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# Nepal: The Buffer State between India and China

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## ABSTRACT

*Despite being a small landlocked state in the Himalayas, Nepal commands geostrategic significance and acts as a security bulwark for its neighbours India and China. In addition to their security interests, these formidable powers are courting Nepal to expand their spheres of influence and to ultimately establish themselves as the regional hegemon in South Asia. In this paper, the conflictual and cooperative Nepalese relations with India and China and the impact on Nepal's foreign policy is explored. Furthermore, this paper presents a comparative study of Nepal's foreign policy with Bhutan, Taiwan and Switzerland's foreign policies.*

## I. INTRODUCTION

During the partition of the Indian subcontinent in 1947, King Tribhuvan of Nepal considered signing the Instrument of Accession to cede to the Indian union. However, Jawaharlal Nehru refused, “recognizing the value of a buffer state on [India’s] northern border”<sup>2</sup>, and thus Nepal remained independent. Nonetheless, when China became communist in 1949, India had to bolster its strategic frontier in the Himalayas, covering Nepal, against a suspected to be expansionist communist China. Hence, India signed the Treaty of Peace and Friendship with Nepal in 1950.

Jawaharlal Nehru (1950): “Such as [India appreciates] the independence of Nepal, [India] cannot allow anything to go wrong in Nepal or permit [Nepal’s] barrier to be crossed or weakened as that would also be a risk to [India’s] security”<sup>3</sup>.

This was the harbinger of India’s excessive interference in Nepal’s domestic affairs and the rise of anti-Indian sentiments in Nepal as discussed below.

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<sup>2</sup> Shashi Tharoor, *Pax Indica* 97 (Allen Lane 2012).

<sup>3</sup> David Malone, C. Raja Mohan & Srinath Raghavan, *The Oxford Handbook on Indian Foreign Policy* 399 (Oxford Univ. Press 2015).

## II. NEPAL'S PIVOT TO CHINA TO COUNTER INDIAN INFLUENCE

While Nepal and India share deep civilizational, religious, and linguistic ties, the Nepalese monarchs after King Tribhuvan resented India's excessive interference in Nepal's domestic affairs. Following its democratic transition in 2008, anti-Indian sentiments in Nepal have heightened, due to the polarization among Nepal's political parties.

Party	1991	1994	1999	2008	2013	2018
 CPN (Unified Marxist–Leninist) Nepal Communist Party (2018)	68	89	69	108	182	174
 CPN (Maoist Centre)	0	0	0	236	82	
 Nepali Congress	111	89	113	114	207	63
 other party	26	27	23	143	130	38
<b>Total</b>	<b>205</b>	<b>205</b>	<b>205</b>	<b>601</b>	<b>601</b>	<b>275</b>

Source: Election Commission of Nepal (2019).

Figure 1: Elected Political Parties in Nepal<sup>4</sup>

Nepal was ruled by the Nepali Congress Party till 2008, and it shares close ties with the Indian National Congress. However, as seen above in Figure 1, the popularity of the Nepalese communist parties had been increasing and in 2008 the Communist Party of Nepal (Maoist) was voted into power. The Nepalese communist parties are pro-China and have vehemently criticized Nepal's excessive dependence on India, especially in the aftermath of India's 'unofficial' economic blockade in 2015.

## III. INDIA'S ECONOMIC BLOCKADE OF NEPAL IN 2015

The Madhesis who are primarily concentrated in South Nepal staged protests as they were to be underrepresented in the new Nepalese Constitution. Since the Madhesis are also key voting blocs in Bihar, which was set to enter the polls, the Indian government offered tacit support to the protesting Nepalese Madhesis, by preventing Indian oil tankers from refueling Nepalese tankers<sup>5</sup>. As Nepal is largely dependent upon Indian petroleum imports for energy, the blockade resulted in a humanitarian crisis, further devastating Nepal which had only recently been hit by an earthquake<sup>6</sup>. The blockade fueled anti-Indian sentiments in Nepal, and it began to strengthen its ties with China.

<sup>4</sup> Arthit Pankaew & Siriporn Kaewkhunok, The New Equation of South Asia Region: The Rising Role of China in Nepal's Foreign Policy, 25 *Int'l Area Stud. Rev.* 121 (2022).

<sup>5</sup> Sumit Ganguly & Brian Miliate, India Pushes Nepal into China's Arms, *Foreign Pol'y* (Oct. 23, 2015), <https://foreignpolicy.com/2015/10/23/india-pushes-nepal-into-chinas-arms/>.

