

CHAPTER I

1.0 INTRODUCTION

Being a master's student in "Development and International Relations" and based on my area of interest "Chinese area Studies" I have chosen to write my master thesis about Nepal and its relationship with China and India.

The prime factor that made me attracted towards this subject is China's entry as an important power and economic powerhouse. China, which is emerging as a powerful nation, has been able to leave a strong impact on the whole world. In the last decade China has initiated worldwide debates and discussions by generating an ample amount of understanding about itself. This is not only among scholars and analysts but also among journalists, entrepreneurs and students like us.

Whereas the whole world is engaged in forging coordinational relationships with this rising power of the 21st century, it is a heartening fact to be noted that Nepal has not been able to take advantage of the progress made by China despite being a close neighbour to it. Till date Nepal has maintained a very close relationship with its northern neighbour with the principle of a non – interference in the internal affairs. The core of Nepalese relationship with China lies to its recognition of 'One Land China Philosophy'.

It will not be enough to only find out what the main factor is in the relationship between Nepal and China, if I do not try to reflect, at the same time, on the historical relationship between India and Nepal in all aspects such as their geo-physical position, economical, soci-cultural and political affairs. This will be relevant to measure my research problem as well as a triangular dimension and to compare tangible benefits that can be shared between and among them.

I have encompassed a comprehensive and up to date effort to amplify the wide range of variables impinging on Nepalese and Chinese relationships along with India.

Nepal is a fully sovereign independent nation that has a history full of events that occurred in course of protecting its independence status. Moreover Nepal, with a population of twenty million is indeed situated both geographically and demographically between two of the most populous and emerging powers in the world.

Nepal has a strategic location between ‘two giants’ and is bounded by China, a socialist country with a population of more than one billion in the north and India, the largest democracy of the world, with a population of approximately one billion in the South. A country that never got subjugated by any colonial power is sandwiched between India and China. To be more precise, Nepal shares an open border with India and is bounded by three sides, east, south and west. It is dependent on its southern neighbour for access to the sea and by China on the North. Furthermore it is a land locked country.

Nepal has her Unique Position in the South Asian Region, either in geographical terms or in political aspects. Nonetheless, Nepal comes under the category of “least developing countries”.¹

1.1 Nepal and china

Nepal and China have a long history that is bound together by a long history of cultural and political relationships. This relationship began through Buddhism, which was also a common ground for intellectual and spiritual interest and interaction between Nepal and China. (Ch'en 1964) From time immemorial Nepal and China have been close neighbours following political changes in both countries; the establishment of a diplomatic relationship between them on the 1st of August 1955 renewed the relationship in the formal set ups. (Kant 1976)

The first official recorded relationship between Nepal and China dates back from the middle of the seventh century A.D when their cultural relationship began through Buddhism. It all started with a Nepalese Buddhist scholar Budhhabhadra, who went to China with a purely missionary spirit. It was his mission to carry the message of love, which Lord Buddha delivered for the emancipation from suffering of mankind (Manandhar 1999: 2). And whose name is interwoven with the history of Buddhism in China. Furthermore a man named Araniko was an eminent artist of Nepal, he visited China long centuries ago and built the white pagoda, which still exists in Beijing and has established and promoted cultural ties and interactions between the two countries. (Manandha 2004:53) From the 18th until the 24th of April of 1955 the first historic Asian- African Conference was held in Bandung, Indonesia. (Kahin

¹ http://www.absoluteastronomy.com/topics/Nepalese_monarchy)

1956: 1), By the time of the Bandung Conference China seemed very anxious to establish a formal relationship with Nepal.² On August 1, 1955, Nepal and China agreed to make the five principles (Panchaseel) bilateral ties with the following five principles (Panchasheel).1) Respect of each other's sovereignty and territorial integrity, 2) Non- aggression, 3) Non- interference in each others' internal affairs economically, politically and ideologically, 4) Equality and mutual benefit, and 5) Peaceful co – existence.

Since the establishment of the diplomatic relationship between Nepal and China in 1955, late king Birendra has visited China 10 times. The crown itself at different stages has laid down the initial foundation of the relationship between Nepal and China. This indicates that he wanted to establish a sound relationship with both the neighbouring countries. Nepal and China have a multi dimensional relationship. This relationship is being developed through many channels including the Tibetan Autonomous Region of China. Then in September 20, 1956 both countries entered a diplomatic relationship between Nepal and the TAR of China into an agreement to maintain a friendly relationship, trade and intercourse. This agreement between these two countries was held in 1955, after the establishment of their diplomatic relationship. Nepal and China are close neighbours, which share a 1,415 km long border. (Bhasin 1994)

The relationship between Nepal and China continued by the establishment of formal diplomatic on August 1, 1955. Both countries have remained a cordial and stable relationship during the last 50 years. The exchange of high level visits from time to time over the years has played a renewing bilateral friendship but also a further depending mutual trust and understanding between these two countries. Their mutual

² In the interview with the writer, Sardar Yadhu Nath Khanal, The member Secretary of the Nepalese delegation to the 1955 Bandung Conference, disclosed that while the Nepalese delegation was in Calcutta, India enroot to Indonesia to attend Bandung Conference, The Chinese consul General in Calcutta informed the Nepalese delegation that Chinese Premier Chou En –Lai was quite eager to meet the Nepalese Prime minister. The same message was again conveyed to Professor Khanal by one official of the Chinese Embassy in Indonesia on the very day of the arrival of the Nepalese delegation in Bandung. It indicates that the Chinese were quite anxious to establish formal diplomatic relation with Nepal. Than after the Bandung Conference on 1 August 1955, formal diplomatic relations were established between China and Nepal.

co-operation seems to increase in several sectors like economic, commercial tourism, educational, cultural and so forth. The main thing (if we compare with India) is that China has been maintaining a friendly relationship irrespective of the changes of the government in Nepal³. And China has also been extending sympathy, support and assistance at times of external pressure. On the other hand China has been grateful to Nepal of its helpful role in restoring China's legitimate place in the United Nations, adopting the one – China policy by accepting that Tibet and Taiwan are inalienable parts of China and giving commitment not to allow anti- China activities from the Nepali soil.

In economic sectors China has been assisting Nepal in efforts for social- and economic development since the mid fifties. Their first agreement was done in an “Economic Aid” which cost twenty million Rupees Cash and forty million rupees for aided projects, which was signed in October 7, 1956 (Bhasin 1994: 1391). From the mid nineties the Chinese government has been pledging grant assistance to HMG under the economic and technical co-operation programmed in order to implement mutually acceptable development projects. The annual volume of such assistance is to the tune of eighty million Yuan. The point to worry at this stage is the growing trade deficient.

Nepal and China have established an Inter-governmental economic and trade committee (IGETC) in October 1982 (Bhasin 1994: 1422) which were the focus on economic and Technical assistance, bilateral Trade and tourism. Furthermore China and Nepal mutual co-operation has been increasing in several projects and ongoing projects like Syafrubesi-Rasugadhi Road, a Civil Service Hospital (which is in operation), a Polytechnic institute in Banepa and others. In addition in the tourism sector both sides have agreed to operate a direct bus service between Katmandu to Lhasa from may 2005, which is expected to contribute to tourism promotion. Recently the beginning of a direct air link has further fostered this relationship in people to people level and contributed in increasing the Chinese tourists in Nepal.

³ Despite passing through different stages of changes like (The nation has evolved through the autocratic Rana regime, A 240 year long unitary monarchy and by ending a decade long Maoist insurgency through a comprehensive peace accord that has transformed them into a peaceful political party)

While we see that the people of Nepal not only have sincerely appreciated the Chinese co-operation for the development of Nepal, they also have their unconditional respect for Nepal's sovereignty, national independence and territorial integrity. This shows that China has never sought to interfere in the internal affairs of other states including neighbours. Which is under the Chinese policy of non-intervention in the internal affairs of a friendly country.

1.2 Nepal and India

On the other hand, bound by the open long age boarder and bound as they are by geographical, social- cultural, historical and economic factors both India and Nepal have no other alternative but to have a relationship based on mutual trust, confidence and interdependence.

A Peace and Friendship Treaty between the governments of Nepal and India has existed since 31 July 1950 and it was revised in 1960, 1971, and 1978 and on July 1991. (Bhasin 1994)

However after the revolution of 1950 in Nepal, which resulted in the overthrow of Rana – rule⁴, the possibility of establishing a diplomatic relationship with China gained momentum and Tibet was also then independent of Chinese control. The establishment of the communist regime in China scared the Ranas, and they soon discovered an identity of interests with India. At the same time another interesting aspect of internal political development in Nepal took place and forced the Ranas to change their ways. It was the king's support to the forces of anti Rana movement, which has been totally supported by India and their leaders. Moreover, the democratic movement in Nepal had derived inspiration from the democratic or freedom movement of India. Nepali congress, the dominant democratic party of Nepal, was born and natured in Indian soil. Hence the sympathy, support and attitude of the democratic India, braced stimulated and invigorated the democratic mainstream of Nepal's politics. (Rana 2007) By that period political developments in Nepal were bound to affect the pace of inter affection between the two countries.

⁴ The Rana regime, a highly centralized autocracy, pursued a policy of isolating Nepal from external influences. (Sherchan: 2001)

On the other hand, social religions and cultural ties between Nepal and India are inseparable from geographical proximity and date back to the ancient past. According to the cultural perspective way they seem more common. (Jha 1973) Marriage, relationships and family ties among most of the Hindu groups, tribes and communities of both Nepal and India particularly in the border areas, are quite common. Nearly ninety percent of the people (Census 1991) follow the Hindu religion, which is a special element in binding Nepal to India.

Although the relationship between Nepal and India is shaped by geographical factors, strain is caused by economic factors. A close economic relationship between India and Nepal is as old as history and even though until 1974 to recently, about ninety percent of Nepal's trade was conducted with India. By this we can figure out why its economy is dependent on a sizeable amount of Indian Trade (Rawat 1995) it seems that Nepal's economic and commercial policies have been heavily influenced by its close relationship with India. Yet Nepal could not develop any significant international trade and has not been able to develop any remarkable development. It's true that over the past three and a half decades, India has been Nepal's biggest donor in building a variety of projects in the same period. However, India's contribution to the overall aid in Nepal appears to be declining over the years. (Lama 1991)

Over all as it is a small nation and the choices are rather limited in political and economical actions. Whereas India, that always had a strong presence in Nepal, is trying to increase its political and economical influence. Also it is mainly for the political reason that the rulers of the country, for centuries, were under the influence by India. This shows that the main concern for India has been to keep Nepal independent for safety reasons and not for the idealistic reason. Otherwise it had probably been a part of Indian Territory. The same reasons apply for the British before them. The Indian government saw the Himalayas as India's front line defence, rather than the Indo- Nepali borders (Brown 1996: 36) Instead we don't have to forget that India is an important trade partner for Nepal, where an economic relationship has been traditionally strengthened by the geographical proximity and historical ties. India and Nepal introduced a number of changes in their economies, which have led to the opening of new opportunities for the economic co-operation between the two countries.

1.3 Formulation of problem

It narrates that Nepal's foreign policy and development in all aspects like economic, social and political are dependent on its neighbours. It also shows that land locked countries share more common problems than developing countries, but their land locked situation adds a new dimension of problems in their development. Nepal is a small and one of the poorest countries in the world, whose economy needs to be based on foreign trade and aid as a matter of course. It's true that Nepal is situated in between two giants, which not only play a significant role in Asia but can influence the international relationships on a world level as well. Almost every country formulates its foreign policy on certain factors such as geographical proximity, language, religion and cultural similarity. These are certainly some of the essential elements, which contribute in making foreign relationships, especially in relationships between the neighbouring countries. But these elements are not only the sufficient factors but contribute also to dangerous propositions that decide the foreign relationships as well. However, Nepal has had a long enduring relationship with India and the experience has not been uniformly happy towards the Nepal's development and has not been able to play a significant role in international trade. Most of the time India has had an influence on politics in Nepal and on their external and internal affairs, which has kept Nepal sovereign, but hardly independent. Indeed friendship relies, grows and deepens on mutual cooperation and understanding but it does not mean that the co-operation and understanding should welcome interference on domestic affairs. It's true that when you are a landlocked country like Nepal and are situated between two giant countries, that when you show a bit more interest towards any of its neighbouring countries that it will affect its bilateral relationship towards both of the nations. But we also can't ignore that when there is a heavy dependence upon a single country it is also not good for the long-term point of view. This context has given space to a strong 'anti-India feeling' among the Nepalese people and it has been manifested in a number of occasions such as the Iraq Massacre and the Hritik Roshan scandal.

If we look back on the friendly relationship between Nepal and China, one can easily see that these countries never have threatened each other. They always have had mutual respect, trust and believe. According to the Chinese foreign policy, China has never interfered with the internal affairs of Nepal and has highly respected the road of

development chosen by the Nepalese people. This in contrast with a country like Nepal where the most essential foreign policy is one where political instability and political changes are the major source and is quite different. The political parties are unable to clearly state their policies towards the people because of their compulsion to change the policies, due to the need of international relationships and other pressure playoffs. In fact it is very hard to strongly rely on a particular set of agreed principles in terms of foreign policies. There naturally seems to flourish a tendency to tilt the side that is comfortable. Also a Chinese political and strategically relationship with Nepal has pretty much unchanged despite changes in systems and governments in Nepal and are altering international and regional situations. This shows in China's foreign policy: "Be good to your neighbour and be partners with your neighbours" which shows a great deal of optimism. Mutual respect, mutual trust and treating each other equally have become the prominent characters to develop a relationship between each other. Also China has always attached importance to the development of economical relationships with Nepal.

China and Nepal both share a history of dating back thousands of years and have key landmarks of this relationship continuing to the present day. Nepal and China are exceptionally close in geographical terms, yet the significance of this latter point is largely underestimated and worse, underutilized. Despite good international policy, good mutual respect, trust, equally treating behaviour and frequent exchange of visits at the highest level between the Nepalese and Chinese leaders, there was not much of substance to talk about serious business to transact between the two countries. As much as they tried, Nepal was not able to deliver tangible benefits to people on ground and country. And the reality is that there has been no serious strategy as to how Nepal should execute its relationship with china.

On the ground of the above narration, the research question formulated for the examination is **'what are the main factors that keep Nepal from maintaining its balanced relationships with its northern neighbour, like it has with its southern neighbour? What makes Nepal heavily reliant to the Indian polity despite the beauty of the Chinese foreign policy that seems perfect and beneficial from all the angles?'** This research has attempted to uncover the hideous aspects of the Indo-Nepal relationship and encouraged to take advantage of the strengths of the Sino-Nepal bilateral relationships.

CHAPTER II

2.0 METHODOLOGY

This chapter presents and discusses the consideration made in the adopted methodology and the structure of the project. The methodology is presented and discussed in terms of type, of methods included and the way they are used for the project. The structure of the project is presented in the form of an overview of the project.

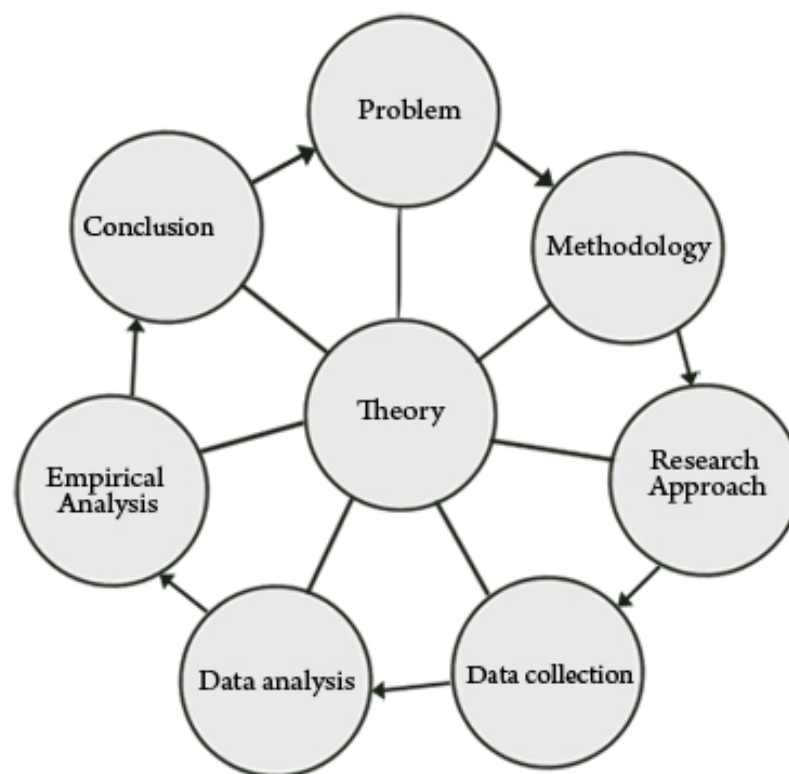


Fig. 1 Research Process in Quantitative

As illustrated in figure 1, the research process consists of seven main stages: 1) The problem formulation, 2) The methodology, 3) The research approach, 4) The data collection, 5) The data analysis, 6) The empirical analysis, and 7) The conclusion. Each stage affects the theory and gets affected by it too. The most characteristic feature of the research problem is its cyclic nature. It usually starts with a problem and ends with tentative empirical analysis/generalizations (Nachmais and Nachmais 1996)

The problem at hand is not answerable by materialistic or numerical values. It belongs to a dimension of existential matter, e.g. it is implying that Nepal's foreign affairs are conducted in a balanced and pragmatic way and its geopolitical position demands a fairly faithful adherence to the policy of non-alignment. If we see the history till now external relationships have become far more complex in recent years as the major powers in the region. For instance Nepal's dependence on the external factors outside is to control the sheer geographical fact that it is a landlocked state dependent on numerous trade treaties with its neighbours. This narrates that small countries situated in highly strategic areas between larger and more powerful neighbours must by necessity, formulate straggles and policies that reduce their vulnerability and exploited opportunities. But Nepal was not able to enhance its diplomatic and political skills and preparedness to maintain its independent personality.

