonstrations staged by Tibetan separatists from bases in Nepal in the 1960s, China has viewed external engagement in Nepal with suspicion. The Chinese Ambassador Zheng Xianling raised this issue when he said that foreign forces were actively engaged in instigating the

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<sup>7</sup> Nayak, Nihar (2009), "Involvement of Major Powers in Nepal since the 1990s: Implications for India," *Strategic Analysis*, 33 (1): 41-53.

<sup>8</sup> Wolfe, Adam (2006) "Nepal's Instability in the Regional Power Struggle", *Power and Interest News Report*, 3 February 2006, [Online: web] Accessed 12 June 2010, URL: [http://www.worldproutassembly.org/archives/2006/02/nepals\\_instabil.html](http://www.worldproutassembly.org/archives/2006/02/nepals_instabil.html)

anti-China activities in Nepal. He went on to criticize the French parliamentarians meeting with Tibetan leaders in Nepal and the US senate resolutions on the Tibet issue.

China has always adopted pro-establishment policy towards Nepal. China emphasizes three policy determinants in its relations with Nepal. First, the relationship is based on the Five Principles, or *Panchsheel*. Second, China would not intervene in Nepal's domestic politics. Third, it would expect Nepal's support on issues concerning China's sovereignty and national interests, including the issues of Tibet, Taiwan, and human rights.

During President Jiang Zemin's visit to Nepal in 1996, the two countries agreed to build a good neighbourly partnership which would be handed down to coming generations and give future direction to China-Nepal relations. Prime Minister Sher Bahadur Deuba assured in return that Nepal would continue to maintain its relationship based on *Panchsheel*. In fact, during Chinese Prime Minister Zhu Rongji's visit to Nepal in 2001, Nepalese Prime Minister G. P. Koirala repeated that his country would firmly stick to the 'one China' policy and would not allow any forces to conduct anti-China activities on its soil,<sup>9</sup> a policy strongly followed even by King Gyanendra. In return, China supported the efforts of Gyanendra to crack down on the Maoists to maintain peace, stability, and development of the country.<sup>10</sup> After Gyanendra took over on February 1, 2005, China expressed the hope that the Nepalese people could develop their own country with national reconciliation and social stability.<sup>11</sup>

China termed the 1990 and 2006 democratic movements as internal affairs of Nepal reflecting the people's aspirations for peace and progress. It also assured arms supplies

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<sup>9</sup> Foreign Ministry Spokesman's Press Conference on 11 June 2002, Ministry of Foreign Affairs, China, [Online: web] Accessed 12 April 2010, URL: <http://www.fmprc.gov.cn/eng/>

<sup>10</sup> President Jiang Zemin Met with Nepalese King Gyanendra Bir Bikram Shah Dev, Press Release, 12 July 2002, [Online: web] Accessed 12 April 2010, URL: <http://www.fmprc.gov.cn/eng/>

<sup>11</sup> Foreign Ministry Spokesman Kong Quan's Press Conference on 3 February 2005, [Online: web] Accessed 12 April 2010, URL: <http://www.fmprc.gov.cn/eng/>

to Gyanendra to quell the Maoists when India and the United States refused any military assistance.<sup>12</sup>

The King and royalist leaders adopted a close relationship with China to counter Indian influence, which was perceived to be closer to democratic forces. King Mahendra, Gyanendra's father, was known for his anti-India sentiments and effectively played the 'China card' during the 1950s and 1960s. Gyanendra's open support for China during the thirteenth summit of the South Asian Association for Regional Cooperation (SAARC) in Dhaka reinforced Nepal's proximity to China. Gyanendra indicated at the Dhaka summit that Nepal would veto Afghanistan's entry into SAARC unless China was simultaneously invited as an observer.<sup>13</sup>

However, China, which had a long-standing relationship with the monarchy, seemed to be in a dilemma over the unfolding political scenario in Nepal since the peace processes saw the exit of the king from the national scene. It had found in the monarchy a credible and dependable partner and viewed mainstream political parties as pro-India, and hence unreliable. Thus China sought to develop links with the Maoists to serve its interests in Nepal. The Maoists in Nepal also looked at China with sympathy due to ideological affinities and sought to pander to Chinese sensitivities through their pronouncements.<sup>14</sup>

Prachanda, for example, ruled out the possibility of granting the Dalai Lama's representative permission to function from Kathmandu and stated categorically that his party would not 'condone any action that could displease China'.<sup>15</sup> China is also seeking to minimize anti-China activities in border areas and influence of external forces in that region by proposing to undertake infrastructure development projects in the northern districts of Nepal. Significantly, the Communist Party of Nepal-Maoist

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<sup>12</sup> Thapa, Roshan (2005), "Sinosisis", *Outlook*, 12 December 2005 [Online: web] Accessed 10 April 2010, URL: <http://www.outlookindia.com/article.aspx?229505>

<sup>13</sup> Kharel, P (2005), "Re-energising Nepal's Foreign Policy—Back To Business—After 15 Years", *News Blaze*, November 28, 2005, [Online: web] Accessed on 10 April 2010, URL: <http://www.newsblaze.com>

<sup>14</sup> Nayak, Nihar (2009), "Involvement of Major Powers in Nepal since the 1990s: Implications for India," *Strategic Analysis*, 33 (1): 41-53

<sup>15</sup> 'Nepal Maoists Start Anti-Dalai Lama Campaign', *The Hindustan Times*, New Delhi, October 16, 2007.

(CPN-Maoists) in their election manifesto promised to set up eight new national highways linking Nepal to China.<sup>16</sup>

Chinese control over northern Nepal came to light in April 2008, when China requested the Nepalese Government to cancel expeditions to Everest and other peaks. Nepal argued that cancellation of expeditions would result in the loss of at least \$18 million, apart from the loss of jobs for 10,000 locals who work as porters and guides. Interestingly, China agreed to compensate for the loss of all the revenue to Nepal in lieu of suspension of the expeditions.<sup>17</sup>

### **China's Policy towards Maoists**

China has consistently opposed international terrorism, extremism and separatism everywhere and in all its forms. So far as the Chinese position about the Maoist insurgency going on since 1996 was concerned, a written text on May 10, 2002, on the occasion of formal launch of the Chinese Embassy website at Kathmandu, elaborated four points as follows: "First of all, China levels the insurgents as "anti-government outfits" and we never call them as "Maoists." They misuse the name of Chairman Mao, which impairs the image of the great leaders of China, and at the same time, it can serve as an excuse for the international anti-China forces to create trouble. Secondly, Chinese government consistently opposes terrorism in any form, upholds international cooperation to combat terrorism. In this context we condemn the violence and terrorist acts unleashed by the anti-government outfit in Nepal. Third, China will continue to support the HM and HMG's effort to restore peace and stability in Nepal and China has rendered assistance within its capability. We are convinced that HM and HMG are fully capable to handle the domestic difficulties and resume law and order. Fourthly, we advocate that Nepal should tackle its problems itself. The independence, sovereignty and territorial integrity of Nepal should be fully respected and maintained." Two Nepalese Maoist rebel were sentenced to death for smuggling arms and explosive into Nepal to fight security forces by the Shigatse intermediate court in Tibet in 2004. The court had also awarded four-year and seven

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<sup>16</sup> Communist Party of Nepal-Maoist, 2008 CA Election Manifesto: 21

<sup>17</sup> Ghimire, Yubraj (2008), "Expedition Continues", *News Front*, Kathmandu, April 7-13, 2008: 3

year jail sentences to two other Nepalese nationals arrested along with them on charges of smuggling weapons across the border into Nepal.<sup>18</sup> Chinese frontier guards had tightened border security along Nepal – China border to stop arms smuggling.<sup>19</sup>

King Gyanendra dissolved the government headed by Prime Minister Sher Bahadur Deuba on 1 February 2005 as the government could not hold peace talks and held elections on the prescribed time; and thereby formed the government under his own Chairmanship together with the imposition of state of emergency. This move had been responded with reactions from home and abroad. Many countries like China, Russia, Pakistan, Bangladesh and Cuba had termed the royal move as an “internal affair” and had said that the Nepalese themselves were capable enough to solve their problems. They had also expressed their opinion against any external intervention on this development in Nepal. On the contrary, India, United Kingdom, United States of America and European Union have expressed dissatisfaction over this development. They had asked for restoration of democracy and the release of all detained leaders. Some of them had also suspended the assistance being provided to Nepal. While granting audience to journalists a few days later of the royal proclamation, King Gyanendra reiterated the commitment to multi-party democracy and clearly pointed out the need to choose one between the path of peace and the path of terrorism. As the King called everyone to co-operate in the path of peace, it seemed that international community is gradually responding in a positive manner.<sup>20</sup>

China’s foreign ministry spokesperson Kong Quan in a regular briefing on 3 February 2005 at Beijing said, “China has taken recent events in Nepal as internal affairs. I have noticed various parties have made comments and issued views and propositions on what happened in Nepal. But China, as close neighbour of Nepal, believes this region’s peace, stability and development is most important. So, we emphasize basically these situations should be decided by the Nepalese people. What we can do is sincerely hope they will maintain social stability, economic development and ethnic harmony and that the country can steadily improve.”<sup>21</sup>

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<sup>18</sup> *The Hindustan Times*, New Delhi, 25 September 2004

<sup>19</sup> Shrestha, Hiranya Lal (2005), “Political Aspects of Nepal-China Relations”, *Institute of Foreign Affairs*, July 2005: 8

<sup>20</sup> *Ibid*: 9

<sup>21</sup> *AFP News Bulletin*, 3 February 2005

The Chinese envoy to Nepal Sun Heping in an interview to a weekly newspaper while clarifying the Chinese position on Nepal in the changed context said, “This is substantially an internal affair of Nepal. As a good neighbour, we wish that Nepal would be successful to achieve social stability, economic development and national consensus. Simultaneously, we also honor the right of Nepali people to choose the path of development in accordance with national realities and social circumstances. As a close neighbour of Nepal, China is worried about the rebellion against the government of Nepal. We strongly condemn the violent and destructive activities on the infrastructures built for the citizen and civilian purpose. The peace and stability in Nepal is not a matter of concern for Nepal only, rather it is a matter of importance for peace and stability of this whole region. We hope that peace process will be started in Nepal as soon as possible. China has been adopting the independent foreign policy for peace. The Chinese foreign policy regarding its neighbour has been directed by the view point of taking them as friends and partners for security, prosperity and mutual benefits. I must state that the Chinese foreign policy in Nepal is based on friendly relationship with Nepal and putting priority for promoting cooperation in all sectors.”

