

NEPAL'S SEARCH FOR PROSPERITY THROUGH TRANSIT DIPLOMACY

Khadga K.C. and Gaurav Bhattarai

Abstract

This article traces out the causes for why Nepal's search for prosperity through transit diplomacy appears to be an unaccomplished venture. Identifying different indicators of Nepal's transit diplomacy, it specifies to what extent Nepal can execute its transit diplomacy and to what extent it cannot. This article also argues that Nepal's proposal of trilateralism to its immediate neighbours, India to the South and China to the North, itself, so far has not been institutionalized through any means of trilateral dialogues or ministerial-level meetings. It has only been reduced to the status of a metaphor merely inferring Nepal's possibilities to bridge two emerging economies in the neighbourhood, which are, however, deemed as the prime actors of Easternization process itself. Hypothesizing that the venture of transit diplomacy has not gained sufficient momentum, this article does not only assess the reluctance of India in providing momentum to trilateralism, but underlines Nepal's lack of preparation and assertiveness which have actually sidelined her plausible role to make it happen at Nepal's larger interest. The idea of trilateralism should, therefore, bear an institutional reality. Without such an institutionalization, Nepal's quest for prosperity through transit diplomacy might not yield expected results, and shall always dwell on the status of an unaccomplished venture.

Keywords: transit diplomacy, trilateralism, prosperity, Geo-economics, Nepal India and China

Background

History is evident to the fact that Nepal has become rich whenever her immediate neighbors, India to the South and China to the North have become economically strong (Amatya, 2017). At present, prosperity in Nepal is being understood and interpreted in its relation with Nepal's geographical proximity with the economic development of India and China (Baral, 2015). Noticeably, such an understanding is the reflection of the geography hypothesis. To materialize it, connectivity through modern infrastructure is a prerequisite. Unfortunately, Nepal is sadly deprived of

the inclusive economic institutions and infrastructural development to formally jump start as a viaduct between two rising economies (Bhattarai, 2017). Still, it is not good to exterminate hopes and aspirations by unfolding bitter realities. Many of the scholars and critics have reckoned development activities and objectives of prosperity pursued by India and the unrivalled infrastructural and technological development of China as the sign of relief and hope to underdevelopment in Nepal. Despite their contentious border issues and political differences, the communist China and democratic India have little animosity in their economic relations. Owing to the same, Nepal aspires, at least in rhetorics, statements delivered during visits, to get rid of the conventional cliché of being identified as “a land locked country”. Circuitously, she aims to escape the political cliché of being branded as “an India locked country” (Shrestha, 2015). Apparently, such aspirations bear assorted jingles for national prosperity with a fresh formula: Nepal is not landlocked between India and China, but land linked between India and China (Amatya, 2017). It is not a new and novel discourse. In the year 1973, Late King Birendra had stated that Nepal is not a part of the subcontinent: “It is really that part of Asia which touches both China and India. Our historical experience is that we maintain friendly relations with both these countries” (Jha, 1976). Redefining the geostrategic location of Nepal, King Birendra dismissed the geopolitical dependency on India. Rather he advocated on the geopolitical opportunities that Nepal has, lying in the strategic portion of Asia. But, prosperity has more to do with geo-economics than to geo-politics, and today’s context is also not of the Cold War (1945-89). However, the resurgence of geo-politics cannot be ignored. The Ukrainian crisis and case of the Crimean annexation in 2014 in the European continent and the Indian blockade on Nepal from September 2015 to March 2016 in Asian continent.

Geo-economic Indicator of Nepal’s Transit Diplomacy

Sharing benefits out of geographical proximity for the purpose of unimpeded trade through enhanced connectivity, the geopolitical sensitivities in South Asia have been often cursed for impeding the probable opportunities of geo-economics in the region (Menon, 2017). Also, when we talk of the trilateral partnership, the feasibility of geo-economics gives a bleak picture, chiefly because of the poor bordering areas. The bordering areas with Nepal are the poorest regions of both China and India (Bhattarai, 2016). The affluent Indian states and Chinese provinces are far away from Nepal’s borders. Nepal’s border regions with both

India and China largely remain underdeveloped. Quite inadequate efforts have been made by the centre to develop infrastructures, such as highways, bridges, telecommunications, health centres and educational institutions along the regions. Albeit the British rule in India developed coastal cities like Kolkata, Madras, Mumbai and Ahmadabad, no such effort was ever made for the development of the regions bordering Nepal. Similarly, China gave a major thrust to the development of its coastal cities by opening special economic zones (SEZ) in Shenzhen, Shantou, Zhuhai and Fujian after public sector reforms were introduced in 1978, but no such effort was ever made by China to develop the regions along its border with Nepal (Jha, 2013).

