

INDO-NEPAL RELATIONS- FUTURE PROSPECTS

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The purpose of this paper is to assess the likely prospects of Indo-Nepal relations in the twenty first century in view of changes in strategic equations and globalization not only in the region but also worldwide.

Brief review of Indo-Nepal relations in the later half of twentieth century (1950-1999)

Nepal was being ruled by Rana oligarchy till 1950 when there was a revolution in which the Nepalese people and King Tribhuwan participated succeeding in overthrowing the Ranas and bringing democracy to the country. King Tribhuwan fled to India and the Indian Government supported the democratic forces in Nepal. Had it not been for support from India it would have been difficult for the democratic forces in Nepal to succeed in ending the despotic regime. Most of the leaders of Nepali Congress were living in India and had close rapport with leaders of freedom movement in India. There was a time in the 1950's when India had paramount influence in not only international relations but also in domestic affairs of Nepal. Prime Minister Nehru stated in the Indian Parliament on 1950 "...we have had from immemorial times, a magnificent frontier that it so say, the Himalayas. ...The principal barrier to India lies on the other side of Nepal and we are not going to tolerate any person coming over that barrier." (1). Nehru had re-iterated in 1954 "foreign policy of the Nepalese Government should be co-ordinated with the foreign policy of India".(2)

B.P. Koirala became the first Prime Minister of Nepal after elections were held for the Parliament in 1958. However, King Mahendra dismissed Koirala in a coup in December 1960 and assumed the powers himself. Prime Minister Nehru was unhappy and said the step represented a "setback for democracy". Anti-monarchical forces protesting against this step launched a movement inside the borders of Nepal and in India. As the movement was gathering momentum, Sino-Indian border conflict was to

start in 1962 that was to have a profound impact on relations between Nepal and India as well. The Indian Government did not do anything to stop such activities from the Indian soil initially. The Chinese Defence Minister Chen Yi in a statement said that the Chinese people would help Nepal if it were to be attacked. (3) The Chinese signed an agreement to construct a road linking Kathmandu with the Chinese border and assisted Nepal in constructing a ring road around the capital city and in setting up some industries. The Indians who had always regarded Nepal as their own backyard were unhappy but were unable to prevent the construction of the road to the border. King Mahendra also started the Panchayat System in 1962 under which powers were concentrated in the monarchy and political parties were banned. King Mahendra was very successful in the realm of foreign affairs as Nepal was able to assert its independent identity and reduce its dependence on India. On the other hand, when the Chinese were agreed to construct parts of East-West Highway being constructed along the Terai in southern part of Nepal, there were protests from the Indian side as they didn't want the Chinese working too close to their borders. They offered to build those parts themselves. The King respected Indian sensitivity in this regard and parts of the highway in far eastern and far western sectors were built under Indian assistance. Nepal had established diplomatic relations with many countries and exchanged residential diplomatic missions in Kathmandu and their respective capitals. On the other hand, India continued to regard its relations with Nepal as being "special". This was mainly due to open border between the two countries and the Treaty of Friendship signed in 1950. King Birendra succeeded his father in 1972 and he attempted to gather international support to declare Nepal as a "Zone of Peace". More than 100 countries supported Nepal's proposal except India. K.V.Rajan, former Indian Ambassador to Nepal states the Zone of Peace proposal being a "thinly disguised attempt to bury Nepal's security obligations to India under the 1950 Treaty." (4) Nepal had purchased anti-aircraft guns, medium range SSMS, and assault rifles from China in 1988 that was regarded by India as "provocative" and a contravention of 1950 Treaty. India declared a blockade of goods to Nepal after delays in renewing Trade and Transit Treaty between the two countries that caused hardship to the people. The popular movement against the Panchayat system gathered momentum and the King had to dismantle party less system and to transfer sovereignty to Parliament in 1990.

There was an elected Government of Nepali Congress throughout most of the 1990's headed by Girija Koirala. India made the Trade Treaty with Nepal different from Transit Treaty and made Nepal's access to the sea guaranteed for all times, not something that had to be renewed every seven years as in the past. The hijacking of Indian Airlines aircraft from Kathmandu Airport on Christmas Eve in 1999 and its landing in Kandahar airport in Taliban ruled Afghanistan was to make profound changes in Indo-Nepal relationship. India expressed concern about threat to its security by foreign forces operating from Nepalese soil. The beginning of new millennium also marked two events, which were to affect Nepal profoundly. The first was royal massacre in June 2001 when Crown Prince Dipendra who is supposed to have committed suicide massacred the entire family of King Birendra including the Queen. His brother Prince Gyanendra succeeded him. The second was growth in the Maoist insurgency in the country.

Future Prospects

It is essential to examine future prospects of Indo-Nepal relations from strategic and economic perspective. Such recent developments in the world arena as the end of Cold War, emergence of the United States as the sole superpower, strategic partnership between India and the United States as common allies against international terrorism and increasing economic clout of two of Nepal's immediate neighbours, India and China are bound to affect Indo-Nepal relations as well. The relevance of non-aligned movement today is less than it was during the days of the Cold War. Steps taken in the past few years in normalizing Indo-Pak and Sino-Indian relations and above all, extension of Chinese railway network to Lhasa in Tibet are especially important in this context.

