Implications of the Dragon’s Rise for South Asia: Assessing China’s Nepal Policy

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Abstract: China has always been an important neighbour to Nepal which has otherwise historically been heavily influenced by India. The ‘rise of China’ has created a more outward-looking Middle Kingdom and so its influence in Nepal has significantly increased within the last decade. As a consequence, Nepal is experiencing growing interest from China. This article aims to give some historical background to Sino-Nepalese relations and to measure the most recent impact of the ‘rise of China’ on Nepal, particularly on its economic, military and political fronts. This is followed by a broader look at China’s policy towards Nepal, also taking into account China’s overall strategy towards South Asia. Apart from China’s relationship with India, the issues of stability in Tibet as well as Tibetan refugees within Nepal remain important factors for the Sino-Nepalese relationship even to this day.

Introduction

The rise of China is not a new development in international affairs. One of the goals that China wishes to attain by its grand strategy, i.e., great power status, has been achieved recently according to some experts; some of them see China establishing regional hegemony over Asia but that seems to remain a process underway.1 Embedded in this process of China establishing itself as a regional hegemon and the ensuing consolidation thereof is the concept of China’s peaceful rise and development—a motto established by policy advisor Zheng Bijian. This policy was aimed at reassuring other states that China’s aspiration of becoming a great power, which it now seems to have achieved, is not threatening any state, especially the adjacent ones. One such neighbouring state is Nepal.2

The case of Nepal will be tackled here in terms of its position on China’s geographic periphery, especially as the neighbour of the Tibetan Autonomous Region (TAR) of China. Furthermore, the general impact China’s new status as great power and second largest global economy has on this landlocked state—politically, economically and militarily—will be analysed. Through this analysis of China’s rising interest in Nepal, its larger South Asian policy can be deciphered. The larger questions this article seeks to answer, therefore, are what is China’s strategy towards Nepal, and how does China’s rise and alleged new assertiveness since 2008 impact Nepal?

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Historical relations between China and Nepal

The earliest Sino-Nepalese link was formed in the field of the arts. A Nepalese artisan named Araniko traveled to the court of Kublai Khan during the Yuan Dynasty, at the request of the emperor; he helped build the White Pagoda in the capital and trained Chinese artisans. Links between Nepal and China remained severely limited until the 18th century, when the statelets which later became Nepal emerged as conduits to trade between India and Tibet. After the emergence of Nepal as a state in 1769, it started playing a significant role in Tibet’s economic affairs. Increased Nepalese influence led to frictions in relations and erupted in the 1788 Tibeto-Nepalese war. The court in Peking played an important role in bringing Nepal and Tibet to the negotiating table in 1789 when the Tibeto-Nepalese war erupted in 1788 following trade disputes, but the Nepalese elite remained dissatisfied with the terms. Despite warnings from Beijing, around 4,000 Nepalese soldiers entered Tibet in 1791. The swift invasion of Tashigunpo, the capital of the Tsang province of Tibet, prompted the Chinese invasion of Nepal, the latter arguing that simply dispersing the Nepalese from Tibet would not root out future threats to Tibet. The war ended in 1792, following a joint Tibetan and Chinese incursion into Nepal; also, Tibet became more subservient to the Qing Court due to Beijing’s security concerns emanating from Nepal. It also established the first official links between the royal courts of Nepal and China, with a quinquennial delegation visiting Peking from Kathmandu bearing gifts as part of the tributary system.

The historical links between Nepal and China were limited and mostly concerned with influencing Tibet. The links established in 1792 following the second Tibeto-Nepalese war further weakened in the 19th century. The Anglo-Nepalese war of 1814–1816 led to Nepal’s self-imposed isolation as it was defeated by the British and lost a third of its empire. Furthermore, the weakening of the Qing Dynasty resulted in the withering of Sino-Nepalese ties, as Beijing’s foothold on Tibet and its influence in Nepal declined with the rise of domestic issues, which were later exacerbated by the intrusion of European powers.

Modern relations between China and Nepal

The modern interstate relations between Nepal and China came about with the incorporation of Tibet by the People’s Republic of China in 1950. The former geopolitical configuration in the region with Tibet and Nepal as buffers between India and China changed. It resulted in Nepal facing a tumultuous situation between the world’s two most populous states; India and China also became geographically contiguous states, bringing the two regional powers to close geographic proximity. The new political reality for Nepal was to situate itself in between the regional powers.