Nepal borders with Tibet Autonomous Region (TAR) on Chinese side. Tibet is the highest region on the earth, which indicates the geographical complexities for better connectivity in terms of trade and transport. The economy of Tibet is governed by subsistence agriculture albeit tourism has been growing in recent decades. According to the Tibet Poverty Alleviation Office, some 150,000 rural residents in southwest China's Tibet autonomous region escaped poverty in 2016. Statistics showed that Tibet had around 590,000 rural poor by the end of 2015 (*China Daily* 2017). Deemed as the "water tower" several major rivers have their sources in Tibet including Yellow River, Indus River, Yangtze, Mekong, Ganges, Salween and the Yarlung Tsangpo River (Brahmaputra River). Lhasa is Tibet's traditional capital and the capital of Tibet while Shigatse is the second largest city in the Tibet, west of Lhasa. Despite of the geographical constraints for Nepal to trade with Tibet through road and railways (such difficulties were exhibited during 2015-16 Indian Blockade on Nepal as it was difficult to import fuels and gases from TAR to Kathmandu), many in Nepal hope that Nepal's dependence on India might be radically reduced. They believe that Nepal's asymmetric dependence on India can be downsized firstly by further economic and infrastructural development in Tibet and secondly by turning the old trade route from India to Tibet via Kathmandu into the major link between Chinese and Indian road and rail systems. However, any such plan would depend on a much greater strengthening of the detente between India and China since India has reservations against China-led BRI projects and Nepal's formal entry into it. Also, Tibetan Autonomous Region (TRA) acts as a "bridge" to South Asia. In addition, TAR accounted for over "90 percent of China's foreign trade with Nepal since the opening of the Xining-Lhasa railway in 2006, implying that the

railway facilitated the transportation of goods from coastal China to the TAR and on to Nepal” (Pudasaini, 2017: 6). But, the pertaining question is whether Beijing is confident enough on Tibet to allow open international commerce? China’s reluctance to reopen Kodari after the earthquake and throughout the five-month blockade should give one pause (Dixit, 2016). If not, the way Kathmandu-Lhasa bus service stopped in 2006 could give a thought The *Sajha Yatayat*, a public sector transport company in Nepal, used to operate a twice-weekly bus service between Kathmandu and Lhasa from May 1, 2005. The bus service was disrupted when China refused to give visas to the concerned individuals (*The Kathmandu Post* 2010). Interestingly, the bus service could not be resumed even during the Beijing Olympics in 2008 (Jha, 2013).

On Indian side, Nepal borders with Uttar Pradesh, Bihar, Uttarakhand, and West Bengal. Uttar Pradesh, which means "Northern Province", and often abbreviated as UP, is the most populous state of India. Bordered by Rajasthan to the west, Haryana and Delhi to the northwest, Uttarakhand and Nepal to the north, Bihar to the east, Madhya Pradesh to the south and touches the states of Jharkhand and Chhattisgarh to the southeast, is the fourth largest Indian state by area. Although UP has provided seven of India's prime ministers, and is the source of the largest number of seats in the Lok Sabha (Parliament of India), recurrent episodes of caste and communal violence, its poor record in economic development and administration, high crime rate and corruption have not only overshadowed its political influence but also tagged it as one of the India's backward states. The state has been affected by repeated episodes of caste and communal violence. Bihar is the 13th largest state in East India and third largest state of India by population. However, Bihar has lagged far behind other Indian states in terms of economic development and social transformation. Bihar has become a byword for the worst of India: of widespread and inescapable poverty; of corrupt politicians indistinguishable from the mafia dons they patronize; of a caste-ridden social order that has retained the worst feudal cruelties (*The Economist*, 2004). In 2005, the problems faced by Bihar were "enormous" because of "persistent poverty, complex social stratification, unsatisfactory infrastructure and weak governance" (World Bank, 2005). However, today's Bihar has been able to curb crime and corruption to some extent with ongoing efforts for economic and infrastructural development and greater social equality.

Similarly, what is called India's "Chicken's Neck" of Siliguri—a city of West Bengal—divides Nepal with Bangladesh. Bhutan is just on the other side of the Indian state of Sikkim (Jha, 2013). West Bengal is India's fourth-most populous state in eastern India. It is bordered by Bangladesh, Nepal and Bhutan, and the Indian states of Odisha, Jharkhand, Bihar, Sikkim and Assam. Similarly, Uttarakhand borders Tibet on North and Malakali Zone of the Far-western Region of Nepal on the east. It borders Indian states of Uttar Pradesh to the South and Himanchal Pradesh to the West and Northwest as well as Haryana in the Southwest corner. This state was created from the Himalayan and adjoining northwestern districts of Uttar Pradesh on 9th Nov, 2000 as the 27th state of India. All of these states are not developed states of India. To be a transit state, unimpeded trade, policy coordination, transportation connectivity and updated infrastructure are the most. Unfortunately, they are absent in proposed China-Nepal-India corridor, chiefly because of the strategic reason, which is exhibited by India's reluctance to be part of BRI