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Both Nepal and China has been extending support to each other in the time of difficulties. The latest example is the support of Nepal to the Anti-Session Legislation recently passed by the People’s Congress of China. Nepal supported this legislation despite the stiff protest of the USA and some other countries over this legislation. The statement says- “In conformity with the “One China Policy”, it considers Taiwan as an integral part of the People’s Republic of China. The government believes that the anti-session legislation enacted by the Chinese National People’s Congress will contribute in the reunification of Taiwan with the People’s Republic of China.”<sup>23</sup> Before this, Nepal had closed the office in Nepal run by the representatives of the exiled government of the Dalai Lama. Nepal is firmly in position of “One China policy” committed not to allow any anti-Chinese activities from the soil of Nepal.

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<sup>22</sup> *Himal Khabar Patrika*, Kathmandu, 14 March 2005

<sup>23</sup> Statement of the MOFA, *The Himalayan Times*, Kathmandu, 17 March 2005

During time of difficulties dealing with foreign powers in Nepal, the two-day visit of the Chinese Foreign Minister Li Zhaoxing had come up as a diplomatic support to Nepal. This has proved that “a friend in need is a friend indeed.” The Chinese foreign minister Li Zhaoxing has maintained the Chinese government’s earlier stance on the recent development in Nepal and said, “It was Nepal’s internal matter which had nothing to do with China. We respect and would like to help the Nepalese have their own ways in their national specific political development. Nepalese people have full authority to take their own decision regarding their internal politics and development.”<sup>24</sup>

Chinese Foreign Minister Li said that he was happy about the audience he received from King Gyanendra, “I have had a very good meeting with His Majesty and thank His Majesty and His Majesty’s Government of Nepal for continued support on China’s reunification cause for the motherland. Foreign Minister of Nepal Ramesh Nath Pandey said that during the talks with his Chinese counterpart they developed ‘substantial understanding’ not just on matter of immediate concerns but also for long-term interest on the bilateral relations.”<sup>25</sup>

### **Republic Era (2006 onwards)**

King was the most trusted partner and China used to get their security interest served thought him as the army was under the direct control of the King. After Nepal was declared republic, China lost its most reliable partner. China needed a trustable partner in Nepal. After the Constituent Assembly election of April 2008, Communist Party of Nepal- Maoist emerged as the single largest party.<sup>26</sup> Thus, China wanted to develop links with the Maoists to serve her interests in Nepal. The Maoists in Nepal also looked at China with sympathy due to ideological affinities. Maoist extended hand towards China as they also needed a strong power to support them. China accepted it

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<sup>24</sup> *The Rising Nepal*, Kathmandu, 2 April 2005

<sup>25</sup> *Ibid.*

<sup>26</sup> Bhasin, Madhavi (2009), “Nepal’s Maoists Have Yet to Forsake Violence, Embrace Democracy”, *World Politics Review*, 2 February 2009, [Online: web] Accessed on 15 June 2010, URL: <http://www.worldpoliticsreview.com/articles/3236/nepals-maoists-have-yet-to-forsake-violence-embrace-democracy>

as Maoists view India and US as ‘imperialist power’ and stated that they were fighting against their interference in Nepalese politics.

In order to impress the Chinese, Prachanda accepted the invitation of Chinese to attend the Closing ceremony of the Olympics. He became the first Prime Minister to break the trend of visit India first. India took this act of Prachanda very seriously.<sup>27</sup>

Analyst stated that it was the clear inclination of Maoist towards China. Media also stated that India lost Nepal from its sphere of influence and it will affect India’s security.<sup>28</sup>

With growing tensions in Tibet, particularly after the March 2008 uprising, China’s conception of Nepal as a new buffer acquired particular significance. Its policy towards Nepal came to be driven by the need to curb the underground activities of some 20,000 Tibetan refugees (the second largest Tibetan refugee community in the world<sup>29</sup>) in Nepal.<sup>30</sup>

Twelve high-level Chinese delegations, including two military teams, visited Nepal in the course of 2008 – 2009.<sup>31</sup> China has been cultivating ties with not only the Communist Party of Nepal-Maoist (CPN-Maoist) but also with the Communist Party of Nepal-United Marxist-Leninist (CPN-UML) and the Madhesi People’s Rights Forum (MPRF). Lately, China has begun taking interest in Terai politics. There are reports of a high level Chinese delegation visiting the General Convention of the Madhesi People’s Rights Forum on the invitation of Upendra Yadav in early 2009. In April 2009, a CPN-UML delegation led by Jhala Nath Khanal visited Beijing when

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<sup>27</sup> Verma, Anand Swaroop (2009), “An Interview with Prachanda, Chairman of Unified Communist Party of Nepal (Maoist), *South Asia Citizen Web*, 28 September 2009, [Online: web] Accessed 12 June 2010, URL: <http://www.sacw.net/article1152.html>

<sup>28</sup> Singh, RSN (2010), “The China Factor in Nepal”, *Indian Defence Review*, 25: 2, [Online: web] Accessed on 1 July 2010, URL: <http://www.indiandefencereview.com/2010/05/the-china-factor-in-nepal.html>

<sup>29</sup> Tibet’s Stateless Nationals: Tibetan Refugees in Nepal, [Online: web], Accessed 20 June 2010, URL: <http://www.tibetjustice.org/reports/nepal.pdf>

<sup>30</sup> Bhattacharya, Abanti (2009), “China’s Inroads into Nepal: India’s Concerns”, *IDS Comment*, New Delhi, 18 May 2009, [Online: web], Accessed 1 June 2010, URL: [http://idsa.in/idsastrategiccomments/ChinasInroadsintoNepal\\_ABhattacharya\\_180509](http://idsa.in/idsastrategiccomments/ChinasInroadsintoNepal_ABhattacharya_180509)

<sup>31</sup> Nayak, Nihar (2009), “Nepal: New ‘Strategic Partner’ of China?”, *IDS Comment*, New Delhi, 30 March 2009, [Online: web] Accessed 5 April 2010, URL: [http://idsa.in/idsastrategiccomments/NepalNewStrategicPartnerofChina\\_NNayak\\_300309](http://idsa.in/idsastrategiccomments/NepalNewStrategicPartnerofChina_NNayak_300309)



China had impressed upon the delegation that it wants “a new kind of relationship” with Nepal.<sup>32</sup>

Several reports also suggest that China is promoting China Study Centers (CSCs) which are completely funded by China.<sup>33</sup> The number of CSCs in Nepal has increased in recent times. According to the CSC website, there are ten local branches located in Butwal, Banepa, Sankhuwasabha, Pokhara, Biratnagar, Morang, Sunsari, Chitwan, Nepalgunj and Lumbini, besides the central organization of the CSC-Nepal in Kathmandu. According to Bhim Prasad Bhurtel, the executive director of the Nepal South Asia Centre, Kathmandu, “33 China Study Centres have been established in southern Nepal adjoining the Indian border.” He also mentions that China Radio International has launched a local FM radio station in Kathmandu with the purpose of bringing China closer to Nepal.

Besides CSCs, a Nepal – China Mutual Cooperation Society (NCMCS), funded by the Chinese Embassy in Nepal, was established in March 2005. China was also displeased with six Parliamentarians visiting Dalai Lama at Dharamsala.<sup>34</sup> In February 2009, China proposed and submitted the draft of new “Peace and Friendship Treaty” to Nepal.<sup>35</sup> Prime Minister Prachanda was supposed to sign the treaty on his China visit but he resigned on the issue of Chief of Army Staff issue before his scheduled China visit.