Nepal should realize its comparative advantages and its limitations. It is true that Nepal should balance its ties with India and China, as the two giant neighbours would continue to contest over the tiny country to safeguard their national interests. But like I mentioned before, heavy dependence upon one country is not good in a long-term point of view. In today's changed national and global context, these factors have posed several challenges to Nepal in both domestic and foreign policies and to a larger extent, have compelled Nepal to review its relationship with both countries. In order to cope with these growing challenges, Nepal has to look for new avenues in different aspects. But while we compare to India, Nepal could not give this due to attention to her limited relationship with China. So why has Nepal not been able to make any strategic, and tangible benefits to people on the ground and country. Moreover what are the reasons that Nepal has always been influenced with India and why has Nepal not been able take innovative diplomacy with China? Therefore it is necessary for me to adopt, reach and embraces the meaning of the existential harmony.

So here I have decided that an **interpretative approach** is the best adopted methodology to do this. It is more or less founded on the principle of interpretation as the primary form of knowledge in which understanding and issue is the overall aim (Odman, Chapter 5, 2007) To sum up, it means that I must have to understand some of these critical research questions and that I will need to gather information about the ground reality of Nepal, which means that I must have to understand the geo physical

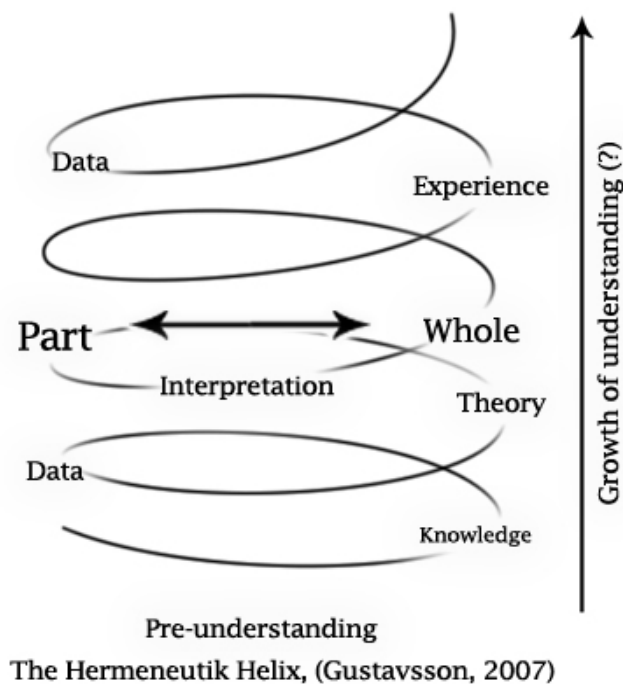
position, the political situation, the economic strength and socio cultural factors that determine the foreign policy of Nepal in the internal context. Furthermore I will need to interpret this information in order to gain a deeper understanding to measure Nepal's landlocked position and its geographical closeness between China and India.

Interpretation refers to the act through which understanding is presented. A deeper mode of interpretation means understanding: where I will particularly highlight the major factors, contentious issues and problems between its two neighbours China and India. Indeed, I must have to find out their political behaviour towards the country. The Foreign policy of a country is affected by its internal as well as external ambience. So it needs to be carved out and projected along the lines of the historical facts, present exigencies and holistic perspectives; I must gather information about how Nepal's foreign policy gets influenced by the internal as well as the external factors. And on what level Nepal's foreign policy is formulated. Then I must have to measure a bilateral relationship between Nepal and China. So it will be easy for me to find an answer to my critical research question.

Pre- understanding refers to the foundation and the prerequisite for understanding and is formed by both good and bad influence, some accurate and some inaccurate. So, based on the foreign policy I will be able to find a national interest of that country. There are four types of National interests: political, economical, security and cultural. Interims of these will be helpful for me to determine the questions of how Nepal's neighbours (China and India) views its interims of economy, security and politics. A State's foreign policy, also known as the external relations or international relations policy in general, is a set of goals, policies, behavioural strategies and objectives that provide a guideline as to how the state interacts with another state: economically and politically. So by this I can evaluate the national interest of Nepal. Here I must have to find out where the foreign policy is based upon. What is the thing that the foreign policy should serve? Thus the question of foreign policy is a vital question for all the states irrespective of their domestic political structures or system. So by this, I must have to gather information of Nepal's relationships with China and India and evaluate whether it's relationships with its neighbouring countries are only liabilities or just assets.

The process of the hermeneutic approach includes four main elements: interpretation, pre – understanding, understanding and explanation (Odman, Chapter 5, 2007) these

four elements can't be seen separately due that interpretation often relay on explanations. And to understand something we must have to explain something. Therefore to explain something we must have to understand it. So by this these four elements are bound to each other and can't be seen separately.



The hermeneutic helix shows us very clearly the process we are undertaking. This helix shows how each individual part of the project can be understood in the context of the other parts. In order to understand one part of the issue, I must understand the whole issue, and I must understand the different parts of the issue to understand the whole. So to understand the whole, it means I need to understand each part separately: the geophysical position, the historical dimension, the socio cultural dimension, the political dimension, economical dimension and the security situation. Therefore to find out the real fact of my research problem, I must have to find out the real source and evidence to support the arguments. So without understanding the key factors of Nepal: like its geographical position between its two neighbours (India and China), its socio – cultural relations, its economy and political relations it is very hard to measure a problem formulation. Likewise to highlight my research problem in a justifiable way by interpreting and understanding I may have to explain the relationship between China and India. This may visualize their relationship experiences. So I can interpret these relationship experiences in terms of theoretical assumption. Thereby, each part

is supported by the others and without one part would not explain anything. When you understand this context it will increase the probability of the validity of my interpretations and explanations.

The hermeneutic theory assumes that no researcher can free himself/herself from his/her own life and context. This means that the researcher always will be influenced by his/her pre – understanding about a given phenomenon. Thus my pre-understanding attained by the readings of documents, secondary literature, theories, etc will influence the data collection... Obviously the hermeneutic theory does not share the view that one can be without presuppositions and purely descriptive. This goes further by interpreting the understanding of meanings.

In international relations there are number of theories to justify problems. Since my question is largely based on trying to find the triangle relation.



fig. 3 Nepal India China

Hence, I have chosen three different kinds of theories, which I believe ought to be the best theories to reflect, justify and analyze my research problem.

- The Geopolitical theory
- The Realism theory
- The Theory of foreign policy

Furthermore a theory is an assumption, it is devised to analyze and predict. It explains the nature of behaviour of a specified set of phenomena along with an abstract way of thinking.

Whereas the Geopolitical theory concepts of “buffer”, the state agrees with the position of Nepal. Geopolitics also attempts to explain why some countries have power and other have not.

Due to being landlocked between two nuclear powers and due to its physical proximity, Nepal has always been struggling against its internal as well as external

forces. So it is not as easy as it looks to balance its neighbourly relationship between these two giant countries, especially when these two giants do not see eye to eye on many issues. On the other hand, Nepal was compelled to follow a non-aligner policy. In diplomatic pursuits, this policy came out successful but translating that success into concrete gains for the economy and social sector remained elusive as always. So far, Nepal has had to depend on India for access to the sea. India knows this compulsion of Nepal and has used it as bargaining chip during crucial bilateral negotiations.

Whereas, after the introduction of reforms and opening up policy by china there is no doubt that China has leaped forward in terms of economic development. But how can Nepal benefit from this? Being a landlocked country, Nepal has to depend on India for transit. In fact, geopolitics reflects the effects of national position. Like the location of resources and other geographic factors upon a state's domestic, defence, and Foreign policy.

On the other hand, realism focuses on how to maximize power so as to manage international events and this fits extraordinarily well with the needs of a hegemonic power. In many part of the world the rise of China has both positive and negative attention. Positive thinking Scholars think about China as its economic strength and constructive diplomacy contributes to the overall peace and stability of the region. Negative thinking scholars think about China as a potential hegemonic state in Asia: in other words, as a country which seeks to throw the United States out of the region. Similarly, the rise of India has both positive and negative attention to the scholars.

Caught between the dragon and the elephant, Nepal has to balance between India and China as well as between strategic and security interests where India always wanted to keep Nepal under its security umbrella and repeatedly insists on the affirmation of the 1950 treaty and defining its special relationship with Nepal under it. Landlocked between two nuclear powers, Nepal's realist policy should be adhering to the principle of peace and co existence. But apparently because of the physical proximity and political leaning, major political parties remain faction – ridden not just in terms of domestic policy but regarding foreign policy as well. So by choosing 'The Realism Theory' I can also interpret the basic principle of the Nepalese foreign policy (including its India policy) about "special ties". But why does India repeatedly emphasize its "special ties" with Nepal? I believe that realism may help me to

interpret these queries as well as helping me to determine India as an ambitious and non-status – quo power, seeking to break into the private club of major powers.

Lastly, the policy of international relations of any country is determined primarily by its internal factors. A country like Nepal is still an economically and politically backward country. It is a semi feudal and semi colonial country. It shows that we are predominantly feudalistic and a bourgeois development is still lagging behind. Since other developments such as cultural, political and social are reflections of economic developments, the semi feudalism influences all other developments. Whereas in present stage in a country like Nepal, need is bourgeois. The ending of domestic policy is basically the beginning of the foreign policy.

There are a number of factors that determine foreign policy and are both internal as well as external. In the context of Nepal: the geophysical position, independent history, security situation and peace, political situation, economic strength, and soci-cultural factors are internal context. The policy of non – alignment, multilateral and regional processes, economic and commercial interactions, and world peace and disarmament are the external factors upon the foreign policy.

So in my opinion a foreign policy is the most essential policy to find out bi lateral as well as multi lateral relationships. Which is formulated also based on the given situation and level of development of the concerning country. In determining foreign policies, every state has to take in account witch neighbour they have as well as how they are.

2.1 Data Analysis

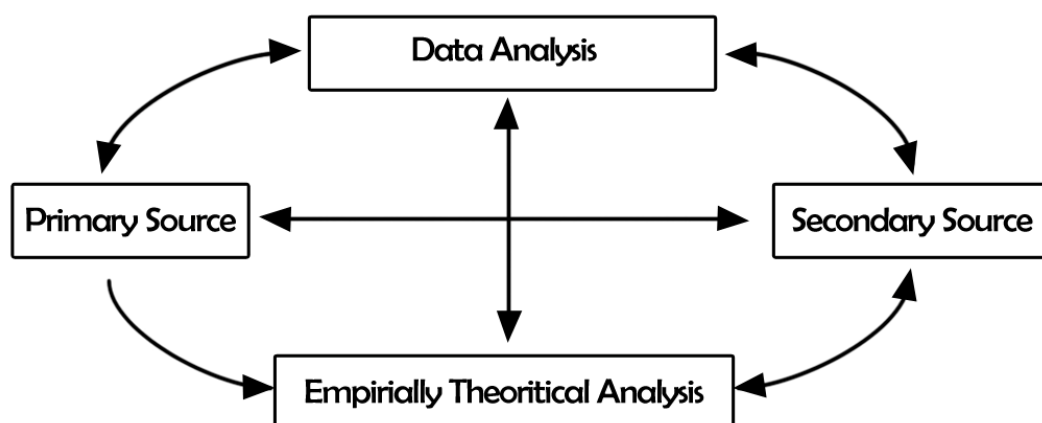


Fig.4 Process of Data Analysis

The Collection of data is the important part of my research study. There are always two types of: primary and secondary data. Throughout this project, I mainly tried to use primary sources like article's that have been published in papers, journals and treaties of both countries, websites and past and present interviews. This is also called the method of investigation, which consists of the search of meaning and inference to the best explanation as according to the interpretative approach. It also focuses on literary text as reflection of social-cultural political, economical and historical backgrounds. I have used these sources to give a large context and to amplify the wide range of variables on the Nepalese and Chinese relationship along with India. Having chosen such a broad topic, I think it is the best way to reflect the diplomatic relationship of Nepal and China along with India. It will provide the first in-depth account of the resumption of a diplomatic relationship of both countries along with India, so it is unavoidable to take secondary sources. This study is also conducted with the help of secondary data. Here are some National agencies that provide the data:

- The Ministry of Finance
- The Government of Nepal
- The Institute of Foreign Affairs

These data will illustrate the exchange of high-level visits of China to Nepal, India to Nepal and both of Neighbour aid to Nepal. Each data helps me to go through the relationship between each of neighbour.

The quality of data could be the question of the study. Still it is felt quite difficult to measure the quality and relevance of data. That is why I have collected data from renowned and authorized agencies. The authentic data, which are collected from different sources, are processed with the help of a computer, word processor, for analysis. The process of gathering information has naturally been constrained by the availability of documents and by the time and resources available to me.

In addition, these are the sources by which I am going to use a theoretical and empirical analysis to interpret and address the important issues of how the theories and policies are useful to my problem formulation.

2.2 Project Overview

In the following overview I will make a brief explanation of the contents and the structure of this project.

Chapter I: In this chapter the rational purpose of research has been established. In the subsequent chapter, I have shortly described the relationship of Nepal with both its neighbours, China and India. Therefore I have provided the historical antecedent and the conceptual issues as well as the physical, historical, soci- cultural and general economic problems of Nepal. This chapter includes the problem formulation.

Chapter II: The second chapter details my methodology, including the use of The Interpretative approach, which explains the adopted methodology and theory. These are the most sophisticated and quantitative techniques to measure a theory assumption as well as to predict and make a correlation with my problem formulation. Then I present an overview of the project, including a discussion of my sources and data.

Chapter III: This chapter explains the concepts of the theory. So according to the need to analyze and to predict I have chosen three theories: The Geopolitical Theory, The Realism Theory and The Theory of Foreign Policy.

While being the largest country in the region, due to its size resources, India or China preferred to play a dominant role vis- a vis its neighbours, in contrast to small powers in view of their small size and meager economic resources, were bound to play a more balanced role vis-a vis their big neighbour. On the other hand geopolitics describe why sea power was necessary to facilitate trade and peaceful commerce. (Having been a land locked country; access to the sea for Nepal is only through the Indian territories). Thus ‘The Geopolitical Theory’ will make an attempt to analyze the political and economical dimension of the relationship between its neighbours, China and India.

When a country is powerful, it uses coercive methods in influencing the domestic policies of the weak whose approach is defensive. A nation unable to protest due to pressure from outside, may find its autonomy and sovereign status eroding fast. A weak and small country like Nepal is having such experience. The profounder of the theory (The Realism theory) accept that power is the primary factor underlying

international politics and that each state employs whatever means it can, to achieve its goals. In other words it interprets international politics, as it is a struggle for power.

Of course, the economy, politics and diplomacy reinforce each other. So I believe 'The Theory of Foreign Policy' can interpret and measure all the dimensions and influence between Nepal and its two neighbours, China and India.

Chapter IV: Substantially based on empirical research findings and supported by authoritative data, I will attempt to analyze my research question keeping in view the geophysical position, independent history, security situation, economic realities, political and social cultural strength of Nepal.

Chapter V: This chapter presents the summary of the report and where I will give my feedback and conclusion.

At the age of 21st century, it might be a very hard task to satisfy everybody with any kind of inquiry. Thereafter, I admit and acknowledge the presence of *multiple realities* and reckon the opinions of each equally (Principles of Post Modernism)⁵.