Although Nepal has Delhi to the north west of Uttar Pradesh and Sichuan Province adjoined to Lhasa, geographical complexities with TAR (at least until Qinghai-Tibet railway is not extended up to Nepal's border) and political complexities with India (that originated after Nepal's promulgated its own constitution without paying heed to New Delhi's concerns) are the major factors affecting the transit diplomacy of Nepal through which Nepal is exploring economic prosperity. Along with the structural scarcity of Nepal, the asymmetric dependence of Nepal on India is also an obstruction. India is Nepal's largest market in terms of both exports and imports (Khanal, 2014). About 65 percent of Nepal's total export and 63 percent of total import is with India. Nepal imports more than 60 percent of its goods from India through the Birgunj border point alone, which was completely blocked during the 2015 Indian blockade (Bhattarai, 2017). But with the signing of the Transit and Transportation Agreement with China in 2016, Nepal has now access to the Chinese port of Tianjin. However, diversification of trade and economy does not happen overnight. It is a gradual process, which entails policy coordination, good connectivity, financial cooperation and good transport networks. Once connectivity via land is enhanced, and integrated border customs are built, China-led BRI is expected to bring down landlocked Nepal's shipment costs during both exports and imports. As China is all-set to extend its Qinghai-Tibet railway up to Nepal border point of Kerung by 2020, this is the right time to

ask what Nepal plans to send back to China when the train reaches Kerung. The loaded train will bring low-priced Chinese goods into Nepal. But will we then send the train back empty on its return leg? Nepal only exports small quantities of goods like iron, steel, tea, coffee, spices, carpet, footwear, textile, plastic, clothing, accessories, handicraft, beverage and vegetable. Can we significantly scale up the production of these goods to meet the huge demand of Chinese markets? And will they be able to compete against Chinese products? If Nepal's exportable goods can't compete in core Chinese markets, then will the aforementioned goods be traded in Tibetan Autonomous Region (TAR) of China alone? (Bhattarai, 2017). Even historically, Nepal's trade was limited to Tibet. But bilateral trade relies on the interplay of demand and supply. Without understanding the core demands of TAR, indiscriminately dispatching goods would not be wise. Categorization and compartmentalization of goods is essential. Green vegetables are in great demand in Tibet. So there should be a proper cost-benefit analysis in terms of the production and transport of these goods. Exporting goods, which are already available at low prices in Tibet, does not make much economic sense. Now, 2020 is not far-off and Nepal has officially joined China-led One Belt One Road (OBOR) initiative that aims at enhancing connectivity and cooperation between China and the rest of the world. In case of Nepal-China bilateral relation, OBOR provides China a strategic route to enter South Asian markets, through the building and upgrade of Nepal's physical infrastructure. Extension of Qinghai-Tibet railway to Nepal border is an effort in this direction. China is eager to extend the railway up to India via Nepal. Although India is currently hesitant about any proposed trilateral partnership, Chinese academics have already started touting the great benefits of China-India-Nepal economic corridor under the OBOR framework. India does not want to join OBOR as yet, but she is already a founding member of China-sponsored Asian Infrastructure Investment Bank (AIIB).

Nepal proposed 2013 trilateral proposal has encouraged China while India remains indifferent to this initiative. Even at Indo-Nepal trading points, India tries to undermine any trilateral arrangement. India prohibited the import of ginger from Nepal in September 2016, as Chinese gingers, India accused, were being exported to India in the name of Nepali merchandise. Earlier, Chinese scholars used to see Nepal as a bridge between China and India. But these days, they prefer to see Nepal as a bridge between China and South Asia. Extension of Qinghai-Tibet

railway to Nepal border by 2020 will be the first big effort to join Nepal and China through rail links.

Geo-strategy as Indicator of Nepal's Transit Diplomacy

Among different tangible and intangible factors that have played an important role in the determination of Nepal's foreign policy, geostrategic factors have occupied a foremost position. Some have identified Nepal's geography with 'landlocked-ness' while others have considered this position a land linked with India and China. The metaphors of "Yam", "Buffer" and "Bridge" are also the byproducts of varying interpretations made in different periods of time about Nepal's geographical position (Thapa, 2014). Those who have identified Nepal's geography with "land lockedness" believe that Nepal's positional status as a landlocked country has turned itself a hostage of its geography, severely limiting its prospects in political, economic and diplomatic frontiers. Physical constraints imposed by geography have been limited not only on its access to third countries beyond its immediate neighbours; it has also created a structure of dependence in which Nepal remained just a 'client' state to its powerful neighbours. Maintaining Nepal's independence and protecting its geographical sovereignty has been a major goal of its foreign policy, leave alone the idea of having influence outside. The asymmetric dependence remained for centuries particularly after the unification of Nepal (Adhikari, 2013: 4).

But now, those who believe Nepal should be a land-linked state between India and China reckon that Nepal needs to get out of its trapped status of a "Buffer State" that has often been associated with economic backwardness and political instability. Now that both China and India have experienced a long period of robust economic development, and it is only reasonable to expect that Nepal also wants to develop itself without rocking the boat. Nepal wants the benefits of closer economic relationship with both China and India; rather than just from India (Tang, 2016: viii). It is often said that Nepal's prosperity is dependent on its geo-strategic location. Development economists consider the landlocked situation of Nepal as a major impediment to development. Nepal's lack of access to sea and its landlocked status have always been blamed for Nepal's underdevelopment. However, Nepal's geographic position of landlockedness has been altered with transit and transportation agreement between Nepal and China in 2016. Moreover, Nepal's conventional identity of "India-locked" due to Nepal's economic over

dependence on India has recently been conceded. Consequently, Nepal now is land-linked to the Chinese port of Tianjin and the Indian port of Calcutta in changed diplomatic and political contexts. Nepal's comfortable position with links to major coastal cities of China and India can lead to rapid economic progress and prosperity. Today, Nepal lies in the competing spheres of influence of both India and China. While connections to India are stronger, China's engagement in Nepal has immensely been increasing. The Chinese central government's emphasis on connecting and developing its backward regions, such as Tibet, and on upgrading regional relationship accords primacy to both Nepal and India. Both India and China are rising powers, commanding their influence in regional and global political spheres. As competitive as India and China's drive to secure influence in Nepal appears in terms of sheer strategic interest, economic interest is inescapable, thus leading to economic cooperation (Subedi, 2016: 28).

