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**NEPAL-INDIA INTERACTIONS: CHALLENGES OF  
DIPLOMACY**

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## **ABSTRACT**

Despite sharing a common border, practising fruitful bilateral relationships can often be an ever-solidifying challenge. Utilising the example of Nepal-India interlinkage this research takes an opportunity to test an argument on whether or not such a challenging situation can provide for a positive outcome. The case-bound major interactions revolve around a range of agendas of natural resources, international security, and political hegemony in general. The theoretical touches would spring up within body the part of paper where border issues connected with Nepal's geo- strategic location would be elaborated. This specific depiction is vital because India is now an 'emerged' economy, whose one of the main contributions has begun to write the history of the twenty-first century. In essence, the thesis aims to examine which prominent stones are to be turned in order to strengthen Nepal-India ties.

Keywords: Nepal-India relationship, small state, border security, natural resources, hedging, hegemony

## INTRODUCTION

Socio-economic and military sovereignty is what any small state like Nepal aims to secure when sharing borders with large state like India. This begs for the study about how Nepal is ensuring its sovereign survival with its large southern economic neighbour. In the field of international relations, there have been many broad discussions where scholars argue for adoption of power balance so that powerful states are less likely to grab the military advantage. A small state could also be secured if it makes a bilateral alliance with the larger states. Here, while being allied, national security is managed and economic risk is reduced by method of hedging, but at the same time as a sidebar, potential advantages may not be fully gained. The mixed elements of confrontation and cooperation is what a small state takes up towards big power within the implementation of hedging strategy. For the purpose of studying the diplomatic challenges of Nepal – India interactions, it seems ‘hedging’ could be taken as a fine platform. Moreover, Nepal’s foreign policy (FP) strategies still consist of soft balancing, band wagoning and economic pragmatism.

Hence, the work this bachelor’s thesis sets out is to examine the small state foreign policy towards larger states aiming to answer the research question of “‘how Nepal’s FP strategies have influenced its socio-economic development to enable its right use of tremendous natural resources’”. Throughout the course of research, a conclusion will be made by the author that border security and Nepal’s huge water resource is what concerns the Indian side along with some unsettled issues of treaties from past decades. This is because the open border system for citizens of both countries has facilitated a lot to strengthen religious and cultural bonds but has hampered the economies due to prevailing unofficial trades. Nepal enjoys no visa provision in India as millions of Nepalese reside there for employment and studies. On the other hand, India prefers Nepal’s border to be open for Indian citizens as there are millions of Hindu Pilgrims to various religious places of Nepal every year. However, due to this circumstance, both the countries face fatal terrorism issues. So, India posits several military strategies in the border gateways to respond to possible external threats, but it indirectly appears as unwanted political hegemony for Kathmandu. This makes bilateral ties to weaken.

The primary research is based on official articles and publicly available governmental documents related to historical relations between the states concerned with drafting their contemporary foreign policies. Some pieces of literature will serve here to manifest both

countries' domestic politics so that the influence it carries is reflected on the diplomatic behavior. However, the author keeps in mind that those diplomatic behaviors – as examples are still relevant for thesis work. The main incidents from 2010 to 2020 will be considered because India started to depict its purchasing power as one of the biggest in the world approximately since then. All the other qualitative and quantitative data support needed for this paper is derived from official academic works from expert scholars - mainly supporting the thesis platform as small state FP strategies. The debate takes Nepalese standpoint as the aim of analysis is not to study ground effects along the border areas – given that I am not familiar enough with nuances and complexities of the Indian side. In contrast, the thesis will focus on how the geo-strategic location as a landlocked state could still enjoy economic prosperity.

As regards to the thesis structure, the first chapter develops the theoretical framework, to explore Nepal as a small state vis-à-vis India. This part of the paper will follow the conceptual approaches all the way from James Rosenau, Robert Keohane to David Vital. It will give the discussions including examples of various countries that the territorial sizes do matter in average cases depending upon the quantitative and qualitative elements. The notions upheld here will also give an impression that there are enough instances to counter-argue and several significant examples to support that size is rarely an element to define a state.

The second chapter offers a brief history of Nepal-India ties to give base of the paper's main discussion if any treaties and agreements, in the past century or decades still matter in today's date to behave both the states accordingly. Standing on the cited historical datas the major focus will be on three types of bilateral interactions: political, economic and military. It will find the practical side of changes that are brought from the ideas thrown in via the first chapter. India seems struggling to abolish the anti-Indian sentiments within the Nepalese people but the way it politically represents ends up on the other side. However, this Indian act comes from the motive that, economic and military wise China is the bigger threat than Nepal to New Delhi. Since, the clauses within the treaties hold the right for Nepal to buy ammunition from any other state, with the help of Beijing, Kathmandu could increase threat for New Delhi too.

The third chapter, introduces the Nanyang Technological University's concept of "hedging" from the case of Japanese FP strategy in East Asia's Power Shift, portrayed in the essay by Kei Koga which helps to understand the determinants and policy instruments of Nepalese hedging strategy against India (Koga, 2018). As these policy instruments are diverse, this chapter further takes opportunity to discuss Nepal's 'equidistant diplomacy' being employed to shape

its neutral political image. As an alternative strategy, it enables Nepal to switch between bandwagoning and balancing.