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<sup>32</sup> Bhattacharya, Abanti (2009), “China’s Inroads into Nepal: India’s Concerns”, *ISDA Comment*, 18 May 2009, [Online: web] Accessed 1 June 2010, URL:

[http://idsa.in/idsastrategiccomments/ChinasInroadsintoNepal\\_ABhattacharya\\_180509](http://idsa.in/idsastrategiccomments/ChinasInroadsintoNepal_ABhattacharya_180509)

<sup>33</sup> Koirala, Kosh Raj (2009), “China Trying to Match India in Nepal”, *Myrepublica.com*, 18 August 2009, [Online: web] Accessed on 20 May 2010, URL:

[http://www.myrepublica.com/portal/index.php?action=news\\_details&news\\_id=8755](http://www.myrepublica.com/portal/index.php?action=news_details&news_id=8755)

<sup>34</sup> Sham, Yang (2010), “Row over Nepali Parliamentary Delegation’s Visit to Dharamshala”, *The Tibet Post*, 12 June 2010, [Online: web] Accessed 1 July 2010, URL:

<http://www.thetibetpost.com/en/news/international/932-row-over-nepali-parliamentary-delegations-visit-to-dharamshala>

<sup>35</sup> Chinese Delegation to Nepal submits Draft of New Friendship Treaty, *ANI*, 27 February 2009, [Online: web] Accessed 1 June 2010, URL: [http://www.thaindian.com/newsportal/south-asia/chinese-delegation-to-nepal-submits-draft-of-new-friendship-treaty\\_100160624.html](http://www.thaindian.com/newsportal/south-asia/chinese-delegation-to-nepal-submits-draft-of-new-friendship-treaty_100160624.html)

## Chinese Military Assistance to Nepal

China's major concern in Nepal is its security interest. China wants Tibet to be secured from the Nepalese side. They don't want any anti-China activities taking place in Nepal that will affect their security. Thus, Chinese huge chunk of assistance to Nepal goes to military.

On 24 October 2005, China pledged military assistance of \$989,000 to Nepal. It was announced a week after General Pyar Jung Thapa, Chief of the Royal Nepalese Army returned from a weeklong visit to China.<sup>36</sup> Nepal had also decided to buy military equipment from China. The assistance was given to curb the Maoist insurgents in Nepal. India, US and UK had suspended military assistance to Nepal since February 2005, after King Gyanendra seized power.<sup>37</sup>

Chinese also expressed their security interest during the visit of Prime Minister Madhav Kumar Nepal on 26 December 2009. Chinese expressed concern over the Tibetan protests in Nepal and on the report that Indian military help to build airstrips for its army's airwing in Surkhet near Nepal's border with Tibet. Maoist had also alleged that India intends to use such an airstrip as a base for operations against China in the event of hostilities.<sup>38</sup>

Again in December 2009, China agreed to provide military aid worth 20.8 million Yuan (approximately Rs 220 million) to Nepal for the supply of "non-lethal" military hardware including logistics and training the Nepal Army. As per the agreement, China had to supply 20 million Yuan worth of "non-lethal" military hardware to Nepal and the remaining 800,000 Yuan will go into constructing a "friendship building" in the Nepali territory along the Nepal-China border.<sup>39</sup>

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<sup>36</sup> *The Times of India*, New Delhi, 25 October 2005

<sup>37</sup> Ibid.

<sup>38</sup> Dutta, Sujana (2009), "India wary as China spreads Nepal reach", *The Telegraph*, Kolkata, 22 December 2009, [Online: web] Accessed 20 June 2010, URL: [http://www.telegraphindia.com/1091222/jsp/frontpage/story\\_11894462.jsp](http://www.telegraphindia.com/1091222/jsp/frontpage/story_11894462.jsp)

<sup>39</sup> "China Offers Rs 220 m military aid to Nepal", *Nepalnews.com*, 16 December 2009, [Online: web] Accessed on 12 June 2010, URL: <http://www.nepalnews.com/main/index.php/news-archive/1-top-story/2933-china-pledges-20-m-yuan-military-assistance-to-nepal.html>

This assistance to Nepal came at the time when there was reports of Tibetans fleeing from Tibet through Nepal and Chief of Nepal Army, Chhatra Man Singh Gurung, was in India meeting Indian foreign and defense ministers, senior government officials and army top brass to push for a better military and civil relations between the two countries including more military aid.<sup>40</sup>

In September 2008, during Nepalese Defence Minister, Ram Bahadur Thapa's visit to China, Beijing announced to provide Rs 62.5 million as military aid to Nepal. China also expressed desire that Nepal would restrict any activities against China. China also expressed that the military aid to Nepal will help the small nation to stand tall besides every hurdle and obstacle. It was the clear indication to the Maoist government of Nepal that they should not fear India.<sup>41</sup>

China's proactive policy in Nepal can also be discerned from the military assistance it has been providing. On December 7, 2008 during a meeting in Kathmandu between Nepal Defence Minister Ram Bahadur Thapa and the deputy commander of China's People Liberation Army, Lieutenant General Ma Xiaotian, China pledged to provide US \$2.6 million as military assistance for Nepal's security sector. Earlier in September 2008, China had announced military aid worth \$ 1.3 million, the first such assistance to the Maoist government in Nepal.<sup>42</sup>

Again in December 2009 when the Chinese delegation met with the Defence Minister Bidhya Bhandari, she requested for the assistance for extending the army hospital at Chhauni, Kathmandu.<sup>43</sup>

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<sup>40</sup> Ibid.

<sup>41</sup> "China Announces Rs 62.5 million Military Aid for Nepal", *Indiaserver.com*, 27 September 2008, [Online: web] Accessed 15 April 2010, URL: <http://www.india-server.com/news/china-announces-rs-62-5-million-4044.html>

<sup>42</sup> Bhattacharya, Abanti (2009), "China's Inroads into Nepal: India's Concerns", *IDS Comment*, 18 May 2009, [Online: web] Accessed 1 June 2010, URL: [http://idsa.in/idsastrategiccomments/ChinasInroadsintoNepal\\_ABhattacharya\\_180509](http://idsa.in/idsastrategiccomments/ChinasInroadsintoNepal_ABhattacharya_180509)

<sup>43</sup> "China offers Rs 220 m military aid to Nepal", *Nepalnews.com*, 16 December 2009, [Online: web] Accessed 12 May 2010, URL: <http://www.nepalnews.com/main/index.php/news-archive/1-top-story/2933-china-pledges-20-m-yuan-military-assistance-to-nepal.html>

## **Economic and Trade Relations**

As a friendly neighbor China has been assisting Nepal in its efforts for socio-economic development since 1950s. Since then, China has provided assistance to the Nepalese Government in 64 projects. The total sum of the projects amounts to RMB 1.4 billion. Out of 64 projects, 30 plants are already built while 25 are under construction and rests are to be built. Most of the assistances are in infrastructure building, establishment of industries, human resources development, health and sports such as construction of highways, brick-kilns, paper mills, hospitals, schools, hydro-power stations, textile plants, tanneries, irrigation projects, sugar refineries and International Conference House. Apart from these, China has also been regularly providing food supplies, vehicles and trolley-buses to the government of Nepal.<sup>44</sup>

China started its contracted projects in Nepal in 1981 but by the end of 2002, the contracting volume in Nepal reached to US\$ 0.72 billion, and turnover reached US\$ 0.62 billion. In 2002, there were altogether 19 projects of US\$ 20 million under Chinese contact with 2003 staff working for their projects. Chinese had earned reputation for completing the project at low cost and before the schedule.<sup>45</sup>

Sino-Nepalese trade volume is insignificant. In 2002, it totaled US\$ 110.35 million, down 28% from the previous year; of which China's exports accounted for US\$ 105.07 million, down 29.3% from 2001, and its imports US\$ 5.28 million, up 13.9% from 2001. China and Nepal set up a joint economic and trade committee in 1983. During the Nepalese prime minister's visit to China in April 1996, both sides signed notes on agreeing to establish a forum for non-governmental cooperation between China and Nepal led by industrial and business federations of the two countries so as to promote people to people economic and trade exchange and cooperation between the two countries.<sup>46</sup>

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<sup>44</sup> "China and Nepal", Ministry of Foreign Affairs of the People's Republic of China, [Online: web] Accessed 18 May 2010, URL: <http://www.mfa.gov.cn/eng/wjb/zzjg/yzs/gjlb/2752/t16094.htm>

<sup>45</sup> Ibid.

<sup>46</sup> Ibid.

During Prime Minister Sher Bahadur Deuba's visit to China on 18 April 1996, China offered economic assistance worth 560 million rupees. 210 million rupees was also offered to construct Chinese Monastery at Lumbini.<sup>47</sup> Similarly during President Jiang Zemin's two-day visit to Nepal on 4 December 1996, China extended economic assistance of 560 million rupees. The assistance was party for the celebration of silver jubilee of King Birendra's rule in Nepal and rest was to be used for strengthening the relations between the two countries.

*Table 1: Financial and Technical Assistance*

<b>Date of Agreement</b>	<b>Amount Committed (in Millioin RMB)</b>	<b>Equivalent (in Million NRs.)</b>
20 July 1994	60	340
18 April 1995	80	475
18 April 1996	80	475
4 December 1996	80	560
17 April 1998	30	240
16 October 1998	50	425
30 December 1999	80	679
16 February 2000	30	254.6
24 August 2000	50	436
12 May 2001	80	750
10 July 2002	80	750
3 December 2003	80	750
16 August 2004	50	415
<b>Total</b>	<b>830</b>	<b>6549.6</b>

*Source: Ministry of Foreign Affairs, Kathmandu*

In the early years, Chinese assistance was pledged in terms of projects and no financial involvement therein was mentioned. But since mid-90s, the Chinese Government has been pledging grant assistance to Government under the Economic and Technical Cooperation programme in order to implement mutually acceptable

<sup>47</sup> Political Development in Nepal: 2000, *Friedrich Elbert Stiftung*, Kathmandu, [Online: web] Accessed 12 May 2010, URL: [http://www.fesnepal.org/reports/2000/political\\_reports2000.htm](http://www.fesnepal.org/reports/2000/political_reports2000.htm)

development projects. The volume of such assistance is around 80 million Yuan each year. The list of such assistance is shown in Table 1 above.<sup>48</sup>

### *Nepal – China Trade and Investment*

The volume of Nepal – China trade is also increasing every year. Nepal's trade with China is largely conducted through Tibet and Hong Kong. The volume of Nepal – China trade is given below.