Unlike the Korean Peninsula that has always been an integral part of the Northeast Asia strategic discussion and Mongolia that has been an inherent component of the China-Russia relations for a long time, Nepal can safely be set aside, if not entirely ignored, from the standpoint of Beijing and New Delhi. Nepal wants to get out of its trapped status of a "buffer state" that has often been associated with economic backwardness and political instability. Now, both China and India have experienced a long period of robust economic development. Put it more economically, Nepal wants the benefits of closer economic relationship with both China and India; rather than just from India (Tang, 2016: viii). However, Nepal's dismal economic picture that is more or less hamstrung by the failures of political parties to end the long transition to democratic stability is a matter of concern to both China and India (Baral, 2016:16).

Since Nepal has a history of standing as a rare bridge between India and China, in present times, the number and types of interactions is increasing—culture, politics, security, trade, tourism, investment—rather than diminishing. In this context, it is worth examining the potential of trilateral arrangements or the "Bridge" discourse to synergize the current bilateral India-Nepal, China-Nepal and India-China relationships (Subedi, 2016: 52). At the time when India and China are emerging as global economic powerhouses, it provides strategic advantages to Nepal for benefiting from their economies and harnessing Nepal's potentialities for higher growth and economic prosperity. Apart from attracting investment in

the areas of comparative advantages, such as hydropower, tourism, agriculture and medicinal herbs, “Nepal has ample opportunities to grasp their rising huge markets” (Shrestha, 2012:3). Strategically, China is eager to use Nepal as a gateway for South Asia where she can sell her goods and services. Nevertheless, China’s prospect to enter y into South Asian markets via Nepal has displeased India since the latter considers South Asia a part of her sphere of influence. So China is trying to kill two birds with one stone: China is becoming strategically economic and economically strategic and wants to extend both her economic and geopolitical clout through the OBOR. Meanwhile, Nepal could also reap certain strategic benefits from the OBOR project. A decade-long Maoist insurgency followed by protracted transitional period and frequent government changes offered space for external powers to meddle in Nepal’s internal politics. Today, India’s micromanagement in Nepal is no more a secret. Funding by European countries in the Tarai belt of Nepal to promote their own interests is also not hidden. To deal with such challenges, OBOR offers a strategic proposal for Nepal, a platform that already has the backing of 64 countries. Nepal could join OBOR for the strategic purpose of asserting her sovereign rights and particularly to enact her policies of neutrality and equidistance in her relations with her two big neighbors. OBOR presents to Nepal an opportunity to implement “Panchsheel” or Five Principle of Peaceful Co-existence, which bears a resemblance to the Chinese idea of “Community of Common Destiny,” upon which the BRI initiatives rest.

An idea that Nepal, in its efforts to maintain its land linked nation status, should move beyond a conventional cliché of landlocked country has been taking a momentum. The 14th National Periodic Plan also prioritizes projects to convert Nepal into a land-linked state and accomplish Sustainable Development Goals by 2030 (Amatya, 2017). Economists, development planners, foreign policy experts and the business community share are often caught accentuating that the country should draw benefits from the BRI projects. Also, during the election campaigns of 2017, two top leaders of Nepal's major communist parties, namely Pushpa Kamal Dahal and KP Sharma Oli repeatedly promised to link Nepal and China via rail services and make Nepal prosperous. Railway services are a long-awaited yet unfulfilled dream for Nepalis. If Nepal is all set to use China's existing high-speed train of 300 km per hour, Nepal's east to west could be covered in about three hours while the journey from Kerung to Kathmandu, Kathmandu to Pokhara, and Pokhara to Lumbini could take only half an hour each (Subedi, 2017). Notably,

Lhasa of Tibet is emerging as a major transportation hub in the western China. China has announced another railway to connect Lhasa with Chengdu of Sichuan. Chinese growth centers and manufacturing hubs are thus moving closer to Nepal. Hence, Lhasa-Shigatse-Kerung railway could prove to be a great asset for Nepal's search for infrastructure driven prosperity and growth oriented development. Besides the expectations of economists, development planners, foreign policy experts, and the business community from BRI, common Nepali people also have high hopes for Nepal's development from BRI. For instance, general people were not happy when Sher Bahadur Deuba-led government scrapped a \$2.5 billion deal with China Gezhouba Group Corporation to build the 1,200 MW Budhi Gandaki Hydroelectric Project, which would be the largest in the country (Poudel, 2017).