Chapter four addresses the interests from both Nepal and India towards each other, about how the diplomatic interactions are effective to pursue the common goals with their responses on various occasions. Here, the conclusion says that misguided approaches and efforts do not promise a trouble-free diplomatic existence for Nepal, being 'sandwiched' between the world's two most populous countries, which are not experiencing 'cloudless' relationships between each other either. The underlying mistrust and irritants causes the risk of reputational harm being done to both states. A touch of hypothesis is shared taking support of Kicking Away the Ladder Theory to spice up the debate.

## **1. NEPAL AS A SMALL STATE AND ITS GEO- STRATEGIC LOCATION**

As several lines could be drawn to distinguish what factors construct and complete the regular definition of a small state, many of them might seem insignificant to reflect the real world's example. In the researches from the past, average of those lines were neglected too, however they are interconnected as well. For the purpose of developing a study framework in regards to Nepal as a small state towards India, this chapter depicts main features of a small state based on some literature reviews.

The resources and independence level a state owns defines state's size internationally as per James Rosenau (Rosenau 1966). He forwards his argument that having greater resources enables a state to not depend on the international system, but remain self-reliant. Rosenau's main defining elements to describe small states on the basis 'dependence level' and 'resources' comes in contradiction as the term 'resources' could not particularly address if it is human or non-human resources (Pettman 1976). Moreover, this contradiction continues as it is not clear if a state from the early nineties has vastly increased its interdependency over resources in then the early twenties with its neighbouring states.

David Vital in 'The Inequality of States' approaches to define state size by collaborating human and material resources along with socio-economic standards and geographical status (Vital 1967). The point he comes up with is that, in order to tackle the bigger external threats, a high

volume of human voices and materialistic resources are important. This would also balance the internal conflict in the state with highest priority to the nation's foreign policy. In contrast, a small population cannot confirm the proper evaluation and balance the external influence. In such circumstances, alternative foreign policies are limited due to dependency on markets beyond the border causing insufficient military potential. Vital also emphasizes, more influencing ability a state could, more political hegemony it achieves.

As per Robert Keohane, those states which determine the system playing the main role to compose global politics, those which influence the system either actively or passively and those which neither play critical nor influence are the four main types of states (Keohane 1969). His research offers the instance from Cold War rivals, namely USA and Russia who contribute a lot to give inputs while shaping world politics. In addition, the United Kingdom, Japan and Germany may not individually dominate but crucially influence system nature through unilateral and multilateral mechanisms. The remaining types of states adapt their international behaviour accordingly. Despite these categorizations, Keohane is unable to share his insights about the clear nature of role and influence. On the other hand, standing on the example of Australia and Brazil, Pettman proclaims that such states demonstrate ambiguity via the middle line between affecting and influencing the system due to their rare mineral resources supply in the world market as an advantage (Pettman 1976).

Having gone through above explorations, a small state bears an umbrella of vulnerability. External pressure or the risk from larger states weakens the smaller ones which have limited resources with maximum imports rather than exports. These tiny states mostly get influenced by international orders due to their dependence on foreign markets.

Other way round, countries below a certain territorial size with minor population density could not always be a case of less interest. In this twenty-first century, where the democratic politics is prime, a small state could be beautiful too. Kassab goes differently than above notions by mentioning that a small state shall not necessarily be weak too (Kassab 2015). Referring to the economic vulnerability index (EVI), if the score is comparatively high considering several variables such as unit capability and possible external economic and military shock then such a state might be recognised as weak. Supporting Kassab's approach, the fine examples of Luxembourg and Singapore are well relevant. Even if the size is small, Luxembourg's economic and political achievement in the European Union is far marvellous. Similarly, Singapore is a role model in terms of peaceful development and economic benchmark, with



the widely famous Singapore Model of Development (SMD) across the world. Such empirical remarks depict that smallness is also a good fortune.

Furthermore, Heiner Hanggi introduces his book *SMALL STATE AS A THIRD STATE: SWITZERLAND AND ASIA-EUROPE INTERREGIONALISM* upholding the notion that small states are not weak states (Heiner 1998). His literature says that a small state could be perceived on the basis of its power. As the international political system is highly influenced by international organizations, the strength a state holds to join them reflects its size. Having geographic location between the belligerent European states, Switzerland is still highly-valued for its neutral and proactive efforts to world peacemaking programs. Therefore, size is rarely a factor in the world because its economic strength could challenge those of bigger ones. A research work from East gives similar impression where he uses an indicator as ‘level of international activity’ (East1973). It is based upon the participation level in the multinational forum that a country’s rank is observed. It would be problematic to know what are the criterias to form those international activities. In some way, the term ‘international influence’ is relevant here.

More conceptual approaches to define ‘small state’ based on quantitative measurement could be found from the United Nations Institute for Training and Research (UNITAR), which advocates that state size is primarily determined on the basis of population size. As per UNITAR, any state with 150K up to 1 million inhabitants could be considered as microstates (Cambodia Daily, 2008). This presumption of reflecting a state’s size on the basis of population size seems unpredictable or rather controversial, because the terms ‘small’ and ‘micro’ for any state could not be confidently understood with the same meaning. On the basis of population and the gross national product (GNP) or gross national income (GNI) per capita, Philip M. Burgess explored how a large state could be declared with a population over 23.7 million and accordingly a state could be either developing or developed (Burgess1970). This concept of categorization seems somehow clear, however it still holds counter reservations as the world population and economy is continuously growing.