Strategic Perspective

India on the eve of the new millennium faced problems with some of its neighbours. Afghanistan was a country with which it had friendly relations till the end of 1980's was ruled by hostile Taliban regime. It had a long-standing dispute on the Jammu and Kashmir with Pakistan and was facing cross border raids by Islamic militants based in Pakistan. Some of the militants were Taliban. The hijacking of Indian Airlines aircraft from Nepal represented a serious setback to its security interests. The Taliban were in

friendly terms with Pakistan, which felt its “strategic depth” had increased in relation to India. Sino-Indian relations had not been normalized, as there were still boundary problems in Northeast and Aksai Chin area of Ladakh in Kashmir. The hijacking incident from Nepal must have come as a shock to India. The territory of the only Hindu kingdom in the world, that India had assumed would remain in friendly hands, was used to conduct terrorist attack against the airline of the country having the largest Hindu population. S.D.Muni of JNU has said that monarchy as an institution in Nepal had done precious little in accommodating legitimate security and economic interests and concerns in Nepal (5). However, a Government formed after elections to the Parliament was in power in Nepal at the time of hijacking. This indicates biased attitude of some Indian intellectuals about Nepal as many of the security concerns of the Indians were generated during the rule of Nepali Congress Government than during the Panchayat era when the monarch was the paramount power in the country.

Attacks by Al Quaida in New York and Washington on 9/11/2001 and retaliation by the US in Afghanistan against the Taliban led to commonality of interests between India and the US in fighting international terrorism. India, the US and Israel were branded as common enemy by the Taliban. Pakistan also sided with the US and provided valuable support in destroying Taliban. India and the US had become strategic allies. When the Maoist insurgency escalated, the US provided arms assistance to Nepal. India did not protest as it had when arms were purchased by Nepal in 1988. As both of Nepal’s immediate neighbours, India and China and Pakistan, a fellow SAARC member sharing the same sub-continent are now nuclear powers; Nepal’s strategic importance in the region has increased. This is especially so as South Asia is likely to contain a high conflict potential area in the near future due to India and Pakistan as nuclear powers due to existence of missiles capable of delivering nuclear weapons (6) Nepal has not remained unaffected due to fallout from nuclear radiation in the region caused by nuclear tests in Pokhran in Rajasthan or Baluchistan or Sinkiang.

The Annual Report on Patterns of Global Terrorism 2003 published by the US Department of State had the following to say about Nepal

“Limited government finances, weak border controls and poor security infrastructure have made Nepal a convenient logistic and transit point for some outside militants and international terrorists. The country also possesses a number of relatively soft targets that make it a potentially attractive site for terrorist operation”.

There are indications that India is now concerned about impact of the Maoist insurgency in Nepal. The insurgency in Nepal has spilled over to Uttaranchal state in India. There also appears to be a nexus between the Maoist in Nepal with similar outfits as People’s War Group in Andhra Pradesh, Jharkhand , Bihar and Orissa. The annual report of Indian Defence Ministry for 2002-03 states “the growing influence and grip of the Maoists throughout the country, particularly the terai areas bordering India and their links with Indian left extremist outfits are a cause of serious concern” (7). India is linked with its northeastern part by “Chicken’s Neck”, a narrow strip of territory between Nepal and Bangladesh. If insurgency in Jhapa district of Nepal were to spread to Chicken’s Neck, India’s control of the entire Northeast might be endangered. It may be remembered that India is fighting many separatist insurgencies in such states as Nagaland and Manipur in the northeast. (8) A meeting of Chief Ministers of states affected movements similar to the Maoists in Nepal was organized in September 2004 in Delhi. It was attended by Chief Ministers and senior officials of Uttar Pradesh, Bihar, Jharkhand, Madhya Pradesh, Chhatrisgarh, Andhra Pradesh, West Bengal, and Maharastra. The meeting expressed concern about linkages between Maoists in Nepal and similar outfits in India and emphasized better co-ordination between security and intelligence agencies and noted with concern Maoist threats to assassinate Indian leaders with human bombs (9). A peaceful resolution of the Maoist insurgency in Nepal is also in India’s strategic interests. It was precisely because of open Indo-Nepal border that the Maoist insurgency could spread so fast as the insurgents could often take shelter across the border. Many of the security concerns of the Indians could have been addressed had the border been better regulated by such means as record keeping of movements and residents in areas close to the border provided identity cards that could be used while crossing the border. India has so far been to reluctant to regulate the open Indo-Nepal border but there are indications that it is now changing.