Sub-Regional Forums as Indicator of Nepal's Transit Diplomacy

Nepal's proposed trilateral partnership between China, India and Nepal has so far drawn an encouraging response from China, but India appears reluctant. Geopolitics is undoubtedly one of the major one big reasons, as India considers Nepal under its traditional sphere of influence. Indeed, whenever Nepal has tried to inch closer to China, India has resisted any such efforts. Hence there is not much hope for trilateralism in the near future. But Nepal has great interest in trilateral partnership, as it sees its prosperity and development linked to it. Equally, China sees trilateral partnership strategically. When it materializes, Nepal is expected to be a gateway for China into South Asia. Nevertheless, trilateralism is still an idea in its infancy. This represents a missed opportunity for Nepal. Besides India's reluctance to join any such trilateral initiative, protracted political transition and political instability in Nepal have also been big impediments to trilateralism.

Meanwhile, there are other sub-regional forums and economic corridors that Nepal could join for her prosperity and development. Despite Nepal's geo-strategic location between India and China, along with physical proximity to Bangladesh, Nepal was ignored in the making of the Bangladesh-China-India-Myanmar (BCIM) corridor. The reason, as Chinese scholars visiting Nepal have repeatedly pointed out, was political instability in Nepal at the time the forum was initiated in the late 1990s. However, today, these same Chinese scholars believe Nepal should join it (*The Himalayan Times*, 2016). For a country like Nepal that is heavily dependent on India, in terms of trade and markets, BCIM forum will allow it to have direct access to markets beyond India. As a sub-regional initiative,

BCIM prioritizes multi-modal trade corridor between the four countries through multilateral trade and investment. Aimed at minimizing overland trade hurdles, and guaranteeing greater market access, BCIM countries have agreed to reduce transaction costs through improved connectivity and infrastructure development. Today, Nepal is often advised to draw benefits from spill-over effects of unrivaled development in the vicinity triggered by the rise of China and India. Both of them are present in the BCIM forum as well. Here, a question might emerge: Why does Nepal not, instead of wasting time to promote trilateralism, try to be a part of BCIM? But we also need to properly understand the broader context. Today, the Chinese have started emphasizing the One Belt One Road (OBOR) initiative, which strategically accommodates different trade corridors. BCIM and India-China-Nepal trilateral partnership are considered. Despite reluctance from the Indian side, and while trilateral partnership is limited to discourse, Chinese academicians still refer to the proposed trilateral partnership as China-Nepal-India trade corridors. Unlike trilateralism, BCIM is already taking initiatives for the improvement of trade and tourism, and investment and energy among the four member countries. Remarkably, BCIM is devoid of any kinds of perpetual disputes like the India-Pakistan conflicts that bedevils SAARC (Bhattarai, 2017). Even the alleged hegemonic attitude of India that is seen in other forums where small states in her vicinity are included, is apparently absent in this forum. Most importantly, at multilateral forums like BCIM, Nepal does not have to be incessantly anxious about addressing India's strategic concerns in South Asia and about China's economic concerns in the region.

Nepal has not been able to draw substantive benefits out of the Bangladesh-Bhutan-India-Nepal (BBIN) forum either. It is another sub-regional initiative where Nepal is present but China is not. Since China is absent from this forum, it cannot be an alternative to trilateralism. But BBIN does provide an opportunity for Nepal to integrate itself into the regional value chains and to diversify its trade relations (Dixit, 2016). Although Bhutan rejected the ratification of the 2015 BBIN Motor Vehicles Agreement (MVA)—which permits partner states to ply their vehicles in each other's territories usually for trade and economic purposes—Nepal's parliament has already endorsed it. Meanwhile, to improve ground connectivity for inter-regional trade, India has already approved US \$1.04 billion for the construction and upgradation of roads linking Bangladesh, Bhutan and Nepal (Bhattarai, 2017). Its land-locked status is often attributed for Nepal's

underdevelopment. But with such initiatives in connectivity through modal trade corridors at the sub-regional level, Nepal's lack of direct access to the sea could be somewhat compensated. Bhutan and Nepal get access to sea only through India. When India had imposed blockade on Nepal in 2015, Nepal moved closer to China and eventually obtained the right to use its Tianjin port. Since then, debates about Nepal as a land-linked state between Tianjin port of China and Calcutta and Vishakhapatnam ports of India, are also emerging. Although the BBIN operates under the Indian sphere of influence, it is still advantageous for Nepal. BBIN is a platform to lobby for use of Mangla and Chittagong ports in Bangladesh. Today, inquiries are being made about what Nepal will send back in the Chinese train that reach Nepal's border in 2020. The trade routes made available by BBIN will make it easier for Nepal to bring in more goods from Bangladesh and India, also for possible export to China. Nepal should not miss out on this wonderful opportunity as well.

Foreign Policy Actors as Indicator of Nepal's Transit Diplomacy

To escape its geopolitical vulnerabilities, Nepal has always been firm on equidistant relations with its two immediate neighbors. But with its formal entry into BRI, Nepal's commitment to equidistance is again being questioned. With BRI, Nepal takes a firm step to emerge from the Indian sphere of influence in South Asia. Paradoxically, the erstwhile pro-Indian government in Nepal ultimately signed the BRI agreement with China last month.