Meanwhile, a piece of literature from Jeremy W. Lamoreaux shares a bit of a different vision, no matter if it is a small or large state. Since, sovereign existence is vital for any state, this sovereignty could be cited under anything else (economic, political or military) that associates state’s survival, as a state. Those probable associates could be usually societal values namely language or ethnic identity (Lamoreaux 2014). In such a context, a possible threat to those

values could be a threat to the sovereign security of a state. In international security relationships, major emphasize lands upon soft security interlinked with societal identity (Lamoreaux 2014). The point being tried to make here is that if people in society have common values then their identity is common too, which may not always be ideally fixed. Nevertheless, change in values and identities of society results in change for that particular society's existence, leading up to the state's compromise for sovereignty. Jeremy's vision is aimed to reflect the case of Russia and the Baltic states even if they have mega discrepancy in terms of size. Hence, like larger ones, small states prominently focus to preserve their identity as the main base of their self governance. In the conclusion part, he indicates that the number of small states is higher than large states around the world, which is evidence that their population makes a significant portion for world population too. Whether it be a quantity based or quality based approach for a state's size division, it does lack 'consensus' to be accepted both politically and academically. At some point, one could conclude that huge a portion of those attempts is covered with perceptions.

Nevertheless, having gone through above mentioned readings, Nepal could be evaluated as a small state vis-a-vis India. As per 2019's World bank Report, the population in India was around 1.366 billion where Nepal had approximately 28.61 million (World Bank 2019). In the same year, the Gross National Income (GNI) per capita for Nepal was 1207 USD while India had 2120 USD. India is twenty-two times bigger than Nepal in terms of area. If the Purchasing Power Parity (PPP) comparison is to be done then India stands as third position in the world after China and US.

## **2. NEPAL INDIA RELATIONS**

This chapter takes a walk around the practical changes in bilateral relation between both states as an output of close people to people relation, touching the main treaties and agreements between Nepal and India. Furthermore, the implication for bilateral interactions will appear in three categories: political, economic and military.

Nepal established formal relations with India on June 17th, 1947 (Overview Report 2021). In many respects, this history-long Nepal-India relation is special. The informal relationship within people of these two countries deeply rooted by culture, religion, tradition and open

borders attaches many strings across the border. These common socio-cultural identities encouraged people's movement towards each other's country. Thousands of Nepalese from the hilly region have settled in the hills of India and people of Bihar in India have close association with Madhesi(s) in Terai region of Nepal, ever since the principalities in both countries were formed (Timalsina 2019). Far-western Nepal holds common ethnicity and culture with Uttarkhand of India which is across the border. Moreover, the cast composition similarities could be found in Nepal's eastern border too, with Darjeeling and Sikkim of India, where similar festivals, customs and songs are shared. Just after three years of official relation establishment, Kathmandu and Delhi signed The Treaty of Peace and Friendship in 1950 (Nayak 2010). Within the 10 articles of the treaty, sovereignty and integrity is agreed to be acknowledged and respected from both states in prime. In addition, the treaty says that prompt inter-governmental communication to be maintained in case of international friction with neighbouring states that might disrupt the friendly bonds. Freedom for ammunition imports, trade and economic agendas to be dealt with national treatment are inked among middle articles of treaty. Finally, the treaty makes both governments agree that all the engagements of the British empire are not valid anymore as India was solely sovereign by then, and both sides are allowed to deal with 1950 treaty's renewal and cancellation (Nayak 2010). Many experts support that Nepal as a small state has benefited much more from the treaty than India, however, considering the global development and changes in the contemporary international relations scenario, the relevance of the treaty seems not to promote the security and prosperity of modern Nepal. A free foreign policy adoption is being hindered as arms purchasing is not a comfortable procedure as per treaty. The treaty's article continues to criticize severely when India demands access to all natural resources in Nepal.

## **2.1 POLITICAL INTERACTIONS**

The political interaction between Nepal and India suffers with various stresses and tensions. As highlighted above, the significant presence of Madhesi in the Terai belt of Nepal comes first. Their language and culture are the same as Indians from Bihar and Uttar Pradesh. The religious tolerance could be a considerable factor, still Nepal perceives it as a political threat because elite Nepalese in hilly regions claim that it gives challenge for local ethnic identities. India deliberates to protect Madhesi in Nepal. When the new constitution in 2015 was promulgated by Nepal then standing on behalf of Madhesi, India trade embargoed Nepal

(Adkin 2015). The reason was obvious but Nepalese academics (technocrats) pointed out the issue that this new constitution did not address the national interest of New Delhi. Devanagari Nepali is the official national language of Nepal. When the then Vice President Paramananda Jha took the Oath in Hindi language, it caused controversy throughout Nepal (People's Daily Online 2008). Another instance to posit a political clash for Nepal - India is Lipulekh. The Lipulekh area is controversial itself as both India and Nepal claimed its territorial ownership. Nepal issued a new map claiming Lipulekh under Nepal's area (Kushwaha 2020). Mansarovar in the Tibet region of China is a religious destination for millions of Indian Hindus. The road to Mansarobar must pass via Lipulekh of Nepal where India has unilaterally constructed a trade link road. As a member of Nepalese federal parliament – Sarita Giri, opposed this incident supporting the Indian side in Hindi language, where she had to bear dematory phrases (Kushwaha 2020).