⁵ <http://www.pbs.org/faithandreason/gengloss/postm-body.html>

CHAPTER III

3.0 Theoretical Framework

Theories have several functions in the ‘International Relation’ study. The first function is of course, describing “reality”, and helping researchers in the field to understand this collectively agreed upon reality though systematically organizing the facts and evidence to support arguments. The second purpose of using theories is to explain various IR phenomena through analyzing possible causes and their resulting effects. And the third function (of the theory) would be to derive using the historical analysis of the casual relationship.

Thus it is a system of assumptions, accepted principles, and rules of procedure based on limited information or knowledge as well as it is devised to analyze and predict. There are a number of theories in IR study and many of them can explain the result (though none perfectly) as a case of a more general principle. Each theory also logically predicts other outcomes, and these can be tested empirically. Thus, it is especially important to think critically about IR events and consider several different theoretical explanations before deciding which (if any) provides the best explanation.

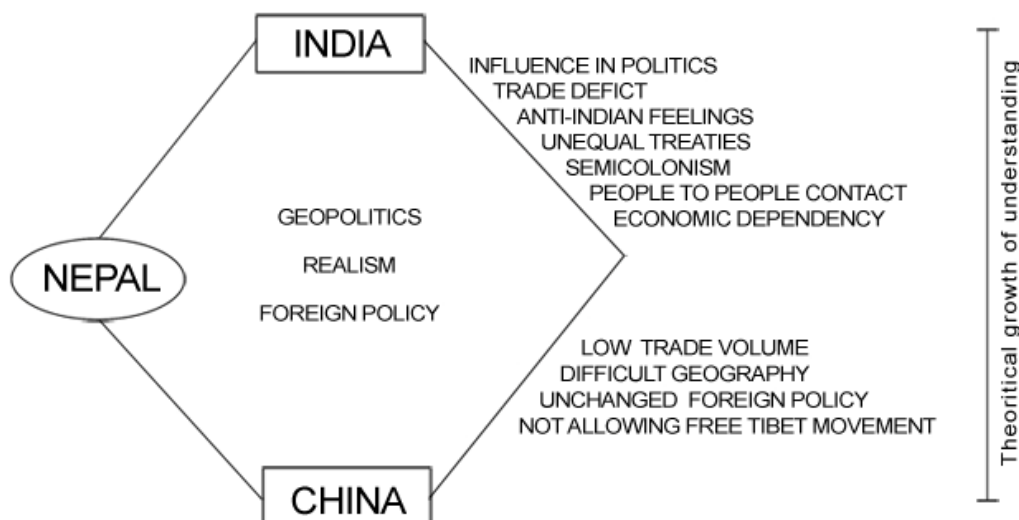


Fig.5 Theoretical Framework

As illustrated in fig 5, each stage shows that the role and use of the theory, to predict and interpret my research problem, is through the theoretical assumption.

Therefore to analyse and to predict my research problem, through the theoretical assumption, I have chosen these theories:

- 1. The Geopolitical theory**
- 2. The Realism theory**
- 3. The Theory of Foreign policy**

3.1. Geopolitical Theory

Geopolitics attempts to explain why some countries have power and why other countries do not. The connection between relating to space qualities of countries and IR (International Relations) has been observed since the Greeks. However, the formal links between geography and political began about 120 years ago.

Today, geographers see the world as an interdependent system and see the nation state as a part of a world that is a shared area (Saul 1974) According to a German geographer, Ottomaull; geopolitics is concerned with spatial requirement of state while political geography examines only its space conditions. He as well as another geographer, Karl Haushofer, has made it clear that: political geography views the state from the point of view of space while geopolitics views space from the point of view of state.

Basically, political geography is concerned with the internal geographical conditions and their influence on the state. Geopolitics considers the question of space required by the state. Therefore, geopolitics is the study of state changes or the dynamic of the state. Haushofer⁶ admitted that geopolitics evolved out of political geography.

⁶ Karl Haushofer was a German general, geographer and a geo-politician (1869-1946). He is also a leading supporter of the Mackinder's Heartland Theory. He developed a theory of pan regions.

According to Hartshorne,⁷ “Geopolitics, as viewed by the conservative members of the group, represented simply the application of the knowledge and techniques of political geography to the problems of international relations”.

According to Haushofer “Geopolitics is the science of the relationship between space and politics, which attempts to put geographical knowledge at the service of political leaders. It springs from national aspirations, searches out facts and principles which can serve national ends.”

In 1890, Alfred Thayer Mahan⁸ wrote “The influence of Sea power upon History.” He believed that a powerful country could control the seas. And sea power is necessary to facilitate trade and peaceful commerce. Thus, the development of a strong navy was an essential ingredient to a powerful state. He believed that the country with the most power would be one whose relative location was accessible and connected with long coastline and good harbours. He has given the following as sea power factors:

- The geographical location of the state
- The physical layout of the state
- The extent of territory (This includes the length of the country’s coastline and its defensibility against foreign invasion)
- Its size of population
- Its national character
- The character and policy of government

The impact of certain geographic factors on country’s foreign policy on the position and location states; their access to resources and wealth, a country’s space, size

⁷ Richard Hartshorne was a prominent American geographer. He completed his undergraduate studies at Princeton University and his doctorate at the University of Chicago. He has written a book called “The nature of Geography: A critical survey of current thought in the light of the past” in 1993.

⁸ Alfred Thayer Mahan was a United States Navy flag officer, and geo-strategist, He wrote a famous book called “The influence of sea power upon history”

terrain, climate, and demography which influence the national diplomacy, regional, and international affairs. In fact, geopolitics reflects on the effects of national position, location of resources, and other geographic factors, upon states domestic, defence, and foreign policy.

Geography has always been an important factor in shaping the destiny of nations and the action and reactions of the state and its leaders are influences of geography. Napoleon once said that, “The foreign policy of a country is determined by its geography”. The statement of Napoleon may be partly true but it cannot be denied that geographical factors had a decisive effect upon civilizations and national development. With the increase in means of communications and transport the world has shrunk and the nations have become inter- dependent to a great extent. Under such circumstances, geography becomes a much more potential factor. As Palmer and Perkins put “Practitioners and observers of international relations need an atlas showing population, raw materials, communications routes, and other data and an ability to interpret maps” (Palmer and Perkins 1969: 35). Palmer and Perkins observed, “A basic knowledge of political, economic, and human geography is essential to an understanding of the present day world” (Padelford and Lincoln 1967: 105). Politics of a nation is determined by the geographical factors, i.e. location, climate and topography. So I can conclude that geopolitics is a discipline that shows the relationship of state action and geography is known as Geopolitics. One of the renowned geo-politicians is Sir Halford Mackinder⁹. He predicted that certain geographical realities would determine the political activities of future. (Padelford and Lincoln 1967: 35)

Here I am shortly describing the Analysis of some renowned writers.

Mahan’s Analysis: Mahan was an U.S. admiral who analysed the history of British sea power and concluded that its importance was not declining. He asserted that the British and American mastery over sea can not be challenged by any other European power because they have to protect their exposed land frontiers, while Britain and the U.S.A. have no land frontier to defend. Mahan observed that Britain was not competent enough to maintain the superiority on naval power so the U.S.A. will have

⁹ Sir Halford Mackinder (1861-1947) has studied the geographical characteristics of certain landmasses of the world and their relationships with the seas.

to strengthen its naval forces capable to keep away the enemy from home. The first and the second World Wars proved the truth of Mahan's propositions.

Spykman¹⁰: believed that geography was the most fundamentally conditioning factor in the formulation of foreign policy. He was against the American policy of isolation. He believed that unless the U.S.A. and Britain align, it might happen that another power may rise to dominate and thereby posing a threat to the interests of the U.S.A. So a balance should be maintained in all parts of the world with America which is always standing with Britain. He opined, "Who controls the Rim land rules Eurasia". Who rules Eurasia controls the destinies of the world. "Spykman did not intend to make the U.S.A. a dominant power. He had the idea of establishing peace in the world through the balance of power in which the U.S.A played a key role.

Haushofer: was a German geo-politician who used the theory of geopolitics to justify the Nazi theory of aggression. He propounded the space theory, which explained that the British were the masters of the seas while Russians were of land so war became inevitable for the German race to get the space in Europe. The significance of Haushofer's theory ended with the defeat of Nazi Germany in the Second World War.

According to scholars like: Spykman, Karl Haushofer: - geography as a factor of national power includes the following elements:

Size: The size of a state, whether great or small, is an important element of national power. But size only does not make a state powerful. Even a country, small in size, may exert power in foreign relations. The effectiveness of this element thus, depends upon a number of sub factors: for example, location, fertility, rainfall, temperature, and the nature of technology and quality leadership.

Topography: This gives certain advantages and disadvantage to a country. For instance rivers may provide ports and harbours, which can conduct to economical growth but can also have a disadvantageous transport system. Furthermore it is also possible that rivers may create obstacles in building roads, play havoc through floods and can be that small that they are useless. Mountains on the other hand may stop

¹⁰ Nicholas J. Spykman was professor of IR of the University of Yale. His book on "The geography of the peace", was published in 1944, shortly after his death. This book was an outstanding contribution of an American scholar.

invaders, cause a regulated rainfall and attract tourists from all part of the world. But unfortunately can be a barrier in trade routes and may cut off the country from the rest of the world like Nepal.

Climate: Location, altitude, rainfall and winds determine a climate. Therefore a climate has an indirect effect on culture, economy, natural resources, political organization and religion, and a direct effect on the health and energy of people. Extreme heat and cold are unfavourable for national strength.

Location: determines the climate and influences the economic system. It tends to make a state, a land power or sea power. Even in diplomacy and war strategy its impact is direct and significant. For example: Switzerland is a land locked country, which is deprived of ports and harbours and hardly has any chance of sea trade. Its main economy is hotel and tourism. As its frontiers are exposed to neighbours, it has opted for a policy of permanent neutrality in its foreign policy. Palmer and Perkins rightly said, “This location does much to fix a particular type of economy upon an area and people. Thus lumbering hunting, trapping, grazing, crop culture, mining, commerce and manufacturing are, in part, the result of location” (Palmer and Perkins 1969: 33)

National Boundaries: The Boundaries of the states can sub stain out of two types: natural and artificial. If the mountains, rivers and coastlines determine it, it is natural. Boundaries, if determined by non- physical considerations, are artificial. The state boundaries, in some stage of history, are delineated and agreed upon by the states but some disagreements persist which assume serious ramifications in the course of history.

The contemporary tensions in international politics have surfaced because of the disputable boundaries. The tension is of such serious magnitude as may jeopardise the peace of our times. The Korean crisis, Indo – pack and Sino – Indian disputes all have their roots on boundary disputes. The states aspire for secure borders. If any lacuna on treaties, regarding boundary remains, the states may, when an opportunity arrives, flout those provisions and demand a new boundary of their choice. This leads to tension.

Geopolitics has not only played an important role in large countries like the United States, the erstwhile USSR, India and China but also in small countries like Nepal.

Geopolitics and history are considered as the most important variables determining a nation's foreign policy. As well as it will determine the friendly relationships with all countries. Geopolitics also measures external relations or international relations policies, behavioural strategies and objectives that provide a guideline as to how the state interacts with other states, global actors and institutions; economically and politically. Geopolitics establishes a link between geographical space and international political power for the purpose of devising specific strategic prescriptions. It is not geographic determinism but an assumption that geography defines limits and opportunities in international politics and turns it into geopolitics. Since it is dynamic in nature, geopolitics reflects international realities and the global concept of power that interacts with geography on the one hand and technology and economic development on the other. It also clarifies that range of strategic choices available to a country. When and if, it is used properly the foreign policy of a nation, that takes the geopolitics into account, becomes more rational, dynamic and feasible.

Nepal has been described as a yam between two boulders. Nepal's geopolitical status as a small, landlocked buffer state situated between two technological Asian giants – China in the north and India in the east, south and west each leads with over the billion population, leading infrastructure, software technology industries, high growth markets and highest engagements of multilateral institutions. An instance of Nepali's dependence on the external factors quite outside, its control is the sheer geographical fact that it is a landlocked state dependent on numerous trade treaties with its immediate neighbours. Nepal's position between the two regional powers and its ties with the global powers has provided a special geopolitical situation. It is not only geography that has increased Nepal's importance in international politics, but the combination of a variety of factors that are found within the geographical setting. These form strong bases for geopolitics. Size, location, boundary regulation, seaport, resources, bargaining capabilities are the important factors worldview. Nepal has been able to develop relationships with others and acquire seriously needed capital for development in the form of foreign aid merely because of its geopolitical situation and the strategic interests of the big powers.

3.2.Realism

Realism, the most dominant theory in IR (International Relations), borrows many assumptions from ancient traditions and writings from well known scholars and

philosophers from varying disciplines and points in time. Realist school of thought has been prominent approach in international relations, more significantly after the Second World War. Realism emerged as a pragmatic paradigm in the international system, which offers “the most complete embodiment of the objective, cognitive, and aesthetically transformative nature of art.”(Forolov 1986: 351). In fact, Realism made sincere efforts to tackle and settle the multitude of problems in the world including identifying and addressing the root cause of the wars.

Vedabys and Kautilya in the East and Niccolo Machiavelli, Max Weber, and Thomas Hobbes in the West had defined and described politics as struggle for power. The power theory was later developed and refined by George Schwarzenberger, Martin Wigh, Hans J. Morgenthau and Kenneth W. Thompson (Chataerjee 1976: 18). Reinhold Niebuhr, Herbert Butterfield, Henry Kissinger, E.H. Carr, Raymond Aron, R. E Osgood, R. Rosecrance, R. W. Tucker, K.N. Waltz, Arnold Wolfers, Stanley Hoffman and G.F. Kennan are also the well-known Realists (Evans and Newhams 1998: 465).

However, Morgenthau appeared more apparently and effectively who recognized power as the “central determinant of international political conduct of state” (Morgenthau, Hans 2001: 4)”Realists, as Morgenthau observes, “refuses to identify the moral aspirations of a particular nation with the moral laws that govern the universe”(Morgenthau 2001:13). He further states that ‘ all nations are tempted –and few have been able to resist the temptations for long to clothe their own particular aspirations and actions in the moral purpose of the universe’ (Morgenthau 2001: 13) Realists think that all nation-states directly or indirectly seek and attempt to secure and maximize power, and other states try to manage it by adopting the policy of balance of power. They accept and agree with the “persistence of conflict and competition in international affairs”(Evans and Newnham 1998: 466). Realists recognize the need and significance of cooperation, however, they view that “cooperation is possible but only when it serves the national interest”(Evans and Newnham 1998: 466).

Hans J. Morgenthau, he believed that the master key is the concept of interest defined in terms of power. The states, the actors of the international system and their interests are at once concrete and real. The states use power to further their national interests. Thus this approach conceives of power as the pivot around which the whole of

international politics clusters. This is why the approach is called power approach also. Morgenthau defined power as “man’s control over the minds and actions of other men. By political power we refer to the mutual relations of control among the holders of public authority and between the latter and the people at large” (Morgenthau 1948: 26).

Often described as “power politics”, the theory of realism, based on the dominance principle, holds that each state must rely on its own power and, less reliably, its alliances to influence the behaviour of other states. Forms of power vary, but the threat and use of military force traditionally ranks high in realists’ power calculations. Realists tend to treat political power as separate from, and predominant over, morality, ideology, and other social and economic aspects of life. For realists, ideologies, religions or other cultural factors do not matter much, with which states may explain their actions. Realists see states with very different religions, ideologies, or economic system as quite similar in their actions with regard to national power (Morgenthau 1986).

Thus, realists assume that IR can be best (though not exclusively) explained by the choices of states operating autonomous actors rationally pursuing their own interests in an international system of sovereign states without central authority (Waltz 1997). The theory of realism has some fundamental principles on which it is based. It believes that all the states try to achieve protect and further their national interests. The national interests are varied. They may be cultural, political, economic and geographical. To achieve and expands these interest the states use power. “Realists believe that struggles between states to secure their frequently conflicting national interests are the main actions on the world stage. Since realist also believe that power determines which country prevails, they hold that politics is aimed at in creasing power, keeping power, or demonstrating power” (Rourke 2004)

The states fabricate their foreign policies around the national interests. The realist theory views the world in a state of ceaseless conflict among nations. Each is trying to impose its influence on the other. This state of conflict is never ending process because it is originate from two basic impulses of man. The first is selfishness and the second is lust for power. The impulse of selfishness is not irrational. It can be satisfied at some stage. But the lust for power is the root cause of all evils. It has no limits. It goes on and will go on until the last man is vanquished and dominated. Since it is not

possible, we cannot liberate the world from unending conflict. It is the essence of politics.

