



Nepal's Trans-Himalayan Linkages with China

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Nepal's recent agreements with China to forge road and rail links have created a stir in the academic circles. Some think that the trans-Himalayan linkages with China would be beneficial for trade purposes, especially in the present context of the Chinese initiatives on One Belt, One Road. There are others who consider the entire exercise to be futile due to the difficult Himalayan terrain. Nepal shares 1,414.88 kilometre of borders with the Tibet region of China. The high arid mountains, with an average altitude of 15,000 feet, passes, ravines, gorges and river valleys are not easy to cross, and Nepal can have no access to sea from the north, hence, its trade was limited to Tibet. The trade interaction of the Nepalese with the Tibetans had brought in cultural influences. In the course of such interactions, the Magar, Sherpa, Thakali, Tamang and Gurung communities from Tibet settled in Nepal and brought in Lamaistic Buddhism in the northern region. It is said that in the seventh century AD, Songtsen, the Tibetan King from the Yarlung dynasty, encouraged Tamangs from his cavalry to settle towards Nepal to protect the border.¹ Thus, the

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Lamaistic Buddhism that developed in Nepal's border region was similar to the Tibetan Buddhism but the cultural and trade contacts between the people were affected by the political relations existing between Nepal and Tibet.

Despite the inhospitable terrain in the north, Nepal had vibrant trade with Tibet through its passes. There are 28 passes between Nepal and Tibet which were of commercial and strategic interest to Nepal. In its pursuit to expand its territory and commercial interests, Nepal's Army came in armed conflict with the adjoining states, be it Tibet, Sikkim or British India. These expansionist experiences led Nepal at times to win territories, or lose them. Its defeat in the armed conflict with British India led it to sign a treaty in 1815 which largely defined its territory in the south, west and east of its borders and confined Nepal to the mountains. Similarly, Nepal's armed conflict with Tibet, which, in turn, took help from China, was followed by the signing of the Nepal-Tibet Treaty on 5 October 1792. The Treaty defined Nepal's territory with Tibet which was to the north of the Rasuagarhi Pass. The Treaty prohibited Nepal and Tibet to engage in any dispute or armed conflict with the intention to take over the territory of the other, by stating that in such cases, the matter would be settled by China. It was agreed that in case of any dispute between the signatories, the Chinese Ambassador at Lhasa would mediate. The Nepalese were allowed to trade and open factories in Tibet. Friction due to trade and commercial interests led to another war between Nepal and Tibet in 1855 which was settled through the Nepal-Tibet Treaty of Peace and Friendship, also known as the Thapathali Treaty, signed on 24 March 1856. According to the Treaty, Nepal relinquished rights over Kuti, Kerong, Jhngagadhi, Taklakhar, and Dhaking passes. Nepal's territory was limited to the Himalayan range through the Thapathali Treaty.² Traders got gold and silver from Tibet and traded with India. However, after the Indo-Tibet Treaty of Trade of 1904, three trade marts were opened in Gyantse, Yatung and Gartok, and trade duties were done away with. Later, with the opening of trade routes through Sikkim, trade between Nepal and Tibet shrank further. In fact, many Nepalese traders settled in Kalimpong, as the city, along with

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Calcutta, had become a major centre for trade with Tibet. Simultaneously, Nepal's role as a transit destination for India-Tibet trade declined considerably.³ The road connecting Tibet to India (through Chumbi Valley in Sikkim) 'almost stopped' Nepal's trade with Tibet (through the Kerong and Yenem marts), which was further affected by the underdeveloped infrastructure and transport facilities.⁴

Nepal's trade relations underwent major changes after the Chinese forces entered into Tibet in the late 1940s. China withdrew facilities from the Nepalese in Tibet, and the borders were controlled for its traders and pilgrims. The Treaty on Trade and Intercourse between Nepal and the Tibetan Region of China, signed on 20 September 1956, between Nepal and China, agreed to maintain friendly relations but also abrogated all the prior treaties and documents that were signed by both signatories. However, people's movement across the border was not completely stopped but was redefined such as the people on pilgrimage were allowed to travel to either country without any visa, passport or other documents or certification but were required to register at the border check posts and obtain permits for the pilgrimage. Their personal baggage and articles were exempted from taxation by the other party.⁵ Due to the political upheaval in Tibet as a result of the Chinese presence, many Tibetans entered Nepal. They were given shelter and also allowed to transit to India. In fact, a Tibetan military base was operative from Mustang in Nepal against China. Simultaneously, Nepal tried to deal with China diplomatically by signing an agreement on the construction of the Kathmandu-Kodari road or the Boundary Agreement in 1961. The major impacting factor was the changing domestic political scenario, where King Mahendra had dismissed the first democratically elected government of BP Koirala and take over power into his hands. Sensing an unfavourable response from India, Mahendra made concerted efforts to develop relations with China. The Kathmandu-Kodari road was considered as a breach to the security sensitivities with India as it coincided with the strained Sino-India

