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THE FREEDOM OF ACTION FOR A SMALL STATE BETWEEN INDIA AND CHINA

A Case Study of Nepal

Bachelor's thesis
Programme INTERNATIONAL RELATIONS

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Tallinn 2018

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The document length is 13,673 words from the introduction to the end of summary.

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ABSTRACT

In recent years China has started exerting increasing amounts of influence on Nepal. Nepal has been open to considerable Chinese investment despite the perhaps worrying precedent set by the recent history of the neighbouring Tibetan region. The power dynamics of South Asia are changing towards a direction that cannot sufficiently be explained by the realist theory of international relations. This paper will reference small state theories to argue that realism alone is no longer a viable approach to understand the behaviour and situation of Nepal and other small states. The different ways in which India and China have directly influenced Nepal will be evaluated from India's focus on their mutual history to China's generous funding of infrastructure projects. Finally, Nepal's potential freedom of action and its capability to act independently will be reviewed.

Nepal, India, China, small state, realism

INTRODUCTION

In recent years China has grown its sphere of influence into Nepal, which – like many of the countries China is showing interest towards – has neither the political will nor the capacity to forbid this. Thus, the power dynamics of the region will be changing, and the realist theories of international relations are unable to account to all of this on their own.

The questions driving this research are as follows: Is realism a viable approach when assessing small states, or would small state theory be more equipped to do so? What are the ways in which larger states affect smaller ones, i.e. what are the different ways in which India and China have tried to advance their relationship and influence in Nepal? Does Nepal have freedom of action and if so, what are its options: are they limited in some way?

Nepal is a good example to focus on when studying small states, especially in South Asia. It is right in the middle of two Asian giants whose race to become regional hegemons is evident in Nepal. In regard to this hegemonic competition, Nepal is a good subject to study since its natural options for diplomatic or mercantile relations are extremely limited by physical boundaries. Furthermore, this means that if realism is a flawed theoretical tool in analysing the behaviour of a country with such limited options, then the behaviour of other relatively weak nation states in the region such as Sri Lanka or Bangladesh can surely be even less in line with the realist theory.

Nepal's history is dependent on the history of the region. Nepal, India, China and Tibet have relationships that are intricately intertwined with each other, which is why this thesis offers a brief overview of their histories before delving into the current affairs of Nepal. Historically especially Nepal and India have been close. They share similar cultures, religion(s), ethnic groups and languages and an open border. Nepal has been described as India's little brother, and India enjoys having Nepal under its wing.

The Nepali state is weak. Nepal is very dependent on outside actors because of its isolated location and its domestic issues. Nepal is a young democracy which has seen ten different prime ministers in a span on 10 years, and before 2015 no government had been in place for more than two years. In this paper the events of 2015 are used to highlight the Nepali governments incapability to function on a sustainable level.

This paper will analyse the degree of Nepal's freedom of action in conducting its foreign policy. Since 2008 the relationship between Nepal and China has been evolving, as China has shown more interest towards its southern neighbour. China has significantly increased the number of projects it is funding in Nepal, which has made India as well as some Tibetan settlers anxious.

This paper can be considered an analysis of the realist approach in regard to Nepal, as well as other small nations as an extension. The realist perspective was chosen, because it is still one of the most dominant approaches to IR. Some argue it is one of the most dominant approach when assessing small powers as well (Wong and Kieh 2014). This paper will analyse whether the realist approach is too blunt or restricted as a tool for studying the behaviour of small powers or small states. Theories regarding small states will be considered as a viable alternative or companion for realism in this paper. Realism was chosen to be inspected because the aim is to understand the shifts happening on a state level in Asia, with a specific focus on Nepal. In contrast to other theories of international relation, realism regards states as the main actors of global politics and thus it was a natural choice. Additionally, realism is possibly the most notable of the IR theories within academia but also within the public sphere.

This paper consists of a theoretical and an empirical part. First, the paper will briefly go over the realist theory of international relations. Then, the focus will be shifted onto how realist theory views small states. The paper will then move on to a descriptive, empirical part to give context of the relations of China, India and Nepal. India and China can be described as regional competitors, with Nepal balancing between the two. Nepal's transformative year of 2015 will be examined in order to analyse how these events shaped the relations of Nepal and its neighbours. This paper is a close reading of literature regarding Nepal and its relations with its neighbours. A case study was chosen as the method to understand the historical and cultural relations between Nepal and its neighbours.

A few words need to be said about the source material, before delving into the topic. Primary sources such as some of the websites for political parties are unavailable in English, and therefore this paper is mostly based on secondary sources. Some of the articles reviewed included vocabulary that had not been translated from Sanskrit. Sometimes the English was poor. Furthermore, many of the articles that have been reviewed in the research are plainly biased. At times the papers were even provocative in their stances using colourful language, and they often conflicted each other. Some arguments made in articles were false. An example would be an article

which made the point, that Nepal's new constitution would not succeed "because it does not have any support from New Delhi," (Jha 2016) while most articles specifically criticised India's involvement in Nepal's internal affairs. However, this paper has attempted to remain unbiased. A closer reading into these would be necessary to decipher whether the biases could have something to do with the nationality of the writers.

1. REALISM

Realism is one of the major theories of international relations (IR), and it could be argued one of the most prevalent notions of power in the public imagination. Realism proposes that national security and state survival should always dictate a state's actions. To be clear no IR theory proposes insecurity and demise, but these are at the normative core of realism: security and survival. Realism states that no one (no other state) is to be trusted. There is an ethical stance written within the theory: a leader must be ruthless and sceptical, so his citizens won't have to be. These are arguments that are heard in world politics today as well. After the World Wars and the following Cold War, the ethos focused on cooperation and mutual benefit. It was the era of the United Nations (UN) and the European Union (EU). However, the political landscape has changed in the 2010, and instead of cooperation and globalization, many states have had movements towards turning inward and closing. Most notably in the west Donald Trump, the president of the United States, has built his political ideology around protecting the country. He has withdrawn from climate deals, peace settlements and trade agreements in the name of protecting the country. Trump has claimed these were "bad deals" from which the US was not benefitting in any way. This goes in accordance realism, which does not support or truly believe in higher authorities than states. International institutions, non-governmental organisations (NGO), individual actors, smaller powers and small states have been relegated to passive unimportance. Realists believe nothing is to be gained by working with these actors, because what truly counts is power, which these actors don't have.

Realist theory has always focused on great powers. These great powers are given agency to be cunning and ruthless in the pursuit of self-interest, while the role left for lesser actors is merely to adapt to "the natural reality of unequal power" (Jackson et al. 2013). Realist see the global political arena as if it were divided into only a few major players, ideally only two, as was seen during the Cold War. The whole theory of realism is built around the idea of a few great powers dominating the rest and conflicting with each other.

In this paper the primary critique of realism is their disregard and underestimation of small states, which incidentally make up most of the world's nations. This, in itself is enough to deprive "the model of any serious pretension of being a 'scientific explanation' of the dynamics of international affairs," (Gleason et al. 2008). Within the realist paradigm small states are left with very few options on how to operate because it ignores their struggles. In any sense they are either at the

mercy of the greater powers, or at the mercy of international institutions which realists denounce or disregard. Realism is focused too narrowly on great powers, which makes the theory one-dimensional. It fails to acknowledge that the sphere of IR is full of dialogue and cooperation and has a much too bleak idea of human nature. Human beings have only come this far because of our cooperative skills.

Further problems with the approach rise when trying to define its key terms: great power or even just the term 'power'. The classical definition of power is that one can force another to do something they would not otherwise want to do. However, this is still very broad. One can be powerful in a certain situation and not powerful in another. The looseness of the definition becomes even more problematic when focusing on what is on the other side of the term 'great power' – it begs the question: what are small powers or small states? How to categorize states? These are the questions that will be tackled next.

1.1. Small states

Small powers and small states are terms which are often used interchangeable in literature. However, it is important to make the distinction between the terms. Small powers and small states do have some things in common – they both benefit from international institutions – yet they are different. As mentioned by Toje (2010) it is not enough to describe them merely as 'not great powers' because they can display power. Moreover, the term small is relative as well. Nepal for example can be seen as a relatively large state in terms of land mass and population, but it is a small power and a small state in relation to its neighbours. This example proves the problem with both terms, small state and small power. They do not make up a coherent group of countries (which makes is difficult to create small state theories).

The distinctions between small powers, small states and weak states must to be made but it is difficult. Defining them using quantitative measurements can be self-serving and "analytically illusory and abstract" as Wong and Kieh (2014) write, and they propose that instead of defining the terms precisely, it would be more specific to categorize small powers into countries that have power either militarily or economically (or both), and underline the fact that human agency can tell more about how a state acts in the international arena than structural determinants such as population or GDP.