The People’s Republic of China and Nepal established diplomatic ties in 1955. Since then, China has pursued a policy towards Nepal based on the ‘Five Principles of Peaceful Coexistence’ or Panchasheela, which are inspired by Buddhist philosophical thought. The Panchasheela policy allowed the continuation of pilgrimages between Nepal and the TAR; continuation of trade links was also allowed. The policy included direct monetary aid as well as technical assistance from the People’s Republic of China (PRC) to Nepal. Given the sensitivity of the newly acquired TAR, the PRC attempted to consolidate good relations with Nepal. In 1956, the PRC promised 20
million Indian rupees in direct capital and 40 million in technical assistance. After this, ‘economic assistance ... [was given] much more significantly beginning in 1960’ as China saw “the prosperity and strength of Nepal ... as powerful support for [their own] country”. In 1957, Chinese Premier Zhou En-Lai proposed a direct road link between Nepal and the Chinese region of Tibet. It was not until 1964 that work on the road network took off, causing alarm in India. The strategic dangers of a direct road link from China to Nepal were immense for Indian national security. Regardless, Sino-Nepalese relations became closer with the inauguration of the road network. In March 1960, China and Nepal also reached an agreement on their common boundary, improving each other’s security. The division of the boundary line on Mount Everest had been a contentious issue, but Beijing was willing to compromise to reach a quick settlement after years of delay, and was willing to wink at Nepal’s obfuscation on the issue of Mount Everest. In this way, China ensured closer Sino-Nepalese relations as well as Nepal’s neutrality, which enhanced China’s security along its southern border. This created a more favourable balance of power for China at a time when it felt threatened not only by India but also by growing Soviet-Indian cooperation and US involvement in the region.

The other significant factor in Sino-Nepalese relations is the domestic political dynamics of Nepal. Historically, the monarchy defined Nepal’s foreign policy. Particularly after establishing the diplomatic ties between China and Nepal in 1955, King Mahendra used Chinese influence as a bulwark to balance Indian influence. In accordance with keeping Nepal independent, King Mahendra, followed by his son King Birendra, sought to balance Indian influence by bringing China into the equation. China was also interested in pursuing closer ties with Nepal, as it bordered the TAR and shared some cultural and historical ties with the province. Between 1956 and 1989, China offered grants for more than 42 infrastructure projects including irrigation, hydropower, brick-making and power plants, as well as textile mills. Up to 1989, China’s relations with Nepal rested on its attempts at improving the security situation in Tibet; Nepal also played the important role of a buffer, a remnant of the era of the British Empire when it used the concept as a geopolitical strategic tool in Asia to separate its sphere of influence from that of other great powers. China attempted to make overtures in Nepal not through assertive power politics but utilising less threatening means such as infrastructure development and human capacity building.

The democratisation of Nepal in 1990 ushered in a new era for the country’s relations with its two neighbours. The multiple political parties that emerged during the democratisation process used the backing of neighbouring states as leverage in domestic politics. The significant roll-back of the monarchy’s power following Nepal’s democratisation was problematic for China as the two kings Mahendra and Birendra sought China as a balancer against India. The democratic forces in Nepal had the tacit support of India, which was keen to see a political set-up in its neighbour that mirrored its own democratic institutions; supporting the political parties was a means of ensuring that. Nevertheless, the post-1990 democratisation of Nepal did not witness a downfall in Sino-Nepalese relations. China’s hands-off policy in Nepal and emphasis on softer approaches through economic and technical capacity building did not prove problematic for the poverty-stricken country. Surprisingly, China did not support a home-grown Maoist movement in Nepal and instead favoured the
incumbent government, which went from being democratic to authoritarian under King Gyanendra in 2002. China had forged close links with the royal government in Nepal. Regardless, the lack of democratic representation led to a mass movement joined in by the Maoist rebels in 2005; it resulted in the overthrow of the royal government and its subsequent abolition in 2008.\textsuperscript{22} Once again, China’s approach was to support the incumbent government and—this time—to reach out to the political parties that led the newly declared republic.

While Nepal had become a republic in 2008, there was a storm brewing in the TAR in China; widespread riots were reported in the region which had repercussions in Nepal as well due to the presence of over 20,000 Tibetan refugees, the second largest such refugee population in the world after India. Fearful of spillover effects in the region and a resurgence of devious activities within the TAR, the Chinese government pursued a more involved and strident policy towards Nepal.\textsuperscript{23} Recent relations between Nepal and China have mostly revolved around the issue of the Tibetans in the TAR as well as in Nepal.\textsuperscript{24} Despite a slightly more hands-on approach in Nepal, China has kept its distance and sought to influence Nepal through its often preferred method of infrastructure development, capacity building and now long-term economic investments in Nepal’s fragile economy as well as its state structures, particularly the police force.