relations. China constructed the highway in Nepal's territory, the work for which started in May 1963. Nearly 700 Chinese and 10,000 Nepalese workers were engaged in the construction work, which was completed by May 1967. The cost of the construction of the 65-mile long highway was estimated to be around Rs 7.68 crore (NC).⁶ The friendship bridge on Sun-Kosi river is the link between Kodari and Khasa on the other side of the Nepal border.

The Kathmandu- Kodari road, also known as the Araniko Highway, is the major trade route from Nepal to China. Nearly 25 per cent of the trade with China is done through this route.⁷ Major exports to China are agricultural products, textile and handicrafts whereas imports consist of household items like utensils, textiles, electrical appliances, machines and equipment, foodstuff, woollens, and blankets. In 2013, a landslide in the Solukhumbu district submerged many villages and damaged a portion of the road. The Sun-Kosi river was blocked by the debris and an artificial lake had appeared, submerging the surrounding areas in 2013. While the repair work was going on, a massive earthquake shook Nepal and once again affected the road and infrastructure in 2015. The trade from Kathmandu Kodari road gets affected during the winters with heavy snowfall. The weather conditions and natural calamities make it difficult for large trade to take place between the two countries. Nonetheless, the people from the border areas of Nepal and Tibet do engage in trade. The Nepalese residing within 30 kilometre distance of the border with Tibet are allowed to import goods up to the amount of NRs 16,000 without payments through the banking system.⁸ Most of the goods from China reach Nepal from the sea route for which Kolkata port is most widely used. It is cheaper for Chinese goods to reach Nepal through the sea route than land or by rail. However, Kolkata port is congested and it takes days for transportation of goods and cargo to Nepal. The Asian Institute of Transport Development has assessed that on an average, it takes four days by road for goods to reach from Kolkata to the Inland Container Depot (ICD) in Birgunj on the Nepal-India border, whereas to cover a distance of 668 kilometre, trucks should not take more than two days. The transit of goods by rail takes nearly 12 days to reach Birgunj.⁹ The Government

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of India has provided additional port facilities to Nepal at Bombay, Kandla, Nheva Shiva, and Vishakhapatnam; however the bulk of the trade is still through Kolkata port.

Excessive dependence on trade and economics on any one country evokes the fear of domination by it. Even though Nepal has close socio-cultural, economic relations with India, it has consistently

tried to be not a close ally. Fiercely independent and proud, never having been subjugated by the Mughals and the British, Nepal has been intensely assertive about its sovereignty and independence from India. This feeling has been magnified by the domestic politics of the country. It has been observed that when the government in power perceives India to be not so favourably disposed towards it, a dramatic shift towards China takes place. The rationale behind such a policy has been to hurt India's strategic sensibilities.

In recent times, the former Prime Minister KP Oli made attempts to develop relations with China after his relations with India soured. In 2014, the Constituent Assembly cum Parliament of Nepal had promulgated the new Constitution amidst protests and opposition from the Madhesis and Janjaties. The Madhesi protestors, with support from the Tharus and Janjaties, had blocked the border with India and did not allow vehicles carrying goods to enter the country. This led to a shortage of essential items like food, medicine, and fuel. The Oli government reacted negatively to what it perceived as Indian support to the protestors, and tried to counter it through China. 'The Indian embargo is an eye-opener for us that we need to open more trade routes with China to ensure regular supplies of necessary goods', said Damodar Regmi, the Deputy Director General of Nepal's Department of Customs.¹⁰To take care of its fuel deficiency, Nepal signed an agreement with China to import 1,000 metric tonnes of fuel on a grant basis. It was not possible to get fuel tankers through Kathmandu Kodari road as the repair work, for which, China had given Rs 14.5 billion on grant basis for its upgradation, was still pending. Nepal and China have opened an alternative route from

the Kerong Pass in Rasuagarhi district in December 2014. Nepal and China have agreed to open seven new trade routes and custom offices in Chhoser in Mustang, Larke in Gorkha, Kimathanka in Sankhuwasabha, Lamabagar in Dolakha, Yari in Humla, and Mugu and Olangchungola in Taplejung. The people from both sides of the border use these border points for trade.¹¹