Toje (2010) on the other hand argues that small powers are system-affecting and can choose their future. Small states in turn are "non-entities", states to which certain things happen, while small powers are actors that can affect what happens to them. According to Toje (2010) Nepal would most likely fall into this "non-entity" category. Indeed, according to realism it would be impossible to argue that a state is a great power unless it can bend small states such as Nepal to their will. Yet Nepal is clearly important to both India and China, which can both be regarded as, at the very least, potential great powers. These small states might not have the capabilities to force large states to surrender in military combat or an economic standstill, but it would be simplistic to argue they are without *any* capabilities. Furthermore, in today's globalized, capitalist world great powers rely on the trust and support of small states to the extent that great powers may need to compete for the alliances of said states. In this sense small states have a lot of power: the power to choose allies may tremendously affect the larger geopolitical situation, and the power to act as a legitimizer of a hegemon.

Rothstein (1966) arguing nearly 40 years ago, said that the role of small powers, while historically limited, has grown and that they now exert more power than they ever have before. This was echoed by Long in 2010 in his essays opening line: "It is a good moment in history to be a small state." Small states are safer than they've ever been because of functioning, credible institutions. It is undeniable that small states can be extremely vulnerable, yet they also possess a kind on manoeuvrability that larger states do not. Wong and Kieh (2014) bring forth the case example of how the Philippines, a small power was able to "cash in from hedging the U.S.-China competition" by being alert and somewhat confident in its foreign policy. Furthermore, Siddiqi (2014) presents the case of Pakistan and its relationship with the US, in which Pakistan is dependent on the US for aid and assistance, yet pursues its own policies, leaving the US at the "whims of its small power ally." In some cases, small powers may even be privileged over their larger allies, as the case of the Philippines proves: they had the possibility of choice, as two competing powers showed interest. There is a duality within small states: they are both vulnerable and manoeuvrable at the same time.

Nepal is a great example of this power smaller states have. It is undeniable that Nepal is a small state, in the periphery of global politics, but building a hierarchy and leaving out "unimportant states" is an oversimplification. If nothing else, smaller states can find power in numbers, and thus can achieve collective power in institutions. All of this is something realism cannot account for, which is why further theories such as Small State Theory is needed. The inbuilt notion realism has,

that no one is to be trusted is simply not enough. It offers nothing to small states, especially landlocked ones. Their entire existence is based on the notion of trust, as they are fundamentally dependent and, to a certain extent, at the mercy of their neighbours. Again, Nepal being a prime example of a country being left out of the discussion.

Small states are sometimes geographically isolated, but even in theoretical and academic action they have been relegated to a peripheral place. Wong and Kieh (2014) argue that this is why small state theories have not been developed as thoroughly. Small states are offered very little theoretical advice regarding possible strategies. This is especially worrisome as many of these small countries also face problems with development. Should small states want to pursue a realist doctrine, Gleason et al. (2008) suggest they should form coalitions and integrate as best they can. This of course goes against the grain of realism: forming alliances and coalitions has only secondary importance for realists. Gleason et al. (2008) point out that this raises a logical dilemma for realists: are their prescriptions for these small states anti-realist? Building coalitions and cooperating together can guarantee small states collective power in a region, but realists argue these means are inconsequential. In order not to get lost in a theoretical loop, theories regarding small states will be discussed below.

An example of an alternative to the realist concept of power politics can be seen in Singapore's "Total Defence Singapore"-strategy, which is a holistic strategy that combines military, civil, economic and psychological defence. Wong and Kieh (2014) outline this approach in more detail in their work regarding small states, using Singapore and Pakistan as examples. They underline the fact that power is complex and contains multitudes, and that the realist approach is not comprehensive enough.

According to Siddiqi (2014), small power politics can really be split into three theories: dependency theory, constructivism and realism, the latter being the most prevalent one regarding small state studies. Dependency theory is similar to realism, except it places more emphasis on economic power rather than political power. In this view the tiny state of Luxembourg would be more powerful than say the much larger Serbia or Laos. Constructivists on the other hand would instruct small states to seek and establish international and supranational institutions as they believe norms and institutions guide IR. Countering the stance presented by Gleason et al. earlier, Siddiqi (2014) believes that realist policy making for small states should focus on reading the geopolitical situation in neighbouring states and privileging it over domestic factors.

However, as mentioned previously, theories regarding small states are still somewhat up in the air. It has been noted that the discussion and work relating to small states alternates between those who focus on the constraints and limitations of small states and those who emphasize the capabilities and power these states can display (Long 2017). This is exactly because the theories are still somewhat fresh, and the theories are not yet fully formed. Theories regarding small states are a fairly recent approach, but they could prove an extremely fruitful alternative or companion to the major IR theories.

This is the theoretical basis with which this paper will be looking at the evolving situation between Nepal, China and India.

2. NEPAL – STUCK BETWEEN GIANTS

2.1. Geography

Before getting into politics, a few words need to be said about Nepal's geographic location, as it is a key factor in understanding Nepal and its affairs. Geography plays a huge part in Nepal, as it affects the both domestic and international relations of the country on all levels. Starting from the grassroots, from lives of the people and going all the way up to geostrategic competition in Asia.

First, Nepal resides in an extremely challenging terrain. A large part of the Himalayas is in Nepal and the landscape is rugged to say the least. It is not uncommon for roads to collapse during the monsoon season because of landslides or flash floods. Moreover, the region is seismically active. Earthquakes in turn can trigger landslides and block roads. The high altitudes mean harsh winters. Nepal has inadequate infrastructure as a whole, but it especially makes trade and transportation difficult. It also means some regions of the country are very secluded. Some villages can only be accessed by foot paths.

Secondly, the country is landlocked (See Figure 1.). It has no access to the sea. It shares 1 690 km of its 2 926 km border with India to the south, and the rest 1 236 km with its northern neighbour China. Both neighbours are giants. Nepal has a population of nearly 29 million; both India and China have populations of over 1.3 billion. Comparing landmasses, Nepal is around 22 times smaller than India, which in turn is about three times smaller than China. Thus Nepal is located between two large world economies, a situation which could benefit it. If Nepal were a little more developed, with efficient and working infrastructure and a stable economy, it could act as a transit hub, or a land-bridge between the two giants.

Nepal's northern border with China cuts through the Himalayas and mountains such as Mount Everest (8,848m high). The average height is nearly 6,100 metres, and most of it is snow and glacier (Sahu 2015). There are a few border posts between China and Nepal, Zhangmu-Kodari and Kyirong-Rasuwa being the largest ones (See Figure 2.). Murton (2016) writes, that these two border posts are the only motorable China-Nepal border crossings. One additional motorable border crossing is located in the Mustang region, but it is opened only twice a year. The two border crossings of Zhangmu-Kodari and Kyirong-Rasuwa symbolize the evolution of the relationship

between Nepal and China (Murton 2016), more on this later. The border with India on the other hand resides on the lowlands of the Terai (or Tarai – the spelling varies) on the southern half of the country. The two countries share an open border which allows free movement for people. Trade-wise, Nepal is dependent on India for global trade.

Paul Collier (2007, 57) wrote, that "if you are coastal, you serve the world; if you are landlocked, you serve your neighbours," which is especially true for Nepal. Collier also points out that the transport costs for trade for landlocked countries depend heavily on how much its neighbours have invested on transportation infrastructure. For Nepal this means India. The nearest port for Nepal is 1 500 km away from the Nepali border, a distance which Nepali goods need to travel within India, before reaching global trade routes.

While there are more border crossings to India than there are to China, infrastructure development projects out of Nepal are vital in order for Nepal to thrive. Just to give perspective, there are less than 40 km of railway lines within Nepal, while the geographically smaller Estonia has 1,200 km of railroad. Inefficient transportation networks are one of the things that make it difficult for Nepal to enhance development, which is why investments in Nepal have been focused on infrastructure projects in recent years. Especially China had funded these projects.

Now focus will be shifted to the history of Nepal and its domestic affairs.

