

Chapter 5

Conclusion

Geographically, Nepal falls under the Indian Sub-continent. It constitutes a narrow strip across the northern frontier of India. Given its location in the southern flanks of the Himalaya, Nepal is virtually landlocked with India, dependent on India for access to the sea and the international market. No doubt, Nepal has a long border along the Tibet region of China, and has a small portion of its territory trans-Himalayas. Nevertheless, the border terrain between Nepal and China is too difficult that for all practical purposes, India has remained the only “easily accessible” neighbor.

Due to the geographical setting of Nepal, it appears the economic and informational activities between Nepal and India will remain interconnected as the wide range of economic activities has been facilitated by geography. Nepal has been relying on India for its trade and for international trade and transit over the years, using 15 transit routes via India to reach the nearest Indian sea port, Calcutta. The existing 22 mutual trade routes between Nepal and India are also another example of Nepal’s dependence on India, for its trade, created by the geographical setting.

Foreign Direct Investment has remained a primary source of economic development in Nepal. India ranks as the first donor country to Nepal, next to the United States and China. This again has been facilitated by geographical closeness, as it provides a cost-friendly environment in terms of cost-benefit analysis. Nepal significantly benefits from the assistance provided by India, in terms of infrastructure development, due to its low cost.

Economic cooperation between Nepal and India appears to be multi-dimensional. The treatment given to the nationals of one country in the territories of the other is the same, according to the 1950 treaty. This has opened various options to engage in all kinds of governmental, non-governmental, and private sector activities between the two countries. In addition to the geographical factor, economic cooperation has remained the principal reason for the range of education, migration, tourism, employment, joint-venture industries, exploitation of water resources, public-private partnership, and private sector investment activities between Nepal and India over the years. The socio-cultural similarities are also a contributing factor in creating a work-friendly environment contributing to the cooperation between Nepal and India.

Although Chinese economic assistance to Nepal has remained significant, the geographical complexity of the Himalayan Range can never relieve Nepal of its dependency on India for all practical purposes. Chinese economic assistance has been primarily focused on enhancing “diplomatic goodwill” so that Nepal will respect China’s policy interests, as China desires Nepal to act favorably to their policies. An open border has proved beneficial for both India and Nepal. It has resulted in the forging of close socio-cultural ties and economic interdependence and has made their relationship special. The flip side, however, has been the misuse of the open border by terrorists, insurgents, criminals, and anti-India elements, which not only endanger Indian security but also create strains in bilateral ties. Moreover, unrestricted migration is seen as threatening the demographic and economic profile of the receiving country. The fear of being overwhelmed by Indians is particularly acute in Nepal. These factors have led to demands for closing the border in both countries. Given the close and interdependent relationship that has evolved between the people of the two countries, such a drastic step would adversely affect the lives of people on either side of the border and hence is not advisable. At the same time, keeping in view the security challenges that arise from the misuse of the border, it would make for better policy to introduce greater regulation on the cross-border movement of people and goods. It is this realization that seems to be motivating the government of India to adopt measures for better regulation and securing of the border in coordination with Nepal.

India-Nepal relations have been responding to the changes taking place in the international arena in the post-Cold War era. The simultaneous political changes taking place in both the countries are also instrumental in shaping their relations. One of the major changes in India is the emergence of pluralism in politics with the decline in the power of the Congress Party which had ruled the country as a major party since 1947. Since 1990, India has had three coalition governments and after 2003 there has been a phase of turmoil and political unrest. The governments in India have realised the basic thrust in the changing global environment where it has to develop relations with its neighbours based on trust and confidence and non-reciprocity which is an essential element in defining relations between asymmetrical nations. The change in the Indian policy from the Indira Doctrine to the Gujral Doctrine has been positively received by Nepal which has also been making changes in its foreign policy postulates. Emphasis has been given on developing relations with the neighbouring countries, strengthening the institutional capability of the Foreign Ministry, and resolving the domestic issues affecting the security and stability of the country. The foreign policy of Nepal has

come a long way from its policy of special relations with India to the policy of equi-distance with its neighbours to a search of an independent foreign policy. The often played strategy to use one neighbour against the other is no longer effective in the post-Cold War era.

As discussed earlier, the growing Sino-India relations have decreased the manoeuvring capabilities of Nepal to play one neighbour against another. Instead, there is a shift from exploiting the differences of the neighbours to its advantage to develop relations with the neighbours on the basis of mutual benefit. However, the changing global and regional political scenario does not undermine the geo-strategic realities i.e. Nepal's buffer status between India and China still exists.

In keeping with the global economic activism, both India and Nepal have emphasised on developing trade relations. Nepal's proposal to develop an economic quadrangle consisting of Nepal, Bhutan, Bangladesh and India is a successful attempt towards promoting economic diplomacy. India and Nepal have been successful in agreeing on sharing of hydro-power. However, consistency in foreign policy is closely associated with domestic stability. Since the initial insurgency of 1996, Nepal has undergone a series of remarkable changes which include armed conflict attracting world attention, direct rule by the king, the signing of the CPA ending the ten years of violent conflict, the declaration of Nepal as a secular Federal Democratic Republic, abolition of the monarch, and the rise of the Maoist to power in 2008. These changes have resulted in new dynamics in Nepal's relationships with its powerful neighbors, India and China.