The increasing influence of Indian media is a factor too. Being similar languages as both Nepalese and Hindi originated from Sanskrit, radio and television programmes have widespread popularity in Nepal. Any Bollywood (Indian based) movie release is like a business typhoon in front of Kollywood (Nepalese based) movie release in terms of business collection. Apart from media influence, Nepalese electoral process suffers from Indian influence too. It could be openly observed that pro-Indian parties in Nepal tend to secure the seats in parliament leading to prolong the life expectancy of their party's government. An imported slogan 'ek madhesh, ek pradesh' became so famous which means the terai region (so called Madhesh) in Nepal, to be a separate state. This has fueled the conflict between Hilly and Terai region populations in Nepal. In Nepalese politics, India has been assertive many times. During his coronation in 1975, then Nepal's King Birendra, appealed to the international community to recognise Nepal as 'Zone of Peace'. The proposal received prompt support from China and Pakistan, however India refused it (Poudel & Karki 2015). Almost 112 states supported the appeal by 1989, however, just New Delhi ignored it again. During the same period, Nepal had imported Chinese weapons as India refused to supply them, but in contrast, Delhi's political ego was hurt as Nepal was blamed for breaching the 1950 treaty. Moreover, the civil war in Nepal lasted for almost 10 years. During the civil war with Maoist, India expressed discomfort to support ammunition to Nepal. In 2005, the then King Gyanendra supported China for the membership of South Asian Association for Regional Cooperation (SAARC). This was a political attempt from Nepal to balance Indian hegemony in SAARC, but arranging

organizational war indirectly between two big economic houses was not welcomed by India (Nayak 2010).

## **2.2 ECONOMIC INTERACTIONS**

With total bilateral trade in the year 2018-19 about 8.27 billion USD, India happens to be the largest trading partner for Nepal (FOREIGN RELATION Portal 2020). This amounts to nearly seventy percent of Nepal's national trade. Having a look at import-export figures in the same portal report, Nepal's import from India was around 7.76 billion USD and export to India was approximately 508 million USD. Considering this fact, Nepal acts as a small state. Nepal even depends upon third country trade as it is surrounded by India in three directions out of four. In addition, the southern region is plain, whereas the northern borders are covered with mountains, causing a lengthy process to reach Chinese ports. Apart from being the largest trading partner, ports of the Indian ocean are used as transit as well. Having mentioned the trade relation, the Nepalese side blamed the same 1950s treaty for trade imbalance with India and trying to draft an independent economic policy. There is sort a of unwillingness on the Indian side to allow Nepal to practice the full provision mentioned in the articles of Treaty of Trade and Transit. The article XI from Nepalese side of literature repeats the term 'automatic' while focusing on extension or renewal of treaty within the condition of 6 months written notification in advance in case of modification or amendment, as an integral part of the Treaty (Treaty of Trade, Nepal Transit 2010). The same article XI from the Indian side lacks the provision of 'automatic' extension or renewal and mainly describes the procedures and protocols of the Treaty (Media Center 1960). However, this might be because during decades long bilateral relations, Kathmandu significantly did not address the Indian interest. The political insurgency in Nepal has compelled India to act accordingly as well. The special concessions given to Nepal to increase trade with India is a positive aspect. The significant reduction of negative items cancelling the no quantitative restrictions and customs duties for Nepalese produced commodities along with mandatory provision of duty exemptions for third country's produced materials was very fruitful (Nayak 2010 – page 585).

Leaving the economic empirical discussions, the query continues to argue the main discussion of the thesis to answer that self- reliance reflects the state's size, considering the case of Nepal. The right for international voting might stay the same as a sovereign state for Nepal but its

economy is the prime driving force in terms of increasing the bargaining power within the bilateral economic ties.

## **2.3 MILITARY INTERACTIONS**

From the Nepalese civil war in early twenties till today, the military implications carry mainly two issues in Nepal India relationship. Although the 1965's 'secret' Agreement on Arms Assistance stands no more as Nepal cancelled it while India had no objection, it did have provision to supply military resources for 17K Nepalese soldiers (Subedi 1994). Some writers have expressed controversial opinions regarding this treaty as it somehow still impacts today, however, they do agree that India stands at top of the list to supply arms and ammunition along with other logistical equipment furnished under military grants on many occasions during the interview. Nevertheless, Nepalese military has received huge support from the Indian side. The Gorkha Brigade in India represents 40K Nepalese and Indian Gorkha soldiers while 90K Indian Army pensioners reside in Nepal (Deshpande 2017).

Despite the strong military bond, the issue usually appears when India claims the Chinese footprints are increasing in Nepal. Avinash Chhetry writes it as an issue claiming that there is an attempt from Beijing to expand in Nepalese Army in all the institutional levels (Chhetry 2021). This claim does not enhance the diplomatic ties as a third country could not be blame factor as the issue has to be solved between two only. The Gorkha regiment in the Indian Military has supported the front line within the Sino-Indian war and many other wars inside and outside India. On top of that, Pakistan is occasionally seen sharing views with discomfort because of Nepalese Gorkhas recruited in the Indian military. Here, Nepal has depicted hedging in terms of military context.