*Table 2: Export and Import of Nepal with China*

<b>Fiscal Year</b>	<b>Export (Rs in Thousand)</b>	<b>Import (Rs in Thousand)</b>
1999/2000	514276	12530062
2000/2001	528012	11573870
2001/2002	1040075	8744459
2002/2003	1631050	9098978
2003/2004	2348150	9299902

*Source: Federation of Nepalese Chambers of Commerce and Industry (FNCCI)*

The six points along the Nepal – China border have been opened for overland trade which are Kodari-Nyalam; Rasua-Kerung; Yari (Humla)-Purang; Olangchunggola-Riyo, Kimathanka-Riwo and Nechung (Mustang)-Legze

Chinese investment in Nepal is also growing fast. They are mostly interested in investing in hotels, restaurants, electronics, cell phone service, radio paging services, readymade garments (pashmina), nursing home, hydropower, civil construction, etc. By Mid 2003, there were 25 industries operating under Chinese investment while 6 were under construction and 13 were licensed. Improved law and order situation in

<sup>48</sup> Ministry of Foreign Affairs of Nepal, [Online: web] Accessed 10 May 2010, URL: <http://mofa.gov.np/bilateralRelation/nepal-china.php>

the country and enhanced publicity in China could further increase Chinese investment in Nepal.<sup>49</sup>

In May 1994, the two countries signed an auto transport agreement on Lhasa-Kathmandu route. In 1999, they signed the notes of agreement on cross-border grazing. In July 2002, they signed an agreement on trade and other issues between Tibet Autonomous Region of China and Nepal.

Over the recent years, trade volume between Tibet and Nepal has greatly increased, which totaled US\$ 66.159 million in 2002, with China's exports registering US\$ 61.02 million.

As part of economic assistance, during Prachanda period, China announced doubling of aid to Nepal amounting to \$21.94 million. To attract Chinese investment in Nepal, on April 7, 2009, the Nepal – China Executives Council (NCEC) and the Chinese People's Association for Friendship with Foreign Countries (CPAFFC) signed a MoU. The trade volume between the two countries currently stands at \$401 million with China selling goods worth about \$386 million, and Nepal exporting a mere \$15 million. To bridge the trade deficit, China has agreed in April 2009 to provide duty free access to 497 Nepali goods in the Chinese market. There are also proposals for a second South Asian Countries Commodity Fair to be held from 6 to 10th June 2009 at Kunming where 40 Nepali enterprises are slated to participate with 30 stalls. China is the third largest country to provide FDI to Nepal, India and the US being the first and second, respectively.<sup>50</sup>

China has also initiated in building a road link between Lhasa and Khasa, a border town located some 80 kilometres north of Kathmandu. China has also accepted Nepal's proposal in April 2009 to open up two more custom points in addition to the existing five. China is also building a 65 km second road link, the Syafrubesi-Rasuwagadi road, which is the shortest route from Tibet to Kathmandu. As part of promoting Nepal's hydro-power projects, in 2008, China's Assistant Minister for

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<sup>49</sup> Ibid.

<sup>50</sup> Bhattacharya, Abanti (2009), "China's Inroads into Nepal: India's Concerns", *IDS Comment*, New Delhi, 18 May 2009, [Online: web], Accessed 1 June 2010, URL: [http://idsa.in/idsastrategiccomments/ChinasInroadsintoNepal\\_ABhattacharya\\_180509](http://idsa.in/idsastrategiccomments/ChinasInroadsintoNepal_ABhattacharya_180509)

Foreign Affairs, He Yafei, pledged to provide Nepal a loan of \$125 million for Upper Trishuli 3 'A' and \$62 million for Upper Trishuli 3 'B'. The plants would start operating from 2012.<sup>51</sup>

Apart from economic assistance, China has also been providing scholarships to 100 Nepalese students annually to study in China. China basically provides scholarship to study engineering and medicine to meet the increasing demands for technical manpower in the country. There are more than 800 Nepalese students studying in China.<sup>52</sup>

In conclusion, we can state that there has been a major shift in China's foreign policy towards Nepal since the Maoist ascendance to power. China had earlier adopted a policy of 'non-intervention' in the internal matters of Nepal and largely stayed out of Nepalese internal politics. However, the demise of the monarchy and the ascendance of political parties have forced China to reshape its Nepal policy. Moreover, frequent protests by Tibetans in recent months alerted the Chinese to the possibility of the China-Tibet border being misused.

Twelve high-level Chinese delegations, including two military teams, visited Nepal in the course of 2008-2009. During these visits, China has repeatedly assured economic, technological and military aid to Nepal. The Maoist-led government was also asked to adopt a 'One-China' policy, not to allow Nepalese land for anti-China activities, take strong action against Tibetan refugees and grant special facilities for Chinese investments in strategic sectors. Observing the growing trends of Nepal – China ties, it may be argued that Nepal under the Maoist government has been clearly seeking closer ties with China at the cost of India. The southern neighbour India sees these acts of China as strategic. India feels that China is trying to encircle it from all sides by maintaining strategic relations with all her neighbours.

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<sup>51</sup> Ibid.

<sup>52</sup> As per the data provided to author by Chinese Embassy in Kathmandu on 25 May 2010



## Chapter 4

# **India's Response to Nepal – China Relations**

## INDIA'S RESPONSE TO NEPAL – CHINA RELATIONS

Due to geographical proximity, socio-cultural affinity and economic dependence of Nepal, India has strong influence on Nepal and its policy decisions. The developments within Nepal had brought India into a situation of greater coordination of foreign policies. From this, it was logical that Nepal would be consulting India regarding its policy towards the newly 'liberated' China. It was also in the interest of India to know and be in close touch with Nepal regarding the shaping of the future relations between communist China and Nepal.<sup>1</sup>

Unlike India's policy towards Sikkim and Bhutan, the Indian policy towards Nepal did not attempt to undermine the sovereign status of the country. After the loss of Tibet as buffer state between India and China, Nepal, Sikkim and Bhutan had become essential for the defense of India's northern frontiers. Indian and all the three Himalayan Kingdoms had to be brought into a closer relationship from the point of view of defence and foreign affairs.<sup>2</sup>

India formed new relationship in such a way that any power unfavorable to India's security interest did not get an upper hand in Nepal. Prime Minister Nehru made it clear about the common interest between the two countries and also mentioned India's special position in Nepal. He said that "...if it is not necessary for us to have a military alliance with Nepal...but apart from any pact or alliance, the fact remains that we cannot tolerate any foreign invasion from any foreign country, of any part of the Indian subcontinent. And any possible invasion of Nepal would inevitably involve the safety of India."<sup>3</sup>

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<sup>1</sup> Nehru, Jawaharlal (1961), *India's Foreign Policy: Selected Speeches, September 1946 – April 1961* (New Delhi, The Publication Division, Ministry of Information and Broadcasting, Government of India): 42-43

<sup>2</sup> Bhasin, A. S. (1970), *Documents on Nepal's Relations with India and China 1949-66*, New Delhi: Academic Books, 3: 23

<sup>3</sup> Ibid.

The treaty of 'Peace and Friendship' with India signed on 31 July 1950 provided coordination of the foreign policies of the two countries. It also provided that 'neither government shall tolerate any threat to the security of the other by a foreign aggressor. To deal with any such threat, the two governments shall consult with each other and devise effective counter measures.' Since the treaty was signed in the context of Chinese invasion in Tibet, the above clauses obviously referred to China as possible trouble maker.<sup>4</sup>

Thus, from the very beginning itself India was cautious in shaping Nepal's relations with Communist China. The special relation between India and Nepal was understood by China, and China avoided taking any offensive policy in Nepal. China also did not want, at that stage, to open another front after the Korean War and Tibetan developments.<sup>5</sup> China had enough problems to solve at the domestic as well as international fronts.

During this period India was successful in blocking the establishment of direct diplomatic relations between Nepal and China. The government of Nepal looked to India for guidance and initiative. New Delhi, however, did not favour any positive action by Nepal until India had reached an understanding with China on Tibet and other Himalayan states. When the Nepali Congress passed a resolution demanding that Nepal should establish diplomatic relations with China,<sup>6</sup> the Indian advice against such feeling was that a move on Nepal's part towards China must follow the Sino-Indian understanding in the border region, where India's position and defense needs must be sufficiently recognized by China and Nepal.<sup>7</sup>

The Chinese were also keen to come to a prior understanding with India and then approach Nepal through New Delhi. This is evident from the fact that soon after the end of the feudal Rana regime in Nepal, Zhou Enlai, the Chinese Premier, in a discussion with K. M. Panikkar, expressed a desire for India's meditation for the establishment of diplomatic relations with Nepal.