**Impact of China’s rise on Nepal**

This section seeks to assess how China’s rise is impacting the economic, political and military dimensions with regards to its relations with Nepal.\textsuperscript{25} It is important to understand that China’s policy in Nepal is part of its larger grand strategy and the following dimensions need to be contextualised within its pursuit of security.\textsuperscript{26}

**Economic dimension**

The economic relations between China and Nepal have become closer and more intertwined with the rise and maturation of China’s economy. ‘Nepal considers China a major source of investment, development aid and economic support.’\textsuperscript{27} Chinese investment in Nepal has gradually increased in the last couple of years. Whereas there had been no interest in investing in Nepal in 2003, China and its companies directly invested $1.68 million in Nepal in 2004, $1.35 million in 2005, $320,000 in 2006, $990,000 in 2007, $10,000 in 2008 and $1.18 million in 2009.\textsuperscript{28} When looking at outward foreign direct investment (FDI) stocks, the curve goes even more evidently upwards, i.e., $3.32 million, $2.99 million and $3.59 million in 2004, 2005 and 2006, respectively, making a jump in 2007 and 2008 to $8.66 million and $8.67 million, respectively, and another jump to $14.13 million and $15.95 million in 2009 and 2010, respectively.\textsuperscript{29}

More recently, infrastructure investments have also gone up tremendously. Chinese Gezhouba invested $100 million in hydroelectricity projects in Nepal in June 2010, followed by the Three Gorges in February 2012 with $1.6 billion. In May 2013 and 2014, Sinomach invested $150 million and $250 million in Nepal’s aviation, respectively.\textsuperscript{30} In the same timeframe, China invested five times as much in India and 1.5 times as much in Bangladesh, for example, but if measured per capita this would show an proportionally higher attention to Nepal in terms of investment.\textsuperscript{31} With the formation of the Asian Infrastructure Investment Bank and the push for
China’s ‘One Belt, One Road’ strategy, Nepal is more than likely to see a further increase in infrastructure improvements as one of the countries in Asia that needs infrastructure investment the most.

Chinese tourism is also becoming increasingly important, having doubled between 2010 and 2013 from 46,360 to 89,509 visitors, though the potential for future increase will depend on the rise in the number of flights from China to Nepal, since Chinese demand exceeds the supply of available flights. Nevertheless, it must not be ignored that the number of Chinese cities connected to Nepal’s only international airport in Kathmandu is greater than the number of Indian cities connected to the same. It ought to also be acknowledged that the majority of movements of people between India and Nepal occur through the open border but the growing Chinese connectedness showcases Beijing’s increased interest in Nepal, along with that of the ordinary Chinese citizen to travel to the neighboring country. Naturally, after the recent earthquake, tourism is significantly down, and is likely to remain so for the foreseeable future. This may hurt the country’s gross domestic product (GDP) since ‘foreign exchange earnings from tourism make up roughly 20 per cent of the country’s goods and service exports’.

Chinese foreign aid for Nepal has steadily increased in the last few years—even before the recent earthquakes. In early 2015, the two countries agreed on $300 million of aid in the next few years. The recent earthquake also led to more financial help from China for the purpose of immediate aid and long-term rebuilding: ‘A 62-member disaster response unit accompanied by 6 search-and-rescue dogs were immediately dispatched to Nepal along with 20.5 tons of aid’.

Concerning trade, China has become more important to the Nepalese economy but remains behind India, the US and Germany for exports of Nepalese products. India is the number one exporter of goods to Nepal, amounting to about half the imports into Nepal, with China coming in second with more than a third of imports into Nepal. That makes the trade balance with China rather negative for Nepal.

**Political/diplomatic dimension**

The political impact of China on Nepal has changed since the establishment of diplomatic ties between the two states in 1955. State security drives the relationship. The Chinese concern in Tibet rested mainly on its stability, after the latter’s incorporation into the PRC; a stable Nepal would boost security in the region. On the other hand, Nepal has sought to balance India’s influence in the country. The Nepalese elites were fearful of becoming absorbed into the Indian Union due to its cultural, linguistic and historical proximity to that country. Thus, the beginning of political ties between China and Nepal was largely based on mutual benefit in the security sector.

In the 1950s, China became fearful of Western influence in Nepal and its spillover into Tibet. The Khampa rebel group supported by the CIA and based in Nepal was a threat to stability within the TAR. Concerns about instability in Tibet prompted the Chinese government to increase aid to Nepal, but it proved problematic as India maintained geostrategic interests in Nepal. Although economic aid started to trickle in from China following the establishment of diplomatic ties, it was not until 1964 that a road link was established between Nepal and China. From the increased aid and the development of infrastructure, it could be articulated that China sought to reduce India’s influence in Nepal to fulfil its own security considerations in Tibet and also to
erode the Indian sphere of influence, as China emerged as a prominent geostrategic player in Asia.