The second issue revolves around Indian 'aggression' for its rest of the neighbors namely Pakistan, impacting Nepalese border areas. As the security measures from the Indian side have increased very strictly at the Line of Control and International Borders, Nepal based Inter-Services Intelligence (ISI) modules are witnessed within India's Bihar which is the northern bordering area with Nepal (Mishra 2021). For Kathmandu, there is no official record of security breaches from the Pakistan side, but the hamper is seen in Indian territory. During the high-level communication, the issues are shared with Nepalese Government, but the border security is already a big internal challenge for Kathmandu.

These issues indicate Nepal as a small state in front of India as the military dependence level is high. The vulnerability of external pressure is also increasing as the arm resources import also depends upon foreign markets.

### **3. DEFINING ‘HEDGING’**

As per Kei Koga, hedging is a sort of insurance policy against opportunism which enhances economic pragmatism along with improving military capability while preparing for diplomatic confrontation (Koga 2018, 634). However, the concept built by this definition lacks consensus in terms of identifying conditions and patterns as well as the core motives related behind. The advantage here is that balancing, and band wagoning could be excluded as strategic options, however it somehow tends to locate between them as optimal strategy within the same spectrum. Balancing could be internal or external where defense capabilities are uplifted with the help of economic development to support stronger defense budget, policies and advanced technology, as internal balancing. In the external balancing alignment formulation is efforded by a state (Waltz 1979). Bandwagoning refers to ensuring security and gaining benefits by making an alignment with the threat source, generally scarifying the chances to cooperate with other states and self-governance, as expenditures (Schweller 1994). Hence, both the concepts of balancing and bandwagoning, cannot be risk free as domestic the economy is hampered by internal balancing and abandonment possibilities rise due to external balancing. While making any military, political or economic alliance with the larger state, its hegemony most likely is invited too. Therefore, Koga concludes the combined form of bandwagoning, and balancing is ‘hedging’ – where the main benefit is risk reduction to secure a time limit for implementing the next strategy (depending upon the situation) for the future staying neutral with simultaneous increase in autonomy.

When it comes to the notion of hedging through the eye of policymakers, they validate the fact that, the side to be taken by a state is usually done in advance against the target state remaining firm to persuade non-military cooperation that is without threat until the target state supports too, in a peaceful manner. Hedging for policymakers is simply methodological choice, however for the scholars, it is rather a strategic choice (Koga 2018, 637). This thesis will prefer a Scholar’s perspective.

Over the studies based on empirical cases, a single definition does not satisfy the clear definition of hedging. This is because this mixed strategy is adopted not only against superpowers but also towards rising powers, and not only by small states but also by rising powers. If a state hedge, then the boundary line is blurry to stand clearly away from balancing and bandwagoning. Hoo Tiang Boon unpacks hedging as a finance and business discipline's derivative conceived as a strategy to manage potential risk and offset loss during a venture (Boon 2016). In the same article, it is also linked with the international relations context and defined that in some uncertain atmosphere, a state must make a serious effort to protect itself from pre-identified undesirable outcomes by implementing the strategy known as hedging.

John and Jürgen share a definition of hedging by saying that it is a mixed strategy of government via medium of diplomacy and economy to ensure security fallback (Ciorciari & Haacke, 2019). A state could pursue ambiguous alignment and address energy supply vulnerability. However, within these insurance and alignment policy implementations, the fundamental difference between the risk and threat is disregarded.

The benefit of conceptual flexibility during the time of political dilemma makes hedging applications swing both ways but the degree up to which a state weighs one action-plan against another is translucent. Goh brings the importance of hedging in a situation when the dilemma still exists despite the available alternatives as balancing, bandwagoning and neutrality (Goh 2005). Roy says definition is even broader as hedging enables to forecast multiple security options in the time of possible security threat (Roy 2005).

The research article of Arshid Iqbal Dar defines hedging as combined moves of contradictory policies made by the state while dealing with threat from close neighboring state's rising power (Dar 2021). There might be limited extent to which the stretching of the balancing–bandwagoning spectrum is marked, so hedging allures with pragmatic policy options during such circumstances.

Brock Tessman defines hedging a bit more in depth by naming the term as 'strategic hedging' (Tessman 2012). Here, the definition lands as Type A and Type B. When the system tends to transform to multipolarity, strategic hedging helps to maximize the long-term opportunity of second-tier states because simultaneously the system leader's military confrontation increases. This enables the second-tier states to gain power parity roughly with ultimate improvement in long term ability of hedging state. Tessman defined it as Type A hedging. Here, the example is serves as energy supply diversification to reduce or abolish vulnerable trade embargoes or



border-blockages that have direct touch with military and technology acquisition. As far as the Type B hedging is concerned, it is addressed as cut off in (voluntary) actions of the system leader to provide military aid, economic aid and technological aid, which generally is related with the public goods and subsidies that a hedging state enjoys. Here, regional organization establishment might occur to increase options for above-mentioned help from other providers and protection of key shipping routes that are important for hedging states. This Type B hedging might seem attractive but still cannot absent the threat of another rising power than the system leader. When the system leader terminates the financial and military assistance due to resource allocations, then worries about the increasingly powerful state rises too. As per Tossman, strategic hedging desires to strike a middle path in the ground between Great Powers. The real life examples he shares are the Southeast Asian states and the European Union (EU) as regards the United States and China, where EU's desire to reduce reliance on US military engagement.