Morgenthau defines power as “a Psychological relation between those who exercise it and those over whom it is exercised. It gives the former control over certain actions of the latter through the influence which the former exerts over the latter’s mind” (Morgenthau 1948: 9) Power has a dual character. It is a means as well as an end. It is means because the state preserves and protects the national interests and furthers them thought. It is an end because continuing possession of power ensures the continuing preservation of national interests. This dual character of power is necessary of the safeguard of the national interests.

Morgenthau believes that power is relevant both to national and international politics, with a little bit of difference. The difference lies in the fact that in national politics the society limits the lust of power, while there is no such all-pervading society in the field of international affairs. The states are the actors, which lay down their own norms according to national interests. Morgenthau believes that the power moulds and determines the nature of foreign policy. All nations try to keep power, increase power and demonstrate power, and, accordingly, there are three types of foreign policies – the policy of status quo, the policy of imperialism and the policy of prestige.

Morgenthau explains that power is the means and national interests are the ends. National interests are of varied type. He makes distinction between two elements of national interest. “One that is logically required and in that sense necessary and one, that is variable and determined by circumstances” (Morgenthau 1952: 972). National security is the necessary element and all the nations at all costs try to achieve it. Other national interests are varied and determined by the environment. These variable interests are short-range objectives, which are linked with the long-range objectives, i.e. the permanent national interest. The short-range national interest can be supranational, sub- national and other – national.

Being small and land locked between two large neighbours Nepal has always more or less insulated from the direct impacts of the immediate transformation of international balance of power. Due to its geographical position Nepal is clearly recognizable as a geo-strategic entity bound together by a shared civilization, ethnic ties, linguistic, religious, and social commonalities, trade and not sufficiently appreciated, similarities

in the administrative, legal, and huge difference in military power. But the differences between its neighbour countries stem primarily from political and economical rather than socio- cultural factors.

After the Second World War, the withdrawal of the British from the Indian subcontinent created a power vacuum and prompted the new nations of the South Asian region to evolve a new security framework suited to their needs and aspirations. In other words, in the absence of British power, the South Asian countries were compelled to devise strategies in the hope that it will help to procure them the political and economic benefits in a world dominated by two protagonist powers and China as a major force as an extra regional power and at the same time will help in securing their territory and identity. However, the quest for a role by the South Asian countries has not been uniform. Broadly speaking a dual pattern of interaction appears to pre-dominate the relationship between the states of the region. While being the largest country in the region due to its size and resources, India preferred to play a dominant role vis-à-vis its neighbours, in contrast, the small powers in view of their small size and meagre economic resources were bound to play more balanced role vis-à-vis their big neighbour-India.

Realists conceptualize an international system built on self- interested states that compete for power. Because the system is anarchic, states use any means available to advance their agenda, often causing tension and conflict among rival states. A country though ostensibly an independent country, is not fully independent. It is in a state of semi – colonial state. This semi – colonial state is being expressed in many different ways. Knowing fully well, India's predominant position in the region, the small powers like Nepal have tried to assert their independence and identity but small powers like Nepal did not have any option except to accept India's pre- eminent position in the region and to have “special” and close relations. So in view of its geo political situation, economic compulsions, role of leadership and the political system India's policy towards Nepal revolved round the ideas of special interest.

For a landlocked state like Nepal, transit is a permanent factor to international trade. Because Nepal is a landlocked country, it is mostly dependent on India for overland transit and access to the sea. And due to this also most of the time Nepal has to depend on India.

On the other hand, the giant (The China) it seems has finally awoken from its slumber. China is well on its way to become a major player in the international affairs. Due to its geographical location and the size, its capacity to sustain economically have brought China into focus the potentiality not just economic competition terms but in political and strategic terms as well. China's growing economic power will translate in to increased military power and allow china to use force to assert its strategic aims in Asia and eventually across the globe.

China wants Nepal to be completely sovereign in international politics because only an independent Nepal can conduct its foreign policy independently without any dictate from any corner of the world and, thus, will not hamper Nepal – China relations by permitting free Tibet revolutionaries to operate from its soil. Self proclaimed China experts in Nepal say that China has no separate Nepal policy but see Nepal through New Delhi's eyes after the 1990 political change and consequently does not want to cultivate bilateralism at the cost of India. Thus, China has no separate security interest in Nepal except not allowing for Nepal's soil to be used for Free Tibet movement and wants peace trans – Himalayan belt. Recently, there is a feeling in China that it should have also share in those rivers coming from Tibet to the south.

Caught between the dragon and the elephant, Nepal has to balance both the Indian and the Chinese strategic and security interests. In recent decades China appears to have exorcised its ghosts towards the India because of China's communist system, illiberal institution and growing military power. On other hand Nepal in the midst of arguably the most successful Maoist insurgency and the world has witnessed in recent decades and there is an 1800 km. long open border between India and Nepal without any buffer zone like Tibet between Nepal and China. India always fears the entry of third country in Nepal, which it thinks, might damage its security interests. The land route linking Pakistan and China through Karakoram highway and the Kodari Highway linking China and Nepal have further increased India's suspicion of combined actions through (i.e. Kodari highway) Nepal. Due to these strategic and security factors, India always wants to keep Nepal under its security umbrella and repeatedly insists on the affirmation of the 1950 treat and defining its special relationship with Nepal under it (Bhasin 1994).

Since China and India have developed nuclear weapons they both are running to become a major power in an Asia and in a whole world. The current Chinese and India political regimes, established in the 1940s, fought the 1962 border war. Despite they so called improving relations, there is ongoing rivalry between the two giants regimes, threatening each other. Whereas, situated between two giants, Nepal not only plays significant role in Asia but can influence the international relations at the world level as well.

So India relations with the small powers in the region particularly with Nepal cannot be understood without taking into consideration the role of China as an extra – regional power in South Asia. Indeed China has served as a major leverage in the articulation of the foreign policy of the smaller nations and has emerged as a principal actor favoured by the smaller nations in their manoeuvring capacity against the core actor India.

3.3. Theory of Foreign Policy

As for individual maintenance in a society, it is essential for him to come in the sphere of others and for further approach in the international society; he has to increase his relationship. An individual-nation state also offers the same to other nation states of the world for its existence and thinks of the better prospects what it assumes and achieves in turn of the intercourse. Foreign policy is one of the wheels with which the process of international politics operates. Foreign policy and diplomacy of an individual state are the basis for its international relationship as well as the over-all international system. They are in fact, bridges between a nation state and the world. They have to work with both home and defense policies of a country. Foreign policy is basically a set of principles of state or government to regulate and strengthen its bilateral, trilateral and multilateral relationships. So it is very essential to learn the concepts of foreign policies before deducing any conclusion in international politics. Almost all the states determine the course of their actions in furthering national interests in their foreign policies within the limits of their strength and the realities of the external environment.

Several scholars and writers have tried to define and describer foreign policy from various angles. Even though their views and definitions vary, they share a common

view that foreign policy is meant primarily for the preservation and promotion of national interest of a state.

Adlai E. Stevenson, Jr. quoted in Chas W. Freeman. "The Diplomat's Dictionary", "No administration can conduct a sound foreign policy, when the future sits in judgment on the past and officials are held accountable as dupes, fools or traitors for any things that goes wrong" (Freeman 2006:118)

K. B. Singh has described, "Geo-political realities and economic considerations must always dictate the foreign policies of small nations." (Singh 1992). Dean G. Acheson defines foreign policy as "the whole of national policy looked at from point of view of the exigencies created by the vast external realm beyond our borders. It is not a jurisdiction; it is an orientation, a point of view of a measurement of values today perhaps, the most important one for national survival" (Bhattarai 1998: 19) George Modelski on other hand defines foreign policy as "the system of activities evolved by communities for changing the behavior of other states and for adjusting their own activities to the international environment" (Khanna 2001: 2) Hans J. Morgenthau has defined foreign policy as the "survival of a political unit..... In its identity as the irreducible minimum of state's interest vis-a vis other units, encompassing in this, the integrity of a state territory, its political institutions, and its culture"(Bindra 1998: 20).

Jawaharlal Nehru says "Foreign policies depend ultimately on internal conditions and developments. Internal progress for us, therefore becomes essential if we are to play any effective part in world affairs; it is even more essential, of course, for our own well being" (Pradhan 1996: 1). Nehru describes foreign policy in these words:

Foreign policy in the past, I suppose, related chiefly to the relations of a country with its immediate neighbors-whether they are friendly or otherwise. Now, foreign policy is normally something, which develops gradually. Apart from certain theoretical propositions, we may lay down; it is a thing, which, if it is real, has some relation to actuality and not merely to pure theory. Therefore, we cannot precisely lay down our general outlook or general approach, but gradually it develops (Nehru 1983; 42-44)

S. S. Bindra states, "The foreign policy of a country is usually determined by a general assessment of a state's economic, military and international positions; an appraisal of the capabilities in advising self-reliance, caution, isolation, military

potential and alignments; broad principles of conduct; national interest and the strategies, commitments etc. undertaken to achieve a given object.” (Bindra 1998: 21)

The definitions given above makes it clear that foreign policy is the group of principle determined by the states. These principles involve those interests, which influence the behavior of the states, intending to establish their relations to further and promote them. This includes not only the general principles but also those means necessary to implement them. Thus, these principles are those broader interests, which states strive to achieve in international relations. In other words different countries have different foreign policy choices. For example, some states participate in international relations more actively whereas others prefer to be inert or isolated owing to their internal problems or other reasons. Few may choose to pursue a neutral path in foreign affairs while others may prefer to be nonaligned. Several ambitious states may have an inclination towards expansion or empire building whereas other may be contented with the status quo. Some aggressive states may adopt a policy of confrontation, while peace-loving states may go in for a policy of peaceful co existence. At times, powerful chose a nationalistic universal policy. So there are various types or kinds of foreign policy that are the outcome of these choices.

However, so far as Nepal’s foreign policy and diplomacy are concerned, two of the principles, particularly the safeguarding and promotion of national interest and the balance of power are their key components. However, Nepal did not seem to be ambitious and assertive to maximize power in the international system during this period. Nepal can neither challenge or surrender to its gargantuan neighbours, India and China, nor can it do that to super powers such as the USA and the USSR.

The foreign policy and diplomacy of Nepal have often been affected by the psychology of her geographic location, under development and military strength as well as be her size and population. It is to be noted that Nepal is 75 times smaller in size and approximately 60 times smaller in population as compared to China and, 22 times smaller in size and approximately 50 times smaller in population as compared to India.

Here in Nepal any decision makers either the king, government, political parties or other has to take into consideration for the interests how they are to be assessed within

a set of determining factors. It obviously falls on each given situation and on the practical judgment of the decision makers (Kanta 1976).

3.3.1 Evolution of Foreign policy in the Nepalese Context

The foundation of Nepal's foreign policy was laid by king Prithvi Narayan Shah the great, who not only conquered the petty principalities into a unified nation-state, but also pursued a pragmatic and visionary foreign policy. Although King Prithvi Naryan Shah spent his most of his time fighting for the unification of Nepal, he coined and conducted the core principles of foreign policy, which still remain relevant to the true course of Nepalese foreign policy. His "yam policy" was aware of the cognizant of the geo – political fact of the country. (Khanal 1964: 229 – 230; Pradhan 2003: 67; Khadka 1997: 73; shivakoti 2001: 33; Pradhan 1969: 7) Safeguarding the sovereignty and independence of the country from the two expansion empires of that time, King Prithvi Narayan saved the existence of the nation and implemented the policy of co-existence.

Bhimsen Thapa, a long time serving Nepalese Prime Minister (1804 -1837) had added some golden pages in development of Nepal's foreign policy. Resisting the tremendous pressures and threats of the British Empire, Bhimsen Thapa moved towards forgoing the alliance with France and some other European countries along with some Indian princely states and Asian countries like Afghanistan, Burma, China and Iran. (Khanal 1964: 230-231). His anticipation and aspiration could not be successful. He, however, decided to fight against the British waging the Anglo-Nepal War of 1814-16, but eventually resulted in ceding away significant lands of Nepalese territory with the conclusion of Sugauli Treaty (Bhattra 1998: 21-22)

The fall of Bhimsen Thapa and brawl of Nepalese palace and politics gave a sudden but steady rise of Jung Bahadur Rana through a bloody massacre of Koy, the courtyard of the Nepalese Palace, who not only imposed his family oligarchy, but also established British-friendly foreign policy of the country. Serving and fulfilling each and every will and wish of the British Empire, Jung Bahadur kept Nepal in isolation from the rest of the world. By doing so, the Rana wanted to suppress the Nepalese people and prolong their autocratic rule (Khanal 1964: 231-233, Pradhan 2003: 68-69, Khadka 1997: 76-78). The Rana oligarchy ruled Nepal for 104 years. All the Rana

Prime Ministers pursued the same foreign policy and principles, which were crafted and conducted by Jung Bahadur.

The popular movement of 1950-51 brought democracy to the country in 18 February 1951, ending the century isolation and Nepal looked at the comity of nations aimed at playing crucial and creative roles in the international relations. The evolution of modern foreign policy started after the advent of democracy in the country in 1951. However, the period of King Tribhuvan, particularly during the premiership of Matrika Prasad Koirala, was characterized by “special relations” with India, the country was basically tilting towards Indian in this period (Bhattarai 1993: 22-23). The foreign policy of the period of King Tribhuvan was, in fact, guided and influenced by India. The leaders of this period, including King, Tribhuvan, were greatly impressed, influenced and obliged by the moral and other supports and sympathies of Indian Government particularly of first Indian Prime Minister Jawaharlal Nehru. The reign of King Mahendra marked an era of institutionalization and modernization of Nepal’s foreign policy. King Mahendra broke the lopsided foreign policy and tried to diversify it, envisioning the policy of equidistance into the foreign policy and tried to diversify it, envisioning the policy of equidistance into the foreign policy of the country (Khanal 1964: 235-238, Dharmadasini 1976: 112-134, Rose 1960: 233-276). Under his leadership, Nepal adopted and promoted the non-aligned foreign policy and became one of the founding members of the Non- aligned Movement.

Nepal became a member of the United Nations on 14 December 1955 with an unflinching faith in its principles. And also attained the membership of the World Bank and If in his rule. Nepal was denied membership in only one organization, GATT, due to its said “special relations” with India, which was directed by the 1950s two treaties i.e. the Treaty of Peace, and Friendship and the Treaty of Trade and Commerce (Sharma 1998: 78).

Prime Ministers, Tanka Prasad Acharya and Bishweshwar Prasad Koirala contributed to modernize and institutionalize Nepal’s foreign policy. Both Prime Ministers were known as staunch nationalists and promoted the non-aligned character of Nepalese foreign policy (Leo 1960: 209-232, Dharmadasani 1976: 65-66). Both the leaders were committed to protect and promote the national interests of Nepal and to voice effectively the concerns of peace, security and stability of the country as well as to

maintain the best relationship with all the countries of the world, particularly with the two immediate gigantic neighbors.

The foreign policy adopted by King Birendra did not differ in any significant degree from that of his father, King Mahendra. King Birendra tried to voice the common concerns and particular problems of the least developed countries in the international forum. He added a new dimension of peace to the foreign policy of the country through his proposition of “Zone of peace”(Khanal 1964: 417, Khadka 1991: 81-82). Although 116 countries of the world had extended their supports to it, the proposal was put in deep slumber after the restoration of multiparty parliamentary democracy in 1990. The popular movement of 1990 restored the multiparty parliamentary democracy in the country ending the thirty years long party less Panchayat system. Nepal again looked at the world with her democratic eyes. The decade of the nineties marked an era of political pluralism and economic liberalization in the country (Khadka 1991: 80-82). The democratic governments did not make any marked changes in the foreign policy agenda of the country, but instead gave continuity to its fundamental principles such as adherence to the policy of non- alignment.

The major political parties of the country have formulated their foreign policy outlines in their main principles and manifestos. These major national parties have basically similar views and visions on major international issues and agendas (Hachhethu 2006: 37-38). The mainstream parties have emphasized the need for close, cordial, cooperative and balanced relationship with the immediate neighboring countries, India and China. They have shown their avowed commitment to the core contours of Nepalese foreign policy. After the restoration of multiparty democracy in the country, the successive governments have, maintaining the policy of close and cooperative bilateral relations, emphasized the sub- regional, regional and multilateral relations as important characteristics of Nepalese foreign policy. This period has also added a new dimension to Nepal’s foreign policy i.e. economic diplomacy (Pradhan 1964: 82-86). Although economic diplomacy has occupied a significant place in the formulation and execution of foreign policy of Nepal since its inception, the democratic governments attached enormous importance and commitment to promote economic dimension of the country. In this decade, economic interest has been an inseparable component of national interests of Nepal, which are not less important than political and security concerns of the country. After the restoration of multiparty

democracy, Nepal has been prepared to accommodate the new global development in the contemporary world in her foreign policy goal such as globalization, human rights, environment and several other existing and emerging issues (Dahal 1998). Nepal's national interests and compulsions are, by and large, the same. However, the international ambience and issues have changed significantly, Nepal's foreign policy has, therefore, tried to address and adjust them in this period. Since 1990, Nepal's foreign policy has been attempting to address the changed domestic and international contexts. During the period 1951 till now foreign policy of Nepal has been influenced and oriented by four main dimensions, particularly by geopolitical, socio cultural, political and economic dimension. After the restoration of multiparty parliamentary democracy in the country in 1990, the economic dimensions also received equal attention and importance to the principle and practices of foreign policy.