China’s policy towards Nepal has primarily emphasised the security of the TAR. India’s historical double buffer system against China in the form of Nepal and Tibet suddenly collapsed in 1950, as China sought to integrate Tibet. The contiguity of borders led to several disagreements on border demarcations between the two states. Relations further deteriorated between India and China in 1959, when the Tibetans staged a failed uprising.11 On March 10, 1959, a large number of Tibetans gathered around the Dalai Lama’s summer palace, Norbulingkha, to prevent him from attending a cultural performance set up by the Chinese Communist Party; the invitation was widely perceived as a cover up for the Dalai Lama’s arrest.42 It spiralled out of control into a full blown popular movement, which subsequently led to the Dalai Lama’s flight from Tibet to neighbouring India. Following the failed uprising, hundreds of thousands of Tibetans fled Tibet into neighbouring India, Nepal and Bhutan; a majority followed the Dalai Lama to Dharamshala, in the Indian state of Himachal Pradesh.

Following the uprising, thousands of Tibetans entered Nepal as refugees and settled mostly in the cities of Kathmandu and Pokhara. Today, the refugees number around 20,000 individuals.43 The presence of a sizeable Tibetan populace in its neighbouring states compromised China’s security as they formed organised groups to disseminate the suppressive rule in the TAR. In addition, several communities within Nepal’s northern regions had age-old ties with Tibetan communities and themselves were followers of the Dalai Lama.44

From the 1950s up to the 1980s, China used economic incentives as the major strategy to influence Nepal. Its non-interfering approach was commended not only in Nepal but in other South Asian states that sought to balance the overwhelming Indian influence in the region due to its geographic size as well as its economic and military capabilities.45 Chinese Premier Li Peng’s speech in Nepal in 1989 reiterated China’s political approach to Nepal and other smaller states in South Asia. He asserted that ‘all countries, big or small, strong or weak, should be equal and should respect each other and refrain from interfering in each other’s internal affairs’.46 Thus, China’s approach up to the 1980s was hands-off, supporting the Nepalese monarchy that had ruled the country since the late 18th century. The 1990s saw democratic reforms in Nepal at the behest of India; China had to reconfigure its Nepal policy, as the monarch was reduced to a national figurehead.

Following the ushering in of democracy in 1990, China sought to support the incumbent government in Kathmandu; Beijing emphasised the need to maintain cordial inter-governmental relations.47 Even under the autocratic rule of King Gyanendra that began in 2002, China continued to support the incumbent power; in fact, the Chinese government provided arms to the then Royal Nepalese Army to fight against the Maoist rebels. China’s ‘carrot on a stick’ approach using inter-governmental relations, forging stronger economic linkages and deepening cultural as well as educational links had to a certain extent helped garner influence within Nepal. However, China’s policy towards Nepal became more strident in the aftermath of the 2008 riots in the TAR. Although Beijing used diplomatic pressure during the autocratic rule of King Gyanendra to close down the offices of Tibetan representatives in Nepal,48 it was the 2008 riots that propelled greater Chinese interest in Nepal and a subsequent rise in security concerns and diplomatic pressure.
On March 10, 2008, Tibetans in the TAR staged the most significant resistance to Chinese rule since the 1959 uprising. This event was a turning point in Sino-Nepalese relations. The lax approach of China suddenly became more forceful. Fearing support from Tibetans in Nepal, the Chinese Embassy in Kathmandu sought a more activist role in Nepalese politics. The notion of ‘saving face’ meant that the Tibetan organisations and population residing within Nepal had to be controlled. The non-interfering approach in Nepal used by China since the 1950s became more strident. In 2010, the Chinese Embassy in Kathmandu arranged for a $10 million grant from China to equip Nepalese riot police with shields and batons. In addition, the Chinese administration sought cooperation from the Nepalese government by not only pressuring the latter to curb the rights of the Tibetan refugees within Nepal, particularly the rights of individuals to organise, but also backing up its demands with more aid and non-lethal military aid.

