Nepal tries to balance between India and China

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Two trips by Nepalese Prime Minister K. P. Sharma Oli—the first to India in February and the second to China late last month—highlight the increasingly precarious balancing act facing the country. New Delhi, backed by Washington, is seeking to ensure its dominant position in landlocked Nepal, as part of US efforts to undermine China in every corner of Asia.

Oli's visit to India sought to bring an end to the five-month trade blockade, including of fuel supplies, mounted by the United Democratic Madhesi Front (UDMF) in the southern Terai region of Nepal. India denied allegations it was behind the UDMF's disruption of supplies, but called on the Nepalese government to make constitutional amendments to address the "legitimate aspirations" of all sections of the population, including ethnic Madhesi.

Oli, who only became prime minister last October, had threatened to make his first foreign trip to China, rather than, as has traditionally been the case, to India. In the end, his government made partial amendments to the constitution and bowed to Indian pressure by making his first visit to New Delhi, leading to a lifting of the blockade. India's concern is not over the democratic rights of marginalised Madhesi people, but with China's growing influence in Nepal.

During his six-day visit to New Delhi from February 19, Oli declared the main purpose of his trip was to clear the air of "misunderstanding" between the two countries. Several bilateral agreements were signed, enabling Nepal to use more Indian transit points along its border and the Indian port of Visakhapatnam for trade purposes.

However, Oli's trip did not end tensions between the two countries. India refused to issue a joint statement during the visit, insisting Kathmandu had to "resolve all issues relating to the constitution satisfactorily." Days after Oli's visit, India slashed its aid to Nepal in the 2016-17 budget by a massive 40 percent.

Oli's trip to Beijing, from March 19 to 26, was clearly aimed at opening up closer economic relations with China as an alternative to Nepal's heavy dependence on India. He signed several economic agreements, including on transit, trade, aviation, energy, infrastructure development and banking.

In the joint statement issued by the Chinese and Nepalese prime ministers, Beijing, in contrast to New Delhi, declared it "welcomed" Nepal's new constitution, adding "the China and Nepal relationship has reached a new height." In return, Nepal reiterated its commitment to a "one China policy" and not to allow its territory to be used for "any anti-China or separatist activity"—a reference in particular to Tibetan exiles.

In recent years China has surpassed India as Nepal's top aid donor and investor. Addressing a forum of Chinese businessmen, Oli declared Nepal open for "investment in almost every sector," including manufacturing, hydropower, tourism, services, IT, mining and agri-based industries.

Under the new deals signed, China agreed to open more transit points for trade and allow Nepal to use Chinese ports for trade. It has also proposed building an oil pipeline from China to Nepal, an international airport for the Nepalese city of Pokhara at a cost of $US216 million and a new bridge at the border town of Hilsa. Steps were also taken toward a free trade agreement between the two countries.

After Oli returned to Kathmandu, Nepalese army chief General Rajendra Bahadur Chhetri left for a weeklong visit to Beijing to strengthen military ties.

As a landlocked country sandwiched between India and China, Nepal has relied on economic relations with

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the former. Currently more than 90 percent of Nepal trade passes through India. Sections of the Nepalese ruling elites have chafed at India's dominance and regard China as a means of establishing greater independence.

In an editorial just before Oli's visit to China, the Kathmandu-based *Myrepublica* commented: "Up until now people here felt they had no alternative to putting up with the temper tantrums of the Indian establishment: either the vital necessities had to be imported via India, or not at all. So the new trade and transit treaties with China come as a big boost to the Nepali psyche."

An article in China's state-owned *Global Times* sought to play on this sentiment in Nepal, saying that New Delhi "should wake up to the fact that Nepal is a sovereign country, not a vassal of India." It continued: "Instead of being forced into becoming a strategic barrier against China, Nepal should be better treated and act as a bridge between Beijing and New Delhi."

However, neither India nor the US are going to allow Nepal to come under China's sway. Indian strategic analyst Raja Mohan called on New Delhi to make greater efforts to mend relations with Nepal, warning: "A rising China and the anti-India resentments of Kathmandu's hill elite, however, have the potential to neutralise, over the longer term, some of Delhi's natural strategic advantages in Nepal."

The US and its allies have backed India's stance on ethnic Madhesi as a means of obtaining greater leverage in Kathmandu. In February, before the end of the trade blockade, US Deputy Secretary of State Antony Blinken called on Kathmandu to "represent the interests of all Nepalis and take concrete steps to resolve the political impasse."

On March 30, during Indian Prime Minister Narendra Modi's visit to Brussels for a European Union-India summit, India and the EU issued a joint statement calling upon the Kathmandu government to reach "a lasting and inclusive constitutional settlement in Nepal that will address the remaining constitutional issues in a time bound manner, and promote political stability and economic growth."

In a speech to the Carnegie Endowment on April 6, Indian Foreign Secretary S. Jaishankar declared his country was pursuing a "neighbourhood first policy." He said there were no problems with Bangladesh, Bhutan and Sri Lanka. India was also in a "transition" with Myanmar, well poised to engage the incoming government. But in Nepal and Maldives, he said, "there have been challenges that arose from their domestic policy."

Jaishankar's comments reflect the ambitions of the Indian ruling elite to become a regional power, in his words, stretching "to the [Persian] Gulf to the west and the Malacca Strait to the east." In order to pursue these aims, India is increasingly lining up with the US "pivot to Asia" and military build-up against China, which is inflaming rivalries and tensions throughout the region.

The small, impoverished country of Nepal is no exception.

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