However, the political changes in the country have tremendously affected the formulation and execution of foreign policy of Nepal. So during this period some of dimensions like political and geopolitical received more importance. Hence to examine my research problem, theory of foreign policy may determine and interpret these following matters.

- The situation, where the interests and orientation of Nepal became different from those neighboring countries India and China.
- The situation, where two super powers started to take interests and involvements in the foreign affairs and internal affairs in Nepal.
- The situation, where the political and geopolitical dimensions overrode and overshadowed the economic, trade, and socio –cultural dimensions between two neighbor India and China.
- The situation, where this is theory able to interpret the shadows of Unequal treaties and “special relation”

Therefore this theory is the most important theory to determine and interpret my research problem.

CHAPTER IV

4.0 Analytical Interpretation and Empirical analysis

Here, a theoretical assumption and analysis is a logical deductive system consisting of a set of interrelated concepts from which testable propositions can be deductively derived. Also theoretical assumption provides explanations and predictions for interpretation and empirical observation.

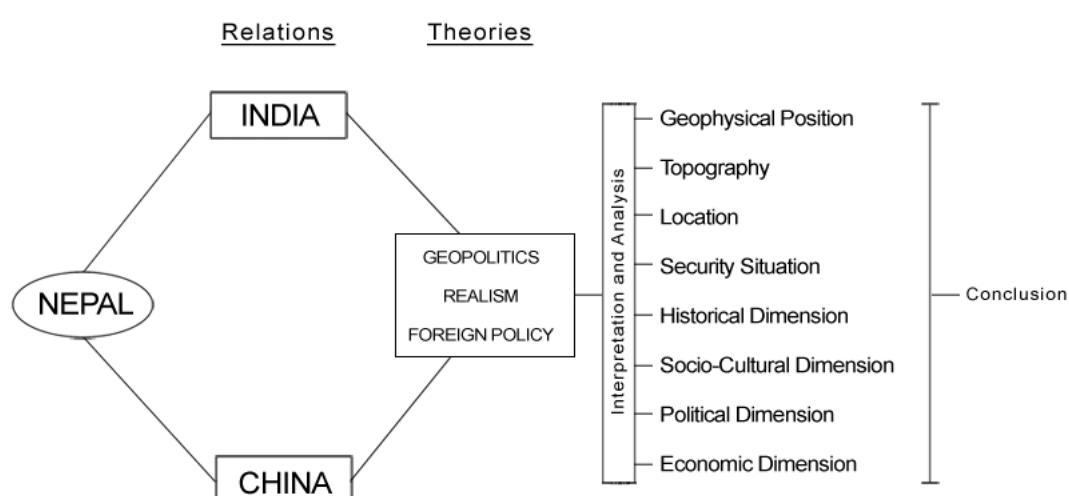


Fig.6 Process of Interpretation and Empirical Analysis

As illustrated in Fig.6 each stage define the process of interpretation and empirical analysis through theoretical assumption. On the ground of reality Nepal is a land locked country as it lies in the middle of two neighboring giants, China on the north, and India on the south, the geopolitical reality has been remained as the main factor in the Nepal- China relationship. It's also the basic factor in its foreign policy implementation since the emergence of Nepal as a nation - state.

4. 1 Geo-physical Positions

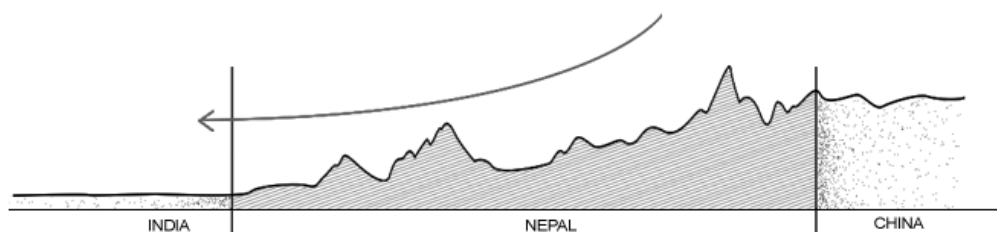
Nepal covers 147181 Sq. Km. of area and is roughly rectangular in shape with an average width of 193m. And an average length of 885 Km. It has approximately northwest to south –east orientation between 80° 15' and 88°15' east longitude and 26°20' and 30°10' north latitude. 22 times smaller than India and 75 times smaller

then China (Thana and Thana: 1969). Nepal's sandwiched location between these two giant and mutually hostile neighbors has been metaphorically likened to 'yam between two boulders' and often invoked as of decisive significance for guiding the path of development as well as Nepal have to pursue a balanced relationships with gigantic vicinal nations (India and China).



LAND-LOCKEDNESS

Above figure illustrates the Land lockedness position of Nepal.



INDIA-LOCKED AND EXTRAVERTED STRUCTURE

Above figure illustrates the India – locked and extraverted structure.

Nepal has a difficult topography, more than three fourth of the country is mountainous and hilly. These reasons are not suitable for large-scale agriculture, industrialization, urbanization and development except in certain valleys in the hills. Terai a small strip of 23 % of the total land area is the only plain region (Thapa and Thapa 1969). The topography has also affected distribution of population and resources. The topography is a serious constraint in development and building the country economically strong.

Nepal does not have enough resources. The only viable natural resources at the moment with extensive commercial value seem to be the water resources. Nepal's river water's have a capacity to generate 83 thousand MW electricity which can be sold out to neighboring countries particularly India. Nepal's problem is that it does not have sufficient capital and technology to explore the river waters. Moreover, the north-south flow of rivers makes India's involvement necessary in many aspects. India can only be a viable purchaser of electricity. But unfortunately Nepal has not succeeded in converting this natural wealth into a commercial wealth. There has been politicisation of water resources and it has been a potent source of conflict between Nepal and India.

The more important aspect of the location perhaps is its spanning in a ladder – like manner the physical gap in between the Indo – Gangetic plain in the south and Tibetan plateau in the north, thus practically 'India – locked' from the three more accessible sides. No doubt the nearest access to sea is 1127 Km away beyond the Indian Territory. Land – lockedness of Nepal in this sense is more acute in that the other similarly handicapped countries have alternate access to sea through more than one country. Such a location has not only conditioned its internal physical setting and denied it a direct access to the sea but, has also placed in a claustrophobic situation between the two different ideological neighbors – India and China. Due to the geopolitical limits Vis – a Vis its immediate neighbors was acknowledged very early in the piece and imperative to pursue a balanced relationship with neighboring countries India and China.

As with China, Nepal has no natural frontier with India, which has made the access easier to the latter, which is evident from the contiguity of their settlements the Calcutta port being nearer to both Nepal and Tibet. Access to the sea via Chinese

territory is difficult, costly and not advantageous given the Himalayan ranges along the border and greater distance and time for reaching the sea.

Nepal's border with India is open with 27 entry and exit points, which have greatly facilitated free movement of people and goods of the both countries. What is more important is that the border between the two countries is not natural and it is open. People of the two countries can easily cross the border without any natural or legal obstacles.

On the other hand the nature of the Nepal China boundary further reveals that the high Himalayas are preched by several passes numbering at least eighteen in the central Himalayas of which fourteen are in regular use through which the physical, cultural and commercial contacts have been maintained between Nepal and Tibet. Since long these passes have been used by the Hindu mendicants, Buddhist monks, Christian missionaries and the Nepalese and Chinese armies. The passes have been the way of emigrants to settle down the valley of Nepal especially the Kathmandu valley that had turned in to a major entry port of Trans Himalayan trend and commerce. Most of the passes have been used by the Nepalese, but two of them, the easiest and the best of all were finally conquered by the Tibet- Chinese army in 1792. The recently constructed Kathmandu – Kodari road connects Nepal with Tibet through the Kuti pass. The Chinese does not only control these two passes at present but also approach to them from south is in the hand of china that offers them definite strategic advantages.

This shows that from centuries, these passes have served well for physical, cultural and commercial contacts between the two sides. At present, there is only one road linked between Nepal and china, which is the Araniko Highway. But it is just a seasonal road and Nepal has not benefited much from the highway. In, 2001, an agreement was signed between Nepal and China to construct another road linking kerong of Tibet through the Rasuwa and pass in Nepal. Nepal's Terai seems to be the most developed region of Nepal where as the northern most areas seem to be the least developed. The areas are not only inaccessible but also they are politically, socially and economically backward. Serious administrative and social obstacles exist preventing them from joining the mainstream of Nepal's national life.

Historically, although Nepal never occupied the status of a buffer state, the British did recognize Nepal's strategic importance. Therefore, while Nepal's independent status

was accepted, it remained within the British sphere of influence, as far as its foreign relationships were concerned. However, the independent India confronted an entirely different situation in the Himalayas. The emergence powerful communist China was a major threat. Chinese occupation of Tibet made the entire area of the Himalayas vulnerable. Considering the fact that India's border with Nepal was open and the bordering states formed India's heartland and the richest agro- industrial belt, it became necessary for it to consider Nepal within its security parameters in the northern defense system.

It is because of scientific experiences, that the geo-physical position has put Nepal in a situation that it is always imperative to nature and to sustain a good neighborhood policy. Due to open border Nepal has to have healthy and interdependent relationships with India for furthering her interests in trade, transit and socio economic interactions. And this is one of the crucial factors that the open border has further reinforced interdependence between them.

4.2 Historical Dimension and experiences

Before the unification, the Kathmandu valley was known as Nepal, which was ruled by various dynasties. They were Gopal, Aabhir, Mahaispal, Kirat, Lichhavi and Mallas. The Gopal and Mahispal rulers had no substantial records of their external relations. Kirati kings were also not very interested in the making and developing the external relationships rather than in the making of an administrative development of the state. (Manandhar 2004)

All the vamshawalis and chronicles mention that the ancestors of Aabhir, Lichhavi and Malla kings came from India. They had therefore religious, social and family relationships with their southern relatives.

But the lichchavi kings, mainly mandev, Amshu verma and Narnedra Dev directed their rules to maintain a close, cordial and co operative relationship with both the northern and southern neighbors I. e, Tibet and India. Amshu Verma, who was Mahasamanta prior to becoming the king, tried to maintain very amicable relations with both the neighbors, Tibet and India. Amshu Verma's daughter Bhrikuti was married to the Tibetan king Tsrong Tsen Gampo with a view to avoiding the forthcoming aggression and intervention from the Tibetan King Gampo who was, at this time a powerful and influential ruler (Dahal 2002)

During those historical experiences, it shows that they have maintained very close and good relations with the northern neighbor Tibet and southern neighbor, India. During that period, the trade and transit relationship had also become beneficial and excellent. Nepal was regarded as an essential entry port between Tibet and India on the one hand, and on the other hand Nepalese products were gaining huge markets in Tibet and India.

During 13th and 14th centuries, the Muslims of India had influenced Nepal. But the coming of Muslims and British rulers in the Indian sub-continent had also influenced the regimes of the independent units of this Himalayan region to develop amiable relations with Tibet mainly and then with China. But the independent Hindu states of India gradually lost their character and nature and the way of life due to the dominance of the Muslim empire and the British Empire. The changing political scene in India had lost its influence in the Nepalese thus before and after the unification. However they had maintained their relationship with the independent Hindu states and Empires. Hence, like Tibet and china, Nepal had attempted to strike a balanced relationship with the both kings of regime of south Asia. Thus Nepal had to deal with four actors in its international relations. (Kanta 1976)

After the unification of the kingdom, this newly formed Himalayan kingdom entered in to modern era. The late His majesty, Prithivi Narayan shah formulated the principle of the state that It would follow in preserving its security, maintaining economic relations and following a balanced policy towards Indian states. British India, Tibet and China. But his main focus was directed towards British India and china. He stated, “ The kingdom is like a Yam between the two stones” (Shashi 1989: 31) His successor and other decision makes had continued his theory and adopted its according to develop a political condition around it.

Since that time the foreign policy of Nepal and its relationships with both neighbors China and India had been influenced by geographical, political and also regional environment of the country. The Prime Minister Bhimsen Thapa had also adopted this concept in his foreign policy and tried to form alliance with the Indian Hindu states to drive out the British rule that were consolidating their position during 18th and 19th centuries Nepal had exercised a dominant position between the two great powers. Geographically Nepal had enjoyed as one of the forces reckon with this fact of central Asian region.

Because of Nepal's expansionist policy in territory during these two centuries had collided with the position held by the Chinese and British empires. Its attitude toward Tibet brought China into a Nepal- Tibet crisis. China tried to mediate it after the war of 1792. On the southern flank, Nepal's relationship got stuck with the rising resentment against the British rule and British influence. A war broke out Between Nepal and British India, which led to the signing of the Anglo Nepalese accord of 1816. This accord and other agreements afterwards with British re-denied the Nepal's international frontier. The agreement with Tibet under the presence of China and the 1816 accord reduced Nepal's position from dominant power to small nation status.

This country after 1848 was completely dependent on India for all-purpose. The British India acquired a special position here and also in Tibet. China was not such strong force due to emergence of Tibet as an independent actor in the international relationship of this region (Shashi 1989: 42)

If one looks at the history of its relationships, we can find that the situation was extremely critical in 1815. Nepal even threatened China that its suzerainty and vassalage over Nepal would be separated if it did not have a response against British India. The Anglo-Nepal war caused political friction and China decided to send a small military troop to find out what the reality was in the Anglo-Nepal war. But while the mission was on its way to Tibet, The treaty of sugauli had been concluded between British India and Nepal.

The Chinese mission found fault in the Nepalese action in Butwal. China begged excuse for its participation to defend it, as it did not like to act against the British interest and advised Nepal to resolve its issue with British India (Shasi 1989: 44)

Thus Nepal left no stone unturned to play its China card against British India to save its integration. But after 1816 treaty Nepal was drawn towards British India and its relationship with China became less important. More over China was pre occupied with its own internal problems. It affected its position in Tibet and Nepal. Nepal's policy became British India oriented. It became dependent on it for all-purpose.

This overall shows that Nepalese historical foundation is very much legendary and exciting as it is supposed to evolve through the process of transformation from matriarchal to patriarchal society with initiation of expert social reformers like that legendary hermit 'Ne' and 'Manjushree' who patronize and promoted Nepalese

identity amid small principalities and tiny divided nomadic republic communities. At the time when the world economy was being transformed from feudal production system into the capital industrial production system, Nepal was initiating the campaign of feudalist state expansion under the leadership of monarch that developed through the process of being elected from independent herd groups that could explore, change, elect and even execute to death if found committing misdeeds and the kingship was developed of an autonomous process of secular economy, culture and politics, a unique practice of its own. The process of state expansion that began with the then king of Gurkha, Prithvi Narayan Shah and continued till the tenure of Pratap Singh Shah, Rana Bahadur Shah (Patronized by Bahadur Shah), Griwanyuddha Shah and extended up to Tista in the east, Kangada in the west, Tibet of China in the north and present Uttarakhand, Lucknow and Gorakhpur leading to the Indo Nepal war during British India and Nepal's decline commences from the defamed Sugauli Treaty. Thus, in a very peculiar way Nepal is chained with semi-feudal and semi-colonial exploitation.

4.3 Socio-cultural dimensions

Nepal with its plural overtones belongs to the Indo-Ganga culture over-laying even Buddhism and Shamanism. Perhaps the most important reason for the spreading of Hindu values here was Nepal remained for long under Hindu rulers. The ruler of Muslim caused the Hindus mostly Brahmins of high castes and Kshatriyas sought refuge in Nepal. By the way their settlements in the hills, the Brahmanical social structure and values came integrated into the society of Nepal. The past kingdom of Nepal is the product of consolidating efforts of Prithvi Narayan Shah who in 1769 carved the kingdom out of a congregation of about 50 small principalities. The founder king was devout Hindu, who, in the wake of eclipse of Hinduism in India in the 18th century, considered Nepal to be the real abode of true tenets of Hindu dharma (government of Nepal 1960: 46)

From the middle of 19th century to the middle of the 20th century for about a hundred years under the Rana oligarchy in Nepal, the Brahmanic supremacy prevailed. Hinduism not only got the state protection but was also practiced by the state functionaries. The fact that the only person outside the Rana fold to wield some influence was Rajguru- the Royal priest who is an important index of Hindu religion

under the Rana autocracy. Besides, the conversion of Hindus to any other religion was absolutely prohibited by the regime.