Sino-Nepalese relations in the aftermath of 2008 have largely been characterised by the presence of the Tibetan refugees in Nepal. Under tremendous pressure from China, the Nepalese government banned all political protests by Tibetans and placed curbs on Tibetan cultural festivals within Nepal, including celebrations of the Dalai Lama’s birthday. The access points to Nepal from China have also been tightly monitored since 2008. Prior to the riots in Tibet, over 2,000 Tibetans fled to Nepal making their way into India; that number dropped to less than 200 in 2014. As Beijing sought tighter control over the Tibetan population in Nepal, Chinese interference within the country escalated. In 2010, a tape was released to the media that included a conversation between a Chinese agent and the Maoist leader Krishna Bahadur Mahara. The conversation centred on bribing several members of Nepal’s Constituent Assembly, signalling attempts at influencing the domestic politics of Nepal by the government of China. Thus, China’s approach to the Tibetan issue in Nepal after 2008 diverged from its traditional non-interfering methods. China has increasingly sought more direct influence within Nepal’s domestic political sphere, despite acknowledging India’s integral geostrategic concerns in the country. China’s economic growth and its increasing influence in Asia could be attributed to its ever extending overtures in Nepal, as it seeks to secure the TAR through further diplomatically pressuring the Nepalese government to control the political activities of the Tibetans. Additionally, China bolsters the capability of Nepal’s police force while at the same time using instruments such as economic incentives to encourage the compliance of the Nepalese government. In essence, the objectives of the Chinese government in relation to Nepal have been in part to curb the political activities of Tibetans in Nepal in order to further discourage dissent from the TAR and prevent cross-border spillovers. Thus, China sought to influence the Nepalese government to control the Tibetan population within Nepal but it did so with limited success up to the mid-20th century. Given India’s predominant influence within Nepal, China sought softer approaches to diplomacy, utilising grants and investments as mentioned above. This lax approach was to change in 2008, following the deadly riots in the TAR.

**Military dimension**

With the rise of Chinese influence in Nepal, traditional relations with India took a toll, which was apparent in Nepalese military affairs and aspects of state security. Nepal,
which had agreed with India in a letter accompanying the 1950 treaty to first get approval before purchasing weaponry from a third country, has perceived that its military affairs (and therefore sovereignty) were somewhat limited since then. Nevertheless, Nepal received weaponry from China on two occasions, once in the 1980s and another time during the Nepalese civil war (1996–2006). The Chinese stance during the Nepalese civil war seems counterintuitive since the erstwhile Nepalese government was fighting against Maoists, who should have been closer to China ideologically than the monarchist state at the time.

In the years 2005, 2008 and 2009, China supported Nepal with military financial aid, partly in the form of delivery of military equipment, which was said to coincide with efforts from China to prevent Tibetans escaping through the Sino-Nepalese border into Nepal and India. In 2011, China promised to provide Nepal with $7.7 million in financial military aid, and the two states agreed in 2013 on ‘deepening defence and security ties’. Arguably, the cut in military relations between China and Nepal could be made with the much-referred-to new assertiveness of China starting in 2008; Tibet was becoming more of a topic in China’s domestic realm again, and with that, Nepal became relevant in China’s geostrategy as well. Still, ‘China’s proactive policy in Nepal can be discerned doubtlessly from the military assistance it has been providing’. China has also been exporting conventional weapons to Nepal in the last decade, since ‘Chinese arms are relatively cheap, so they appeal to developing countries in Africa and South Asia[... like] (...) Nepal’. Part of the military dimension of increasing Sino-Nepalese ties is a railway project that China is fast extending from Golmud–Lhasa–Shigatse to the Nepalese border. Some, especially far-left parties in Nepal, are calling for an eventual extension of Nepal’s Lumbini border region next to the Indian state of Uttar Pradesh and the city of Gorakhpur. Should this materialise in the future, the consequences for the balance of power in South Asia could significantly shift in China’s favour, especially in relation to the ability to transport soldiers and army equipment efficiently.

The change in Nepal’s governmental regime also plays an important part in China’s recent interest in Nepal:

The Nepal Army (previously the Royal Nepalese Army) was known to be under the direct control of Nepal’s monarchy which was reasonably friendly towards China. Now that Nepal is a republic, China’s interest in Nepal’s army is growing as reflected by the visits of high-profile Chinese military delegations, their meetings with senior army and other security officials as well as interest in the integration of the Maoist combatants.

The most important security factor, however, concerns the Tibetan refugees within Nepal. Even though ‘Nepal stopped accepting Tibetan refugees in the 1980s, they are generally allowed to cross Nepal on their way to India’. ‘Nepalese security forces, likely because of Chinese pressure, reportedly increasingly repress the country’s roughly 20,000 Tibetans’. Thus, the police and army in Nepal have experienced increasing investment from the Chinese government.