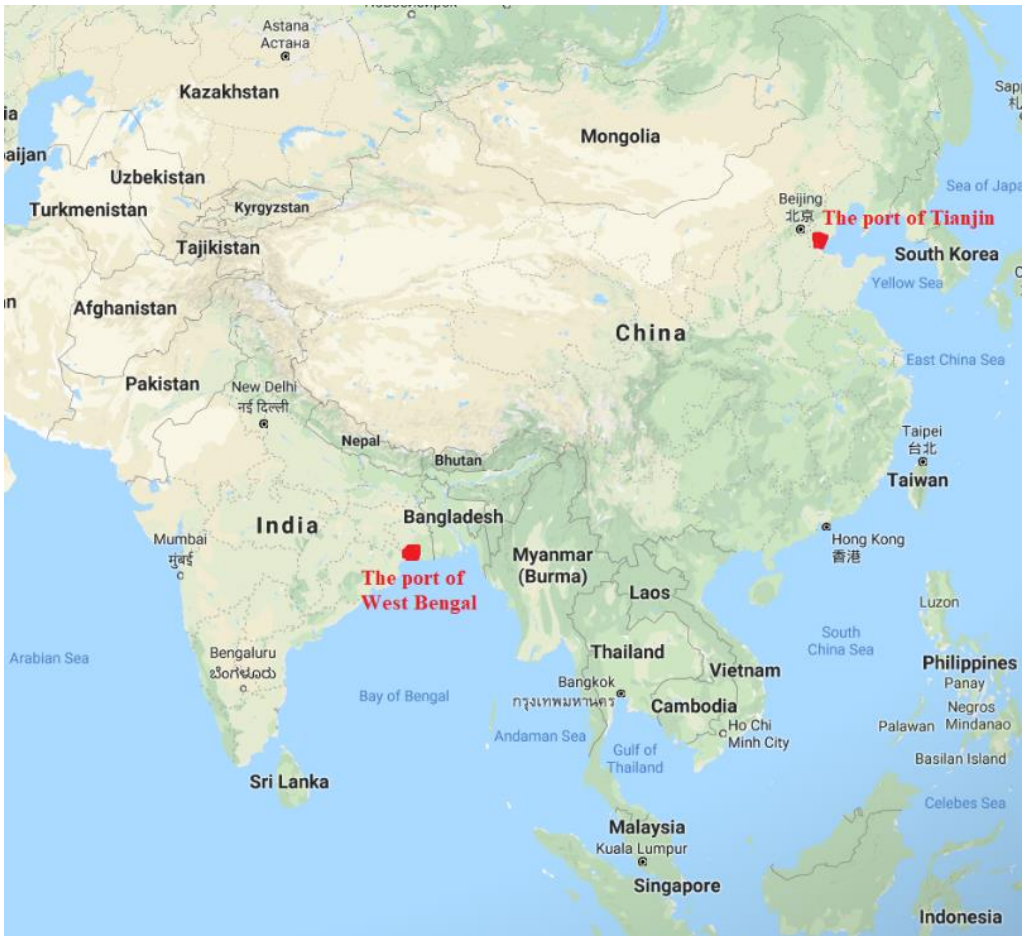

Figure 1. Nepal, China and India. Ports of West Bengal and Tianjin marked with red

Source: Googe Maps

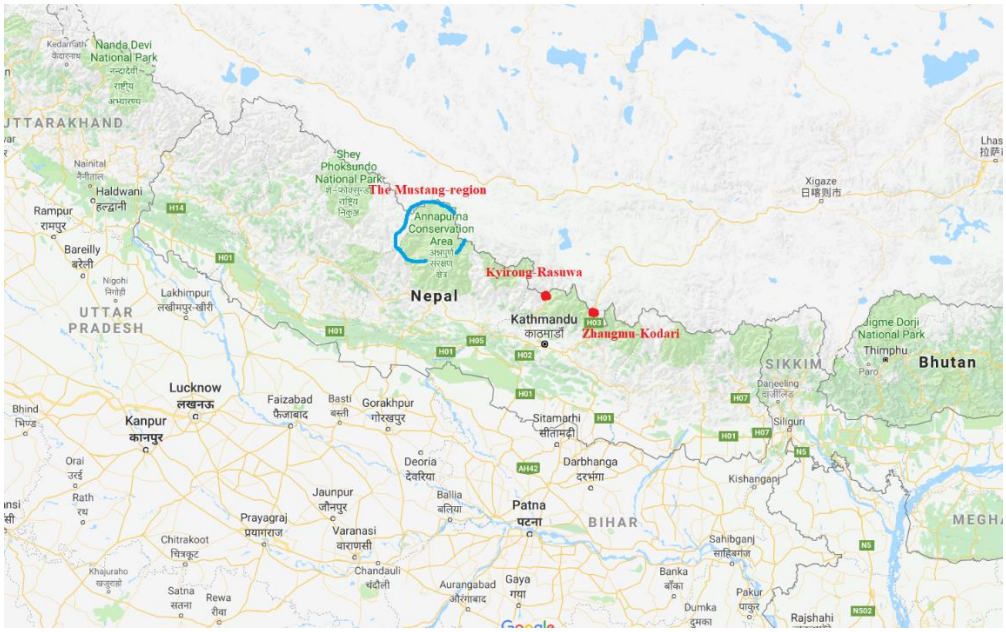

Figure 2. Nepal. Zhangmu-Kodari and Kyirong-Rasuwa border crossings marked with red. Likse-Neychung or Mustang region marked with blue

Source: Google Maps

2.2. A Brief history of Nepal

Modern day Nepal essentially made its entrance onto the global political arena in 1923, when Britain recognized the country's independence. A treaty between the two countries was significant, since small Nepal was able to retain its independence even when India was not. Furthermore, the British recognition, in a way, justified the existence of this small nation, in the eye of many major powers. Though the impact of British influence on Nepal is conflictual, at the time it was a source of pride. An agreement between the two countries allowed Nepali Gurkha soldiers to be recruited for Britain, and thousands of Nepalese fought for Britain in both World Wars.

Nepal was a monarchy in 1955, when it joined the United Nations (UN). In 1960 a new political system of Panchayat was introduced. It meant that citizens were able to vote for their chosen representatives, but the actual power remained with the King, Mahendra Bir Bikram Shah. In the following year the King Mahendra gradually consolidated political power, suspending the parliament, constitution and all party politics. By 1962 the King had sole power over the country.

Agitation brewed for years under the Panchayat system. The citizens were unhappy with the monarchy and demanded democracy. In 1985 the Nepali Communist Party (NCP) began a disobedience campaign with the goal of reinstalling democracy in the country. It is possible this campaign would have eventually died down, but in 1989 Nepal and India fell into a dispute regarding trade and transit. India imposed a border blockade on Nepal which caused the economic situation of Nepal to alter for the worse. The blockade, though having little to do with democracy as such, provided enough fuel to light up the protest mentality within the Nepali citizens, and in 1990 the Jana Andolan – the People's Movement began. The movement was pro-democracy and it gained momentum. The protests were most likely coordinated by the NCP and other leftist groups, and they were massive. The police responded with mass arrests and excessive use of power. Eventually, though, the King had to succumb into ending the Panchayat system and assented to a new democratic constitution, which finally made Nepal a constitutional democracy.

In 1990 large protests broke out to oppose the Panchayat system. This is called the Jana Andolan – the People's Movement. It caused the eventual collapse of the Panchayat system. It was mostly organized by Nepali Communist Party, which eventually split in two after the abolishment of the Panchayat. The new party, the Nepali Communist Party (Maoists) (NCP(M)) was much more radical in their beliefs, and demanded the establishment of a people's republic. The young democracy tumbled straight into a civil war that lasted ten years. The Maoists focused their efforts

to the countryside. The larger cities and the capital were under the government's control, which gave the impression things were under control. However, the vast majority of the Nepalese lived (and still do) in the rural regions of the country. This meant that while the government supposedly was in power, the Maoist forces controlled the lives of majority of the population.

In 2004, after eight years of fighting, the civil war finally reached Kathmandu. After that it didn't take too long for the international community to react. The new King's grab for power also reflected negatively on the monarchy. There was a "significant loss of public support for the monarchy" and talk of a republic became commonplace within the country (HRW 2006). This further enhanced the international community's willingness to get involved with the issue. According to Baral (2012), Western powers correlated the Maoist insurrection with terrorism due to the shift in global politics after the events of 9/11. Many supported the Nepali government in their efforts to suppress the Maoists. What is interesting to note is that the Chinese government supported the Nepalese government in their fight against the Maoists rebels, who were ideologically closer to them. However, they would not call the Maoists terrorists, instead calling them revolutionaries (Baral 2012).

Eventuslly, due to international pressure the state of emergency was lifted, which meant the king had to give up his power to the parliament. There was a civil movement, 'Jana Andolan 2' that promoted the end of the civil war. In 2006 peace talks began and as part of the peace deals made with the Maoists, the parliament curtailed the king's power and abolished monarchy after 237-years. The civil war was over, and in 2008 Nepal officially became a republic.

Taking into consideration how difficult it can be for vulnerable, low-income countries to break free from conflict and civil war (Paul Collier 2007), it is perhaps surprising that Nepal hasn't fallen victim to further armed conflict. Though Collier points out that it is easier for countries to reform during transformational periods, for example after a civil war, the likelihood of a country to break out of a conflictual cycle is very low. While Nepal hasn't been able to build a fully functioning democracy, it has managed to abolish its dictatorial monarchy and transformed itself into a democracy in merely 10 years. However, democracy has not been smooth sailing. Nepal has been unable to form a stable government, and in ten years the country has seen ten prime ministers. Identity politics, in the Terai region has had a profound impact on Nepal's politics after the second Jana Andolan in 2006. Especially the Madhesi ethnic group have been vocal about their political demands.

As mentioned previously, the history of Nepal is closely tied with the histories of the peoples around it. The following chapters will focus on how India and China have affected and been affected by Nepal.