<sup>6</sup> Saroj Kumar Aryal, Post-2015 India-Nepal Relations and China Factor in South Asia, *Politeja* 19, 285, 292 (2022), <https://www.jstor.org/stable/27142009>.

#### IV. INDIA'S AND CHINA'S INTERNAL SECURITY THREATS FROM NEPAL

India's open border with Nepal is a hotbed for the inflow of fake Indian currency notes (FICN) into India<sup>7</sup>. Furthermore, Pakistani terrorists infiltrate into and out of Jammu and Kashmir via Nepal<sup>8</sup>. For example, in 1999, Indian airlines flight IC814 was hijacked from Kathmandu by the Pakistani Kashmir militant organization 'Jaish-e-Mohammed'<sup>9</sup>.

For China, its internal security concern is the threat of attacks from the Tibetan refugees in Nepal. In the 1960s, Tibetan refugees launched a guerrilla war from Nepal's Mustang district with support from the Central Intelligence Agency<sup>10</sup>. Additionally, the Tibetan Khampa rebels continue to attack China's People's Liberation Army (PLA) from strategic bases in Nepal<sup>11</sup> to advance the cause of Tibetan separatism.

Furthermore, Tibet is an arena of contestation between India and China, due to Dalai Lama's government in exile at Dharamshala, Himachal Pradesh. While India does not officially recognise the Tibetan government in exile<sup>12</sup>, at times of heightened tensions between India and China, India could leverage on the Tibetan government in exile to remind the international community of the PLA's atrocities against the Tibetans and thus undermine China's global reputation.

##### Nepal's Border Disputes with India and China

The Lipulekh, Limpiyadhura and Kalapani regions are contested between Nepal and India<sup>13</sup>. Recently, territorial disputes between Nepal and China have also emerged. For example, in 2022, Nepali politicians claimed that China has encroached upon Nepal's Humla district<sup>14</sup>. Nonetheless, Nepal's border disputes with India are rife as compared to with China.

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<sup>7</sup> Dipesh Kumar K.C., Fake Indian Currency Racket in Nepal's Terai, *J. Money Laundering Control* 20, 262, 264 (2017), <https://doi.org/10.1108/JMLC-06-2016-0021>.

<sup>8</sup> Jonathan Holslag, *China and India: Prospects for Peace* 149 (Columbia Univ. Press 2010).

<sup>9</sup> Terrorist Who Hijacked Indian Plane IC-814 Shot Dead in Pakistan's Karachi, *WION* (Mar. 8, 2022), <https://www.wionews.com/south-asia/terrorist-who-hijacked-indian-plane-ic-814-shot-dead-in-pakistans-karachi-460241>.

<sup>10</sup> Carole McGranahan, Tibet's Cold War: The CIA and the Chushi Gangdrug Resistance, 1956-1974, *J. Cold War Stud.* 8, 102, 122 (2006), <https://doi.org/10.1162/jcws.2006.8.3.102>.

<sup>11</sup> Asia Society, *Nepal's Geopolitical Crossroads: Balancing China, India, and the United States* (Sept. 2023), <https://asiasociety.org/policy-institute/nepals-geopolitical-crossroads-balancing-china-india-and-united-states>.

<sup>12</sup> R. Narayan, Tibet within India – China Relations: An Interlude or Ad Finum Ultimum...?, *Tibet J.* 42, 66 (2017).

<sup>13</sup> S.K. Aryal & M. J. Pulami, The Trajectory Between Territorial Disputes, Nationalism, and Geopolitics: A Case Study of the Kalapani Border Dispute Between India and Nepal, *Geopolitics* (2023), <https://doi.org/10.1080/14650045.2023.2182680>.

<sup>14</sup> Michael Bristow, China Encroaching Along Nepal Border – Report, *BBC* (Feb. 8, 2022), <https://www.bbc.com/news/world-asia-60288007>.

## V. INDIA'S AND CHINA'S ECONOMIC CO-OPTATION OF NEPAL

Due to increasing Nepalese resentment of India's heavy-handed approach, India has adopted soft power strategies, one of the main ones being economic diplomacy. India has been investing heavily in Nepal's hydropower since the 1990s. While the export of hydropower to India generates revenue for Nepal, India is able to meet its energy needs. In 2023, India has signed Memorandum of Understanding (MoU) with Nepal to facilitate Nepal's energy exports to Bangladesh, which will promote foreign direct investments in Nepal's hydropower sector<sup>15</sup>.