**China’s Nepal policy within the context of its South Asia policy**

China’s Nepal policy needs to be viewed within the context of China’s regional policy towards the entirety of South Asia. China’s South Asia policy is mainly aimed at containing India, favouring a balance of power approach. This is evident from China’s
bolstering of Pakistan’s nuclear programme intended towards increasing the capabilities of the main rival of India in South Asia. Thus, for China the main ally in South Asia is Pakistan. In recent years, China has also engaged in closer ties with other states in South Asia, such as Bangladesh, Sri Lanka and India’s Southeast Asian neighbour Myanmar. The unresolved boundary disputes between India and China retain their potential for future conflict, i.e., the Aksai Chin region in Tibet’s west and Kashmir’s north, and Arunachal Pradesh in India’s northeast, which China refers to as South Tibet; the former is controlled by China, the latter by India. Even though a recent RAND research report on China’s South and Central Asia strategy made no mention of Nepal, it still showcased China’s approach to the whole South Asian region:

For China, Pakistan has been a valuable friend in South Asia. This is especially because relations between Beijing and New Delhi have been tumultuous and prickly. While Beijing-New Delhi ties have improved, notably major problem areas persist .... Pakistan is seen as extremely useful counterweight to India .... Geopolitically, [India] is [China’s] only long-term rival, since Japan [and Russia appear] weakened .... Thus, China’s main geopolitical interest in its relationship with Pakistan is, as Stephen Cohen puts it, to pursue a ‘classic balance of power strategy,’ using Pakistan to confront India with a potential two-front war.

In essence, China is ‘using’ Pakistan to contain Uighur unrest in its northwest (Xinjiang) and as a counterweight to India, i.e., one domestic factor and one regional security factor; China’s Nepal policy is analogous to this and boils down to two main driving factors. First and foremost is the domestic security factor, which relates to internal security in the TAR and maintaining unrest there at a low level. The Tibetan refugee population in Nepal is an important aspect in this, as is the mutual border in the Himalayas. Second, China’s South Asian policy is directed at India, more specifically at containing India, and using its neighbours to balance it in the sub-region. As mentioned, Pakistan is the main counterweight but China is equally interested to bind the other South Asian states into this strategy, and has been fairly successful in doing this in the last decade, such as in its relations with Bangladesh, Sri Lanka, the Maldives and Myanmar—less so with Bhutan and Nepal. So the two main drivers are the Tibetan and India factors, with a two-fold strategy to keep its western and southwestern periphery secure in the promotion of national unity, as well as a balance of power approach to India’s dominance in South Asia.

Tibet and India are important factors in China’s Nepal policy. This becomes even more clear when taking into account Nepal’s vantage point of the reason why China further entered into Nepal in the recent years: Nepal’s own domestic ‘balance of power’ approach. Without Nepal’s consent to counterbalance India within its own borders, China would not have had the impact on Nepal that it has had in the recent past. The following section also highlights the argument on the timing of the sudden increase in China’s actions inside Nepal, largely due to a higher assertiveness on China’s part since the paradigm change that took place in 2008.

To take into account the India factor as the main direction and factor in China’s South Asia policy, Nepal has figured as an important actor for reinforcing India’s security in the region due to its geographic proximity to China. The two states also share historical, religious and linguistic ties along with open borders. It must also be noted that since 1947, Nepal has been firmly entrenched under India’s security umbrella but geopolitical changes have eroded some of that influence in favour of China.
Prior to 1950, Nepal was virtually India-locked and did not figure much into China’s South Asia policy. However, the occupation of Tibet in 1950 sparked security concerns for India, fearing Chinese encroachment into its traditional backyard, i.e., South Asia. Nepal too feared for its sovereignty, as it could do nothing but witness the takeover of Tibet, its age-old neighbour to the north. This provided India with an opportunity to forge stronger ties with its two northern neighbours, Nepal and Bhutan. The signing of the 1950 Indo-Nepal Peace and Friendship Treaty, more specifically a letter that was exchanged with the treaty, curbed Nepal’s foreign policy manoeuvring by prohibiting purchase of weapons from foreign powers without India’s consent.

Despite being firmly entrenched in India’s sphere of influence and security apparatus, the elites in Nepal feared the powerful influence of, and the country’s dependence on, India. The nationalistic King Mahendra, who ascended the throne in 1955, oversaw the entry of Nepal into the United Nations that same year and established diplomatic ties with China. King Mahendra’s vigorous diplomatic efforts were tied to the security predicament of a small landlocked state like Nepal, with powerful contiguous neighbours.

Since 2008, China has made incremental overtures in Nepal’s impoverished economy. In the fiscal year 2013/2014, ‘investment from China reached $174 million between July and December, accounting for over 60 per cent of the total FDI commitment’. To consolidate its more strident demands to the Nepalese government, China has been using economic investment and grants to Nepal’s crippling economy. This has prompted a competition for influence in Nepal between India and China, which was not as prominent before. The geopolitical wrangling has intensified as one seeks to outmanoeuvre the other.