3. NEPAL'S RELATIONS TO ITS NEIGHBOURS

3.1 Nepal and India

India and Nepal share a similar cultural background starting from religions, languages and ethnicities. They share an open border, and the Nepali Rupee's exchange rate is tied to the Indian Rupee. Nepal has historically been dependent on India for nearly all its trade, and 100% of its petroleum products. Moreover, as far as India is concerned, Nepal is under its sphere of influence.

The political relationship between the two has not been easy. For Nepal a new geopolitical situation arose with India's independence from Britain in 1947. As Chand (2017) argues, the shift meant that Nepal's neighbour was no longer Britain – a friendly country far away. Nepal maintained its close relationship with Britain, as it was worried India might absorb the small country. Nepal did not have any options but to stay close to a large neighbour it feared.

This specific uncertainty did not last for very long, because a new threat came to Nepal from the north, rather than from the south. In 1950 China absorbed Tibet into the People's Republic of China. This created new worries for both India and Nepal who feared China's expansionism. For India the small mountain states of Nepal, Tibet and Bhutan had been geographic buffers, a "double buffer system against China" as Chand & Danner (2016) write, and for Nepal Tibet had done the same.

The integration of Tibetan Autonomous Region (TAR) into China proved and opportunity for India to strengthen its relationships with both Nepal and Bhutan. In 1950, prompted by fear, the two signed the Indo-Nepal Treaty of Peace and Friendship. The underlying fact in India and Nepal's relation is their mutual fear of China. It was a treaty that, for Nepal gave the sense of security against China, and it is understandable that they would sign it. For India the treaty did more than just secure Nepal as a buffer against China, it also locked Nepal more tightly to India, making the small state even more dependent. Namely this was because the treaty restricted Nepal's rights to purchase arms from any foreign country without India's consent. By signing the treaty Nepal not only limited its own policy options, but it gave their rights to India. The treaty was drafted and signed hastily, and Nepal has complained about it after understanding how limited their own military affairs and "therefore sovereignty" (Chand 2017) is. Nepal has requested permission to

purchase armoury at least twice, but the request has been denied from New Delhi on both occasions. In any case, Nepal has received weaponry from China on two occasions, to which India has responded with harsh border blockades, stopping any supplies from entering Nepal.

India has always held Nepal on a leash. In 1950 the then PM of India, Pundit Nehru supposedly stated that though Nepal is an independent state, "any child knows that you cannot go to Nepal without passing through India…" (Sigdel 2016). Nepal resents the descriptions of its relationship with India as 'intimate' or 'special' because it implies Nepal is in the sphere of influence of India, not a sovereign state. Nepal has interpreted this as India's deliberate prevention of Nepal creating closer ties with other countries (Sigdel 2016).

As any small state should, Nepal is aware of its own, delicate geopolitical location, it does not conduct foreign policy recklessly, but oftentimes takes into consideration not only its own stance to a situation, but also the possible reactions of its neighbours. In 1970 the UN General Assembly was going to pass a resolution forcing both Indian and Pakistani armies to retreat and urging India to declare an immediate ceasefire. Surprisingly, Nepal abstained from voting. It refused to take a stance for or against India and noted the "limitations of Nepal as a small country surrounded by bigger and more powerful neighbours and incapable either of defending itself alone from external attack or of imposing her will on others by means of the use or threat of force" (Baral 2012).

And indeed, Nepal has been somewhat incapable of defending itself from India's imposed blockades. Especially the ones in 1989 and 2015 left Nepal on its knees. India's decision to terminate trade was successful in proving the dependence of Nepal on its southern neighbour, but for Nepal they have also been signs of India's controlling nature, and that India does not view Nepal as a fully sovereign state. This has caused friction between the two states, and on both occasion, where India imposed a blockade Nepal has turned towards China for petroleum and other goods.

All of this is not to say, that India has not been a positive influence for Nepal as well. India's Neighbourhood policy has meant multiple loans and visits to Nepal. One of current Prime Minister Narendra Modi's first trips as PM in 2014 was to Nepal, where he granted a significant loan. He indeed visited Nepal twice in a brief time to underline the "goodwill" between the countries. On multiple occasion he has taken the opportunity to highlight the "age-old historical and cultural relations" between Nepal and India, painting a picture of mutual respect and common ground (Sahu 2015). However, Modi was the first Indian PM to visit Nepal in 17-years. This is a clear

indication of how Indian political elites have taken Nepal for granted, so to speak. The overall attitude towards Nepal has been neglectful, and then a little alarmed whenever Nepal has shown signs of frustration.

Even still, India plays a huge role in Nepal. Among the ruling elites of Nepal there is a strong sense that India is important. Some politicians have gone as far as claiming India is in a "proxy war" with Nepal, since its influence over Nepal is indirect and sometimes hidden (Baral 2012). Of course, the current PM of Nepal has shown a new way with this. KP Oli has been outright disrespectful of India and has not hidden his close ties with the Chinese ruling class.

For the regular Nepali India is a partner, and it plays a crucial role for the livelihoods of many. The Indian labour markets are relatively easy to access, and many of the 1,500 youths emigrating from Nepal every day head to India (Prasad 2015). Nepali citizens enjoy 'national' treatment and Nepali businesses are allowed to operate unhindered. About 40,000 Nepalese soldiers serve in Indian army today (Sahu 2015). India and Nepal share the same medical system (Yang et al. 2014).

When it comes to India's relations with China, things are more complex. Nepal is unable to deny China: when China denied Nepal to let the Dalai Lama visit the birth place of the Buddha in Nepal, the small state had to agree. India, where the Dalai Lama and many of his followers live as refugees, seems to have circumvented Chinese worries by simply giving statements about not allowing anti-Chinese activity from Indian soil. This can be seen as proof of Nepal's lack of power. Much of Nepal's inability to distance themselves from India is not only based on physical restrictions but also on the fate of Tibet.

3.2. Nepal and China

As with Nepal, India's economy is also heavily reliant on remittances, which is an unstable source of income, as the fluctuation of global economy easily affects it. India also has a huge trade deficit in favour of China. In an economic sense, it would seem China currently has the upper hand.

The relations between China and Nepal begun in the ancient times, when local traders from Tibet and Kathmandu conducted business together. It was happening on a very low scale, as trade routes were mere pathways that could only be travailed by foot or Yak. Until the 18th century the dealings with the two remained scarce. Nepal was used as a trade route between India and Tibet (Chand &

Danner 2016), but, it wasn't until 1955 that the relations between Nepal and China were officially formalized under King Mahendra (Prasad 2015). The reason why it took this long for the two countries to establish diplomatic ties was that the People's Republic of China practiced diplomatic isolation (Chand et al. 2016).

When the two countries were finally in a place to begin increasing their cooperation, Nepal had already signed the 1950 treaty with India that somewhat constrained its possibilities. However, China has proved an interesting alternative with which to test India's boundaries: India has invoked to the treaty on several occasions, for example in 1962 when Nepal allowed China to construct a road from TAR to Kathmandu (Chand 2017). India criticising the road was seen as petty in Nepal, but from India's point of view it is obvious: they do not want China to be able to cross the Himalaya with ease – for India the road was a cause for worry about their national security, since it made it easier for China to move possible troops and equipment over to the mountains. China has stayed relatively silent about their relationship with Nepal. The democratisation of Nepal had little effect on the Sino-Nepalese relations even through the Nepali royalty has sought support from China. China eventually supported the incumbent power fighting against the Maoist guerrillas.

China's attitude towards Nepal has somewhat shifted since 2008. Nepal had just become a republic, when riots broke out in Tibet, just before the Beijing Olympics. Many Tibetans eventually fled to Nepal. Currently the estimates state there are around 20,000 Tibetan refugees in Nepal, and this is what China's Nepal policy is built around – having control of the Tibetan refugees, while also "strategically challenging India in its own sphere of influence" (Chand 2017).

It is hard to know for sure how much influence China poses over Nepal, but in 2010 a tape was leaked, in which a Chinese official attempted to bribe members of Nepal Constituent Assembly (Chand & Danner 2016). This is, of course just one anecdote, but since the democracy in Nepal is still young and somewhat unstable, it is worrisome. Signs of China's influence can also be traced back to 2003, when Nepal refused Tibetan refugees entry to the country and forced them back into Chinese territory (Sahu 2015).

Another, more significant shift in Sino-Nepal relations happened around 2012-2013, when China started making huge investments in Nepal. According to Sahu, 2012-2013 was the first time that investment commitment from China surpassed India, with China committing nearly 31% of the total amount of FDI, by investing in "mega-projects" such as hydropower and infrastructure projects (Sahu 2015). This trend has only intensified in recent years.