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<sup>4</sup> Ibid: 374

<sup>5</sup> Khadka, Narayan (1992), "Geopolitics and Development: A Nepalese Perspective", *Asian Affairs*, 19 (3): 139

<sup>6</sup> Devkota, G. B. (1959), *Nepal Ko Rajanitik Darpan*, Kathmandu: 247

<sup>7</sup> *The Hindustan Times*, 28 September 1954

Delhi also formally terminated direct relations with the Dalai Lama's government and recognized China's complete sovereignty in Tibet when it signed an agreement with Beijing on 15 September 1952,<sup>8</sup> converting the Indian mission at Lhasa to a consulate. But Nepal refused to surrender its rights in Tibet and till 5 April 1954, Prime Minister M. P. Koirala was describing Nepal's relations with Tibet as 'independent of Chinese control'.<sup>9</sup>

### **Reaction during Mahendra's Period**

Nepal's relations with India changed after King Mahendra came to power in 1956. King Mahendra was not pleased with India because India was supporting the democratic parties who had launched struggle against the King's absolute rule. The visit of Nepalese Prime Minister, Tanaka Prasad Acharya, to China in 1956, the return visit by Chinese Premier Zhou Enlai, to Nepal in 1957 and their emphasis on historical and ethnic aspects of Sino – Nepalese friendship<sup>10</sup> gave India a feeling that the relations between the two countries was conducted independent of Indian views and, for the first time, India was by-passed.

The Chinese Premier's declaration pointed out that "National economic development was an essential means of safeguarding full national independence" and added that "China would be willing to aid Nepal within its capabilities."<sup>11</sup> The statement indirectly indicated that Nepal was not enjoying independent status in real terms. Thus, Kathmandu should diversify its policy in order to preserve its independence.

With the developments in Tibet and Sino – Indian border and the strained relations between China and India gave particular attention to keep Nepal on its side. India maintained that the developments in Tibet were not only a treat to India but to Nepal's security as well. India also suggested a coordinated foreign policy between the two

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<sup>8</sup> Margaret W. Fisher and John V. Bondurant (1956), "Indian Views on Sino-Indian Relations," *Indian Press Digest Project Monograph*, 1, Berkley: University of California Press

<sup>9</sup> Shen-Yu Dai (1963), "Peking, Kathmadu and New Delhi", *The China Quarterly*, 16: 92

<sup>10</sup> *The Times of India*, 28 January 1957 and 30 January 1957

<sup>11</sup> *The Times of India*, 30 January 1957

countries to control the Chinese threat. India's attempt was successful because of the formation of B. P. Koirala's ministry known for its pro-Indian inclination.<sup>12</sup>

In April 1959 Koirala stated that "the recent events in Tibet have affected the people of Nepal deeply and it has exercised the emotion of nationalist elements in our political life." He further said that "you all know how sensitive we Nepalese are on the question of nationalism and the preservation of our national way of life."<sup>13</sup> In June 1959, Nehru went to Nepal and explained the tensed situation along the Sino-Indian and Sino-Nepalese border and denounced the Chinese military intervention in Tibet.<sup>14</sup>

Prime Minister Nehru made a major policy statement in the Lok Sabha on 27 November 1959. He remarked that "any aggression on Bhutan or Nepal would be considered as aggression on India."<sup>15</sup> It was not a casual remark but a deliberate warning to the Chinese to keep their hands off Nepal.

As the Sino – India relations deteriorated, both the countries competed with each other to keep Nepal on its own side. Nepal was able to balance itself from such completion. It maintained its special relations with India and at the same time resolve its mutual problems such as border issue with China. Nepal took India into confidence at every state while dealing with China and at the same time resists any Chinese move to undermine Indo – Nepal friendship.

B. P. Koirala came to India in January 1960 to seek guidance and advice from Nehru on mutual defense and security problems in view of China's military action in Tibet. In March 1960, B. P. Koirala, on his way to Beijing, discussed various aspects of the Sino-Indian and Sino – Nepalese boundary issues with Nehru. In China, Koirala in his very first speech implicitly criticized the Chinese stand on the Sino-Indian dispute.<sup>16</sup> He started that "notwithstanding its size or might, if any power attempts to occupy or control even an inch of territory of another Asian country, such attempts will

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<sup>12</sup> Ghoble, T. R. (1986), "*China-Nepal Relations and India*", New Delhi: Deep & Deep Publications: 127

<sup>13</sup> *Kalpana*, 3 April 1959

<sup>14</sup> *Kalpana*, 13 June 1959

<sup>15</sup> *The Statesman*, 28 November 1959

<sup>16</sup> Bhasin, A. S. (1970), *Documents on Nepal's Relations with India and China 1949-66*, New Delhi: Academic Books, 2: 46-47

definitely disrupt peace in the world.” Koirala signed a boundary agreement with China on 21 March 1960, but before signing it he met the Indian ambassador in Beijing and was particular about asking the Chinese leaders to include the phrase ‘existing customary boundary line’ in order to lend support to India’s vis-à-vis China.<sup>17</sup>

Though Nepal and China signed the agreement on the formula of ‘existing customary boundary line’, New Delhi’s proposal was rejected. China gave such concession to Nepal in its side so that it would not take anti-China stand over the Sino-Indian dispute.

China offered Nepal to construct the Kathmandu – Kodari road,<sup>18</sup> road connecting Kathmandu with the Chinese border. This was displeasing to India because it had strategic significance. Nehru made a statement in the Lok Sabha on 25 November 1961 that “India’s security interests would be adversely affected by the road.” He added that “Nepal’s failure to consult India in the matter was a flagrant violation of the treaty of 1950, both in letter and spirit.”<sup>19</sup>

During Mahendra’s visit to China terrorist campaign organized by the Nepali Congress leaders in India broke out. It was a serious threat to the royal regime. Mahendra asked India to control such activities but was not pleased with India’s response.<sup>20</sup>

Sino – India war of 1962 changed the whole situation. India lost prestige in the eyes of Nepal as it proved incapable of defending its own border against China. At the same time Nepal started to play a more careful diplomacy. Though Nepal was getting closer to the Chinese power, India kept working for better relations with Nepal and gave more concessions and economic assistance to Nepal. Chinese also experienced

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<sup>17</sup> Ibid: 266-68

<sup>18</sup> *Beijing Review*, 20 October 1961, p 5-8

<sup>19</sup> *The Hindu*, 26 November 1961

<sup>20</sup> Ghoble, T. R. (1986), “*China-Nepal Relations and India*”, New Delhi: Deep & Deep Publications: 133

that a military operation in the Himalayan region was expensive, in both material and human terms and it should be avoided unless it was absolutely inevitable.<sup>21</sup>

China proposed to build the road in Terai in 1964 was cancelled at the last minute and was handed over to Indian and American aid programme for completion. But China didn't show any unhappiness.<sup>22</sup>

After Sino – India war, India and China concentrated on economic development of their country and the King also utilized this opportunity for improving economic situation in Nepal.<sup>23</sup>

India was giving more aid to Nepal, compared to China but China was able to convince the Nepalese that their terms and conditions were any time better than India's and other aid providers. China realized that it was impossible to replace India in the Nepalese economy and it could not afford the amount of aid that India was offering to Nepal but it used its aid programme for political and strategic objectives. It showed unusual interest in undertaking projects in the Terai region, close to Indian border. But India always intervened and agreed to fund such projects. The disagreements against China were always expressed in a softer tone by Nepal than the disagreements with India.<sup>24</sup>

China also successfully utilized India's actions in Sikkim of 1974 to increase the anti-Indian sentiment in Nepal. Radio Beijing was broadcasting that Bhutan and Nepal might be the next targets of the Indian Government.<sup>25</sup>

After the death of Mao in 1976, China's anti-India posture went down because the control of political power was taken by the 'moderates' in Beijing. After Birendra came to power in Nepal, he was also able to balance both the powers.

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<sup>21</sup> Ghoble, T. R. (1986), "*China-Nepal Relations and India*", New Delhi: Deep & Deep Publications: 134

<sup>22</sup> Ibid, p 137

<sup>23</sup> Ibid

<sup>24</sup> Ibid, p 139

<sup>25</sup> *NCNA*, 28 October 1974

## Reaction during Birendra's Period

During King Birendra's rule, Sino – Nepalese relations grew steadily closer and Nepal became one of the major recipients of Chinese assistance. Since 1981 Chinese firms have also bid for various contract projects and undertaken labor cooperation, technical consultancy, and joint ventures. By late 1989 Chinese firms had signed 85 contracts worth US\$137 million for work in Nepal. Five Chinese companies also maintained offices in Kathmandu and more than 1,000 Chinese workers and experts were working in Nepal.<sup>26</sup>

New Delhi, watched this deepening Sino – Nepalese cooperation seriously. Indian policymakers viewed King Birendra as attempting to dissolve the special relationship that had existed between India and Nepal since 1950. The reason was Nepal's 'Zone of Peace' proposal that was not endorsed by India. China was the first to welcome the proposal.<sup>27</sup>

In February 1989, India began insisting on the incorporation of trade and transit issues into a single treaty, like the case prior to 1978. Nepal expressed displeasure and expressed that transit is a fundamental and permanent right of landlocked countries. The Janata government had accepted to this argument of Nepal in 1978 and agreed to separate treaties. There was no agreement between Nepal and India this time. On March 1, the Indian embassy in Kathmandu delivered a letter to Nepal's minister of commerce giving notice that the 1978 treaties would expire on March 23.<sup>28</sup>

India's stand was that if Nepal wanted a special economic relationship with India, and the generous economic treatment, it would have to accept a special security relationship. In the diplomatic words of a Ministry of External Affairs spokesman:

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<sup>26</sup> Wang, Hongwei (1985), "Sino – Nepal Relations in the 1980s," *Asian Survey*: 512-20.

