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## Navigating The Dragon: Unraveling Chinese Engagement In New Nepal

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### Abstract

Since 2006, Nepal has experienced a major political transformation that has led to a noticeable change in its geopolitical dynamics. China's increasing influence has become evident in Nepal's political landscape, attracting considerable attention in academic, media, and political discussions. Chinese trade and investment in Nepal have further solidified China's influence. The paper argues that as Nepal traverses the complex terrain of domestic politics and foreign relations, the influence of China has become an integral aspect of the country's evolving identity. Therefore, this paper examines the various aspects of China's expanding role in Nepali politics, investigating the factors driving this phenomenon and its consequences for both countries.

*Keywords* ; China-Nepal Ties, BRI in Nepal, Cooperative Dynamics, Evolving Partnership

### Introduction

China and Nepal share a border that stretches over 1,400 kilometres, primarily along the towering Himalayan mountain range. Historically, the two regions maintained limited contact due to the challenging terrain. Still, there were sporadic cultural, religious, and trade exchanges, with Buddhism originating in India and spreading to China and Nepal, fostering cultural links between the two countries. A significant turning point in China-Nepal relations occurred in 1951 when Nepal overthrew its autocratic Rana regime and established a more open government. During the 1960s, both countries underwent significant political transformations, with the Cultural Revolution causing social and political upheaval in China and Nepal experiencing a period of political instability and transitioning to a constitutional monarchy. Despite these challenges, China and Nepal maintained a cooperative relationship during this period. In the 1970s, China-Nepal relations improved further, marked by the signing of the "Treaty of Peace and Friendship" in 1960, which solidified their bilateral ties, emphasizing mutual respect for sovereignty and non-interference in each other's internal affairs. However, the 1980s and 1990s witnessed political turmoil in Nepal, with the emergence of the People's Movement and the transition to a multi-

party democracy. China maintained a neutral stance during this period, carefully navigating its diplomatic relations with Nepal amid domestic political changes.

In 2006, Nepal underwent a significant political transformation, transitioning from a monarchy to a federal democratic republic due to a popular movement. This transition attracted various global powers, including China, which utilized its economic strength, diplomatic skills, and regional ambitions to develop closer relations with Nepal. China recognises the need to build trust and enhance bilateral ties while navigating the influence of regional powers like India. Through high-level visits and formal partnerships, China aims to expand its economic, political, and cultural presence in Nepal, gradually overcoming historical challenges and fostering a stronger relationship. Consequently, the Nepal-China relationship has become a complex blend of economic cooperation, cultural exchange, and geopolitical considerations. Therefore, this paper examines the various aspects of China's expanding role in Nepali politics, investigating the factors driving this phenomenon and its consequences for both countries.

China's growing influence in Nepal is a result of some major factors;

### **Economic Considerations**

Economic Considerations have played a pivotal role. China's booming economy and demand for natural resources and markets have driven its interest in Nepal as a trading partner and investment destination (Jha, 2019) (Gautam, 2023). China has invested in infrastructure projects like roads, bridges, and hydropower plants to enhance connectivity and promote economic cooperation. Interestingly, China's investment in Nepal has surged since 2008, surpassing India in total investment in 2014. Chinese investments accounted for 42% of Nepal's total foreign direct investment (FDI) in 2015-16, while Chinese Overseas Development Assistance (ODA) exceeded Indian aid in 2015. China's strategic inclination towards Nepal severely challenges India in its neighbourhood (Gateway House). China's funding is evident in Nepal's significant infrastructure and energy projects, including the West Seti Dam, Pokhara Airport, and Upper Trishuli hydropower project (see in bellow map 1&2). In return, Nepal has agreed to cooperate with China's Silk Road Economic Belt initiative. Additionally, China plans to invest \$3 billion in converting Lumbini, the birthplace of Buddha, into a cultural "zone" to attract Buddhist pilgrims and tourists (Bhatia, Deutekom, & Kulkarni, 2016). By involving itself in Nepal's hydropower sector, China gains access to clean energy resources and strengthens its influence over Nepal's energy infrastructure. China is Nepal's second-largest trading partner, and closer trade ties reduce Nepal's reliance on India. Additionally, China's investments in cross-border trade routes, border ports, and plans for railway connectivity further bolster economic relations.

Map 1.



The

planned extension of the Qinghai-Tibet railway to Kerung (Gyirong) and into Nepal. Source: <https://www.orfonline.org/research/chinas-growing-footprint-in-nepal-challenges-and-opportunities-for-india>



MAP 2.