Apart from definitions, scholars have included motivations, conditions, identifications, and patterns making the hedging concepts more ambiguous. Keeping the above collected views into account with aim for reasonable demonstration, precisely the case of Nepal's hedging interaction against India is chosen as the thesis' case to explore.

### **3.1 NEPAL'S HEDGING STRATEGY AGAINST INDIA**

A small state like Nepal with comparatively less military and economic capability frequently faces strategic uncertainty while crafting the national and foreign policy. As a secondary power in front of India 'power balance' and 'band wagoning' is a less preferred optimal strategy rather than 'hedging'. It is of course, better to prevent a hegemon's hegemony via political and military channels or by allying, however, the concept of 'hedging' gives manifest attention in this thesis. Hedging simply elaborates a small state's behavior in an effective manner.

The establishment of SAARC with its Kathmandu based secretariat initiated a favorable international atmosphere for Nepal to diversify its multi-national relations deliberately with the regional neighbors apart from India. This also enabled Nepal to have more foreign policy options than soft balancing or limited band wagoning. Nepal realized that better economic pragmatism is possible by only branching out the relations with multiple international partners with whom a fine bilateral bond already exists. Those good partners include Japan, Canada,

European Union, United States, China, middle east states and of course South Asian close neighbors.

During high-level visits between Nepal and China, numerous big financial and military packages including disaster relief materials have been assisted to Nepal in recent years. This has impacted Nepalese foreign policy against India (Chhetry 2021). Among many Asian and African nations, Nepal has also been obliged to increase Chinese aid and vast scale of policy adoption. Nepalese FP is altered with Beijing's economic influence. After 23 years, when the Chinese President Xi Jinping visited Nepal in 2019, the northern neighbor's influence was reflected as Nepal lit the green light for China's Belt and Road Initiative (BRI), (Baruah 2017). For Nepal, this helped to achieve the ambition of being a 'land-linked country' from 'land-locked country'. For India, the BRI project created threat as the railway lines will be connected with the close Indian border in Lumbini.

Although New Delhi's hegemony has descended gradually, the strategic significance stays the same. For Nepal, treating India as a humble and respectful neighbor is equally vital. Every year, Nepal faces huge natural calamities like floods and landslides where New Delhi has always offered a supportive hand to help. The number of Nepalese students to studying and travelling different Schengen countries in Europe is increasing. Since, embassies of countries like Estonia and Czech Republic are not established in Nepal yet, it is New Delhi who allows provision to apply for visa through the embassies there. Students and workers from Africa and Bangladesh even need hourly visas to stay in India, however Nepalese students enjoy the luxurious provision of free travel within all India. Such hidden political support could not be neglected by Kathmandu and at least stay neutral strategy-wise. Nevertheless, India sees the increase in China's high-level diplomatic activities as Chinese engagement, but Nepal takes it as progress in its foreign policy and strategy. The socio-economic development is what Nepal perceives with growing multinational relations, whether it be a northern or southern neighbor. It could be concluded that Kathmandu promotes national interest by crafting an accommodation policy towards New Delhi as a reason to adopt a hedging strategy.

Some historical, religious, and cultural experiences in establishing bilateral bonds with India impact Nepal to design its hedging strategy. As per the latest studies, 81.3% of total Nepalese (Nepal Profile 2021) and 78.3% of total Indians follow Hinduism (Hindu Population 2021). Millions of pilgrims have been visiting from both countries to different temples, rivers, and pilgrimages since the 19<sup>th</sup> century. This substantially indicates that the common identity of

religion and similar language is being shared for a very long period. Such circumstances also suggest that India would not confront its small northern 'special' friend because doing so would stir up internal political instability within the Hindu population in India.

Regardless of the doubt of Indian intrusion, Nepal's history of limited alignment with New Delhi has, in times, given a climax as compromise of water resources and fearsome dependence in the diplomatic relations. Transboundary water resource, in general, is such a water resource that flows from one country to another or contributes as an international border. The Indo-Nepal transboundary water treaties signed between Nepal and India seem 'unequal' as it has benefited more for India to pursue its hydro-hegemony (Rai & Joshi 2020, 79-80). As a big state, India holds bigger political power as a prime determinant to assure control over land and resources. Due to this power asymmetry, Nepal has been struggling to increase the bargaining power, however, deprived of signing an equal water treaty. On the other hand, India could not be single handedly blamed. The initiatives and proposals for the water treaties came from the Indian side but the motive behind it was to control the flood and promote irrigation. Nepal lacked the priorities to be considered before signing the treaty, as democracy was not institutionalized by then in Nepal. In the late 1990, when Nepalese people, politicians and water experts realized the lucrative economic aspect of hydro power, then only the discussion escalated in public discourse. Due to this ground fact, from Sarada Treaty of 1920 to Mahankali Treaty of 1996, fair share of benefit did not land on Nepal's fortune (Rai & Joshi 2020). Consequently, India has been determining the outcome of transboundary water resources with Nepal unilaterally.