At the same time, China has been emboldened by the global financial crisis since August 2008; it has been left without much damage, perceiving itself as having become much stronger in relation to the United States and the West in general. China has indeed rebounded much more quickly from this shock and, as a result, has fallen prey to misperceiving its power capabilities to be much stronger than before 2008—at least in relative terms compared to other great powers. This, in turn, created a more assertive China, which is evident not only from China’s impact on Nepal, but also its actions elsewhere, for example in the South China Sea. This helps to explain why China is gaining so much ground in Nepal, especially economically and politically, even though the driving factors of Tibet and India have been steady for the past 65 years, since China’s annexation of Tibet.

As well as the Chinese domestic reasons pertaining to security in its Tibetan periphery, Sino-Nepalese relations are profoundly impacted by Chinese efforts to contain India and India’s direct security concerns with Chinese activities within Nepal. India’s geographic, historical, religious and linguistic closeness with Nepal naturally evolved into a close relationship between the two countries. Nevertheless, Nepal’s fear of further curtailment of its foreign policy autonomy and China’s fear of instability in the TAR laid the grounds for strengthening Sino-Nepalese ties. Given the existence of insecurity in the region, Nepal has to play the role of a delicate balancer. Despite the reality that Nepal is much closer to India at the societal and governmental levels, China’s increasing influence in the country cannot be discounted. This is reflected in a recent survey, which asked for Nepalese citizens and Members of Parliament to respond to the question of which actors were the most influential in Nepal’s domestic realm. India stood in first place at 50.6 per cent and 76.4 per cent among citizens and MPs, respectively; the United Nations came in second with 48.7
per cent and 69.4 per cent, respectively; the US was third with 38.2 per cent and 54.7 per cent, respectively, and China was in fourth place with 27.8 per cent and 44.4 per cent, respectively. Thus, the traditional notion of India’s dominance has been reasserted through this survey, while also keeping in mind China’s mention among the top five. A more recent survey could perhaps shed light on China’s increased manoeuvring in Nepal.

Conclusion

It would not be an exaggeration to ascertain that China has progressively sought to increase its presence in Nepal. Having long considered it a part of the Indian sphere of influence, China maintained minimal influence within Nepal. In addition, China’s limited economic capability and diplomatic isolation following the establishment of the People’s Republic of China in 1949 prevented it from projecting significant influence in Nepal. India, on the other hand, maintained extensive influence in Nepal since the British left the subcontinent in 1947. There was also a tacit understanding that Nepal was firmly within India’s sphere of influence given the religious, political, economic and societal ties the two states maintained. Nevertheless, the change in China’s domestic security considerations regarding the Tibetans since 2008 prompted it to formulate a more proactive foreign policy towards Nepal, including engagement with the country’s political elites.

The recent earthquakes in Nepal serve as another example of how China is making overtures to garner more influence in the country. In the aftermath of the earthquake on April 25, 2015, India deployed 13 military aircrafts, three civilian aircrafts and six helicopters, making India’s effort in the Nepal earthquake relief operation the largest in comparison to any other country. This also showcased India’s commitment to maintain close ties with its northern neighbour as well as its proficiency in disaster relief. China too sent extensive monetary aid, rescue troops and other help in the form of manpower and necessary equipment to Nepal at extremely short notice. The relief package from China included $3.3 million in humanitarian aid, a 60-member medical team and more than 95 soldiers as part of the military rescue team. The relief operation of China was the largest the country had ever conducted outside of its own borders. As part of Operation Maitri, India sent 43 tons of relief materials along with more than 200 rescuers from the National Disaster Response Force. For reconstruction, India pledged over $1 billion in aid while China pledged around $780 million. China’s response implies a heightened interest in Nepal, given the Chinese government’s significance in maintaining stability and influence in Nepal in order to tackle its own instability issues in the TAR.

China’s extensive overtures in Nepal are motivated not just by the former’s attempts at stabilising the TAR; China also has interests in keeping a check on India’s rising capabilities. Given this reality, China’s increasing influence in Nepal has implications for Sino-Indian relations as well. Hence, China’s rise is likely to induce dynamic strategic changes in South Asia. As was presented in the case of Nepal, the Himalayas no longer serve as a geographic barrier for China. In fact, it has made inroads into South Asia, a region over which India traditionally maintained extensive influence.
Acknowledgements
An earlier version of this article was presented at the Fourth Global International Studies Conference of the World International Studies Committee in Frankfurt am Main, August 6–9, 2014. The authors thank the participants of the panel at the Fourth Global International Studies Conference, the Strategic Analysis editorial board and editor Vivek Kaushik, and two anonymous reviewers for helpful suggestions.

Disclosure statement
No potential conflict of interest was reported by the authors.

Funding
The authors would like to acknowledge the financial assistance from the International Studies Association and Florida International University which contributed to the development of this article.