Nepal's East-West Railway Network, and the Kathmandu-Pokhara-Lumbini network, will be linked to China-Nepal railway at the Rasuwagadi-Kerung border. Source:

<https://www.orfonline.org/research/chinas-growing-footprint-in-nepal-challenges-and-opportunities-for-india>

## Security Cooperation

Security Cooperation between China and Nepal has also intensified. China has provided military assistance and training to Nepal's security forces, aiding their modernization efforts. This cooperation addresses mutual concerns like transnational crimes, terrorism, and separatist movements. In recent years, China has increased its security partnership with Nepal. They agreed to a program called Comprehensive Strategic Partnership Programme, which was an important step (Sharma, 2021). China has invested money in Nepal's security forces, especially the armed police and paramilitary forces. This financial assistance and equipment provision aimed to strengthen Nepal's security capabilities and modernise its armed forces. China is particularly interested in Nepal's security capacities along the Nepal-Tibet border, as it helps prevent activities by 'Free-Tibet' activists. In other words, China wants Nepal to support its 'One-China Policy actively' (Wolf, 2018). Additionally, China and Nepal agreed to conduct regular military drills focused on counterterrorism and disaster management. The first joint military exercise, 'Sagarmatha Friendship 2017', occurred in April 2017. These joint military exercises will

likely play a crucial role in the future security cooperation between Nepal and China. This is significant because Nepal previously only conducted such exercises with India and the US. Another important aspect of the security cooperation is the increase in exchange programs and high-level visits between the two countries' military officials (Wolf, 2018).

### **Historical and Cultural Influence**

Historical and cultural ties between China and Nepal have laid a foundation for strengthened relations. China has been strategically utilizing its historical and cultural influence in Nepal to further its geopolitical interests in the region. By leveraging their shared history, cultural ties, and admiration for Chinese civilization, China has sought to strengthen its influence in Nepal and create a favourable environment for its strategic goals. One of the primary ways China employs historical and cultural influence is through soft power initiatives. China has actively promoted Chinese language and cultural exchange programs in Nepal, such as Confucius Institutes, which serve as centres for Chinese language education and cultural activities. By fostering a deep appreciation for Chinese culture, language, and history, China aims to create a positive image of itself in the minds of the Nepalese people. This cultural influence helps to shape public opinion and establish a friendly environment for China's geopolitical objectives (Gautam, 2023).

China has also made efforts to preserve and promote Nepal's rich historical heritage. The restoration and reconstruction of important cultural sites, such as temples, palaces, and archaeological sites, with Chinese assistance, have enhanced China's cultural influence in Nepal. These projects not only contribute to the preservation of Nepal's heritage but also generate goodwill towards China and strengthen bilateral relations. Moreover, China has capitalized on religious and spiritual connections between the two countries. Nepal, being the birthplace of Lord Buddha, holds immense religious significance for Buddhists around the world, including in China. China has been actively involved in the renovation of Buddhist temples, monasteries, and pilgrimage sites in Nepal, further deepening the cultural ties between the two nations. This engagement in religious affairs allows China to tap into the spiritual sentiments of the Nepalese people and reinforces its cultural influence.

Another aspect of China's historical and cultural influence in Nepal is the projection of Chinese civilization as a model for development. China's rapid economic growth and transformation into a global power have made it an attractive role model for Nepal, which seeks economic development and infrastructure improvements. China has showcased its success and offered assistance in areas such as infrastructure projects, hydroelectric power, transportation networks, and trade cooperation. By presenting itself as an exemplar of development, China seeks to position itself as a reliable partner and gain influence in Nepal's economic and developmental spheres. Furthermore, China's historical and cultural influence in Nepal extends to political and diplomatic dimensions. China has cultivated relationships with Nepal's political leaders and parties, offering financial support, training programs, and cooperation. Through these engagements, China seeks to shape Nepal's political discourse,

influence decision-making processes, and advance its geopolitical interests. China's robust diplomatic presence in Nepal, including its embassy, serves as a crucial channel for communication and coordination, facilitating its influence on Nepal's political landscape. Thus, these initiatives contribute to positive perceptions of China among Nepali citizens (Gautam, 2023).

### **Geopolitical Interests**

China's geopolitical interests have also influenced its growing involvement in Nepal. As a rising global power, China seeks to expand its sphere of influence in South Asia, countering the influence of regional rival India. Nepal's strategic location between the two giants and its potential as a buffer state has made it an attractive arena for China to exert its geopolitical clout. The Belt and Road Initiative (BRI), China's ambitious infrastructure project across Asia, further demonstrates its intent to consolidate its presence in Nepal and the wider region (Jha, 2022). Nepal's adherence to the "one-China policy" and its commitment to maintaining non-alignment align with China's interests and have contributed to the stable and cooperative relationship between the two countries. As Nepal continues to navigate its domestic politics and pursue economic development, China's strategic behavior towards Nepal is likely to remain attentive, pragmatic, and driven by its own regional and global objectives (SIGDEL, 2018).