The political instability is a major road block in the Indo-Nepal relations. The swing from absolute monarchy to constitutional monarchy and from constitutional monarchy to democracy is still not able to provide a stable government in Nepal. The sudden rise of the communist party increases the Indian apprehension about the Nepal and definitely this drift from India seems moving toward the China. The above analysis of Indo-Nepal relations indicates the close linkage between security interests and economic relations. It brings out that economic relations have been a major instrument for India in meeting its security interests linked to Nepal. The importance of the China factor and its limitations has also been brought out. Indo-Nepal relations were dominated by building convergences on matters both economic and political. However, the two countries could not build trust. Nepal, which had followed a policy of isolation forever a hundred years, found India too involved in its (Nepal's) affairs. A democratic India and an assertive king trying to increase the power of the

monarchy in Nepal could not see eye to eye. The regime's security was equated with the nation's security.

India's security concern goes even beyond by limiting the activities of other countries, which India believes, could provide flexibility and freedom to open a door for Nepal to establish possible, security agreements with China in the future thereby limiting India's role in Nepal as provisioned in the treaties. A situation could be considered, relatively similar in nature, but not on the same scale as that of 1989, as was observed during the Maoist insurgency, when the United States and United Kingdom provided military hardware and training to Nepal's Army. Furthermore, Indian worries substantially increased when the United States announced military aid to Nepal for the years 2005 and 2006. The military hardware assistance opened by China in 2005, following the aid provided by the United States and United Kingdom and further fueled a deep concern within the Indian security matrix.

The increasing foreign involvement was not a comfortable matter for India. The inspection of a cargo plane by Indian officials, at the Indian Airport, carrying military hardware to Nepal supplied by the United State in 2004, and later released as the result of the United States diplomatic involvement could be considered, symbolically, as an act of Indian irritation. Such developments could be one of the primary reasons, which led India to become increasingly active in finding ways of solving the Maoist insurgency in Nepal, by moving closer to the Maoist, even when India was aware of the Maoist' anti-Indian agenda, and the existing Maoist problem within its own homeland.

Nepal should clearly prioritize its national interests and adopt a policy in managing its relationships with India that best preserves and promotes her national interests. As the country has recently undergone political transformation, such national interests could be: security, internal stability, economic development, and establishing a sound democratic mechanism. In the meantime, Nepal needs to understand the role of India and China from the DIME perspective within their geographic position and to the military and economic rise of India and China in the region.

Security from external and internal threat as well as political stability is deemed to be primary concerns for Nepal. As the rivalry between India and China continues unresolved since the Sino-Indian war, it appears that both of those countries will keep a vigilant eye on Nepal. Such vigilance is further enhanced by the possibility of future conflicts due to the increasing military power of both countries, the increasing Chinese interests in the countries surrounding India, and India's attempts to limit Chinese influence in them. In this environment, on one

hand, the activities of India and China in Nepal have been directed to counter each other's DIME influences. Their presence pressures Nepal to comply with their interests, but on the other hand, it also endangers Nepal's sovereignty as this military competition continues to grow. In order to preserve its long term security, it is necessary for Nepal to understand the sensitivity of India and China in terms of their security related issues and adopt policies wisely, following a middle path, that respects the interests of both neighbors without endangering its own sovereign and independent position.

The maintenance of political stability for sustainable peace warrants greater attention in the changed political context of Nepal. The way to promote stability in Nepal lies on strengthening their democratic institution and mechanisms. Nepal should manage its internal political situation, and establish good democratic practices by narrowing the differences amongst the political parties, so they work jointly on national issues that help to promote conditions for such stability. Given the role of India in the political transformation of Nepal over the years, India being the largest open democratic system, can serve as an example for Nepal to establish stable democratic mechanisms. In addition, the growing strategic partnership between India and the United States in the recent years, the continuous support of the United States Government in the overall development effort of Nepal, could help to preserve and promote Nepal's vital national interests. Furthermore, given the historic ties of Nepal's major political parties with India, the diplomatic and non-diplomatic involvement of India in establishing conditions in order to institutionalize democratic values, and to bring political stability, has been observed as an asset to mature the democratic practices and political institutions of Nepal. In contrast, China has always expressed that Nepal is capable of solving its own internal problems, and has largely kept itself out of the Nepalese political affairs.

Another vital national interest of Nepal has been the economic development, which ultimately helps to promote stability. Nepal has benefitted from the economic assistance of both India and China, and considering the economic rise of both countries such assistance could provide substantial benefits in the future. However, given the scope of economic relations of Nepal to India over the years, and the former's dependency on

India's increasing economic liberalization policy, integrating into the world's economic system, further cooperation is likely to contribute to enhancing economic development into the foreseeable future. In addition, the rise of India, which has increasingly become an accepted fact, can be a vital asset for a country like Nepal for its economic development.

In the past sixty years, India and Nepal seem to have experienced all the shades which a bilateral relationship can witness—friendship, doubt, trust, concealed antagonism, open distrust, helplessness, mutual appreciation, etc. They also know that whether they like it or not, they have no choice but to live together. They have also experienced the costs of suspicions and what it is to have trust in each other. Respecting each other's sensitivities, the two countries are on the threshold of building positive, mutually beneficial relations.