Both of the motorable border crossings from Nepal to China have been built using Chinese capital, Chinese engineering and Chinese workers. The Zhangmu-Kodari border crossing and road was opened in the 1960 and it handles 80% of direct transnational trade between China and Nepal (Murton 2016). In 2014 it was blocked by a landslide, and most traffic was directed to the then unfinished Kyirong-Rasuwa border crossing, which too was buried under a landslide only ten months later, after the 2015 earthquake. Kyirong-Rasuwa is still planned to become the largest trade route across the trans-Himalaya (Murton 2016). On top of this China and Nepal have discussed constructing a railway through the mountains. If the road works in Kyirong-Rasuwa are cleared, and the railway is built, Nepal would have an alternative route to access a port in Tianjin (See Figure 1), which would give them some release from India's tight grip. However, China would have access to South Asia. The Himalaya, which have worked as a natural barrier, would symbolically be broken. It would be physically easier than ever before for China to mobilize against India. The railway would most likely be part of China's One Belt, One Road -project, which will be discussed in more length later on.

China has been building relations with Nepal in other ways as well. They have been encouraging and supporting tourism to Nepal, and China has also been training youths, scholars and officials and offering scholarships for Nepali citizens to study in China (Sahu 2015). In 2014 the Chinese foreign minister Wang Yi visited Nepal and announced a grant assistance to Nepal which was a four-fold increase in China's assistance to the previous year (Prasa 2015). It might be said, that the assistance has been growing each year since then. China has become more open and outward looking in recent years and Nepal has seen the benefits of this. Nepal owes a huge trade deficit to China, more than 30% of the GDP (Shrestha 2017). In return, Nepal supports China in many international forums, including the UN. While the relationship would be complex enough as such, the issue of Tibet and the role it plays is relevant in understanding why Nepal is important for China. It will be discussed next.

3.3. The Tibetan issue

The first flow of Tibetan refugees began after the Dalai Lama fled Tibet for India in 1959, and since then refugees have been slowly trickling out of Tibet. Over 2,000 Tibetans fled to India through Nepal before the 2008 riots, but the number had dropped to less than 200 in 2014 (Chand & Danner 2016). There has been a steady stream of refugees fleeing the Tibetan Autonomous Republic (TAR) ever since they succumbed to Chinese rulership. Currently the estimates state that there are around 20,000 Tibetans living in Nepal in certain settlements, but some estimates claim up to 30,000 Tibetans live in Kathmandu alone. There have been some, but fairly few protests regarding Tibet in Nepal. The Nepali government officially supports Beijing's One China Policy, and thus recognize Tibet and Taiwan as Chinese territory (Prasad 2015).

After the 2008 riots in Tibet China began conducting a more proactive policy towards Nepal, possibly in fear of spill-over effects. Chand & Danner (2016) argue that while China had used diplomatic pressure to control the lives of Tibetan refugees in Nepal previously, it wasn't until 2008 that China showed such great interest in Nepal. This interest was mostly propelled by Chinese security concerns (Chand & Danner 2016; Beazley et al. 2015), and played out as diplomatic pressure but also as a increasing material presence of China within Nepal. Chinese investment and partnership with Nepal is motivated by their anxiety over the Tibetan population outside the TAR (Beazley et al. 2015). Considering this, it is important to note that many of the projects which China is funding are in northern Nepal, near the border between Nepal and the TAR. Coincidentally, this also where most of the Tibetan exile population resides.

Additionally, Beazley et al. (2015) point out China's recent neo-colonial practices, referring to Xianjiang, Mongolia and Manchuria in addition to Tibet. To Nepal this track record must look somewhat daunting. The Nepali Government has been pressured to place limitation on the Tibetan communities, which is a clear sign of China's influence. Tibetan exiles have described the current situation in Nepal as "panoptical," and that the area around certain Buddhist temples are "starting to feel alarmingly similar to Lhasa" (Beazley et al 2015).

Despite this, Chand & Danner (2016) can find value in the Sino-Nepali relationship. The way in which China has influenced Nepal has also brought benefits for Nepal in the form of infrastructure development and economic investments. Especially these infrastructure projects promise to be passports for development, which must sound tempting for Nepal. While Nepal has something to gain, it is by no means comparable to Chinese ambitions which might be turning into reality:

controlling a particular population, gaining access to South Asia and possibly even the Indian Ocean.

Thus, the geopolitical situation in Asia is evolving. Larger powers have welcomed China's rise, but as Sahu (2015) notes, many of China's smaller neighbours have been suspicious and are concerned about their security. Not all larger powers have been excited either: India has cause to concern, as it shares an open border with Nepal. The Himalaya might soon not be enough of a buffer against China. And in the middle of all this Nepal is receiving gifts it cannot turn down, gifts that come with certain expectations (Beazley et al. 2015).

4. 2015 – A TURNING POINT

2015 was an impactful year for Nepal. Many issues culminated during the year. Issues and events of the year prove both the limitations and the power a small state can yield. First of all the earthquake of April, 2015 provided a reminder that Nepal cannot escape its geographic location and the challenges that come with it. The earthquake additionally provides evidence of how politics is conducted during catastrophes. India's and China's responses will be contrasted in the following section. Furthermore, the aftermath of the disaster underscored Nepal's internal problems, of which the inability to pass a constitution for years is a prime example. India's reaction to the eventual passing of the constitution proves India's approach to Nepal has been belittling. India believed in its entitlement and somewhat overestimated its power or importance for Nepal, which eventually forced Nepal to turn towards China for assistance. This turn is extremely important, because it is an example of how a small state can use and benefit from larger states. Nepal has never deliberately played its two neighbours against each other, as the small state would have nothing to gain from it. Yet, it must be said that India and China both showing interest in Nepal does give it leeway. Later in this paper China's invasive nature will be discussed in relation to Nepal's freedom of action in more detail.

In 2015 Nepal had only recently come out of a civil war, and its democracy was still unstable. Governments were unable to last a full term, and Nepal was fully under India's security umbrella, with little transaction going on with China. Baral (2012) argues that it was the "declining role of the Nepali state" to cope with the developments in the country, that eventually gave grounds to external powers. Nepal had been in a constitutional limbo and no one seemed to be unable to find common ground when it came to the drafting of the constitution.

It is important to remember that Nepal is not fully independent in conducting its foreign or domestic policies because of its landlocked position and its economic dependence on its neighbours (Baral 2012). Nepal is running a negative trade deficit with both China and India. Chand & Danner (2016) write, that while India is still the biggest exporter of goods to Nepal, which means that about half the imports coming into Nepal are from India, China is second with more than a third of imports to Nepal. Nepal does not have the option to favour one neighbour for another but must try to balance between the two.

4.1. Earthquake

On April 25th, 2015 a 7,8 mW earthquake devastated Nepal. 9,000 people were killed. Many more were left homeless, or living in tents in fear of aftershocks, which finally occurred in May. However, within four hours of the initial shocks, the global community had sprung into action. The earthquake was followed by an influx of aid, which the government of Nepal had trouble distributing. Murton (2016) writes, that it took the government of Nepal nearly a year to even allocate aid to reconstructions, arguing that "political infighting and perennial nepotism have paralyzed reconstruction efforts." Weak states have had these problems before; Haiti in 2010 is a notorious example of how an aftermath of a disaster can be even more devastating than the catastrophe itself.

The reason why it is important to mention the responses of both China and India to the disaster, is that catastrophes are great times for politics and states can use them as tools to fix their public image. They can have a geostrategic aspect to them (Chand 2017) and seeing as Nepal was becoming a point of interest to both India and China before the earthquake their responses to it matter. Foreign aid in the aftermath of a disaster is called *disaster diplomacy*, and the way in which China and India used their aid as a tool is noteworthy. This tool can help build a stronger bond between nations, "but it could also be used to humiliate a rival state" (Chand 2017). The responses of the two states will be discussed below.

India's relief efforts were, without a doubt, the largest in response to the earthquake. India sprang into action within hours of the initial shocks with a relief operation they named Maitri – Sanskrit for friendship or amity. India sent in aid, relief materials, evacuated 5,400 Indian nationals and some 30 foreign nationals, which it received international praise for. Narendra Modi is reported to have tweeted "Nepal's pain in our pain," later adding that "India will wipe their tears. We'll hold their hands. We'll support them in this hour of pain." India offered Nepal a billion-dollar line of credit.

All of this is to be understood in the context of the cooling relations of India and Nepal before the earthquake: India saw it as a chance to invigorate a rocky relationship. As previously mentioned it had been 17 years, since an Indian head of government had visited Nepal. PM Modi has made an effort in rebuilding the relationship India thought it had with Nepal. He has focused in underlining the cultural and societal bonds of the two countries. Modi's approach must be seen in the context of China's growing influence in Nepal – it is not coincidental, that Modi visited Nepal a year after,

the first time China pledged more money to Nepal than India. India tried to use the disaster and its own response to it as a way of assuring all three states involved, that it still has close relations with Nepal. Sadly it mostly came off disparagingly, and thus the plan backfired. The post-earthquake sensationalist media approach portrayed the Nepalese population in a not-very-flattering manner. This led to backlash on the internet, and a Twitter hashtag #GoHomeIndianMedia was trending in Nepal (Chand 2017). India attempted to bolster their bilateral relations with Nepal, while trying to push back on Chinese influence, but only managed to bring themselves under critique.