China is also investing heavily in Nepal through the belt and road initiatives (BRI). However, "relatively little substantial progress has been made" on the nine BRI projects sanctioned in 2017<sup>16</sup>. Nepal is also exercising caution in implementing the BRI as they are notorious for pushing countries into debt-traps and undermining their sovereignty. While India's investment in Nepal's hydropower is mutually beneficial for India and Nepal, China's BRI seems more one-way and hence susceptible to conflict. For instance, China claims the Pokhara international airport to be part of the BRI while Nepal refuses and asserts it was built on its own<sup>17</sup>. Moreover, while the BRI is in a standstill, Nepal has ratified the Millennium Challenge Corporation (MCC) with USA<sup>18</sup>, heightening tensions between Nepal and China.

Additionally, China seeks to strengthen its physical connectivity with India for security and economic purposes. However, India is not keen on cooperating with China and has been a staunch opponent of China's BRI<sup>19</sup>. Thus, China through Nepal is bridging the distance between India and China. Therefore, implementation of the BRI could worsen Nepal's ties with India as India might suspect Nepal of conspiring with China to threaten India's security. Nonetheless, the BRI will increase Nepal's connectivity with China via the hitherto remote Tibet and thus reduce Nepal's reliance on India.

Lastly, Nepal and India have long-standing military alliances since the 1950s. China is increasing its military assistance to Nepal by providing weapons and training the Nepalese army to reduce Nepal's reliance on India<sup>20</sup>. For example, military drills are being conducted

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<sup>15</sup> L. Pandey, Nepal, India Strike Cross-Border Infrastructure Deals, *DW* (June 5, 2023), <https://www.dw.com/en/nepal-india-strike-cross-border-infrastructure-deals/a-65829555>.

<sup>16</sup> G. Murton, Beyond the BRI: The Volumetric Presence of China in Nepal, *Territory, Politics, Governance* (2023), <https://doi.org/10.1080/21622671.2023.2186475>.

<sup>17</sup> N. Khatiwada, Why Is China Lumping Nepal Projects Under Its Belt and Road Initiative?, *Kathmandu Post* (June 30, 2023), <https://kathmandupost.com/national/2023/06/30/why-is-china-lumping-nepal-projects-under-its-belt-and-road-initiative>.

<sup>18</sup> H.P. Chand, Trilateral Engagement in Nepalese Geopolitics: Soft Power Approach in Nepal's Foreign Policy, *Nepal Pub. Pol'y Rev.* 1, 138, 142 (2021), <https://doi.org/10.3126/nppr.v1i1.43439>.

<sup>19</sup> S.Y. Surendra Kumar, China's Belt and Road Initiative (BRI): India's Concerns, Responses and Strategies, *Int'l J. China Stud.* 10(1), 27 (2019).

<sup>20</sup> B. Chand & L.K. Danner, Implications of the Dragon's Rise for South Asia: Assessing China's Nepal Policy,

between the PLA and the Nepalese Army. Prior to this, the “Nepal Army had conducted such drills only with the USA and Indian armies”<sup>21</sup>.

### **Rising Hindu Nationalism in Nepal**

With the rise of the Bharatiya Janata Party (BJP) and the downfall of the Indian National Congress in India, there has been rising Hindu nationalism in Nepal<sup>22</sup>. While there are Hindu parties in Nepal, BJP is also pressurizing the Nepalese communist parties to shed their secular identities. For example, the BJP hosted a ‘Know the BJP’ program where the Communist Party of Nepal (Maoist) was an attendee<sup>23</sup>. If Nepal indeed sheds secularism and gives pre-eminence to Hinduism, it is likely to forge closer ties with India than China.

## **VI. HOW IS NEPAL NAVIGATING BETWEEN INDIA AND CHINA?**

India and China are not benign altruistic powers. They are both seeking to expand their spheres of influence. Thus, in the struggle between India and China to become the regional hegemon in South Asia, will Nepal be a bridge or a proxy battleground?

Nepal has to be prudent in its foreign policy to avoid being caught in the rivalries between the two formidable powers. Nepal’s main concern is to protect its sovereignty and territorial integrity. Its foreign policy is dictated by the Panchsheel principles, where non-alignment is upheld as a defence strategy. Nepal has also begun to practise hedging, by moving away from an overreliance on India to a balanced reliance between India and China<sup>24</sup>.