On the security front, the concerns and interests of India and China in Nepal are incompatible. India has been accommodating the Tibetan Government in Exile in its territory, while Nepal has been strictly pursuing Chinese directives to curb the influx of anti-China Tibetans into Nepal (Sharma, 2016). Securitization of foreign policy is not a new phenomenon. Nehru, the architect of modern India, had himself acknowledged the Himalayas as the natural defense frontiers of India (The Economist, 2014) while Chairman Mao branded Tibet as the palm of China, with Nepal, Sikkim, Ladakh, Bhutan and North-East Frontier Agency (NEFA) as its five fingers (Arpi, 2010). Strategically, the policy of equidistance indicates maneuvering of small states like Nepal while dealing with big powers like India and China. The rationale for a policy of equidistance is that it will help balance Nepal's relations with India and China. Historically, Nepal has always been closer to India, socio-economically, culturally, and geographically (Koirala, 2016).

However, with its unveiling of the 'Himalayan frontier' policy under Nehru, Nepal eventually understood that the Indian establishment in independent India still hoped to treat its neighbors with a colonial mindset. Ideologically, equidistance is a Cold War strategy adopted by small countries in the then bipolar world: the US-led capitalist and USSR-led socialist. But today's world is multipolar. Owing to this change, equidistance seems an outdated idea. However, Nepal remains consistent with the equidistance policy, through different mediums, including the proposal of Trilateralism. Every country has a sovereign right to cherry-pick what is best suited for its growth and development. Nepal, at present, is apprehensive of India because of its direct interference in the Madhesi issue. Even prior to the promulgation of the charter, India had drawn considerable flak for trying to micromanage Nepali politics, not to mention its perennial attempts to keep Nepal firmly under its old sphere.

Fragile internal politics combined with complex geopolitics have obliged every political leader in Nepal to appease the two neighbors, even though their specific foreign policy behaviors may differ (Bhattarai, 2017). Some political leaders prefer to appease only one neighbor at a time (New Delhi or Beijing) while others opt for two-fold appeasement at the same time. The purpose of appeasement, in the first case, is fleeting survival, mostly to protect coalition governments back home. In the second case, one can say that the complex geopolitical realities in the neighborhood have been considered. The act of appeasing immediate neighbors to protect one's government back home is accomplished in various ways. During his India visit in August, Prime Minister Sher Bahadur Deuba assured the political leadership in New Delhi that his coalition government was still committed to amending the constitution. He even informed his Indian counterpart, Narendra Modi that his government had tried to amend the constitution but failed in the absence of two-thirds majority in the parliament. His message was not received well back home, as he was criticized for unnecessarily dragging amendment, a purely domestic issue, during a bilateral meeting. Apparently, Deuba was not in the mood to again irk India which had already imposed a crippling blockade on Nepal right after constitution promulgation. Appeasing Indian leadership, it seemed, was indispensable to protect his government back home. But in September, Deuba appeared a changed man. While addressing the World Leaders Forum at Columbia University on September 21, he spent most of his time defending the new statute—particularly constitutional provisions on human rights, inclusion,

political freedom, women's representations. Moreover, the incumbent Nepalese Prime Minister applauded the promulgation of the Constitution followed by fair election. He even said that "the rise of ethnic politics is eroding the core principles that bind us together". Notably, India had imposed the blockade citing constitutional deficiency over-representation of Madhesi ethnic groups. Unlike in New Delhi, at Columbia University, Deuba spoke confidently about Nepal's sovereign foreign policy goals. "In pursuing independent foreign policy, Nepal judges every issue on its merits without fear or favor," he said. Nepal's appeasement policy thus seems limited to the neighbourhood (Bhattarai, 2017). Twofold appeasement, however, goes beyond safeguarding governments back home and also considers regional geopolitical sensitivities.

On the Chinese front, the neutral stand Nepal took over the two-month-long Doklam standoff was an example of regional geopolitical sensitivity. Such a border dispute exemplifies simultaneous appeasement of both our neighbors, with the conventional tactics of 'neutrality' and 'non-alignment'. Likewise, Premier Pushpa Kamal Dahal's proposal of trilateral partnership between China, Nepal, and India was also an attempt to appease both our neighbors at once. But, even after Dahal's unplanned trilateral meeting with Chinese President Xi Jinping and Indian Prime Minister Modi in Goa—at the sidelines of the Brics-Bimstec Outreach Summit in October of 2016—India is still reluctant to the trilateral idea. Contrarily, Chinese academicians and scholars readily portray Nepal as a bridge between China and South Asia; not only an economic but also a strategic bridge. From the perspective of international political economy, India is anxious about compromising on her economic nationalism. Undoubtedly, once Chinese goods start flooding the markets of UP, Bihar and West Bengal via Nepal, India's economic nationalism will be weakened. Even at the regional level, India's traditional sphere of influence over core markets in South Asia is being challenged by mammoth Chinese investments and large-sized national projects. Thus, apart from shielding the government back home, what inspires Nepal to appease its neighbors is also the region's difficult geopolitics—and this has been the case since the formation of modern Nepal in late 18th century. Of course, Nepal's neighborhood policy, on paper, is guided by old principles of neutrality, equidistance and non-alignment. These principles have not changed with regime change (Bhattarai, 2017).