If focus of media representation was misplaced, it must be said India's relief efforts were huge. However, China also mobilized the largest humanitarian effort they ever had outside their borders (Beazley et al. 2015). The contrast between the two countries' responses is telling. While India was making statements, focusing on their political rhetoric's, China's response was eminently silent, implying that their aid came with no strings attached. However, the scale in which China mobilized is a clear sign of China's interest in Nepal. Notably China's aid focused specifically in regions which were closely related to its own interests, near the border. China also cleverly spoke directly to local community leaders in Mustang about how the Chinese embassy could best aid the villages which had been left unaided until June. Murton (2016) argues that China attempted to override the Nepalese government by taking over areas left open by other aid workers. While China portrayed itself as a generous, silent partner for Nepal, on another front they exposed their power and capabilities, when they refused to let the Taiwanese government send search and rescue missions to Nepal (Chand 2017).

China also took the opportunity, to advance their One Belt, One Road initiative, a project, the aim of which is to construct trade routes connecting China to new regions. The initiative will be discussed in more detail later. However, the aftermath of the earthquake proved a perfect opportunity to promote an infrastructure project, since roads and bridges had collapsed, and Nepal was incapable of orchestrating the reconstruction. Of course, the agreements to cooperate in the OBOR-framework had already been signed earlier, but the disaster enhanced cooperation.

4.2. New Constitution

The government of Nepal had trouble responding to the earthquake and allocating incoming aid. This was partly because Nepal did not have a standing constitution. The government was in disarray, and managing a disaster is complicated as is. India had previously offered its advice and opinions on how the new constitution should shape up. This had not been welcomed by the Nepalese, who saw it as a slight of their sovereignty. Anti-Indian, nationalist sentiment was already on the rise, a sentiment which KP Oli openly shared. Soon after the earthquake, KP Oli and his government ushered in a new constitution. It was done hastily, and the constitution has come under fire. There is no denying that the constitution was controversial, but it was also necessary. Murton (2016) writes, "the rapid promulgation of a Nepali constitution became a key condition for the allocation of international earthquake aid." The constitution had been 9 years in the making, and it could be argued it was still unfinished, when it finally passed. The aim was to make it harder to remove a prime minister, in hopes of creating more stable governments. The constitution also made Nepal a secular state and assigned seats for minority representatives. Nevertheless, KP Oli saw an immediate resurgence of popularity in September 2015, when the constitution was passed. However, the problems with it are twofold, and the problems will be described below.

First there is the question of citizenship, and how it passes onto a child. The difficulty arises in questions, where one parent is from Nepal, and another from, for example, India. Citizenship can be obtained by virtue, by birth or by naturalization. The differences in citizenships are important, as they mean different rights when it comes to voting and standing for office. The new constitution is claimed to favour Nepalese men, since it makes it difficult for a foreign woman to pass on citizenship to their children, and when they are able to do so, the child would be naturalized, rather than receiving citizenship by virtue. Murton writes, that Nepal's aim is "to protect the state from being overwhelmed by Indian immigrants" but "India claims [the constitution] discriminates against Madhesis of Indian origins" (Murton 2016). The Madeshi are a large ethnic group who mostly reside on the borderlands of Nepal and India. This citizenship clause particularly affected the people living in southern Nepal, as marriages across border are commonplace.

The second problem with the constitution also disproportionately affected southern Nepal and the Madhesis. This is the question of minorities in power. The new constitution created seven new provinces, which meant the division of power in the Constituent Assembly was bid anew. (66 of the 598 representatives refused to vote for the constitution, most of them Madhesis or Tharus.) The aim of the provinces was to give more power to smaller communities in the mountains, which had

been powerless to voice their issues before. This in turn meant that places in the Assembly were taken away from some larger groups, representing the south. In the end this meant that groups from southern Nepal, which represent over half of the population, had to give up their 51% majority. While the constitutions goal was to take minorities into consideration, some populations saw their power reduced and their communities marginalized (Murton 2016). There was cause for complaint, and some were rightfully upset about the rushed constitution.

4.3. Border blockade

Only three days after the constitution was passed, and seven months after a devastating earthquake Nepal found itself under a blockade, or trade obstruction. Trucks stopped at the India-Nepal border, nothing was coming through. Riots took place at some border crossings. Food, medicine and petrol quickly started to run low. The government began rationing fuel. It was another economic and humanitarian crisis right after the earthquake, this time man made instead of natural. The blockade hit Nepal in a bad time, since it further hampered with the reconstruction work after the earthquake. Many reconstruction programs remained suspended over a year after the earthquake (Murton 2016).

It is unclear who organized the blockade. Many in Nepal blame India, India blames the Madhesis. The fact that nothing was coming through to Nepal even in the border crossings without any rioting suggests that the Indian trucks had had orders from higher up not to cross the border. As described earlier, India and the Madhesis are connected in a certain way. A former Indian ambassador characterized that the Terai region (specifically the Madhes) “is to Nepal what Tibet is to China and Kashmir is to India” (Haegeland 2016). In this sense it would be understandable for India to support the Madhesis, though it is an undeniable slight on Nepal’s sovereignty.

The situation is complicated, because the Madhesis did have cause for unrest. They had been clear about their dissatisfaction with the new constitution and felt they had been marginalized by it. The fact that the Madhesis live in the Terai and often times have close family relations in India means that the blockade was probably caused by both India and the Madhesi themselves. Both most likely benefitted from the other.

The blockade lasted for five months and had Nepal on its knees. It proved to be a spark for Nepal to do what was previously unthinkable and turn towards China instead of relying solely on India.

Anti-Indian sentiment has been stronger ever since the blockade. India was seen to have stepped over their boundary. Even before the constitution was passed, India had offered "advice" on it. The blockade can be seen as India's way to try and force Nepal to compromise and bow down to New Delhi's will.

However, PM KP Oli was very vocal about his opinions regarding India and the trade obstruction. His popularity was boosted by the passing of the constitution, but the blockade gave him the opportunity to appear as the strong leader against a malicious neighbour. His opinions enjoyed wide spread support in Nepal. India blamed KP Oli for whipping up anti-Indian sentiments in Nepal, but it is simplistic to place the long-lasting relationship of belittling Nepal on the shoulders of one man. Nepal recalled their ambassador from New Delhi, and the president cancelled their trip to India.

Fuel prices skyrocketed during the blockade, and many ordinary Nepalis couldn't afford the necessary fuel for cooking. In January 2016 the air in Pokhara was filled with smoke, because people were cutting down trees and burning it along with anything they could find (including all plastics) in order the cook their meals. A black market for fuel, medicine and food produce developed (Murton 2016). All this frustration towards the government, their incapability to draft a constitution, their poor response to the earthquake and then a border blockade laid the groundwork for the shift that was about to happen. The citizens wanted a change, they were unhappy with the traditional establishment (Wolf 2014). KP Oli and his pro-China stance was appealing after the tiredness the populace felt for traditional, pro-India politics. This same sense of unjustness within the people flamed the Jana Andolan in 1990, and in 2015 it showed itself in the form of support for KP Oli and China, and anger against India.

The blockade of 2015 was a crucial pivoting point in the relations between India and Nepal. The relations have cooled significantly. India has denied allegations of organizing and orchestrating the blockade and has placed blame on the Madhesis, but reports of trucks having stopped on the border, even at trade points with no agitation give cause to suspicion. India is a powerful country, and if they wanted to continue trade, they would have found a way to do so. India was undoubtedly taking a stance, siding with the Madhesi. They were showing their support for the Madhesi and their dissatisfaction toward the treatment of half-Indian nationals. Sigdel (2016) writes, that for India the Madhesi agitation was "an opportunity in disguise" to make it clear New Delhi did not support the constitution. However, because Nepal was completely dependent on India for its

petroleum it was short sighted for India to not see, that Nepal would turn to China: they had no choice. India overestimated their own importance, and somehow failed to recognize they were not Nepal's only chance.

KP Oli did not merely settle for criticising India for the trade obstruction, he signed significant trade and transit agreements with China. This is the second country, with which Nepal has made such an agreement, and it ended India's monopoly over Nepal. China began supplying Nepal with fuel through the mountain passage – though to be fair the traffic was slow and minimal because one of the two border crossings was closed after the earthquake. The supplied oil wasn't enough to satisfy the needs to the Nepali populace, it was more of a symbolic effort to prove that Kathmandu's new friends in Beijing were willing to try and aid them in a time of need, while New Delhi wasn't.