Thus, Nepal has always tried to win over the good will of the Hindus the world in general and those residing in India, in Particular. Notwithstanding these facts, it can be asserted that considerable level of affinity has been prevailed between the people of the two countries. Though at the same, it is true that the zealous performance of Hind dogmas and rituals are no longer carried out in Nepal. The only thing is that Nepalese harbours have the ambition to be in the centre of the Hinduism or Hindu allegiance in the world.

Besides Hinduism, many of the hill tribal groups of Nepal are still primarily influenced by religions that were practiced before the advent of Hinduism in the region. Thus Mahayan Buddhism, a Tibetan religion called Bon, is still prevailed in the hill region of Nepal. In addition to Hinduism and Buddhism, Muslims whose population is concentrated in some Tarai districts also practice Islam religion.

On the other hand a great majority of Tarai inhabitants speak languages spoken in the Indian Gangetic plain. Among them languages such as Hindi, the majority of the people of the Tarai region speak Maithili and Bhojpuri. Thus the correspondence between the predominance of various plains and the languages spoken in Nepal and India are another measurement of the cultural affinity between the people of the two countries. Instances of ethnic and linguistic similarities and affinities between the adjoining in the tarai region of Nepal and those living in the adjoining districts UP, Bihar and West Bengal are too many and need to be enumerated here in detail. Marriage relationships and family ties among ethnic groups, tribes and communities of both Nepal and India, Particularly in the border areas, are quite common. (Kanta and Upreti, B.L 1984)

So the language is another element that brings countries closer or puts them far apart despite their geographic proximity¹¹. Most of the Nepalese feel close to India because

¹¹ It is the English language, besides other things, that brings the UK, USA and Australia close to each other despite the vast geographic distance dividing them India and other Commonwealth countries may feel the same way thanks to English. However, despite geographic proximity, France and Germany may feel distant because of the difference of their languages.

of the linguistic affinity. For instance more than forty-eight percent of Nepal's population is concentrated in the Terai districts adjacent to Indian states of Bihar and Uttar Pradesh and the people on both sides of the open border commonly understand Hindi. Certain Terai – based political parties of Nepal such as Madhesi Janadhikar Forum, and Tarai Madesh Loktantrik party want Hindi to be the lingua franca in the Terai. The people of the Himalayan districts constituting some eight percent of Nepal's population understand Tibetan and feel linguistically close to Tibet.

The communities living in the north have been influenced by Tibet on their habits, languages and customs because of the prosperity of trading community and the livelihood of the people living in the extreme north depending on the trans Himalayan trade.

Although the civilization of neighbouring Tibet to has influenced the cultural life of the Nepalese, the Indian influence is far more predominant because of greater contact of Nepal with India. In the past, the Terai which was like a part of the Gangetic plain, did not prevent the waves of Indian settlers, in quest of new pastures, from entering into it, so by degrees the whole of Terai came within the sphere of the Indian influence and culture in contrast to the mountainous region which was almost wholly inhabited by the Tibeto-Burman stock with a few Aryans. (Thapa & Thapa 1969: 14),

Of-course, Nepal has no choice but to accept its existing geography. Nepal's location along the Himalayan makes her the most strategic defence outpost for India. Nepal is influenced more by the Indian culture then by the Chinese (Tibetan) culture. Though Nepal is trying to strengthen her relations with China by various means, the impact of geography, history and culture cannot entirely be eliminated.

These experiences that are shown above, show that Nepal is a multicultural country. Unfortunately the main problem of the Nepalese government is that they are really lag behind in several aspects like; to change the existing laws, rules, regulations, practices, codes of conduct, balanced distribution of opportunities across regions, culture, cast, religion, communities and the urban and rural areas. The main factor is that these aspects are the missing elements that are keeping Nepal from maintaining and exchanging their socio-cultural and good relationship with its northern neighbour.

4.4 Political Dimension

In the global powerhouse of ideas, debate is raging today on how to deal with failing and failed states or how to explain the peaceful rise of China under communism and India shining in democracy.

Geographically, Nepal is a land locked country surrounded on three sides by India and on one side by China. Nepal's extensive relationship with India cannot be one-sided with China and its extensive relationship with India cannot be put on equal footing with China despite the latter being its immediate neighbour.

The pattern of the relationship between India and Nepal, which developed particularly during the period of British rule in India, has been an important consideration. Since that time a political relationship existed between those two countries. The dynamics of such political relationship has been shaped by the typical historical pattern during the British rule, and latter, India's role in Nepal after 1950 – 51.

If the Nepalese political history is to be observed in different periods of time, then you can conclude that there have been three major political changes in different turn of history. The first is the end of the Rana regime and the revolution of (1950) (First Delhi Agreement), the second is the people's popular movement of 2046 (1990) ending the autocratic Panchayati System and restoring the multiparty system and the third is the people's movement II of 2062/63(2005) causing the end of the monarch and the establishment of the republic system (Second Delhi Agreement).

If the political backgrounds of all these historical events are to be observed, then you can see that there seems to be a direct and indirect role of India. This is the reason why people leave Nepal as it tend to be a nation of Indian colonial effect despite its claim of ever independence.

As if it were a hurricane in a teacup, the Nepalese politics is stormed from the South and blown from the North. The foundation of modern Nepal was laid by unifying different principalities of hill and Terai during the mid eighteenth century. Then the Nepali's foreign policy was based on 'don't initiate the attack but never leave those who affect. Nepal believed in the policy of remaining ever free and sovereign without bowing its head down with any one. Nepal can be seen as a jam between two boulders. But then British India severely challenged the base of the Nepalese foreign policy by persuading Nepal to sign the imbalanced and disrespecting Sugauli Treaty of 1816. Thus Nepal was made a semi-colonial and semi-feudal state. This situation

has not substantially changed even today. Till date India has maintained its supremacy over Nepal through different formal and informal, open and secret agreements and imbalanced treaties. Which shows the interference of India in the Nepalese diplomatic and foreign relationship even today.

The background of the political independence is the crucial component in each free and democratic nation. Nepal, one of the youngest democracies of the world, seems lagging behind in terms of development due to the lack of research and objective studies. The role of the neighbouring countries is always crucial in the development of a country.

There are numerous complexities between Nepal and India. Some of these complexities are natural whereas some are rather unnatural. After its independence from the British rule in 1949, it was expected that India should play a progressive role in developing nations such as Asia and Africa. India played this expected role because it has an ancient civilization, a large area, and a large population. But unfortunately, India kept on adopting the traditional conservative pathway. It was especially Nepal that became its immediate victim as India always attempted to control its economy and foreign policy through continuous efforts of keeping Nepal under the broader security umbrella. From here on, India was attempting to keep Nepal deprived of the impact of socialism in the name of its “special relationship” and also to continue its influence over Nepal. Even the political parleys of making and breaking the government were clearly controlled through Delhi.

4.5 Issues and Challenges in Nepal-India Relations

Terms like “special relationship” (1951-1954) and the reuse of the same term during 1990 had an onwards-provoked intense controversy in Nepal. In this connection it would be appropriate to review the concept of this “special relationship” with Nepal. And had a strong dislike of the latter’s policy of equidistance or balanced relationship. After 1900, India emphasized its “special relationship” with Nepal and this had a strong dislike of the latter’s policy of equidistance or balanced relationship. Indian Ambassador to Nepal, SK Sinha and Indian foreign Minister IK Gujral made remarks emphasizing India’s special relationship with Nepal and rejecting Nepal’s policy of a balanced relationship or equidistance that is, a policy of keeping India and China at equal distance without making any discrimination between them. (Singh 1994)

On the other hand not only the Indian foreign minister has emphasized onto Nepal and India to have a 'Special relationship' but also the Nepalese leader K.P Bhattarai made an official statement in April 1990, soon after assuming his Prime minister ship "brotherly and close to India and friendly to China". The Chinese Prime minister, Li Peng, in his congratulatory message to the Nepalese counterpart, expressed his dissatisfaction over the statement made by the Nepalese Prime minister and emphasized that China has an historically close and friendly to Nepal (Dahal 1991: 23 – 24). Ganesh man Singh, supreme leader of the Nepali congress party of Nepal (NC). Had expressed the view that NC gave more priority to its relationship with India then to any other country of the world because this was a reality of Nepal (Sapthahik *Nepali Awaz*, May 14, 1990, *Nepal Press Digest*, May 1991)

So there is always a point of debate in the area of foreign policy regarding the question of this "special relationship" with India. It is true that Nepal and India has a long-standing relationship, both at the level of the people of the two centuries and that of the two governments, there is also an open border of 1,800km between the two. Both Nepal and India are secular countries, which have a predominantly Hindu population. But a big question rises: whether if these compelling conditions are to declare that Nepal and India have a "special relationship"?

So in the perspective of foreign policy, this seems to be a difficult question to answer. Because Nepal and India do not have a special bloc, they do not have special alliance for against. They do not have anything "special" that signifies this relationship to be a "special relationship".

Since Nepal, moreover the Nepalese people, have the impression or the believe that they are badly been cheated upon, by India in all water agreements, treaties on water resources and other cases, the people in Nepal look onto every Indian activity with great suspicion. The issue of replacing the 1950 treaty with India according to the spirit and aspirations of the Nepalese and according to the need of the time and situation is another issue in the relationship between Nepal and India.. India's repeated stress on the treaty or India's attempt to institutionalize the unequal 1950 treaty against the interest of the Nepalese moods has created further confusions in their relationship.

The terminology of a “friendly relationship”, a “good relationship” or “excellent relationship” is generally in use in expressing the relationship between two independent countries. If there is something that signifies this “special relationship” than it clearly should be opened for discussion. “If” is only for the appeasement, the question of this “special relationship” should be discarded without any hesitance. But till the date, no body has become able to give a convincing answer to this question and this seems that India still wants to keep Nepal under its security umbrella and repeatedly insists on the affirmation of the “1950” treaty and defining its special relationship with Nepal under it.

According to the various literatures, there are many agreements between the two countries which were signed different period in different issues. Many of them are transparent but few of them are said to be still unknown to the public. Some of the treaties widely known to be unequal and among them one of the most controversial accords is “Treaty of Peace and Friendship of 1950”, which is popularly knows as “1950 treaty”

Another issue and challenge is the “Gorkha Recruitment”. The recruitment of Gorkha soldiers in the British and Indian army are “mercenary troops”, though calls as “a link between two friendly countries”, which became a question of great controversy in Nepal. In November 9, 1947, a Memorandum of Agreement among the Government of the United Kingdom (UK), the government of the Dominion of India and the Government of Nepal was signed in Kathmandu regarding the recruitment of Gurkha soldiers. With the implementation of this tripartite agreement “Tens of thousands of brave Gorkha soldiers are recruited in to the Indian army and at times have fought for India.” (Jha 1998: 1) Those soldiers were used against Nepal’s neighbouring and friendly countries (e.g. against China in 1962, against Pakistan in 1965, 1971 and 1999, and in Srilanka), which has raised serious doubts about Nepal’s nonalignment. This causes Anti – India activities in Nepal and Anti-Nepal activities sometimes conducted in India, as a chronic irritating factor.

Kalapani is another important issue of debate between Nepal and India. Although the Indian Government kept quite in this issue, the Nepalese parliament, political parties and the general people and the street were heated by the Indian army presence in Kalapani. The Indian presence on Nepalese territory and Kalapani started from 1962 during the autocratic Panchyat period ruled by King Mahendra. It was King

Mahendra, who kept silence in the establishing of an Indian security station at Kalapani using Nepalese territory. He wanted to please the Indians so he could achieve Indian support so it would legitimize his royal coup and prolong his autocratic rule. The signing of exchange of Letters on the import of arms on 30 January 1965 followed the silent approval for the use of Nepalese territory at Kalapani. These were the two suspicious steps taken by King Mahendra in his foreign policy agenda for fulfilling his political move and ambition. The politics was thus used in foreign policy and the foreign policy was used for politics in Nepal. King Mahendra was a glaring example.

The mainstream political parties seemed to be mature and pragmatic in the Kalapani issue and viewed that "the issue should be resolved through diplomatic channels on the basis of historical facts and evidence (Bhasin 2005: 1651 -1668)

4.6 Policy of Equiproximity

As it has already been mentioned above, the bilateral relationship between India and China has been moving in twists and turns. During the 50s the relationship between these two giants states seemed to be very warm, (based on the slogan of “India China bhai bhai” (India and China are two brothers). But this fraternity turned into hostility during the 60s when ostensibly the border issue engaged them in a bloody war, which naturally turned them to be foes. Thereafter the relationship between them was too sour, which took about three decades to arrive at normalcy.

In these circumstances it seems like little difficult for Nepal to adopt a balanced foreign policy with both its neighbours. Nepal southern neighbour has been able to utilize the 1,800 km open border and the system of free border crossing in its favour to exert its influence in Nepal. Mainly the 1950 treaty, which is considered to be unequal, has been used as a legitimate means to further the influence. The northern neighbour does not have this advantage, having an accessible 1,000 km closed border.

There is broad consensus in Nepal over the question of an equi-proximity relationship between India and China. In fact this policy only can serve the interest of Nepal by maintaining a balance in the relationship with its two neighbours and taking benefit from the economic development of them. But in reality this policy has never been implemented. There is real problem in implementing this policy, because Nepal's southern neighbour is reluctant to this policy. When one talks about an equi-proximity

policy, one has to face many difficulties and pressure. When the late Prime Minister Tanka Prasad Acharya tried to develop the bilateral relationship with China, about 50 years ago, he was accused as pro Chinese until he survived. Everybody till now knows that the elderly politician was not Maoist or communist, rather he was truly a patriot. This also happens to the ex- Prime Minister Prachanda, when he made his first trip to China, the other political parties and newspapers said that, because he was a Maoist and communist he first had visited China and then India. However, he was blamed to be pro- Chinese, only because he tried to think independently in foreign relation and for which he thought that a developing relationship with China was significant for the National interest of Nepal. So these are the main factors that keep Nepal from not maintaining a balanced relationship with its northern neighbour as like it has with India. And by looking through different points of view in present multiple realities, the equi- proximity policy is properly justified.

On the other hand, it seems that because of the increasing pressure of the United States of America and having no concrete support from the neutral and non- aligned countries, China felt its position is insecure in the international arena. China felt it needed support from the countries, large or small, as many as possible. So it seems that China used her strategy in Nepal in the same as it used it towards other neutral and non – communist countries. China was also ostensibly trying to safeguard Tibet, its gateway from any quarter. It also thought it is necessary to commence a diplomatic relationship with Nepal. Which led that Nepal also thought that her national identity was going to be superseded by India for which the former got an opportunity to display its strategy and tactics to counterweight the north against the south. It was behind this fact, the diplomatic relationship between Nepal and China, the progress got more rapid and the steps for it were taken by Nepal rather than China. It was also China who extended approval of the Nepalese advances, which could be clearly seen during the period of Mahendra. The China – India discord acted like a catalyst between the relationship of Nepal and China. The position of Nepal would be important for the manoeuvre of China against India and it could not be maintained without loosening the Nepal- India affinity. The time was also suitable as the anti- Indian feelings bubbled over Nepal. China grasped the Nepalese mind and continually staked it to widen the breach further. Also China supported the royal regime contrary to its ideology and backed them rather than the communist forces in Nepal. It certainly thought that it could not achieve its interest by supporting the communist

forces because it was weak to destabilize the king. China held its relationship with Nepal on the same level as its relationships with other 3rd world countries. Its policy towards Nepal was less opportunistic than the policy followed by any western country. China used its economic aid, programmed as its weapon, in cultivating its relationship with Nepal. Because of that, Nepal came in the category of the non-communist countries that got aid from China in 1956. Although it was low in quantity, in comparison with other countries, it was used as propaganda machinery to make qualitative distinction between the Chinese aid and the aid extended by other countries. History also shows us that China stood firm to save the royal regime in Nepal against any kind of danger from India. Thus China made strong footing on the Nepalese soil.

In its regional policy it compelled Nepal to follow the policy of equidistant towards both neighbours and even demanded for the greater freedom of operation near the Nepal- India border similar to the Indian freedom of Operation near the Nepal- China border.