Economic Perspective

An article published in the Herald Tribune by Robert Radtka, Vice President of Asia Society in the US (10) raises interesting questions about economic development in two of Nepal's neighbours, India and China. Radtka believes that economies of India and China that are competing with each other might become more complimentary in the future. He concludes China may believe it has more to gain by establishing amicable relationship with India. Steps taken in recent years in normalizing Sino-Indian relations should also interest Nepal. Both India and China have enjoyed impressive growth rates in the past decade. Both are on their way to become economic giants. Nepal is situated just north of heavily populated states of Uttar Pradesh and Bihar in India, which had remained relatively backward. Tibet Autonomous Region is sparsely populated but will be linked with eastern part of China by railway. Nepal is already linked with Tibet by Kodari Highway built in the 1960's. A second highway is being constructed now that will link Kathmandu by Rasuwa to Keyrong. Nepal should be able to take advantage of its proximity to both Indian and Chinese markets. China was able to get foreign investment of \$54 billion in 2003, which was ten times more than that received by India. While the strength of the Chinese economy is in manufacturing, that of India is in services. (11)

India has made tremendous progress in IT sector in recent years and has developed outsourcing market for the US and some countries of western Europe. Nepal could also benefit from such development.

Nepal could also be an attractive destination for FDI from India. It is already the largest investor in Nepal. Indian investors have identified such advantages offered by Nepal such as attractive incentives, Government's positive attitude towards investors, low cost locations, cheap labour cost, easily trainable workforce as some of the factors which will make it attractive to Indian investors. (12). Indian investment in Nepal is 36% of FDI and includes such sectors as tourism, consumer durables, garments and carpets. Such Indian companies as Dabur, Colgate and Hindustan Lever have set up factories in Nepal with the objective to export their finished products to India.

Tourism and hydropower development are two sectors in which Nepal enjoys comparative advantage and could be attractive for Indian investors. Nepal is an attractive destination for Indian tourists who visit the country for pilgrimage and sightseeing. An increasing number of young Indians are also visiting the country for honeymoon and adventure tourism. It could also attract more tourists during summer in order to get away from the heat of the Indian plains during summer. Lack of adequate number of airline seats had been a major impediment. However, such private airlines from India as Air Sahara and Jet Air have started flying to Nepal in 2004 and some private Nepalese airlines such as Cosmic Air might soon start flying to some Indian cities. There are also prospects of developing health tourism. There is scope for co-operation in hotel management between India and Nepal.

Nepal is one of the countries selected by China for sending tourists. There are already Chinese tourists visiting Nepal. There are prospects that a large number of Chinese tourists would be visiting Nepal and India to such places as Lumbini, Bodhgaya, Sarnath and Kushinagar for pilgrimage tourism as they have more disposable income due to economic development. There are already many Indians visiting Manasarovar via Nepal for pilgrimage.

Nepal has one of the highest potential for development of hydroelectric power as variation in altitude and adequate amount of water are present to an extraordinary degree. It is estimated that Nepal enjoys a power generating capacity of 83,000 MW. Demand for consumption of electric power in North India has increased dramatically in recent years. There are prospects for co-operation between Nepal and India in this sector. (13). Bilateral and multilateral donor agencies are interested in funding hydroelectric power development projects in Nepal when they are assured that there exists a market in India. There has been some apprehension in Nepal that India is unwilling to be dependent upon such a vital source of energy outside its own borders. Nepal's experience in utilizing water resources in co-operation with India has not always been encouraging. Kosi Project was the first major river project. It was primarily a flood control project that benefited Bihar and there was very small amount of power produced

that could benefit Nepal in view of size of project. Similarly, Gandak Project utilizing another major river of Nepal was primarily for irrigation that benefited UP and Bihar in India and gave some benefits to Nepal as well.

An Indian columnist has written about Nepal's potential to become an economic bridge between India and China in view of opening of new rail line to Lhasa from eastern China by 2006 that could be extended to Shigatse on one hand and the possibility of linking railhead south of the border with India (14).

The leadership in India in two decades after the Indian independence consisted of older people associated with Indian National Congress or Socialists. Many of these leaders came from north Indian states of UP and Bihar. On the other hand, many of the Nepalese leaders had close links with India as they had studied in such north Indian cities as Varanasi, Allahabad and Kolkotta. Some were even born there. However, the leadership in both India and Nepal in the beginning of the new millennium has come from a different background. Parties that are more regional than national now rule the two Indian states in the Gangetic Plains. The coalition government in New Delhi in the recent past has also included representatives of many parties, which are regional. Similarly, new leadership in Nepal is younger and does not have the same linkage with UP and Bihar as in the past as there are more educational institutions inside Nepal itself and due to opportunities for studies in foreign countries other than India. The leftist leadership in Nepal now may have close rapport with those in West Bengal. This could generate new perspective in Indo-Nepal relationship (15).

In a nutshell it could be said that one of the major issues concerning Indo-Nepal relations is what has been alleged insensitivity to India's security concerns as a former Indian Ambassador has written. (16). Actually, Nepal should not allow its territory to be used against any of its two neighbours. On the other hand, there is ample scope for co-operation in harnessing water resources of Nepal benefiting both the countries provided it is transparent and benefits are distributed equitably.

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