<sup>27</sup> Baral, Lok Raj (1986), "Nepal's Security Policy and South Asian Regionalism", *Asian Survey*, 26 (11): 1207-19

<sup>28</sup> Singh, RSN (2010), "The China Factor in Nepal," *Indian Defence Review*, 25 (2)



*India has always valued the special relationship with Nepal as embodied in the 1950 Treaty of Peace and Friendship.... For the last four decades India has done everything possible to live up to the letter and spirit of the treaty. Good neighborliness implies a degree of mutual sensitivity and concern for the interests of both countries. This is particularly necessary if the special relationship between India and Nepal is to be maintained.*<sup>29</sup>

After the expiration of the treaties on March 23, according to New Delhi, there was no legal basis for continuing trade and transit relations between India and Nepal. India was not a signatory to the 1965 International Convention on Transit Trade of Landlocked Countries, or to the United Nations Convention on the Law of the Sea. Both these treaties guarantee certain transit rights to landlocked countries. Thus, India closed down 13 out of 15 transit points on its border with Nepal. The two major crossing points at Raxaul and Jogbani were left open to permit essential goods.<sup>30</sup>

There was severe shortage of petroleum products. Additional checkpoints were established along the Indo – Nepal border to prevent smuggling of these products. The arms sales issue also erupted in 1989 where Beijing justified it on the basis that military relations are part of the normal relations between two states. A sovereign, independent country such as Nepal has the right to acquire materials it feels necessary for its defense. China as a sovereign country has the right to sell such materials. China also stated that the materials sold to Nepal could be a threat to India. During Premier Li Peng's visit to Kathmandu on November 1989, he addressed the question of the arms sales. He said that the weapons sold by China were intended only to increase the defensive capability and ensure the security of Nepal and such sales were not directed against any country. Those sales were entirely legitimate. "In fact, Pakistan, Bangladesh and Nepal not only obtain weapons from China but from other countries as well," Li said.<sup>31</sup>

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<sup>29</sup> *India News*, 27 March 1989

<sup>30</sup> Garver, John W. (1991), "China – India Rivalry in Nepal: The Clash over Chinese Arms Sales", *Asian Survey*, 31 (10): 956-75

<sup>31</sup> *Daily Report China*, 22 November 1989, p. 12

After the restoration of multi-party democracy in Nepal in 1990, the mistrust and suspicion in India was gradually replaced by mutual understanding.<sup>32</sup> China lost its grip in Nepal. The political parties, especially who was in power for most of the time, had good relations with Indian government and the Indian political parties. China became soft after the power shifted to the democratic leaders from the monarch but it continue engaging with Nepal and continuously provided economic support to Nepal.

China was just concerned for their security concerns in Nepal. Its security concerns were addressed by King as the army was under his command. But after Nepal became republic after Jana Andolan II, China again became active. It was also partially because of the numerous Tibetan protests in Nepal. There was drastic change in China's behaviour after Maoist came to power after the Constituent Assembly election of April 2008.

### **Reaction during Prachanda's Period**

Nepal's engagements with China after the emergence of Maoist as the strongest force in Nepal have increased manifold. There has been large number of visit of Chinese delegations both at State and non-state levels. Apart from the official level visits, private visits by political leaders, journalists and academicians are also sponsored by China as part of public diplomacy. During these visits Chinese authorities have reportedly assured all kinds of support to Nepal. For the Nepalese Maoists, growing Chinese engagement is a win-win situation in line with their 'policy of equidistance', which has been adopted to counter-balance India's influence in Nepal.<sup>33</sup>

With the increasing level of bilateral engagements, China is persuading Nepal as a new strategic partner. This has been confirmed by the statements made by various Chinese officials. For example, on 16 February 2009, Chinese Foreign Minister Yang Jiechi said in Beijing that China would prefer to work with Nepal on the basis of a

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<sup>32</sup> Pandey, Nischal Nath (2000), "Reaffirming Indo-Nepal Relations", [Online: web] Accessed 10 June 2010, URL: <http://www.info-nepal.com/politics/nishchal.html>

<sup>33</sup> Nayak, Nihar (2009), "Nepal: New 'Strategic Partner' of China?", *IDS Comment*, [Online: web] Accessed on 10 June 2010, URL: [http://idsa.in/idsastrategiccomments/NepalNewStrategicPartnerofChina\\_NNayak\\_300309](http://idsa.in/idsastrategiccomments/NepalNewStrategicPartnerofChina_NNayak_300309)

strategic partnership. In fact, Vice Minister of International Department of the Central Committee of Communist Party of China, Liu Hongcai said in Kathmandu in February 2009 that “we oppose any move to interfere in the internal affairs of Nepal by any force.” Similarly, on November 04, 2008, Liu Hong Chai, International Bureau Chief of the Chinese Communist Party, stated that “China will not tolerate any meddling from any other country in the internal affairs of Nepal- our traditional and ancient neighbour.”<sup>34</sup>

China also submitted a draft of Sino – Nepal friendship treaty to Nepal. The draft stated that China will not attack Nepal and would respect Nepal’s sovereignty and territorial integrity. Nepal would recognize ‘One China’ policy and not allow its territory to be used for “anti – China” activities. The draft treaty in fact looks more like a strategic one that is tilted highly in favour of Chinese security concerns. China needed this agreement because it does not have confidence in the democratic arrangements and future governments in Nepal, and wished to consolidate its position while the Maoists were in power. This issue was taken very seriously by India.<sup>35</sup>

China has penetrated the Nepalese political system by gaining the confidence of radical communist leaders both in the CPN-UML and the CPN-Maoist.

Any foreign presence in Nepal is a concern for India. The Indo – Nepal relationship was agreed as “unassailable” during the official visit of Nepalese Prime Minister, Puspa Kamal Dahal ‘Prachanda’ to New Delhi in September 2008. But an ‘equidistance policy’ of Prachanda can only come at the expense of India-Nepal relations.<sup>36</sup>

The victory of the Communist Party of Nepal-Maoist has significant geopolitical impact for India and the region as a whole. The growing concern in India is, therefore, whether the Maoist would bring Nepal under the Chinese sphere of influence.<sup>37</sup>

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<sup>34</sup> Ibid.

<sup>35</sup> Ibid.

<sup>36</sup> *The Hindu*, 16 September 2008

<sup>37</sup> Mishra, Rabindra (2004), “India’s Role in Nepal’s Maoist Insurgency”, *Asian Survey*, 44 (5): 627-

Many recent developments suggest China's growing influence in Nepal. Nepal and China are planning for greater economic linkages. They are working for connecting the two countries with ten roadways. China has also promised to construct a railway line from Lhasa to Khasa at the Nepal – China border and to provide assistance worth about Rs 460 million (RMB 50 million) to Nepal for the construction of Syaphrubesi-Rasuwadhi Road.<sup>38</sup>

Apart from road and rail linkages, 19 China Study Centres (CSC), all along the Indo – Nepal border, has been established from 2005 to February 2008. These study centres, which were initially set up in 2000 as civil society groups to promote cultural interaction, have become effective tools for advancing Chinese perspective on key issues concerning Nepal. These centers also talks about India's hegemonic intentions in Nepal to the Nepali people.<sup>39</sup>

Time magazine also reported that Beijing had deployed security officials inside Nepal after the Tibetan protest of April 2008.<sup>40</sup> There are even reports of Chinese security agents working as reporter and photographer in Nepal. Such actions of China really scare India.

China believes that the March 2008 Tibetan unrest is due to the international forces operating from Nepal. In order to secure such activities, it feels the need to monitor secret activities in Nepal.

For Nepal, building close ties with China is important as it could gain enormously from China's rapid rise and fastest economic growth. A decade of civil-war has left Nepal's economy in a miserable state. Its growth rate is a meager 2%, inflation is around 9%, unemployment rate is 42%, about a third of its population is under the official poverty line, and more than half the population is illiterate. More importantly,

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<sup>38</sup> Bhattacharya, Abanti (2008), "China and Maoist Nepal: Challenges for India", *IDS Comment*, 23 May 2008, [Online: web] Accessed 12 June 2010, URL:

[http://www.idsa.in/idsastrategiccomments/ChinaandMaoistNepal\\_ABhattacharya\\_230508](http://www.idsa.in/idsastrategiccomments/ChinaandMaoistNepal_ABhattacharya_230508)

<sup>39</sup> Koirala, Kosh Raj (2009), "China Trying to match India in Nepal", *Myrepublica.com*, 18 August 2009, [Online: web] Accessed on 20 May 2010, URL:

[http://www.myrepublica.com/portal/index.php?action=news\\_details&news\\_id=8755](http://www.myrepublica.com/portal/index.php?action=news_details&news_id=8755)

<sup>40</sup> Robinson, Simon, (2008), "China's Himalayan Reach", *Time*, 19 March 2008, [Online: web] Accessed on 12 June 2010, URL: <http://www.time.com/time/world/article/0,8599,1723664,00.html>

China serves as an alternative platform for its political and diplomatic bargaining vis-à-vis India. There is a huge dependence of Nepal on India for economic needs. India is Nepal's largest trading partner accounting for more than 60% of its trade. About 12 of the 13 trade routes of Nepal are via India. About 50% of Nepal's remittances come from India. Thus, for strategic and economic reasons, the Maoists feel the urgent need to cultivate deeper ties with China on the one hand, and reduce their dependence on India on the other.<sup>41</sup>

India has expressed displeasure on developing a closer relationship with China in recent times. However, there are also beliefs in certain quarters that there is not much scope for very deep relations between China due to its political, economic and cultural affinity with India.