China has never stuck to its policy based on 'Panchasheela', non-interference, non-encroachment and is never interested to create issues and problems in any reference like that of border issue and so on. The instance of the Chinese assistance to Nepal is concentrated in the production sector and in the large infrastructure projects, which also justify its policy. There have been many border agreements between Nepal and India but there are no disputes between Nepal and China except in one or two small border cases. Even so China has never attempted to establish a 'special relationship' with Nepal. The analyses of these events prove that China has ever displayed high courtesy and respect to Nepal historically. Likewise, China has never interfered in the Nepalese domestic affairs and even in the political and diplomatic endeavours.

4.7 Nepalese political culture

Nepal is a multicultural and multifaceted country with delicate but conservative political culture. Political culture is a belief, orientation, cognition, and patterns of individual attitude toward politics among the members of a political system (Almond and Powell 1975: 50) In Nepal politics and governments change more frequently but the pace of political culture is slow motioned.

In Nepal patrimonial and Hindu hierarchal social systems are other responsible impediments. The Nepali society and political culture are not liberal compared to the fast changing global politics though the political system and government change. Unstable government and stagnant development process have pushed the Nepali society backwards. Although some changes did occur over the past two decades but the changes have hardly changed the Nepali mindset. It is surprising when we see the political trend in Nepal because most of the political decisions are made in New Delhi¹². Despite passing through different stages of change, this tiny country still lack a strong political leadership. The attitude, behaviour and nature of 'the' old mindset (leaders) have not been able to change necessary perquisite for the well being and prosperity of the people and the country.

The Nepalese political culture is an intrinsically complex and is based on a patrimonial culture and patriarchal system. An insider can see the impact of the Hindu social system on political institutions and behaviours (Joshi and Rose 2004) but on the outside it looks simple and vulnerable. It has an orthodox political value.

The composition of the Nepali society is complex, multifaceted or multicultural. At least there are six religious, over 92 languages and dialects. In terms ecology, the country comprises three zones: mountain 15%, hill 68% and terai 17%. There are 59 Janjaties (Indigenous nationalities) and altogether more then 103 castes/ethnic groups, and development disparities and discriminations (CBS 2001) such diversities have created heterogeneity in the nation.

The Nepalese political culture is a typical culture. This Nepalese political personality is gradually emerging, drawing inspirations from its own historical and cultural background as well as from India. (Joshi and Rose 2004). Politics in Nepal are heavily influenced and inspired by India and in crucial times guided by India. But transformation is missing in the Nepalese political culture. This is also one a very important element and factor, which makes Nepal heavily, influenced by its southern neighbour.

4.8 Complexities of Nepal's Foreign Policy

¹² Like we can see from 1950 to 2007 second Delhi agreement there has always been Indian influence in Nepalese politics.

Foreign policy of every nation- state has a vital core, important national interest, often dictated by compulsions of geography and is permanent in nature¹³ but foreign policy is decided by major actors of the time based on their political predispositions. Foreign policy is a broad and vague discipline. It is true that in the Nepalese foreign policy the problems have arisen due to its geographic location, some are born and brought up from the past and others are developed with the demand of the time and the weakness of diplomacy.

Therefore it would be an objective and scientific approach to attempt and to conclude about the Nepalese foreign policy and the relationship of Nepal with its neighbours only after overseeing the historic backdrop.

Despite remaining safe and sovereign even if it is located amid a huge Mongolian territory in the north and similar vast land of Aryan domination in the south, Nepal is a land of Shangri-La and is a mountainous terrain (it is often narrated as an exotic land of meditation and worships). The historic factors shaping the foreign policy of Nepal are:

1. Invading the freedom and the productive agrarian land of the humble Kirant indigenous by those Aryans who were defeated and driven away by the Muslims from the plain land of Indus Valley.
2. The Creation of situation of war between India and Nepal during the British colony in India and the imperial policy of British India due to the over ambitious national expansion policy of the King of Gurkha, Prithivi Narayan Shah.
3. Losing the war with British India despite the display of high-level bravery and some persistence.
4. Losing the traditional economic independence after the historic treaty of Sugauli in 1816.

¹³ First expressed by Scholar/ Politician former British Prime Minister Benjamin Disraeli, the saying “*in foreign policy there are no permanent friends or enemies, there are only permanent interests*”. Was best articulated by Lord Palmerston when he was British Foreign secretary

5. For being the so-called unification of Prithivi Narayan Shah not a democratic but unitary centralized and monarch centered.
6. After the imbalanced treaty of 1950 between Nepal and India (Involving King, Rana Nepali congress party of Nepal, and India) the semi – feudal and semi colonial exploitation further increased and despite the downfall of Ranas and transfer of power on the Monarch the feudal power remained as it was neglecting the indigenous groups on the name of centralized governance that promoted the cultural and linguistic ties with the southern boarder giving rise to further dependence interest.
7. Even after driving away the British from India, the Indian power centers continued implementing the British colonial mindsets leaving in Nepal in the vicious circle of dependency practically despite having a glorious history of independence, which never ended the struggle within the nation, and these factors ultimately sent the foundations for Nepalese foreign policy.

In order to get liberation from these problems and for the restoration of actual freedom and sovereignty the Nepalese continued to struggle and keep on swinging in the name of political struggle. Which Nepal did by the back of objective analysis and interpretation, which is the practice of offering the liberation and sovereignty sometimes to the Indians, to the name of democracy and sometimes to the King or to the name of nationality.

Although the people's revolution initiated under the leadership of the Nepali communist party (Maoist) from 1996s which caused the downfall of the 250 years long autocratic monarch aiming to end the era of injustice and semi- colonic situation in the establishment of federal republic Nepal. Yet the true political solution has not been achieved. Every political party has its own logic and opinion about the exit about this political period of transition. Even party leaders use to deliver speeches promising to change old traditions and systems. However, now they are finding themselves participating in the illusion of the hundred-year-old traditions, they are not able to recall their dual character and inconsistent policies to make a balanced relationship with its neighbours. (Baral 2008: 3)

On the other hand, Nepal is sandwiched between two Asian giants, not only geographically but also ideologically. Nepal has been compelled to see security concerns of both countries; China with the communist philosophy as the ruling

ideology to the north and India with the largest parliamentary democracy to the south. Since these two immediate neighbours have adopted the opposite political philosophy to rule their countries, Nepal has always been motivated towards India due to its political culture. (Most of the Nepalese leaders have been taken education in India as well as due to the name of Hinduism which most of them were highly inspired by)

Hence, the Indian governments, Indian rulers and elites have directly or indirectly, influenced the internal political developments since 1947. Nepalese politicians, parties and elites are also responsible for this dependency, who wanted to have an Indian influence in the internal power structure for either securing power in the government or consolidating strength in internal politics. Ironically, the Nepalese society have sometimes witnessed that the existence or continuance of the Nepalese governments depended on approval or acquiescence of India. It is unfortunate for the Nepalese governments' viability or legitimacy or continuity to be dependent on the political or diplomatic clout of India. Another main factor is the psychological factor. The development of Sino-Nepal bilateral relationships and cooperation made India suspicious and irritated. India often felt that the development of China's relationship with Nepal was with vital strategic intension of China to counter Indian interests and involvement in Nepal. So we can say that these are the most important factors for the reason that Nepal has always been influenced by India and due to this Nepal has not been able to keep a balanced relationship with its northern neighbour like it has with its southern.

4.9 Economic Dimension – Nepal – India

It is rather difficult for a small country with a poor economic base like Nepal to enhance its foreign policy in a world where economic forces are reigning over others at an increasing level. The economic base of the country is weak due to low economic growth, financial and resource constraints and technological handicap. Nepal is sandwiched not only between two big nations, but also between two big economies and markets. The semi- feudal and semi-colonial state of the country, underdeveloped status of the economy and the reality in which the majority of the people live below the poverty line, are the present day drawbacks of Nepal.

4.9.1 Historical Background

Until 1951 Nepal had very little contact with countries other than India, Tibet, and

Britain. Movement of goods or people from one part of the country to another usually required passage through India, making Nepal dependent on trade with or via India. The mountains to the north and the lack of economic growth in Tibet (China's Autonomous Region) meant very little trade was possible with Nepal's northern neighbour.

Prior to 1951, there were few all-weather roads, and the transportation of goods was difficult. Goods were able to reach Nepal by railroad, trucks, and ropeways, but for other parts of the country such facilities remained almost non-existent. This lack of infrastructure made it hard to expand markets for trade and pursue economic growth. Since 1951 Nepal has tried to expand its contacts with other countries and to improve its infrastructure, although the lack of significant progress was still evident in the early 1990s. The effects of being landlocked and of having to transit goods through India continued to be reflected in the early 1990s. As a result of the lapse of the trade and transit treaties with India in March 1989, Nepal faced shortages of certain consumer goods, raw materials, and other industrial inputs, a situation that led to a decline in industrial production. (Rawat 1974)

Nepal's economy is irrevocably tied to India. Nepal's geographical position and the scarcity of natural resources used in the production of industrial goods meant that its economy was subject to fluctuations resulting from changes in its relationship with India. Trade and transit rights affected the movement of goods and increased transportation costs, although Nepal also engaged in unrecorded border trade with India. Real economic growth averaged 4 percent annually in the 1980s, but the 1989 trade and transit dispute with India adversely affected economic progress, and economic growth declined to only 1.5 percent that year as the availability of imported raw materials for export industries was disrupted.

The Nepalese rupee is linked to the Indian rupee ('rupee is the currency of Nepal as well as the one of India) Since the late 1960s, the universal currency has been Nepalese, although from 1991, the Indian currency still was used as a convertible currency. During the trade and transit dispute of 1989, Nepal made the convertibility of the Indian rupee more difficult. (Katti 2001)

Agricultural domination of the economy had not changed by 1991. What little industrial activity there, was largely involved in the processing of agricultural products. Since the 1960s, investment in the agricultural sector has not had a parallel

effect in productivity per unit of land. Agricultural production continued to be influenced by weather conditions and the lack of arable land and has not always kept pace with population growth.

Nepal suffers from an underdeveloped infrastructure. A weak public investment program and ineffective administrative services exacerbate this problem. Economic development plans sought to improve the infrastructure but are implemented at the expense of investment in direct production and result in a slow growth rate. Further, economic growth does not keep pace with population growth. Largely dependent on agriculture, economic growth also is undermined by poor harvests. The growth of public expenditures during the first half of the 1980s doubled the current account deficit of the balance of payments and caused a serious decline in international reserves.

Nepal's traditional trade was with India in the 1950s; over 90 percent of its foreign trade was conducted with it. Goods moved by land for at least a few hundred kilometres through India, and a good relationship with India was essential for the smooth transport of goods to and from foreign countries. Most of Nepal's basic consumer goods were imported from India, and most of its agricultural exports went to India. India also met the basic needs of Nepal's industries with supplies of coal, cement, machines, trucks, and spare parts.

The March 1989 impasse in negotiations for trade and transit treaties with India seriously damaged Nepal's economy. The transit treaty had allowed goods from third countries entering at Calcutta to pass through to Nepal and exempted them from customs and transit duties. The treaty allowed trade to transit at twenty-one border points, and primary commodities were essentially duty-free in both directions. Imports from India had no quantitative restrictions and low tariffs.

As a result of the breakdown in negotiations, only two trade and transit points remained open--both in eastern Nepal. Nepal's exports to India were subjected to high tariffs, and imports from India also carried increased costs. The dispute was not solved until June 1990 when Nepal and New Delhi agreed to restore their economic relationship to the status quo ante of April 1, 1987.

Although India remained an important trade partner in 1991, foreign trade with India has been on the decline vis-à-vis other countries since 1960. Trade with India decreased from more than 70 percent in 1975 to about 27 percent of total trade in

1989. However, the trade deficit with India in this period increased at an annual rate of about 11 percent. Overall shows that for India, Nepal is one of its largest and most of lucrative markets

4.9.2 Problems and Trade Imbalance

Nepal is a landlocked nation, surrounded by India on 3 sides and by Tibet in the north. Historically, international trade before the 1950s was with these countries. Exports have consisted of primary agricultural produce, while everything not produced locally has been imported. Throughout the years of development, these imports have included industrial inputs, fertilizers, and petroleum. Since the 1970s, the balance of trade has been increasingly negative. During the same period, however, exports of garments and carpets have grown; reaching sales close to US\$300 million, and trade with other countries has increased to the detriment of the trade with India.

Nepal's basic trade problems arise from a huge commodity concentration and a high geographic centralization in its export trade, coupled with an increasing trade deficit. Nepal is excessively dependent on India as the only market for its entire foreign trade, placing it in a unique and problematic situation. Nepal is forced to this 1 market because of its claustrophobic topography and also because India is a transit country providing Nepal with an access to the sea. As a result of developmental efforts, however, Nepal's total imports are likely to grow whereas its major exports are subject to uncertainties. Transfer of unrequited capital has met deficits in the trade; this situation is likely to get worse without substantial improvement in the Nepali's exports. In addition, since the 1950's Nepal has had several trade treaties with India to accommodate its disadvantaged position in trade. The latest threat in 1971 imposed a condition that Nepal's exports to India should contain at least 90% of Nepalese materials. This was aimed at generating greater income, output, and employment opportunities for Nepal while maintaining a balanced trade exchange. Indo-trade relationships have been marked by free trade between countries; however, the proportion of Nepal's trade with the rest of the world is very small.

Geographic constrain is no doubt the major constraint for the development of trade in Nepal. But still several reasons exist behind it. The domestic environment, regulations and infrastructural bottlenecks, fluctuating exchange rate, political instability all act on it. Agricultural, technological and economical backwardness, all are hampering the trade in Nepal. The productions are found to be of low quality and have no demand in

the international market. Agriculture is the mainstay of the national economy, which contributes to around 40 % of GDP (Gross Domestic Product). But development of agriculture is very miserable. Whatever is being produced are of low quality and therefore without market.

Further, economic reforms such as globalization and liberalization have been initiated worldwide. That's why international trade has become more challenging and competitive. In this situation due to the technological backwardness, the country is not able to compete in the global market. That's why Nepal's entry into WTO (World Trade Organization) couldn't have become too much fruitful. As foresaid geographic landlockness is the major problem of the Nepalese foreign trade. Other problems are agricultural dominance, technological and industrial backwardness, low productivity and high costs etc. Similarly, small size market, lack of market strategy, lack of concrete and long term trade policies, limited export base, limited manpower are the major constrain of the Nepalese foreign trade.

It has been frequently recognized that Nepal possesses limited exportable articles when compared with India. On the other hand, Nepal is being predominantly a land-locked and agrarian country; the country requires many articles and items in bulk for heading towards an industrial era. Various industrial raw materials, semi-finished as well as finished products are required in huge quantities for developmental works besides the requirements for fulfilling the peoples' increasing needs. India exports the manufactured goods and articles in higher proportion to total export. Due to the persistence of unequal balance between demand and supply of goods and articles, the questions of balance of trade and balance of payments have been in central when the Indo-Nepal trade relationship is considered. Trade balance in total with India has in value not been reduced significantly. The total has remained in between NRS 18 billion to NRS 20 billion since 1996/97 to 2001/01. The share in total trade deficit reveals an average of 32.3%. For a healthy trade relationship this cannot be seen as a good sign. On the other hand, it creates in the management of foreign exchange currencies.

The fact that Nepal is almost totally dependent on India for foreign trade is the result of one hundred and fifty years of the British influence when the Nepal's contact with China had steadily declined. The British policy motivated by political consideration deliberately encouraged Nepal to develop its southern trade

4.9.3 Economic Dimension: Nepal-China

The establishment of communist China in 1949, the overthrow of the Rana regime in Nepal in 1951 and the independence of India in 1947 with a changing context of the post world war situation of bi-polarism and ideological differences also marked the economic relationship of Nepal and China (Ghoble 1986: 76). Nepal being subservience to British India for 104 years was isolated from others except Britain. But after the political upheaval in Nepal, the economic policy changed and was thought by the intellectual circle about how to minimize the over dependence on India. This intention was at first reflected in the signing of the Nepal-China agreement on Trade and Intercourse on 20 September 1956. The over dependence on India since long, being a small land-locked country between two neighbouring giants and the policy of equidistance towards both dragged Nepal to advance its economically relationship with China.

The history of the trade relationships between Nepal and China has had a long passage from a distant past and if Nepal had any trade relationships with China it would be in the form of local trade between Nepal and Tibet. History shows that the trade between Nepal and the Tibet region of China increased so much from 1972 to 1975.

The Nepal-China economical relationship can be examined and evaluated by analysing the two different contexts of economical parameters. One is the industrialized and developed economy of China and the other is the underdeveloped economy of Nepal dominated by agriculture and traditional handicraft.