### **Political Influence**

China actively engages with Nepal's political leadership and supports various political parties, demonstrating significant and multifaceted efforts in their political engagement. High-level visits and exchanges between China and Nepal's political leaders have been pursued since establishing bilateral relations in 1949. Premier Zhou Enlai recognised Nepal's significance and engaged in discussions to address border disputes and establish trust. During the Bandung Conference in 1955, Premier Zhou proposed the establishment of diplomatic relations based on the principles of peaceful coexistence, which Nepal warmly welcomed. On August 1, 1955, China and Nepal officially established diplomatic ties (Sharma, 2018, p. 443). The nascent diplomatic relationship gradually deepened through subsequent engagements and agreements. In 1956, Nepal's Prime Minister visited China, and an agreement on economic aid was signed, solidifying economic cooperation. Premier Zhou's visit to Nepal in 1957 emphasized expanding cooperation, and a joint communique highlighted the longstanding friendship. In 1960, Nepal's Prime Minister visited China, strengthening the bilateral relationship and addressing the Nepal-Tibet boundary issue. China extended financial support for the construction of a road linking Kathmandu and Lhasa, showcasing its commitment to Nepal's infrastructure development (Sharma, 2018, p. 445). King Mahendra's visit to China in 1961 marked a new phase of comprehensive cooperation encompassing politics, economics, culture, and the military. China provided significant assistance to Nepal for infrastructure projects. Through mutual trust, peaceful coexistence, and economic cooperation, China has strategically strengthened its ties with Nepal, benefiting from investments and assisting in crucial infrastructure projects.

The China-Nepal relationship gained momentum in 1970 through visits by Prime Minister Kriti Nidhi Bista and King Birendra, strengthening bilateral ties. Subsequent high-level visits from Chinese leaders consolidated the relationship. Both countries demonstrated willingness to resolve minor border issues and signed trade agreements, emphasizing their commitment to economic cooperation. The autocratic "Panchayat" regime, ruling Nepal from 1960 to 1990, maintained peace and stability and initiated beneficial infrastructure projects. The regime adhered to non-alignment and Panchsheel principles, establishing strong diplomatic relations with various countries. Nepal actively engaged in international mechanisms, particularly the United Nations, expressing concerns for Third World countries. This provided a foundation for cooperation as China pursued development and reintegration (Bhatt, 2012, p. 123).

King Birendra's ascension to the throne marked a new phase in China-Nepal relations. His liberal approach and people-centered programs garnered public support and trust. Continuing his father's efforts, he strengthened ties with China through economic development and foreign policy. Government-level exchanges facilitated Nepal's progress in economy and infrastructure. Nepal's commitment to the "one-China" policy and balanced neighboring policies were appreciated by China. However, strikes and pro-democracy movements ended the King's rule, leading to a multiparty system. The new Nepali government maintained non-alignment and Panchsheel principles in its foreign policy (Bhatt, 2012, p. 146).

To balance relations with India and China, the new Nepali government took steps in 1992. Prime Minister Girija Prasad Koirala's visit to China focused on trust-building and enhancing cooperation based on the "Five Principles of Peaceful Coexistence." Progress in bilateral relations was noted, and agreements were signed in economy, trade, culture, and education. Prime Minister Manmohan Adhikari visited China in 1995, reaffirming Nepal's historical stance (Sharma, 2018, p. 445). Agreements on economic and technical cooperation were signed, and there was an increase in Chinese tourists and Nepalese students in China. Chinese President Jiang Zemin expressed willingness to collaborate closely with Nepal. However, implementation issues hindered development agreements. Subsequent Nepali governments did not take concrete actions to strengthen China-Nepal relations. Upon ascending the throne in 2001, King Gyanendra aimed to establish equilibrium among neighboring countries. His rejection of democracy drew criticism, but he exerted efforts to assert Nepal's position globally. A visit to China in 2002 resulted in agreements to enhance bilateral relations. He facilitated China's observer status in SAARC.

However, in 2005, Nepal faced a decade-long Maoist insurgency, which led to a transition back to democracy after the Twelve Point Agreement brokered in Delhi. The Maoist party became the dominant force, and their leader, Prachanda, became Nepal's first Prime Minister. Prachanda prioritized a visit to China in 2008, signing agreements to fortify bilateral cooperation and assure China that political transformations in Nepal would not negatively impact their relationship. During Prachanda's second term, he emphasized the importance of maintaining close ties with China and expressed interest in participating in the Belt and Road Initiative. KP



Sharma Oli's tenure as Prime Minister saw a peak in China-Nepal relations due to an economic blockade imposed by India. Oli visited China in 2016, signing ten agreements in areas such as seaport facilities, railway connectivity, and energy exploration. Oli supported the Belt and Road Initiative, diversifying engagement with China while maintaining a positive relationship with India (Sharma, 2018, p. 448).