As such, Nepalese history suggests that provoking to a larger state by a small state is never a portable diplomatic behavior. In addition, it also suggests that Nepal should avoid signing any international treaties in an unschooled manner. Considering these lessons learnt, Kathmandu seems to draft betwixt and between policies towards New Delhi.

As democracy is increasingly practiced in Nepal with restoration of the multi-party system, every opposing party gains public support when the ruling government party is portrayed as pro-Indian, whether it be Nepali Congress or Nepali communist. While the Indian behavior via treaties and agreements is not in favor of Nepal, the anti-Indian sentiment is somehow widely spread in the minds of maximum Nepalese. The ruling party on behalf of the Nepal government cannot take hard efforts to oppose India showing patriotism, however since India is the largest trading partner, it is also the main investor in Nepal. The Indian government has contributed in

large scale to increase literacy rate in Nepal and further development infrastructures cannot be proceeded without Indian cooperation. Therefore, the ruling party must win to secure public support in domestic politics and impressively convince India to be a wise partner. This encourages Nepal to hold a divided opinion strategy, where Nepal acts to arrange the internal political issues revealing indirect opposition towards New Delhi.

In chapter 1, as per Kassab's definition, the vulnerability of the economic index regarding Nepal could be considered high as multiple findings reflect Nepal's poverty. Hence, economic progress comes as a prime determinant for surviving as a small state. This agenda has been highlighted in 'Long Term Goal and Targets' by the National Planning Commission of Nepal in the Fifteenth Plan within the duration of Fiscal Year 2019/20 – 2023/24 (The Fifteenth Plan 2020). Here, the main target indicators are per capita income and economic growth. Nepal's ambition to accomplish maximum economic advantage from India is not an exception, this ambition would highly support the security of Nepal as well.

Kei Koga's definition of hedging says, to limit the opportunities and ensure survival while preparing for diplomatic confrontation (Koga 2018). Fair settlement of Nepal-India border dispute is often the slogan of the opposing party in Nepal to defeat the ruling party. The protest of reviewing and modifying the 1950 and water treaties even appears as a burning issue on the road, but both realist and liberalist governments in Nepal have made uncomfortable adjustments with the Indian Government as they reach national administrative power. Despite that, Kathmandu speciously has not aligned its policy with New Delhi over the conflicting issues such as anti-Indian slogans and the discrimination of the population in Terai who have Indian origin. This in a way gives the impression of limited bandwagoning. Moreover, a separate political party of Madhesi (people from the Southern border) was not given much attention from the other Nepalese ethnic groups but the popularity and establishment of the new Madhesi party is increasing. In recent years, they easily get registered in the national election commission to compete throughout all provinces of Nepal. It seems the Madhesi minorities are being respected and appreciated by the majorities in Nepal. Majority of the Nepalese or people from the Hilly region take it as a tiny sacrifice of national interest to maintain a peaceful neighborhood. Another supporting example would be not initiating negotiation to stop the border disputes even though the bordering pillars are being misplaced towards north many times and shouted in the Nepalese media with multiple evidence. However, the same issue in the northern border of Nepal is not being addressed in the federal parliament.

Here in this context, Kathmandu seems not to disturb the livelihood of the Nepalese and Indians sheltering around the border zones.

Allowing the officials of Indian intelligence bureau – Research and Analysis Wing (RAW) to operate in Nepalese territory openly is not a surprise news in Nepal. However, such visits are never officially informed from Indian officials (THE TIMES OF INDIA 2020), neither the Nepalese Ministry of Foreign Affairs makes any delegation despite being acknowledged to the incident. This flexibility allowed by Nepal in its international protocol could be taken as a sort of hedging too. Here, the notion from Goh matches this political dilemma (Goh 2005), because through the media the whole world knows the incident and Kathmandu cannot afford to handle the pressure of ignoring comments from the government level. Neither Kathmandu makes any argument with New Delhi.

When the price of fuel rises then protests in Kathmandu with anti-India slogan are lunched. The shops and street stalls in market being taken care by Indian citizen are verbally abused in many Nepalese districts. Such gestures of defiance should vitally be abolished from Nepal. There has been neutral position maintained by Kathmandu, but through confidential diplomatic means, it would be wise to try against such gestures of defiance, so that bilateral ties with India would not be weakened. In 2016, the Eminent Persons' Group (EPG) was formed to create different level of interaction between two countries with aim of updating bilateral treaties between Kathmandu and New Delhi in line with contemporary context. This has given Nepal a chance to adopt binding engagement so that increasing number of diplomatic communications would resolve the citizen level issues. Group of relevant experts from both sides in EPG seems good platform to reset the Nepal-India ties as there has been frequent official and religious visits to India by different Nepalese EPG members. The 2020 November's visit of Indian Foreign Secretary Harsh Vardhan Shringla, the No. 2 official at the Foreign Ministry, has increased the rooms of dialogue and hope for warm bilateral chilly ties (Adhikari 2020). As per the Rosenau's definition, the dependence level of Nepal on foreign market is very high (Rosenau 1966), and being a small state vis-à-vis India, such non-military interactions would enhance its soft-balance strategy too.