As mentioned previously, India has considered Nepal as a sort of a neutral buffer zone between itself and China. China never actively challenged this view, but as the blockade forced Nepal to turn towards its northern neighbour, China has somewhat infringed on this view. However, it has been done mostly because Nepal has asked for it. KP Oli has been determined to snuggle up to China, implementing past agreements and signing into new projects with China (Bhattarai 2018). Nepal has actively sought for China to aid them in a way that has not been seen before.

It is incredulous and poor statesmanship that India did not foresee Nepal's turn towards China. India had a sense of ownership over Nepal, which Nepal bitterly accepted before, referring to themselves as "India-locked" (Dixit 2016), but since 2015 that lock has been broken. Whoever orchestrated the blockade, it further diluted India's influence in Nepal. The blockade made it possible for Nepal to "talk to China as Nepal does with India after decades of running scared" (Dixit 2016). The relations of India and Nepal significantly cooled with the rise of anti-Indian sentiment in Nepal, and this opened the door China to enter the Nepali political space and made it possible for the Sino-Nepali relations to blossom.

5. GROWING CHINESE PRESENCE IN NEPAL

China saw the border blockade as a possibility to start building relations with Nepal. They did so by immediately commencing oil export into Nepal to aid with the deficit. Soon after a deal between China and Nepal was made. The trade and transit agreements included ten projects which China offered to fund, starting from infrastructure deals and hydropower plants to joint military exercises. The clear money flow is from China to Nepal. The main goal of the deal was to simply supply Nepal with oil and compensate the deficit the border blockade had caused. A framework agreement was signed between Nepal Oil Corporations and China National Unified Oil Corporation.

The agreement of trade and transit between China and Nepal also gave Nepal the possibility to use the port in Tianjin for trade with third parties. A direct railroad was planned from the Nepal border to the port. The distance is around 4-times as it is from Nepal to the port in West Bengal, India, which they had used previously (See Figure 1). Currently it seems impractical for Nepal to start using the port in Tianjin, but the agreement has significant symbolical prowess. Additionally, the impracticalities might seem less so, if China delivers their promise to build the railroad up to Nepal's border. The railroad would be a "tectonic shift" (Sigdel 2016) as it would completely change the power structure in the region. Through their interest in Pakistan China has made it clear: they are interested in South Asian markets.

All this needs to be viewed with this in mind: China had no interest in Nepal in 2003 but has since slowly increased their investment in the last years. When looking at FDI from China to Nepal, the jump is clear: from $3.3 million in 2004, to $15.95 million in 2010 (Chand & Danner 2016). Additionally, in 2013-2014 the investment from China accounted "for over 60 per cent of the total FDI commitment" (Chand & Danner 2016). In 2017 62% of investments pledges came from China, so the support has stayed high (Shrestha 2017). Nepal has clearly benefitted from their new friend, and KP Oli has already requested help with more (development-inducing) projects to come. Prasad (2015) writes, that China's financial and technical assistance over the past years has been recognized in all circles as having had a significant impact on many aspects of development in Nepal.

China has actively supported tourism to Nepal, and Chinese tourism doubled between 2010 and 2013. More flights have been added between Nepal and Chinese cities, and Chand & Danner (2016) point out, that more Chinese cities are connected to Kathmandu airport than Indian. It is

undeniable, that China's role in Nepal and in South Asia is going to grow in the upcoming years, considering the interest they have portrayed with their multiple projects in region.

Wolf (2018) argues, that Beijing has already "given up its policy of non-interference into Nepal's domestics politics." China has just been subtle about their interference, though glimpses can be seen from bribing politicians to meddling with Tibetan embassies. The Chinese government has sought out a more active role for itself in Nepal, partly in an attempt to secure its own internal dispute. However, it would be insufficient to describe China's relations with Nepal as only having to do with Tibet. It also has to do with India. Proof of this is China's relationship with Pakistan, India's main rival. China has been aiding the Pakistani nuclear program, and it has also tried to build closer relations with many other states in South Asia.

While Tibet and India are the main factors when it comes to China's policy towards Nepal, Chand & Danner (2016) make the point that one of reasons why China has been able and willing to pursue such an assertive policy in Nepal is the fact that it came out of the global financial crises practically unscathed. This explains why China pursues and risks issues, which have stayed stable for decades – such as its relations with India. For example, the border between India and China is somewhat disputed: China calls the Indian Arunachal Pradesh district 'South Tibet' but the issue has remained unsolved for decades.

In the following chapter, brief overviews of China's involvement and investment in Nepal in different sectors will be given using examples of different types of projects which the countries are attached to.

5.1. Chinese projects

First of all, China has made huge investments into hydro power, not only in Nepal. Whereas in 2000, China did not have any international hydro power projects, in 2016 SinoHydro alone claimed more than 50% of the global hydro power market (Beazley et al. 2015). In less than 20-year China has been able to build a hydropower empire. For Nepal hydropower is a tricky issue. The terrain is not suitable for large power plants, making hydropower an easy option. However, the rives dry up during the winter and the power outages in Kathmandu can last up to 16 hours per day. Yet, China has chosen to invest in hydropower and they are involved in more than 17 hydro power projects across Nepal (Beazley et al. 2015). Some of them have been extremely successful, while

others have brought along instability to the local communities alongside the Chinese construction firms and workers. Some areas have seen the dark side of development, other are benefiting. However, Beazley et al. (2015) conclude: "In a country with the lowest GDP in Asia and increasing economic inequality between urban and rural spaces, it remains uncertain that this development dynamic will in fact improve the lives of the majority."

Secondly, China has had no inhibitions in investing and cooperating with the Nepalese Army (NA). India has traditionally been reluctant to invest in the NA ever since the Nepalese civil war, when an arms embargo was placed upon Nepal. The NA is an important player in the political arena of Nepal as well, so the Chinese investments and military cooperation between the countries have not gone unnoticed.

China has invested in a new police academy and new training facilities. Visits, meetings with high level delegations and eventually the first joint military exercise in 2017 show China's interest in the NA and security forces. Moreover, the funding given to the NA by China has increased a lot: it grew ten-fold from the previous assistance to the NA (Nayak 2017). While the money was supposedly directed for peacekeeping missions and reconstruction, Wolf (2018) argues, that it is likely that "more interests [will go] in respective political affiliation than in military professionalism."

Keeping in mind the Tibetan exile population's remarks, it is especially significant to note, that the Chinese aid programs include "sponsorship and training for Nepal's Armed Police Force to monitor and patrol the Nepal-Tibet borderlands" (Beazley et al. 2015). These depopulated border regions are turning into transnational security interests, with an increasing amount of pro-Chinese police officers and bureaucrats working for Nepal.

China's hydropower empire proves their economic power, and their funding for the NA proves they are unscrupulous. Both issues, however are issues relating specifically to and within Nepal. This in contrast to The One Belt, One Road (OBOR) initiative, which is an enormously ambitious plan China has developed to build a 'new silk road'. It will include maritime routes, motorways and railroads. It was introduced in 2013, the same year when funding to Nepal began their significant increase and the Chinese FDI exceeded India's (Beazley et al. 2015).

China has deliberately emphasized the economic benefits the OBOR would have for states, focusing on its inclusive nature and global benefits. However, Chinese motives are not purely

philanthropical. All the routes of the OBOR are designed to eventually benefit China. It will give China access to markets in the Middle East, South Asia and eventually even Europe. As stated earlier, China would be able to mobilize easily. China places only a few requirements for the project to make it easy for small countries to sign the deal, but their requirements prove that China is not acting out of pure goodwill. This is because China requires that it itself will be involved in the construction work, providing the money, the construction firms, the workers, the cement… It is a brilliant plan and as Kalha (2017) writes, "the Belt and Road concept takes care of Chinese overcapacity in the steel and cement industries, as well as the desire for utilizing accumulated capital resources to further Chinese ambitions."

For Nepal the OBOR has appeared to be a gateway out of being India-locked, and it was eager to sign into the OBOR in 2014. Nepal has already made several proposals to China within the framework of the OBOR and seems to be very optimistic about the prospects that could open up for the small economy as a bridge between two large economies. Acting as a gateway from China to South Asia could drive trade, tourism and overall interest towards Nepal (Shrestha 2017). There are severe geographic limitations in trying to connect Nepal and China: the Himalaya. While Nepal remains hopeful about the OBOR projects, analysts state that uninterrupted trade throughout the year is be impossible through the Himalaya (Kumar 2016). Even still, it would give Nepal options and a sense of security.

The OBOR could possibly benefit Nepal, but for India it is more of a threat. China entering the South Asian markets, considering the allies it has made in the region, would alter the power structure of the region: "the balance of power in South Asia could significantly shift in China's favour, especially in relation to the ability to transport soldiers and army equipment efficiently" (Chand & Danner 2016). This of course makes India nervous. The OBOR is not just an economic strategy. China has a strategic goal and OBOR is a way to achieve it. The goal is for China to gain influence in the region, to secure its own access to the resources and routes it needs in order to function. Some have gone further, suggesting China is trying to encircle India. This is called the String of Pearls-theory and it revolves around the idea that China is building *de facto* naval bases across the Indian Ocean in order to surround India and secure trade routes.