Rise of India and China has altered the erstwhile balance of power. Consequently, a new hierarchical regional order is evolving. Prime Minister K.P Oli's tilt towards China during the Indian blockade was a clear example of this evolution. But the resurgence of geopolitics (as seen in the Doklam standoff, for one) can quickly alter regional hierarchy, putting small states like Nepal in great dilemma. Such a dilemma cannot be resolved by appeasing only one neighbor. Notwithstanding Lipulekh, twofold appeasement, ever enriched by growing engagements, is the only way out.

Transit Diplomacy: Idea in Making

The bridge discourse is still an idea in the making; it has not been institutionalized. In the 1970s, late King Birendra had put forward the idea of developing Nepal as a gateway between South and Central Asia (Jha, 1976). Later, in 2005, while addressing the Afro-Asian Summit in Jakarta, former King of Nepal Gyanendra Shah spoke about Nepal's readiness to be "an economic transit point between the two Asian economic giants—India and China" (Adhikari, 2013: 45). Along the same line, Prime Minister Pushpa Kamal Dahal made the trilateral proposal during his visit to India in 2010. He again proposed the same during his April 2013 visits to both Beijing and New Delhi (Nayak, 2013: 638-639). In 2012, former Prime Minister Baburam Bhattarai also envisioned Nepal as an 'economic bridge' between China and India. Unlike his predecessors whose emphases on the spirit of trilateral partnership were limited to statements and speeches, former prime minister KP Sharma Oli moved a step ahead by signing transit and transportation treaty with China in 2016. He had signed the treaty in the wake of the 2015 Indian blockade on Nepal (The Kathmandu Post, 2016). With its signing, Nepal is now in a favorable position to act as a "bridge" between China and India, at least geographically. Along the same lines, incumbent Prime Minister Pushpa Kamal Dahal again floated the "bridge" idea during his Goa visit, where he simultaneously met the Chinese President as well as the Indian Prime Minister at the sidelines of the BRICS-BIMSTEC Outreach Summit in October 2016 (Indian Express, 2016). At a time when the trade volume between China and India is ever-expanding, the Nathula Pass is currently the only operational trade route between them, despite the two countries sharing 4,500-kilometer-long border. Considered perilous, snowy and expensive, Nathula Pass is not an all-season route. The pass had been closed following the 1962 India-China war; it only reopened in 2006. Now, Nepal is being seen as another important transit point between India and

China. But while China seems positive about the trilateral proposal of Nepal, India appears reluctant owing to its geopolitical sensitivities. Of course, trilateral partnership is the best way for China to get an access to South Asia. Similarly, it will benefit India by giving it access to Tibet. So Nepal needs to convince its southern neighbor that whether it is trilateralism or the China-India-Nepal corridor under the BRI framework, it will not be the strategic partnership with China against India.

Nepal has been given different metaphors due to its sensitive geopolitical location, but these metaphors need clarification. Although the idea of bridge is replacement of the old metaphor of “buffer” and “yam,” some also reckon the bridge metaphor is a reflection of Nepal’s equidistance foreign policy, which is at least inscribed in policy papers. Although the idea of ‘bridge’, ‘trilateralism’ and ‘transit’ have been hitherto confined to discourse, they are different concepts which give more or less the same message that Nepal’s geopolitical situation has both opportunities and threats. Trilateralism prioritize partnerships between China, India and Nepal on different issues, ranging from trade, economy to security. It is a partnership borne out of reciprocity and interdependence between the three countries. However, bridge is simply a metaphorical representation of such a partnership, particularly in terms of trade and economy. But transit refers to a state or condition reached due to geographical proximity, connectivity, transport and most importantly infrastructure development, to eventually foster greater trade and business between India and China via Nepal. Such a differentiation is a need of the hour, particularly to convince our immediate neighbours that Nepal does not view trilateral cooperation as a strategic concept, but as a purely economic and sociocultural phenomenon. Although speeches and opinions have been delivered time and again on the issue of trilateralism, there are no established declarations, agreements or policies to institutionalize the idea. Questions are even being raised whether the trilateral partnership damages Nepal’s special relationship with India or whether it embraces the relationship in a new way. There has been no effort at the political level to make trilateralism work. Apparently, neither does the Ministry of Foreign Affairs (MoFA) have any such plans. Therefore, the bridge concept is limited to an idea or a discourse for now. It deserves to be taken more seriously.

Trilateralism is still an idea in the making; it has not been developed into institutions. However, Nepal has shown imagination in leapfrogging from bilateral to trilateral arrangements, and in engaging stakeholders in India and China. Materialization of Trilateralism not only requires a new order of diplomatic collaborations between India and China but also a way to convince its neighbours that it does not favor one at the cost of the other. They need to be convinced that trilateralism is mutually advantageous to both India and China for long term strategic connectivity. Trilateral partnership is the best way for China to actively seek access to South Asia, or in other words there is a big market for China in South Asia. Similarly, it will benefit India by giving India access to Tibet, and possibly even to Xinjiang and further on to Central Asia. However, prior that the political and security issues among India, China and Nepal should be addressed. The three countries will have to work domestically to put this vision in a perspective. Nepal has to settle its internal problems in a more meaningful manner and forge national consensus on how to relate itself with India and China. To make trilateralism a reality, trust deficits prevalent between them should be erased.