The period during 1970s witnessed the growth in economical aspects in the Nepal-China relationship. China entered in to more and more agreements undertaking different projects. Even though they were poor in comparison with India, they had immediate impact. China also used its propaganda stick to hold its position in Nepal better than India. Though China tried to compete India in its relationship with Nepal beyond limitation, it was because China knew that it would never full fill all the demands of Nepal if it completely leaned towards it. Being a land locked country, Nepal has to yield at any time to India, in its transit state and in its social norms and values together with cultural ties, it has a closeness with India rather than China which is why India remains as a main factor in the Nepal –China relationship.

China's development of infrastructure in Tibet will also provide new opportunities for Nepal. To give linkage to each country there must have to be a construct road and infrastructure. Nepal needs a high quality road network to be linked with its northern neighbour. The government of Nepal also has to talk with the Chinese authority, which can make linkages with each other border. The other factor by which Nepal can take benefit is that the Chinese are investing more and more of their resources in South China, Tibet and Western China. This seems that China has a 'Go west' policy. And to develop the linkage between these regions, the Nepalese government must have to think about the linkage, which can cover a bigger scale of economic trade between each country.

4.10 Security Issues & Logo centre of the two giants rivals

It is paramount duty of every state to safeguard its sovereignty and promote its national interest. A country has to take initiative for war or peace when its existence and security are at stake. A country, therefore, needs a continuous evaluation of security situation at national, regional and global level effecting a skilful adjustment and implementation of its security policies accordingly. The central issue of a security affair is to precisely determine in the source of threat or possible threat and to make internal preparation for adopting a strategy and tactic to muster external support or assistance.

Caught between two different ideologies, communist China and democratic India's security has a calculus of dynamism in case of Nepal. It's seems that a more and more challenging country, in comparison to a small, weak, landlocked and least developed country like Nepal, is trying to get a regional leadership as well as to have a desire to become a super power in global perspective. Nepal is important to both India and China in that they see Nepal like a buffer and therefore wish that this remained in function for their multifaceted relationships. Whereas this fact of being a buffer is very natural when you are situated between two big and powerful countries. That's why interims of military and economically big countries always have wanted to control a weak and poor periphery country to get regional leadership hegemony.

Security has become a matter of major concern for India since 1951. India, in the 1950s, had tried to take security in its hand and tried to play a diplomatic game with the political leaders of Nepal. The Nehru government tried to influence three

Nepalese ministers in the MP Koirala government in New Delhi, who presented an *Smriti Patra* (Aid Memoire) to Prime Minister Nehru, and it clearly mentioned that Nepal's foreign relationship should be conducted by India. India had signed a similar agreement with Bhutan in 1949, according to which the former was to be consulted by the latter in the conduct of foreign affairs and defence. (Dikkshit 2054: 4). As stated, earlier, the Nehru government tried to bring Nepal under its security umbrella by forcing the Ranas to sign the unequal treaty in 1950, which has a security and military flavour.

After the Sino-Indian War of 1962, India began to push in to the Nepali territory citing national security. Since the treaty signed by Nepal and India in 1950 stipulated that India would support Nepal regarding its own security, this provided India an opportunity to define "My enemy is their enemy" and that created confusion in China. It also allowed the Chinese belief that Nepal always sides with India, to become deep rooted.

There is 1800 km long border between India and Nepal without any buffer zone like Tibet between Nepal and China. India always fears the entry of a third country in Nepal. Which it thinks, might damage its security interests. In 1998 Nepal purchased an arms from China. This too played its part in the embargo that India imposed on Nepal with the expiry of the trade and transit treat, which made this purchase by Nepal the most important security, related decision taken regarding India.

Caught between the dragon and the elephant, Nepal has to balance both the Indian and the Chinese strategic and security interests. Besides the geographical and strategies factors, there are political obligations, economic necessities and historical bonds, which measure the foreign relationships and the security situations of a Country. It's true that the politics of Nepal has undergone a number of ups and downs in recent history. Today, Nepal is going in a new direction. In the context of the Nepalese politics, its political scenario has been totally changed. The changes, in the imaginative domain of the Nepali people by the 10 years long Maoist insurgency and the subsequent incorporation of the communist party of Nepal (Maoist) in a pluralistic democracy, brought them in a mainstream political fold. These changes have also brought the changes in the political culture and ideology.

It is true that on one side India has played a vital role for the Maoist to take them in a mainstream political fold but on the other side, India has also worried about the Maoist movement in a pluralistic democracy. Because the Indian government is puzzled by one fundamental problem called 'the Maoist movement' (which sprouted from the Naxalbari (India) area of West Bengal) that has become desperate to its own security¹⁴. Because of India's rivalry concept towards China, the Maoist movement seems to measure a headache for them like having a psychological question: Could China is encouraging the Maoist movement in India? Or is it Nepal?

This dispute gives the 'punishment' to Parchanda (a Nepalese communist party with a Maoist leader), by making him controversial resigned by his Maoist government to fire the army chief and by creating heavy pressure from the Indian government and from another political party of Nepal.

During the resignation period Prachanda clearly addressed himself to the nation and blamed "*the President and foreign powers for his downfall in Nepal*"¹⁵. This statement clearly indicates that politics in Nepal are heavily influenced and inspired by India.

Due to the Indian psychological war and fear with China, India will never want that Nepal becomes a Communist country. It seems that if Nepal will be a Communist country, it will for a big threat as well as a big challenge for the Indian national security. Due to these strategic and security factors, India always want to keep Nepal under its security Umbrella and repeatedly insists on the affirmation of the 1950 treaty and defining its special relationship with Nepal under it.

Due to the technological developments and ideological innovations, notwithstanding, it is true that the competition has got a new dimension because the two Asian giants have the desire to become a super power in global perspectives. Nepal's strategic location has afforded it a scope for manoeuvring its external relationship within certain limits. These limits are in practice, set by what India and China consider to be

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http://www.bbc.co.uk/blogs/thereporters/soutikbiswas/2010/03/indias_maoists_a_doomed_revolution.html.

¹⁵ http://www.nepalmonitor.com/2009/05/nepal_pm_prachandas.html

their minimal interests in a given situation. However, after the discussion made above, it's clearly justified that if Nepal feels tempted to go beyond the practical limits to its capacity to manoeuvre, Nepal will court as a real danger and it will be proved by an Indian influence in this small and tiny state. In the case of its Southern neighbour, Nepal's threat perception is largely based on its so- called hegemonistic attitude, vis-a vis Nepal and India's vastness on the one hand and Nepal's excessive dependence on India on the other. Thus Nepal's security problem vis-a –Vis India is largely a psychological problem, which has been described as 'fear psychoses'.

On other hand, Since Nepal and China established a diplomatically relationship on August 1, 1955 on the basis of five principles of Panchasheela, the relation between the two countries have been very cordial. As there is no open border with China and no large interactions with the Chinese. Nepal does not have a serious problem with the People of the Republic of China (PRC). Moreover, China does not have many expectations from Nepal. The only thing China wants from Nepal is that no anti-Chinese activities should be conducted from Nepalese soil.

The shelter given by India to the Tibetan Dharma Guru Dalai Lama and his supporters in the Indian territory and the conduct of the Free Tibet Movement, with the support of the Western powers and India and the 1800 km long border between Nepal and India and nearly 900 km between Nepal and China through which anti- Chinese activities could be conducted and Nepal's location on the south of Tibet, has made Nepal's position strategically important in the eyes of the Chinese leaders.

Strategically China wants Nepal to completely sovereign in international politics because only an independent Nepal can conduct its foreign policy independently without any dictate from any corner of the world and, thus will not hamper the Nepal-China relationship by permitting free Tibet revolutionaries to operate from its soil. "China has not pressurized Nepal as India has done from time to time." (Suwal 1992: 309)

It's true that before the Maoist came in power, Chinese experts in Nepal said that China has no separate policy but to see Nepal through New Delhi's eyes after the 1990 political change and consequently does not want to cultivate bilateralism at the cost of India. Thus China has no separate security interest in Nepal, except not allowing for Nepal's soil to be used for the Free Tibet movement.

Recently there has been a feeling in China that has laid four-folded policies with the aim to strength its bilateral relationships with Nepal:

1. Accommodate each others political concern
2. Enhance the economic co-operation on the basis of mutual benefits
3. Boost people to people culture exchange
4. Strength the co-operation and co-ordination in international and regional affairs

It has been scientifically proved, till now, that the growing influence of China under Mao Zedong in Nepal was quite powerful. Although, we cannot ignore that the Indian influence is no significant. If we see the history we can not deny that before China was showing its interest towards the King and now it seem to be nearer to the Maoist. It could be possible from the Chinese perspective; the anti-China activists to stir up trouble in Tibet will use a Maoist Nepal as a base. For example: the monarchy in Nepal made sure that Nepal would deal sternly with any anti-China activities, like the crushing of the Khapa rebellion in 1974, and monitoring of the free Tibet activities in Nepal. The rise of China itself is like a threat to India. So whenever China attempts to increase its influence in Nepal the psychological threats go towards India. China's recent economic growth has fuelled its diplomacy as well, and examples of that can be seen not only in Nepal but also across the region and beyond. For example: the Chinese economic development in Africa¹⁶.

It is true that China always has given the impression of having a non- interference towards Nepal and the other neighbour diplomacy has been a sore point in the Nepalese perception of India.

There is no doubt that the world's two fastest-growing economies are increasingly asserting their presence in the region to raise their trade. In such background, it is natural that a rising Chinese presence in Nepal will worry India. India has always believed Nepal to be within its South Asian sphere of influence, and of having unparalleled and long-standing cultural 'people to people' ties between the two countries. Despite these ties, recent Indian actions have generated an unparalleled resentment among the Nepali masses, with India papering to be overtly controlling the

¹⁶ <http://www.cdb.com.cn/english/Column.asp?ColumnId=176>.

political deadlock. Because of this, China has always found it easier to deal with a central authority and diplomacy

After the discussion made above with the insights taken from the review of various literatures, the primary interest of India and China in Nepal is security. Some of Nepal's neighbours show power politics to deal with its national interest and other precede a more soft diplomacy.

China's national interests lie in its security and status, which reinforce its compulsions for peace and development. Through peace, it would ensure security, stability and development.

There are two propositions: firstly, China wants to serve its national interest in a combination of sovereignty, security and status. For this purpose, China seeks to maintain, as its historical role, a very traditional strategic and non-ideological relationship with its neighbours. Secondly, China is very wary about putting hostile powers away from its periphery. In essence, it wants to adhere to a favourable balance even at the third ring of its security circle. This country would be a monolithic political and military power by the next century. It would posit itself as a world economic power in two decades from now, as is predicted. But it, however, does not mean that it would impose its security designs upon other countries. It's clearly seen that it would not go in for hegemonies or expansionism.

About Nepal, the problems it has with its neighbours are partly of its own creation. Nepal's political stakeholders should stop using nationalistic rhetoric to exploit the national sentiments for partisan favour while showing timid approach during diplomatic dealings at the table. They should clearly state their priorities and problems that are hurting country's national interest through diplomatic dealings.

So these are the essential factors by which Nepal is not able to make and keep a balanced relationship with its northern neighbour like it has with India. There are also the main elements, which make Nepal heavily reliant to the Indian policy despite the beauty of the Chinese foreign policy.

5.0 CHAPTER V

Conclusion

After the discussion made above with the insights taken from the review of various literatures that I went through and with the inferences I made after the interview sessions I did with the experts on the field, I have been able to realize some of the things that I attempt to describe as the conclusion or my take on the tripartite relationship keeping Nepal at the centre with China and India. The evidences available make a strong indication that Nepal has been historically under great influence of India in all realms of its relationship fronts. On the other hand the relationship with China that is equally historic, seems to be a relationship, which is based on equalities and mutual respect. My research attempted to relate this unequal relationship and its impact on the Nepalese development. Somewhere Nepal seems to be trapped between these two giants with double-digit economic growth, yet Nepal remains permanently engaged into petty political affairs and its transition period never seems to end here.

Since it is not possible to change the geopolitics of a country, or explicitly speaking Nepal cannot change its neighbours, the future progress of Nepal rests on its capacity in maintaining the relationship with these two countries in a way that contributes to its economic growth and prosperity. As the gist of my research is the never static relationship of Nepal with India in particular, I feel that now it is the best time ever in this juncture of history for Nepal to initiate on the process of redefining the relationships with these neighbours. The process of reengineering the relationship is better to begin with India since the core of the problem lies there.

Nepal is a small country in terms of territory on the one hand and she is economically and militarily too, relatively a small country on the other. During the period of 1951 to now also, the military power, as realists believe, placed superiority in the world politics. Nepal is sandwiched between India and China, which were and are militarily and economically too, major and influential powers in Asia. Both of them became nuclear powers in this period. Therefore, Nepal's position was and is like a '*yam between two boulders*'. Thus Nepal's position is really difficult between its neighbour China and India that makes difficult to conduct, because of her vulnerability reasoned by her geographical situation, geo-political position and economic condition. Being

located between the two Asian giants, India and China, Nepal had and still has both geo-strategic and geo-economic significance in the region, to which Nepalese foreign policy executors had to pay the attention and deal with the emerging complexity

Nepal's foreign policy has prioritized its four dimensions; namely, the political, geo-political, socio-cultural and economic. In accordance with the need and demand of the time, sometime political, sometime geo-political and sometime economic dimensions assumed the highest priority. The socio-cultural dimension of Nepalese foreign policy has received less significance in formulating and conducting foreign policy of Nepal. The geo-political dimension of the country is stable and thus unavoidable. However, over the past four decades, the political dimension had overridden the whole gamut of Nepalese foreign policy. During the 1990s, all other four dimensions were overshadowed by the economic dimension of the foreign policy. The need of the time is to emphasize all the four dimensions giving priority to the economic dimension of the foreign policy. The geo-political dimension has also to be shifted from geo-political compulsions to geo-strategic value and geo-economic environment. The country has not only needed the economic development, but also needed cultural, technological, educational, scientific, information and communication along with the economic development.

On the other hand China and India should play a bigger role in the shaping of Nepal. The Panchasheel, which are the five principles of peaceful co-existence, was not only a basis for the non-aligned foreign policy of Nepal but is also a bridge between Nepal and India, between Nepal and China, and also between India and China. Sometimes, these faiths and commitments fluctuate. Therefore making a serious effort to solve their own disagreements is a good place to start. On the other hand China and India should be playing a bigger role in shaping the Nepal. The *Panchasheel*, five principles of peaceful co-existence was not only a basis for the non-aligned foreign policy of Nepal, but also a bridge between Nepal and India, between Nepal and China, and also between India and China. Sometimes, these faiths and commitments fluctuated. A serious effort to solve their own disagreements is a good place to start. It would be better if China and India could start building regional forums to channel their inevitable rivalries in to collaboration and healthy competition. One of the greatest challenges for Nepalese foreign policy and diplomacy is to employ a more balanced role with her two immediate neighbours. Foreign policy makers, politician have to

show their interests, involvement, enthusiasm and engagement, and unity and unanimity with more vigor and vitality not only for the success of the foreign policy and diplomacy of the country, but also for the future of nation.

From the security point of view, Nepal still faces a very uncertain future, both political and psychological. Her geographical size is small, but survival and security concerns are vague. The country has to walk with care and caution for her good image in the global arena and to secure the national goals of development and the safeguarding of her independence, sovereignty and territorial integrity. It is necessary for Nepal to reassess, review and redirect her foreign policy and diplomacy by taking in to account both the country's national interests and, the changes and challenges of the new world order.

There is no denying the fact that the contemporary world is shrinking into a small entity in the aftermath of globalization, and this trend is most evident in the economic sphere. Nepal, like other countries, cannot afford to remain isolated from this development. The wave of globalization has encouraged the dynamic flows of knowledge and technology, information and communications, capital and trade and of goods and services, crossing the borders of countries and continents. The dream of a 'New Nepal' can be materialized if and when Nepal stands at a strategic position of privilege so that it can benefit from its both neighbours in an economical progress. Both India and China have caught the momentum for rapid economic growth. They have the largest population and Nepal in between these two. So Nepal needs to create a situation of getting benefitted from their progress. So need to create a common understanding about the peace, stability and economic development among China-Nepal-India that automatically creates a typical strategic environment among these three countries. That also creates a situation of trust even in the people. It can give a new message to the world from South Asia as well.

On the other hand Nepal has to benefit economically from the close and cordial relationship with China. China has been offering economic and technical cooperation continuously and increasingly for Nepal. The frequent changes in the government and in the Ministry of Foreign Affairs should not affect the age-old relations with China. She needs and wishes a consistent, continuous and cordial relationship with Nepal

The land of Shangri-La has bright prospects and the Nepalese people can live with their heads held high without any fear provided. So that the people can know that there is stability within Nepal and that it depends on its dignified and mutually exclusive relationship with these two mighty next doors.

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