According to former Nepalese prime minister Baburam Bhattarai, “Nepal with its strategic location in between two big markets of one third global population, could play a dynamic role as an economic corridor or vibrant economic bridgehead and it would be cost effective to both India and China”<sup>25</sup>. However, to realise its economic potential and to skillfully perform the delicate balancing act between India and China, Nepal’s domestic politics first has to be stable.

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*Strategic Analysis* 40(1), 26 (2016), <https://doi.org/10.1080/09700161.2015.1116247>.

<sup>21</sup> B. Baral, After the ‘Blockade’: China’s Push Into Nepal, *Diplomat*. <https://thediplomat.com/2017/02/after-the-blockade-chinas-push-into-nepal/>.

<sup>22</sup> S. S. Poudel, What’s Driving Hindu Nationalism in Nepal?, *Diplomat* (Sept. 16, 2023), <https://thediplomat.com/2023/09/whats-driving-hindu-nationalism-in-nepal/>.

<sup>23</sup> K. Bhattacharjee & N. Hebbar, Nepal’s Ruling Maoist Party Members Begin Visit to India as Part of ‘Know BJP’ Programme, *Hindu* (July 24, 2023), <https://www.thehindu.com/news/national/nepals-ruling-maoist-party-members-begin-visit-to-india-as-part-of-know-bjp-programme/article67113700.ece>.

<sup>24</sup> R. Mainali, Analysing Nepal’s Foreign Policy: A Hedging Perspective, 9 *J. Asian Sec. & Int’l Aff.* 301 (2022), <https://doi.org/10.1177/23477970221098491>.

<sup>25</sup> Vijay Gokhale, India’s Fog of Misunderstanding Surrounding Nepal-China Relations, *Carnegie India* (Oct. 4, 2021), <https://carnegieindia.org/2021/10/04/india-s-fog-of-misunderstanding-surrounding-nepal-china-relations-pub-85416>.

## VII. COMPARATIVE ANALYSIS

- **Bhutan**

Bhutan and Nepal are small landlocked buffer states in the Himalayas, neighboring the larger and more powerful states of India and China. Similar to Nepal, India and China are competing to extend their spheres of influence in Bhutan and to establish themselves as the regional hegemon in South Asia. The protection of their sovereignty and territorial integrity is of vital importance to both Bhutan and Nepal. They have to perform a delicate balancing act to ensure that they are not caught at the crossroads of Indo-Chinese rivalry.

Nepal's and Bhutan's foreign policies are similar as both strive to achieve peaceful co-existence, and non-alignment is upheld as a defence strategy. However, while Nepal has extensive diplomatic relations, Bhutan is rather isolationist and does not have formal diplomatic relations with countries other than India<sup>26</sup>.

Bhutan has limited diplomatic relations as it is cautious about the impact of foreign interactions on its unique environmental and cultural identity. Although Bhutan shares a 'special' relationship with India and does not have formal diplomatic relations with China, Bhutan still maintains a friendly relationship with China. Bhutan does not take a confrontational stance against China but is rather keen to cooperate with China to settle its border disputes.

Bhutan could learn from Nepal to practise hedging, by moving away from an overreliance on India to a shared reliance between India and China. Nonetheless, India's ties with Bhutan are more stable and peaceful as compared to Nepal. Thus, it is not a necessity for Bhutan to practise hedging.

Nepal can learn from Bhutan to establish stable domestic politics. Bhutanese politics is more stable as compared to the frequent coalition building and breaking in Nepal. Moreover, Bhutan has carved out a niche pathway for itself in environmental sustainability that garners international reputation. Thus, Nepal could also employ soft power to build rapport with other countries, reducing its dependence on India and China.

Lastly, while Bhutan shuns consumerism and has adopted the Gross National Happiness (GNP) index to measure its growth<sup>27</sup>, Nepal is more globalized, and its growth is primarily measured by the Gross Domestic Product (GDP). Thus, Bhutan is able to adopt an isolationist foreign

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<sup>26</sup> Nitasha Kaul, Beyond India and China: Bhutan as a Small State in International Relations, 22 *Int'l Rel. Asia-Pac.* 297 (2022), <https://doi.org/10.1093/irap/lcab010>.