Maoists opt for a policy of equidistance between India and China. Clarifying his stand on equidistance policy, Maoist chief, Prachanda said in an interview to the CNN-IBN on 18 May 2008, "...we will not side up with one country against the other. We will maintain equidistance in political sense and not in terms of cooperation and other things." Nepal has deep civilizational and cultural ties with India. Historically, the political forces in Nepal have had deeper political linkages with India than with any other country.<sup>42</sup>

Nepal, being a sovereign country would like to deal with India on an equitable basis. Geographically, culturally and economically, Nepal is closer to India. Nepal also realizes that it can't ignore its southern neighbour India for the sake of better relations with China. In fact, Nepal would like to opt for a balanced approach with both India and China, which would bring economic benefits and stability in the country.

At present, China and India is also competing along the borders of Nepal. India provided development assistance for the remote hilly region of Mustang, near Sino-Nepal border, for the construction of school, roads, monastery, bridges and water taps.

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<sup>41</sup> Bhattacharya, Abanti (2008), "China and Maoist Nepal: Challenges for India", *IDSIA Comment*, 23 May 2008, [Online: web] Accessed 10 June 2010, URL:

[http://www.idsa.in/idsastrategiccomments/ChinaandMaoistNepal\\_ABhattacharya\\_230508](http://www.idsa.in/idsastrategiccomments/ChinaandMaoistNepal_ABhattacharya_230508)

<sup>42</sup> "Devils Advocate: Prachanda on Indo-Nepal Relations," *CNN-IBN*, 18 May 2008, [Online: web] Accessed 10 June 2010, URL: <http://ibnlive.in.com/news/devils-advocate-prachanda-on-indonepal-relations/65512-2-single.html>

India has already spent more than Rs 10 crore for the development of Mustang district. While China is also opening China Study Centers along Indo – Nepal borders. China also announced Rs 1 crore financial assistance in Mustang for the construction of library, science laboratory and school building with computers. The ambassadors of both the countries have paid visit to the area. Apart from China and India, US and Denmark have also shown interest in boosting economic and infrastructure development of the district<sup>43</sup>.

On 25 April 2008, Nepalese and Chinese officials met and talked on the extension of the Qingzang railway from Lhasa for another 770 km to Khasa on the Nepalese border. The 750 km Sino-Nepal Highway (Friendship Highway) from Lhasa to Kathmandu through Quxu, Shigatse (Xigaze), Lhaze, Dingri and Nyalam enters Nepal at Kodari through Zhangmu (Khasa) and the railway is expected to follow the same route till Kathmandu. Nepal government believes that the extension of this railways service will increase trade and tourism between the two nations. The construction of this extension is planned to be completed by 2013.<sup>44</sup> India is suspicious towards China on the extension of such infrastructures in Nepal.

On the other side, India is also planning to extend its rail links along Indo-Nepal border.<sup>45</sup> India has announced the assistance worth Rs 10.88 billion for the expansion of railway service in five places along Nepal – India border.<sup>46</sup>

India knows that if Maoists succeeded in Nepal, the influence of China will grow in Nepal. In a recent interview, the Chinese Ambassador to Nepal, Zheng Xianglin, affirmed that China was seeking to build a formal relationship with the CPN-Maoists. He also expressed his concerns about increasing external influence in Nepalese politics and warned that 'any foreign intervention in Nepal will not be tolerable for

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<sup>43</sup> "India, China compete to help Nepal's district bordering Tibet", *The Hindustan Times*, 8 July 2010, [Online: web] Accessed 10 July 2010, URL: <http://www.hindustantimes.com/India-China-compete-to-help-Nepal-s-district-bordering-Tibet/Article1-569395.aspx>

<sup>44</sup> "China-Nepal Rail to pass through Tibet", *The Financial Express*, 25 April 2008, [Online: web] Accessed 13 June 2010, URL: <http://www.financialexpress.com/news/ChinaNepal-rail-to-pass-through-Tibet/301622/>

<sup>45</sup> "India to increase railway links in Nepal," *Nepalnews.com*, 25 February 2010, [Online: web] Accessed 10 June 2010, URL: <http://www.nepalnews.com/main/index.php/business-a-economy/4380-india-to-increase-railway-links-with-nepal.html>

<sup>46</sup> Ibid

China', pointing out the influence being exercised by the United States and India in Nepal.

China, like India, also has trade and economic interests in Nepal. India has large investments in the social, business, and infrastructure sectors, and is also looking to utilize the hydro-power potential of Nepal to feed its energy needs. There is a huge competition between Indian goods and Chinese goods in Nepal. Increasing trade and economic partnerships between China and Nepal will irritate India in future. For a long time, Indian business establishments have dominated the Nepalese market. Their business has been directly hit with the entry of cheap Chinese goods into Nepalese markets.<sup>47</sup>

Thus, Nepal should forward its relations with both its neighbours thinking their security interests and concerns in Nepal while dealing with each other. This will be in the interest of all these three countries and it will also bring peace and stability in the region. Both the emerging power, India and China should also talk, solve the differences and gain confidence. This will also make both of them less unsecured. Nepal can also act as a bridge between them in bringing both the giants together. If Nepal fails to do so, both countries will compete with each other because of their security interest. The rising influence of China in Nepal will have an affect on India and vice versa. This will never let bring peace and stability prevail in Nepal. Thus, it's in the interest of Nepal, China and India to cooperate and more towards stability in the region.

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<sup>47</sup> Nayak, Nihar (2009), "Involvement of Major Powers in Nepal since the 1990s: Implications for India," *Strategic Analysis*, 33(1): 43

Chapter 5

# **Conclusion**



## Conclusion

Nepal lies between two strong Asian giants, China and India. Due to its strategic location, it has an important position in security and stability of the region. Both the rising powers want to keep Nepal under its sphere of influence. Nepal has been survived by balancing its neighbours one against the other right from the early period. During Lichchhavi Period, to protect his Kingdom, King Amshuverma gave his daughter Bhrikuti for marriage to the Tibetan King Tsrong Tsong Gompo and he gave his sister Bhoga Devi for marriage to an Indian King Shur Sen.

The unofficial cultural and political relations between Nepal and China started in 5<sup>th</sup> century. Many Buddhist delegations visited Nepal. Nepal and China (Tibet) had many wars. There were a lot of ups and downs in their relations because of this. There were new developments in Nepal – China relations towards the middle of 20<sup>th</sup> century after both the countries went through major political changes. During this time, the 105-year old autocratic Rana Regime came to an end in Nepal and China came under new leadership of Mao.

The formal diplomatic relationship with newly formed Peoples' Republic of China was established on 1 August 1955. The relationship is based on *Panchsheel*.

India often warned Nepal against China by showing the invasion of Tibet in 1950. But at the same time, both China and India also had an understanding to let Nepal be under the Indian influence on condition that India will not speak on Tibet. This was largely to counter US influence in the region as US was trying to enter into South Asia through Pakistan.

The traditional form of relationship changed during King Mahendra. He wanted to have absolute power. But the democratic parties were supported by India. King realized that he could consolidate his power only by giving new direction to Nepal's foreign policy. He started minimizing India's influence.

Both China and Nepal tried their best to bring Nepal into their sphere of influence. They provided economic assistance to Nepal. Though China's assistance was much less compared to India, China publicized that her assistance was more reasonable and unconditional. Indian assistance had all sorts of conditions. There were allegations that Indian-aided projects, for example, the Koshi Project benefited India rather than Nepal.

On the Sino – Indian War of 1962, King Mahendra, within the framework of neutrality, expressed sympathy with India. China did not ask Nepal for any logistic, military or territorial help either. Thus, Nepal escaped from a difficult situation because Nepal being a landlocked country had obvious limitations towards China's policy.

In spite of having favourable condition, China played a limited role in Nepal. Its interest in Nepal was limited to curb anti-China activities in Nepal. Curbing the Tibetan's anti-China activities has become the major concern for China since Khampa rebellion.

After Sikkim became a part of India in 1974, Nepal maintained closer ties with China with the fear that Nepal will be the next target of India. There was anxiety in Nepal after the Chinese media reported that Bhutan and Nepal would be India's next targets after Sikkim.

China constructed Kathmandu – Kodari road (Aniko Highway), which displeased India because of its strategic significance. The relations with India

were more constrained after Nepal signed an agreement with China to purchase weapons in 1988.

China has always adopted pro-establishment policy towards Nepal. She emphasized three policy determinants in its relations. First, the relationship is based on the Five Principles, or *Panchsheela*. Second, China would not intervene in Nepal's domestic politics. Third, it would expect Nepal's support on issues concerning China's sovereignty and national interests, including the issues of Tibet, Taiwan, and human rights. Nepal has always been committed to these concerns and “One China” policy of China. The relations between both these countries have not changed in spite of the changing governments in Nepal.

Due to continuous political instability in Nepal, China has always been worried about Nepal being used by external powers to challenge its strategic interests. China viewed monarchy as the most stable, credible and dependable partner and the mainstream political parties as pro-India. King adopted close relationship with China to counter Indian influence. The security interest, which is China's prime concern in Nepal, was also served by the King, being the Commander-in-Chief of the army.

After Nepal became a republic, China lost its most reliable partner. It realized two major forces in Nepal: Democratic parties those who were mostly pro-India, and Maoists, a large party with anti-India and anti-US propaganda.

While Chinese were looking for a durable and strong trustable force in Nepal, Maoist approached China looking for a strong power to support them. Maoists look at China with sympathy due to ideological affinities. Significantly, the Communist Party of Nepal-Maoist (CPN-Maoists) in their election manifesto promised to set up eight new national highways linking Nepal to China.