When Nepal and China come closer, India's discomfort has been visible. When China and India get closer, probably Nepal feels discomfort of losing its strategic space. India on its part must dare to address the Chinese sensitivities. In fact, the Asian century cannot be conceived on the premise of Sino-Indian conflict and rivalry. Although the Sino-India border dispute remains unresolved ever since the two Asian powers had a short border conflict in 1962, relations are being improved gradually. China's initiative to establish the Asian Infrastructure Investment Bank (AIIB) has been endorsed by India, contributing 8.37 percent to this Bank (Baral, 2015). China has invested 30 percent to this Bank. Nepal is also one of the founding members with less than one percent investment (Sharma, 2015).

To materialize trilateralism there has been zero homework in Nepal on proposed trilateral cooperation. No homework has been done even at the policy level and not even at the political front. The foreign ministry has no such plans at present. Nor has the agenda of trilateral partnership been owned by any political party (Baral, 2016). To materialize the trilateral idea we need to have clarity on what it actually means. Does it simply mean connectivity? Or it refers to Nepal as a transit state? Or does it mean the India and China investing together in Nepal? Or a trading bridge between India's UP and Bihar, and China's Tibet Autonomous

Region (TAR)? However, to derive economic benefits out of the economic rise of India and China, Nepal will have to work through robust bilateral channels that have been carefully cultivated over time. Similarly, political actors should be able to develop not a politically oriented consensus, but a policy-oriented consensus on the Nepal's foreign policy towards the trilateral partnership.

To make trilateral cooperation a reality, firstly, we need to build a mechanism to dwell upon the concept for the sake of inclusive growth so that the benefits could be shared. That sort of development is very important as unequal development cannot be beneficial in that regards. So the establishment of mechanisms is the most important. Secondly, connectivity is very important. Nepal is eagerly waiting to get connected to the proposed Qinghai-Tibet- railway and also to the Indian railways. Only such a level of connectivity can pave the way for the further development on the discourses of trilateralism. Both of our neighbours should be sensitive towards Nepal's development perspectives and Nepal has been repeatedly saying that it will always take into account the concerns of both the neighbour. Until the appropriate infrastructure is not introduced along with appropriate cross border transportation networks through policy coordination for unimpeded flow of goods and services that eventually promotes People-to-People relations, trilateralism could be limited to idea, speeches, statements and discourses.

To boost trade relations between China and India, Nepal corridor could play a vital role. Nepal also could lure them to transfer their production bases here. Nepal needs a massive infusion of FDI to build roads and other infrastructures (Chalise, 2006). A divided society with political instability, problems with laws and orders, inadequate infrastructure development, poor management of its lucrative tourism sector and labour unionism, all factors hinder the proper economic growth of our nation. Nepalese government, planners and policy makers must study how the country could 'catch up' with its fast growing neighbours under the given constraints. "Mere wishful thinking to integrate our economy with that of our neighbours will not be utilized unless we take significant steps to correct these issues" (Adhikari, 2012: 7). Data show that Nepal has huge but increased and unsustainable trade deficit with both countries undermining positive spill overs effect on Nepal unlike in the context of many other countries. This is a serious issue. Therefore, a review and reorientation of trade policy with these countries

linking with removal of supply side constraints and reducing of transaction cost will be essential.

Conclusion

Hence, how to materialize the idea? How to convince the southern neighbour? How to attract Chinese investment through detailed project reports? Mere speeches are not sufficient. Mere wishes and statements are not enough. We must do our homework properly and make the country more investment-friendly and capital friendly. Nepal has failed time and again to attract Chinese industries. Time has come to think why the Chinese industries are migrating to Africa but not coming to neighbouring Nepal. Similarly, India has also launched 'Make in India' campaign. But why we have not been able to draw benefits out of that global value chain as well despite being so closer. On the issue of trilateralism, no declarations, agreements and policies have been made to institutionalize the idea of trilateral partnership. Questions are also being raised whether the trilateral partnership damages Nepal's special relationship with India or it embraces the relationship in a new way.

No serious attempts have so far been made at the policy level or at the political fronts to materialize trilateralism. Apparently, neither the Ministry of Foreign Affairs (MoFA) has such plans at present, nor any political party has conspicuously carried the agenda of trilateral partnership. Therefore, bridge is limited to an idea or to a discourse for now. Nepal's lack of preparedness, India's reluctance to be part of China-Nepal-India economic corridor under BRI framework and Nepal's entry into BRI without convincing India that the partnership with China isn't strategic but entirely economic are some of the reasons that have limited trilateralism to discourse, an idea in making. The root cause is the lack of institutions that would have helped to materialize the trilateral partnership between the three countries. Thus, the idea of trilateralism should bore an institutional reality through trilateral dialogues or ministerial-level meetings; without such an institutionalization, Nepal's search for prosperity through transit diplomacy might not yield expected results, and shall always dwell on the status of an unaccomplished venture.

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