<sup>27</sup> Kent Schroeder, *Politics of Gross National Happiness: Governance and Development in Bhutan* (Springer Int'l Pub. 2018), <https://doi.org/10.1007/978-3-319-65388-4>.

policy as it does not aspire to become an economic superpower but has instead created a niche path for itself based on the GNP. Thus, India and China regard Bhutan as a weak threat or even irrelevant actor in South Asia as compared to Nepal. Additionally, Bhutan has garnered a global reputation for being a peaceful democratic country. Thus, unwarranted excessive interference of India and China in Bhutan could destabilise the small state, and India and China will face backlash from the international community. In contrast, a politically unstable, civil-war-torn Nepal presents a perfect disguise for India and China to intervene in Nepal, in the name of ‘ushering in stability’.

- **Taiwan**

There exists a triangular relationship among Nepal, India, and China, and also among Taiwan, China, and USA. While Nepal is largely dependent upon India and China for preferential terms of trade, Taiwan is a highly developed export-oriented state.

When compared with Nepal, the international environment of Taiwan seems to be more tense. China frequently enters Taiwanese airspace and waters to threaten its sovereignty. A war between Taiwan and China is always on the horizon. Moreover, most countries do not officially recognise Taiwan and Taiwan is not a member of the United Nations due to the one China policy. Thus, the very sovereignty of Taiwan is undermined by China and most of the other countries are silent onlookers. China’s conflict with Taiwan is also rooted in the historical events.

Although many nations do not recognise Taiwan, USA as a military superpower pledges support to Taiwan under the Taiwan Relations Act<sup>28</sup>. Thus, Taiwan is able to bandwagon with USA to counter Chinese influence. Despite guarantees of USA military assistance, Taiwan has also developed its own military capabilities.

Perhaps, Taiwan could learn from Nepal to leverage on its cultural and civilizational ties to build rapport with China. However, it is highly unlikely due to the historical animosity between Taiwan and China.

Nepal can learn from Taiwan to diversify its economy. Moreover, Taiwan has invested heavily in its human resources, enabling it to achieve rapid economic growth. Since Nepal has a largely youthful population, it is vital for Nepal to invest heavily in its public education and healthcare so that affordable services of high quality are available. The growth of human capital will help Nepal to achieve economic growth and thus reduce its dependence on India and China.

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<sup>28</sup> D. K. C. Huang, US Foreign Policy Regarding the Defence of Taiwan: A Critical Analysis in Accordance with US Law, 28 *Asian J. Pol. Sci.* 256 (2020), <https://doi.org/10.1080/02185377.2020.1774910>.

- **Switzerland**

Similar to Nepal, Switzerland is a small landlocked buffer state surrounded by Italy, France, Germany, Austria, etc. Both Nepal and Switzerland adopt neutrality in their foreign policies<sup>29</sup>. However, in contrast to Nepal, Switzerland has well-developed institutions and is not dependent on its neighbors for preferential terms of trade. The GDP of Switzerland is also higher than Nepal. While Switzerland is not part of the European Union or NATO, Nepal is a member of SAARC (South Asian Association for Regional Corporation). Switzerland has also developed a fairly strong military.

Switzerland can learn from Nepal to practise hedging. Amidst increasing geopolitical tensions, Switzerland may not be able to remain neutral but might be forced to choose sides to protect the rights of its citizens and diaspora. Hedging might be a better alternative to simply remaining neutral as in times of conflict it is easier to recalibrate the relationship with partner countries to find allies.

Nepal can learn from Switzerland to diversify and grow its economy. Nepal could also learn from Switzerland to develop strong institutions and to establish stable domestic politics. The consensus-building and magic formula practices of Switzerland may benefit Nepal's parliament by preventing frequent coalition building and breaking. However, the pace of decision-making in Switzerland's parliament is slow because of consensus-building.

## VIII. CONCLUSION

To conclude, Nepal is situated in a tense geopolitical environment and shares varying degrees of conflictual and cooperative ties with its neighboring formidable powers India and China. During the 1962 and 1965 Indo-China wars, Nepal played a commendable role in remaining neutral. In the future, Nepal may be forced to take sides. However, that would mean compromising its own security. Navigating between India and China is no easy feat for Nepal and it will require adroit diplomacy. While Nepal monitors the relations between its neighbors, it needs to act with urgency to strengthen its institutions to establish stable domestic politics. This will increase its bargaining power with India and China as an independent sovereign state capable of managing its own affairs, and not a 'little brother' of India or China.

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<sup>29</sup> H. Kriesi & A. H. Trechsel, *The Politics of Switzerland: Continuity and Change in a Consensus Democracy* (Cambridge Univ. Press 2008).