China never supported the Maoist party until they emerged as the single largest party in the Constituent Assembly election of April 2008. In fact, China was the only country to supply arms to King Gyanendra to suppress Maoist insurgents when India, US and UK had stopped it.

As soon as Maoist Chief Pushpa Kamal Dahal 'Prachanda' became the Prime Minister of Nepal, he went to China to attend the closing ceremony of the Beijing Olympics 2008. He wanted to impress the Chinese by becoming the first Prime Minister to visit China before India. But it was not in good taste to Indians.

China also accelerated the pace towards the Maoist because of the growing tensions in Tibet, particularly after the March 2008 uprising. China wanted to curb the underground activities of some 20,000 Tibetan refugees settled in Nepal. Nepal is the most easily accessible entry point to Tibet and it has the second largest Tibetan refugee community in the world. China also claims the involvement of the international forces performing such operations from Nepal.

China was deeply concerned when six of the Nepalese Parliamentarians visited Dalai Lama in Dharamsala in February 2009. Then China started to maintain good relations with other parties like Communist Party of Nepal-United Marxist-Leninist (CPN-UML) and Madhesi People's Rights Forum apart from CPN- Maoist. A large number of Chinese delegations visited Nepal on the Tibetan issues.

Making use of the favourable Maoist government in power, China also submitted a draft of Sino – Nepal Friendship Treaty to Nepal. The draft had

covered China's security concerns like Nepal would recognize 'One China' policy and not allow its territory to be used for "anti-China" activities.

At present, China and India is also competing along the borders of Nepal. India provided development assistance for the remote hilly region of Mustang, near Sino – Nepal border, for the constructing of school, roads, monastery, bridges and water taps. India has already spent more than Rs 10 crore for the development of Mustang district. On the other side, China is also opening China Study Centers along Indo – Nepal borders. China also announced Rs 1 crore financial assistance in Mustang for computers, library, science laboratory and construction of school building. The ambassadors of both the countries have paid a visit to the area. Apart from China and India, US and Denmark have also shown interest in boosting economic and infrastructure development of the district.

In response to the Tibet's railway link extension from Tibet to Nepal border, India is also planning to extend its rail links along Indo – Nepal border. India has announced the assistance worth Rs 10.88 billion for the expansion of railway service in five places along Nepal-India border.

To sum up, Nepal – China relations will grow closer. China will engage actively in Nepal in days to come because of rising tensions in Tibet. Indo - Nepal relations will be affected by the closer relations with China because the security interest of India and China overlaps each other in Nepal. Thus, the growing Nepal – China relations will have an adverse impact on Nepal – India relations. Nepal also developed its relations with China when its relations with India were strained, both during the Mahendra's period, 1989 trade and transit agreement issue and the Maoist period.

Many recent developments suggest China's growing influence in Nepal. Nepal and China are planning for greater economic linkages. They are working for connecting the two countries with ten roadways. China has also promised to construct a railway line from Lhasa to Khasa at the Nepal – China border and to provide assistance worth about Rs 460 million (RMB 50 million) to Nepal for the construction of Syaphrubesi-Rasuwaaghi Road. China is also opening INGOs such as China Study Centers on the southern Nepal adjoining Indian border to control the influence of India.

Nepal, being a sovereign country would like to deal with India and China on an equitable basis. Geographically, culturally and economically, India is closer than China. Nepal also realizes that it cannot ignore India for the sake of better relations with China. In fact, Nepal would like to opt for a balanced approach with India and China, which would bring economic benefits and stability in the country.

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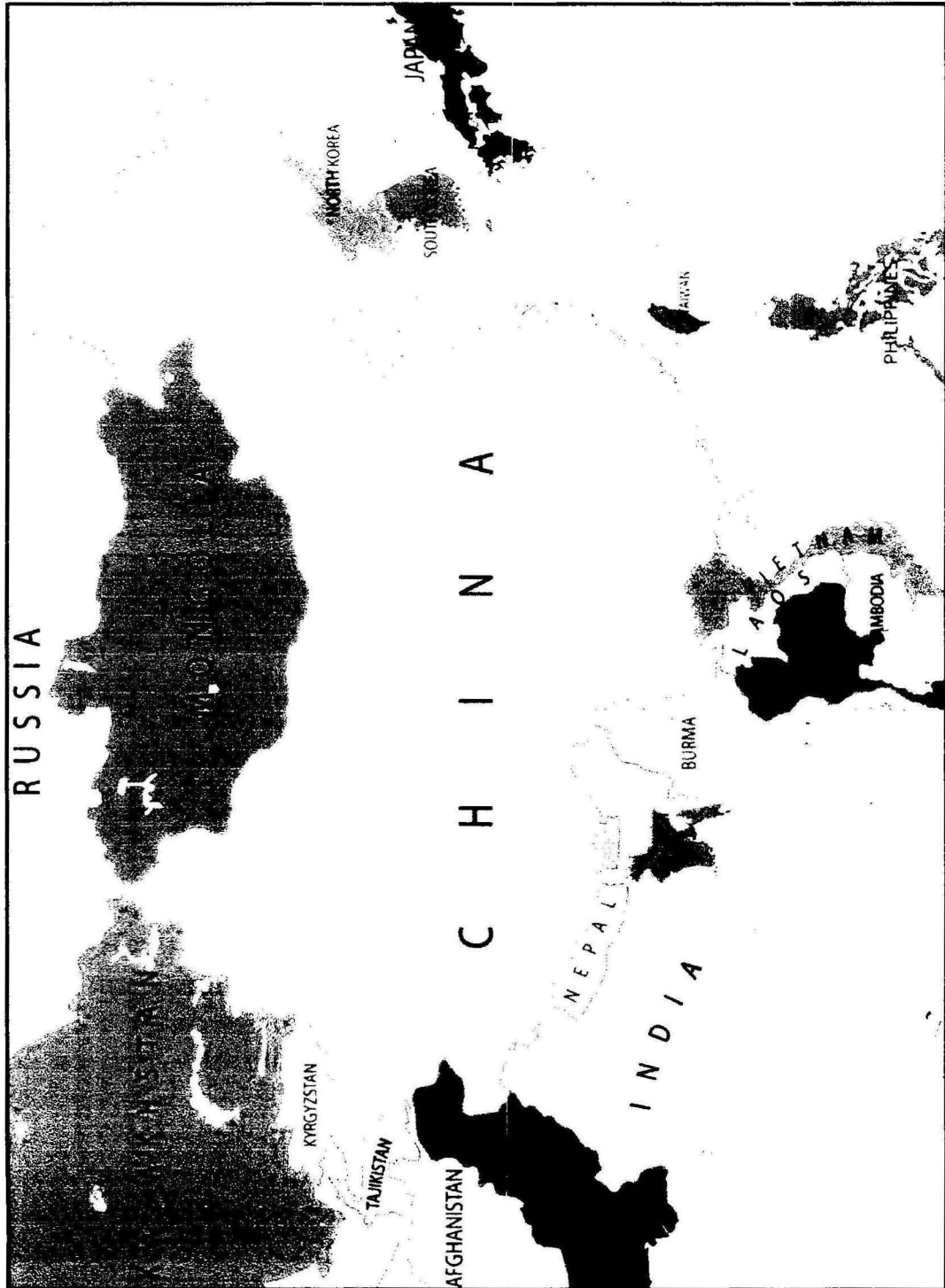
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# Appendix

# APPENDIX I

## Map of Nepal, China and their Neighbours



## APPENDIX II

### China Aided Projects in Nepal

#### *Roads and Transport*

Road and Transport	Distance (in Km)
Arniko Highway	104
Arniko Highway (Rehabilitation)	
Kathmandu Bhaktapur Road	13
Prithvi Highway and Surface Pitch Paving	174
Narayanghat- Muglin Road	36
Gorkha Narayanghat Road	
Kajhuwa- Gorkha Road	24
Kathmandu- Bhaktapur Trolley Bus	14
Kathmandu Ring Road	27.2
Pokhara- Baglung Road	65
Seti River Bridge at Pokhara	

#### *Water Resources*

- Sunkoshi Hydroelectricity Plant
- Pokhara Water Conservancy and Irrigation Project (Multipurpose)
- Sunkoshi Vicinity Electricity Transmission Project
- Sunkoshi-Kathmandu Electricity Line Transmission Project

## ***Industries***

- Bansbari Leather and Shoes Factory
- Hetauda Cotton Textile Mills
- Harisidhi Brick Factory
- Bhaktapur Brick Factory
- Industrial Gloves and Apron Manufacturing at Bansbari
- Bhrikuti Paper Mills
- Lumbini Sugar Mills

## **Other Construction**

- National Trading Complex
- Warehouse at Kathmandu and Birgunj
- City Hall in Kathmandu
- Birendra International Convention Centre
- Consolidating Seti River Bridge in Pokhara
- A three-month arch bridge training course for 15 Nepalese engineers
- Pokhara Sedimentation Pond
- Provision for the Television Truck for NTV
- Mobile X-Ray Machine for Birgunj Dryport Customs Office

## ***Sports***

- Sports Complex at Kathmandu and Lalitpur
- Construction of Sports Facilities for the 8th South Asian Federation Games in 1999
- Repair of Lighting System in the Sports Complex (April 2005)

## ***Health***

- B.P. Koirala Memorial Cancer Hospital, Bharatpur

## ***Ongoing China-aided Projects***

- Syafrubesi-Rasuagadhi Road
- Civil Service Hospital
- Polytechnic Institute in Banepa
- Nepal Television Metro Channel Station Expansion and Improvement.