India has remained mainly silent on the topic, but "Indian strategists fear the prospect that China will become the dominant power in the Indian Ocean, essentially inheriting the role from the United States before India has a chance to do so" (Brewster 2017). The worries must not be

alleviated taking into consideration the statements made by the Chinese defence minister back in 1995: “The Indian Ocean is not India’s ocean” (Hazdra & Reiter 2004). These sorts of comments make it clear that China has no problem breaking into new regions and is interested in increasing its power in the region.

India has been either cautious or muted, depending on the interpretation. It is easy to say that India should “shift its preferences from bilateral hegemony towards regional cooperation” (Sigdel 2016), but the truth is India is now in a difficult situation. While China expanded one port and constructed another a completely new one, India made similar talks about expanding a deep-water port in Sri Lanka, but construction has not even begun. India has failed to make use of its access to sea.

Moreover, the Pakistani Economic Corridor, which China is heavily involved in is an especially sore point. It is unclear if the project is really a part of the OBOR. It crosses into disputed lands between India and Pakistan, and signing into OBOR then becomes a question of national integrity for India (Kalha 2017). Kalha goes on to mention that since there is little border trade between India and China the border regions are becoming “more and more depopulated, which of course is a security threat for India.”

PM Modi has actively pursued diplomatic relations, and has managed to gain allies in Iran, Maldives, Vietnam and Japan, but many of India’s immediate neighbours are turning towards their friends in China. However, it needs to be said that India is the third largest economy in purchasing power parity. It is a stable democracy, and it has natural resources and an outstanding geographic location. Additionally, the work force is young and there is a lot of potential in the Indian markets. Unfortunately, India seems to have been unable to make use of all its strengths.

CONCLUSION

Realism was clearly a sufficient theory when explaining the situation Nepal was in before the 21st century. It was isolated, completely dependent on India in many regards and for all intents and purposes a non-entity on the world stage. However, realism is insufficient at taking into account the power small states can wield in situations where they have room for manoeuvre. Nepal was blockaded along the Indian border with the intention of reversing a Nepalese interior political decision. However, India did not come out of the crises on favourable terms. Nepal is now closer than ever with China and India is left with a potential loss of influence. Although Nepal was practically forced into increased co-operation with China, it now wields considerable power in choosing which great power to co-operate with. Nepal remains as weak as ever in terms of hard power, yet its own sovereign decisions will certainly grant it considerable attention in both Beijing and New Delhi.

The definition of power then becomes much more nuanced than the one realists use, and IR must be acknowledged as more than the conflict of 'great powers': their power resides in small allies giving them legitimacy. This has not always been the case, though. Occupying smaller countries was more of an option in the 18-hundreds than it is in a post-World War world. Back then using realism to understand the power struggles of states was a viable option, and this could also be seen in Nepal's cohesive foreign policy during their monarchy. However, since the World Wars, in today's modern world institutions are securing small states in a way, that makes it possible for them to conduct even somewhat aggressive foreign policies. Realism on its own is not enough to explain this trend and the power these small states can wage now that hard power is not the main driving force of IR. Thankfully the 21st century is pluralist when it comes to theories, and small state theories have emerged to answer the questions realism was uninterested in tackling. These should not be seen as theories, that dispute realism, but more like nuanced companion theories that focus on a specific set of issues. Siddiqi (2014) mainly divides small state theories into three categories: dependency theory, and a constructivist and realist approach.

India has relied on soft power in their relations with Nepal for a long time and has highlighted their similar cultural backgrounds. However, India has used sanctions in the form of border blockades a few times. This shows their sense of entitlement, and the neglectful position towards Nepal. India could get away with border blockades before, because the Himalaya acted as a natural border between Nepal and China for centuries. Furthermore, Nepal simply did not wield

enough autonomy to challenge Indian hegemony. On previous occasion when India shut the border, Nepal was truly stuck, India-locked. During the 21st century as infrastructure has become increasingly better using pressure or sanctions will likely backfire, because it will only drive the small state towards the other large competitor. This was seen in 2015, when India practically shoved Nepal into making a trade agreement with China. India's traditionalist approach to Nepal does not work in a situation in which Nepal has other close allies to turn towards. It is also worth remembering that the original motivation behind the relationship between India and Nepal was the mutual fear of China. This seems to have been forgotten when squabbling between India and Nepal escalated into the border blockade and recalled ambassadors.

When inspecting Chinese politics globally their expansionism is clear, and it should be even clearer in Nepal with Tibet just across the border. However, Chinese influence is much subtler that India's. China settles for silence and offers funding which is near-impossible to turn down for a country as Nepal. India underlines their mutual history, but China's money promises a bright future. The example of how India and China reacted to the earthquake of 2015 is telling. India made show out their aid and their influence is much more direct and upfront, which comes across as unilateral. PM Modi's comments came across as condescending. China instead remained silent yet brought forth a large-scale humanitarian operation. Their funding of hydropower and infrastructure projects in Nepal are seemingly merely business dealings. Meanwhile these projects and scholarships leave Nepal with an increasing amount of pro-Chinese citizens. Moreover, it is in China's interest to build close relations with Nepal and eventually break into new markets. The influence China is waging is silent and thus gives Nepal (or other small countries) the illusion of having control of the situation, of not being bossed around.

The border blockade on 2015 and Nepal's shift towards China can be seen a short-term solution to a long-term problem, where the solution will also have long term consequences: while Nepal refused to give into Indian pressure, it simultaneously opened the doors for China. A mentioned, China does not act hastily, and won't take harsh measures before it is sure they will pan out. The events of 2015 presented China with an outstanding opportunity to expand its sphere of influence into Nepal, though the driving forces of its Nepal policy lie mostly within Tibet and India. This move is reflective of China's expansionism globally as well.

Nepal's location limits its options when conducting its foreign policy, it would be naïve to claim otherwise. Nepal is a small country and as such much more vulnerable to global shifts and

outside influences. It will always be confined to conduct trade through either India or China. The domestic issues of Nepal have made it difficult to focus on tweaking their foreign policy. Nepal's inability to deal with the aftermath of the earthquake is exemplary of the internal disarray in which the state is trying to conduct foreign and domestic policies. This unfocused situation gives external influences easy entry.

However, the turn towards China is in itself already a powerful move, one which gives Nepal leverage when handling its future relations with both China and India. Nepal has a lot to gain from a situation in which both neighbours are competing for its alliance, though even more could be gained from cooperation between the neighbours. Nepal could even work as a bridge between the two economies, but this requires Nepal to unify their politics.

China's ambitious plans should be inspected carefully. More research should and certainly will be conducted regarding the One Belt, One Road initiative and the String of Pearls theory to recognize the ways in which they will change the power dynamics across the region and the world.

Decidedly more research regarding Nepal is vital. Research should be conducted regarding Nepal's foreign policy and its development over the years. Though it is a small country, its location in the epicentre of a power struggle between regional hegemons makes the country worth studying. Moreover, the young democracy, the meddled politics and the multi-ethnic culture make the country an interesting subject. As a small state, Nepal could be used as a case to study small state theories, for example, Nepal's activities in global institutions could be inspected.

To conclude, realism was previously alone a sufficient theory in explaining the Nepal, India and China paradigm. India clearly had the most power over Nepal and Nepal was therefore a non-entity in any greater international relations context. However, we are moving towards a world where smaller states have more power and sovereignty than perhaps ever before. If Nepal is capable of sustaining a unified and coherent foreign policy, it has a fantastic opportunity to manoeuvre itself between its neighbouring powers. Exerting hard power on Nepal is unlikely since it would spark a global reaction against the aggressor. This means that Nepal has the opportunity not to bend to the will of India or China if it decides to do so. This means that the behaviour of China and India alone are not the most relevant, even though they are tremendously more powerful than Nepal. Indeed, small states are at times able to navigate their own paths, if they are capable of avoiding the traps of corruption and instability. Still, Nepal remains in a

relatively weak position because of its geographical restrictions, and a small nation that has more co-operation options than just two neighbours will have more sovereignty to defy great powers. This is why small state theory is so important in explaining particular aspects of international relations.

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Figure 1: Google Maps. Retrieved from: https://www.google.com/maps/place/Nepal/@25.9402351,94.7123389,4.02z/data=!4m5!3m4!1s0x3995e8c77d2e68cf:0x34a29abcd0cc86de!8m2!3d28.394857!4d84.124008

Figure 2: Google Maps. Retrieved from: https://www.google.com/maps/place/Nepal/@27.9674876,85.1248542,7.01z/data=!4m5!3m4!1s0x3995e8c77d2e68cf:0x34a29abcd0cc86de!8m2!3d28.394857!4d84.124008