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Notes
3. This part and the following part of the article are intended to frame the currently ongoing foreign affairs between Nepal and China and base them on some background information. It is understood that these parts are merely introductory, non-exhaustive and therefore reduced to the most important pillars of historical and modern Sino-Nepalese relations. For further reading on historical and current Sino-Nepalese relations, see, e.g., Hiranya Lal Shrestha, Sixty Years of Dynamic Partnership, Nepal China Society, Kathmandu, 2015; Nishchal N. Pandey, New Nepal: The Fault Lines, Sage Publications, New Delhi, 2010, pp. 121–142.
6. Ibid., p. 37.
7. Ibid., p. 50.
8. Ibid., p. 52.
9. Ibid., p. 56.
10. ‘Nepal–China Relations’, no. 4.
12. Rose, no. 5, p. 212.
15. The boundary dispute between China and Nepal is said to have been settled for the most part by the 1960 treaty. However, the Lipulekh Pass—also known as ‘Tri-Corner’ between China, Nepal and India—may be said to be an unresolved remnant, in which Nepal in fact feels oppressed by both of its great power neighbours.
17. Mahendra was king of Nepal between 1955 and 1972.
18. Garver, no. 11, p. 957.
22. Ibid., p. 45.
25. This kind of holistic approach is related to the assumption that just like in matters of grand strategy, any country will use all of the assets it possesses towards its agenda of national interest, which is usually topped by securing the state’s survival first and foremost. The assets it uses must not be restricted merely to security-related capabilities (army, navy, air force, intelligence, cyber capabilities, etc.) but usually also extend into the realms of politics, diplomacy and economic relations. When looking at China’s Nepal policy and its drivers being first and foremost security concerns, one cannot exclusively look at the military dimension of it, but must also look at political/diplomatic as well as economic levels.
27. The common recurring theme in all of the aforementioned definitions is the pursuit of state security through the use of power; the concept of power encompasses both material and ideational aspects. The use of economic, political/diplomatic and military dimensions is to link how China’s pursuit of security (as part of its larger grand strategy) is occurring in Nepal. The pursuit of security by China is limited not only in terms of its relative military capability internationally but the securing of its frontier provinces, particularly a restive region such as the Tibetan Autonomous Region. In essence, the dimensions used in this article need to be understood as tools of the pursuit of security by China in the context of its larger grand strategy. The economy and diplomacy can be used as tools for coercion/cooperation so as to secure the end goal, i.e. security.
29. Ibid.
31. Ibid.
35. Ibid.
38. Ibid.
40. Garver, no. 11, p. 957.
44. Reeves, no. 23, p. 525.
46. Garver, no. 11, p. 968.
47. Reeves, no. 23, p. 526.
50. Reeves, no. 23, p. 527.
53. Ibid.
54. Reeves, no. 23, p. 527.
57. Shambaug, no. 1, p. 303.
58. This is hypothetical, of course, and at this point merely an unlikely possibility. Whether China actually would want to extend the railway all the way south to Lumbini is another story and would likely be framed in terms of the importance to Chinese tourism of visiting the birthplace
of Buddha in Lumbini rather than an ability to project its power all the way to the border of the Indian heartland.


60. Shen, no. 27.


62. Reeves, no. 23, p. 527.

63. This part of the article looks specifically at China’s Nepal policy in the larger context of regional policy, especially concerning other major powers in the region—most prominently India. The analysis therefore focuses on these kinds of regional aspects and does not include global or supra-regional dimensions. Naturally, if one was to look at the global level, one would find more cooperation between India and China than if one looked at China’s regional policies towards neighbours in which security concerns play a much more prominent role in policy making. While on the global and supra-regional level there are areas of cooperation between India and China, as evidenced in the BRICS (Brazil, Russia, India, China, South Africa), Shanghai Cooperation Organisation (SCO), Asian Infrastructure Investment Bank (AIIB), New Development Bank (NDB) and the like, on the regional level it is very different. Power-balancing between the two is more common there with, for example, India increasingly seeking closer relations with Japan, Vietnam and the Philippines (historical enemies of China), while China does the same with Pakistan, Bangladesh and Sri Lanka (historical enemies of India).

64. Andrew Scobell, Ely Ratner and Michael Beckley, China’s Strategy toward South and Central Asia: An Empty Fortress, RAND Corporation, Santa Monica, CA, 2014, p. 65.


66. Malik, no. 45, p. 86.

67. Lok Raj Baral, ‘India–Nepal Relations: Continuity and Change’, Asian Survey, 32(9), September 1992, pp. 815–829. It should be mentioned that this Indo-Nepalese treaty of 1950 was not solely in the context of the Chinese takeover of Tibet just prior to it; in fact, a similar (but not identical) treaty had existed between the British Indian crown colony and Nepal.


72. Ibid.