## **4. INTERESTS FROM BOTH SIDES**

This chapter will work out for interests from both sides to discover possibilities based on above learnings and examples. There is usually uncertain magnitude to understand the survival strategy of any small state. This thesis took maximum literature from the Nepalese side to analyze the diplomatic challenges of interaction with its larger neighbor India. The ‘smallness’ of a state -size seems to be importantly determined by its territorial size and economic power because after these prominent two elements only the influence of the military and political power get chance to enter the discussion course. To observe the case of Nepal-India interactions, Nepal is small in both area and economy wise. Therefore, coalition behavior or non-military interactions might not be suited as prioritized strategy to adopt productive foreign policy for Nepal. Studying the ‘hedging strategy’, the expectation of both countries seems to meet in a win-win manner. Hedging seems to benefit for two sides because the natural resources of Nepal could help India to solve its electrical energy problem to a big extend, and with increasing number of comprehensive bilateral interactions, Nepal could craft proactive foreign policy leading to double its economic pragmatism. In the presence of skilled diplomacy only, Nepal would translate its God bestowed natural resources into international success. Since hedging stands in the middle line between bandwagoning and balancing, it keeps door open to jump here and forth as the situation demands. This would act as insurance policy for the country’s national security. In Nepal’s context, hedging would stand strong with the bases constructed with creative and fruitful flow of internal politics. Moreover, in the international arena too, Nepal needs to have better friendship with India for the factors like Chinese influence, growing terrorism in South Asia and mainly Nepal-India Border, and most importantly ‘trade and transit’.

The Indian interest to make effort for eliminating the underlying mistrusts and irritants has high chance to end up as unilateral approach. As Kathmandu is proactively diversifying its international relations in increasing pattern, New Delhi might feel dilemma at certain points. India cannot compromise its regional hegemony as an undeniable fact, so without wanting - the Indian political pressure might appear on Nepal even during the efforts made to strengthen bilateral ties. This Indian dilemma somehow has built up a shadow of doubt concerning the security in Nepal in a status quo. New Delhi always has preferred for peaceful settlement of

treaty and water related conflicts with Kathmandu even if there is biased compromise to be made for India. The recent speech from Indian Defense Minister Rajnath Singh manifested well when he said “*we will not let our relations with Nepal get jeopardized or snapped even if we have to keep our heads bowed. I think saying this much is enough in this context*” (NDTV 2021). Such a high-level statement really spread enthusiastic impression for Nepal.

## CONCLUSION

Despite the vast discrepancies in size, economy and military, the relation of Nepal and India still bears a wiser way to look at this seemingly undesirable situation. Nepal’s hedging strategy suggests that small powers also could secure fruitful relations with larger powers provided the practice of sound foreign policy adoption. Some illustrations provided within the theoretical chapters well demonstrate that foreign policy of even a small state if contains soft and smart variable tools then the improbabilities of previous decade could be probable. Another good conclusion is that the voices of protesting people is what shapes the state’s strategy. Considering the Nepalese future in a long run, Kathmandu will continue to choose the best possible strategic option as hedging in its relationship with India because of the geographical reality. The sensitive border dispute and illegally issues Nepal citizenship to Indian immigrants during the time of election still holds big threat for Nepal. Moreover, Nepal will keep welcoming the opportunity to accept Chinese and western endowments. Hence, India for its part holds an accountability to generate encouraging bilateral atmosphere to assure stable bilateral bond. This would demand sincere will for peaceful settlement of problems.

One good point to summarize is that small states contribute significantly for the world population in a global context. However, when the ranking is made on power and capability basis then more than average number of states in the world act small and adopt hedging (which is more volatile) as portable foreign policy strategy, depending upon the situation. The larger states enjoy the advantage of larger potential, however, they must deal with multiple neighbors and bear more struggle to create international influence.

Since the research kicked off to study the survival strategy of a small state taking example of Nepal and India, it found that the best agreement or treaty that survives without conflict is when ‘give and take’ weigh equal. It is so because with time the contemporary realities change in the international relations scenario and states expand their relations accordingly. When standing

on the Nepalese side the thesis might give translucent view for the positive approaches made by India but clearly it is in the sense that issues do exist and could be examined from either side's way, which would fly the bilateral friendship towards near to utopia.

This, however, is quite challenging and might not seem as it looks from a distance. This 'special bond' is problematic on a regional and international basis. The relationship between the two nations is not like the relationship between the two persons. Nepal and India have been dealing with China in their own different ways. Despite that, the development of joint mechanisms to work within the EPG group between Kathmandu and New Delhi at high level has given big hopes as both countries have realized the treaty's revisions to match the taste of time. This mechanism is expected to develop stronger border security. In addition, more liberal approaches for trade and transit amenities for Nepal from India would support the security policies for both sides.

As a shortcoming, this thesis fails to link the theoretical illustrations within the chapters with maximum real-life incidents recorded officially for the academic purpose. The paper presentation might seem descriptive, not technically rich lacking enough hypotheses to offer. However, the author believes that a simple bachelor level thesis like this would not suffice to fully elaborate the relation between the Federal Democratic Republic of Nepal and the Republic of India. More research on the Indian side of literature focusing on diplomatic interactions with behavior from both sides would have spiced up the thesis argument.



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