China has already brought in rail links till Xigaze, a distance of 540 kilometre from Kerong.¹² From there, the goods will be transported by road to Kathmandu:

The journey will take 10 days covering three sections: 2431 km from Gansu's provincial capital Lanzhou by rail to Xigaze; 564 km overland to the border port of Kerong (Gyirong), and a 160 km from the Nepal border to Kathmandu...the new route would take 35 days fewer than traditional ocean transport would.¹³

The trade and transit through trans-Himalayas may take few days but the trade through the ocean route is always more economical than the road and rail route.

The Himalayas are no longer a barrier. There is direct air link between Lhasa, Guanzhou, and Shanghai to Kathmandu. There is also an attempt to construct road and rail links till Kathmandu. In fact, Nepal has welcomed China's Belt and Road Initiative. During the visit of Chinese Minister of State for Industry and Administration Zhang Mao to Nepal, the current Prime Minister Pushpa Kamal Dahal expressed Nepal's willingness to participate in the Chinese initiative to access the economic benefits.¹⁴ China's initiative is to revive the Old Silk route, over land and the sea, to reach Europe through Eurasia, Africa, the Middle East, and South East Asia. Another initiative is to have a China-Pakistan Economic Corridor (CPEC). India has been apprehensive of the Chinese initiative and has been particularly vocal against its running through the Indian territory of Pakistan-occupied Kashmir (POK).¹⁵

During the closure of trade and transit points by the protestors in the south, Nepal was unable to utilise China due to geographical limitations. This has, in fact, created a public opinion amongst the people from the

valley to open trans-Himalayan linkages with China. The road and rail linkages may not have economic viability in terms of cost of goods but it will have geostrategic and political significance. It would not only provide an alternative route to Nepal, albeit limited, but would open Nepal to China which is already trying to reach India's border through getting involved in infrastructure build-up in Lumbini. Nepal wants to be a trade link between India and China. During the sidelines of the Brazil, Russia, India, China, Singapore (BRICS) Summit, Prime Minister Pushpa Kamal Dahal had said, 'Nepal wants to act as a dynamic bridge between the two Asian giants and to reap the benefit of playing such a role.'¹⁶ Nepal is trying to redefine its role in the Himalayas and finds China a ready partner. Its geographical linkages with China are through Tibet which has been a concern. To assuage the Chinese concerns, Nepal has followed the One China Policy and also does not allow Tibetans to engage in political protests from its territory. For Nepal, Tibet is its trans-Himalayan linkage to China. On the other hand, while almost all the projects in Nepal are important for the Chinese businesses, the strategic importance of the road and rail links from Tibet to Nepal cannot be ignored.

In the long term, India will not find it easy to deter Nepal from developing infrastructural links with China. China was a variable in India's relations with Nepal and it would continue to be so, with active involvement through trade and economic links. The effort should be to develop or upgrade trade and infrastructural links with Nepal to have effective transit of goods. In fact, during the South Asian Association for Regional Cooperation (SAARC) Summit in Kathmandu, Prime Minister Narendra Modi had said the following:

Infrastructure is my greatest priority in India. And, I also want to set up a Special Purpose Facility in India to finance infrastructure projects in our region that enhances our connectivity and trade. We speak of ease of doing business in India. Let's extend this to our region. I promise to ensure that our facilities at the border will speed up, not low down, trade.¹⁷

The Motor Vehicles Agreement was signed during Modi's visit to Nepal in 2014. There have been agreements to link Jogbani- Biratnagar and Jaynagar- Bardiabas through rail links¹⁸ but these projects are yet to be implemented. India has road connectivity with Nepal and has started direct bus services from Kathmandu to Delhi and Benaras, and from Pokhara and Mahendranagar to Delhi. India has already agreed to link Nepal, Bangladesh, and Bhutan with a 558 kilometre road links project.¹⁸ The US\$ 1.04 billion project will be supported by the Asian Development Bank (ADB).¹⁹ Similarly, ports have to be linked with ICDs in the border through roads and rails for effective and faster transportation of goods. There have been agreements on infrastructural links but there is laxity in their implementation. India has various stakes and levers within Nepal but the emphasis on mutual interdependence will go a long way in building bridges.

Notes

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