China has become Nepal's largest aid donor, source of foreign direct investment, and tourists. China's assistance after the 2015 earthquake was appreciated and opened avenues for long-term infrastructure development. President Xi Jinping's visit to Nepal in 2019 marked a turning point in the relationship, with China actively involving itself in Nepal's political landscape and providing support to political parties. China's influence is evident in sensitive issues, and they assist Nepal in governance and administrative capacity-building. China maintains a strong diplomatic presence in Nepal, utilizing joint commissions and mechanisms for political dialogue and cooperation.

### **Benefits of Chinese Engagement in Nepal**

China and Nepal will improve connectivity through the implementation of the Belt and Road Initiative (BRI), focusing on ports, roads, railways, aviation, and communications within the Trans-Himalayan Multi-Dimensional Connectivity Network. India raises concerns about the economic viability of the trans-Himalayan railway to Kathmandu due to costly tunnels, but the associated risks may be exaggerated. The Chinese Qinghai-Tibet railway operates up to Shigatse and will soon extend to the Nepal border in Kerung. A 100-km railway will connect Kerung to Kathmandu, significantly reducing travel time. China already transports goods from Lanzhou to Kathmandu via Shigatse, cutting the journey time from 35 days to just 10 days compared to the maritime route. This railway has the potential to boost trade between China and Nepal (SIGDEL, 2018).

The financial sustainability of the Kerung-Raxaul route connecting India and Nepal remains uncertain. India emphasizes its importance, while China aims to extend its influence to the Gangetic plains through Nepal. Nepal sees the Chinese railway as an opportunity to attract Chinese pilgrims and tourists to Lumbini and Pokhara. Improved transportation to Tibet has led to increased tourism, and extending the Tibet-Qinghai railway to Nepal, especially to Lumbini, will attract tourists from China and other countries. Chinese tourists have already surpassed Indian tourists visiting Nepal in recent years (SIGDEL, 2018). The Chinese railway can enhance Nepal's overall economic capacity, as acknowledged in joint communiqués and agreements between China and Nepal. China will facilitate Nepal's exports, support product development and post-harvest technology, and utilize Nepal's resources. Both sides aim to finalize the China-Nepal Free Trade Agreement. China considers international projects like these as political priorities, driven by their comprehensive plan and previous domestic successes. Nepal, as an independent country, is ambitious and determined to actively participate in the Belt and Road Initiative, seeking connections with the Chinese market, oil refineries, and global supply chains through Chinese ports such as Tianjin, Central Asia, and beyond (SIGDEL, 2018).



## Challenges of China's Engagement for Nepal

China's multilevel engagement in Nepal brings opportunities and challenges. Economic benefits and infrastructural development result from China's involvement, but it also has geopolitical implications and challenges India's regional dominance. Economic dependency and unequal distribution of benefits are concerns, as are socio-cultural impacts and environmental sustainability. Managing the debt burden and political influence are significant challenges. Quality and long-term maintenance of Chinese-funded infrastructure projects need careful assessment. Resolving border disputes is crucial for a stable relationship. Nepal must safeguard its strategic autonomy and prioritize national interests while addressing these challenges.

## Conclusion

China's political, economic, and security influence in Nepal presents challenges and opportunities for Nepal's sovereignty. On the one hand, China's growing presence can offer economic benefits through investments in infrastructure and development projects, potentially boosting Nepal's economic growth and creating employment opportunities. Additionally, China's political engagement can provide Nepal with alternative diplomatic support and leverage in international affairs.

However, Nepal must navigate these interactions with caution to preserve its sovereignty. The increasing dependence on China for economic assistance and investments may create a power imbalance, potentially leading to economic and political vulnerabilities. Nepal needs to carefully assess the terms of these agreements to safeguard its national interests and avoid falling into debt traps or compromising its sovereignty. Furthermore, Nepal must address concerns regarding its security implications. Close ties with China might raise apprehensions among other regional powers and impact Nepal's strategic autonomy. Balancing its relationships with China and other countries is crucial to avoid being caught in geopolitical rivalries and to protect its sovereignty. To secure its sovereignty, Nepal should adopt a balanced and pragmatic approach. This involves diversifying its economic partnerships, engaging with multiple regional and global powers, and actively pursuing initiatives that promote self-sufficiency and sustainable development. By asserting its national interests, maintaining transparency, and strengthening its institutions, Nepal can navigate the challenges and harness the opportunities presented by China's influence to protect and enhance its sovereignty.

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