

Nepal's Border Relations with India and China

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Abstract

Because of the open-border system between Nepal and India, the people-to-people relations among the border inhabitants of the countries in social, cultural, economic and a diversity of other fields have remained unparalleled in world history. The border between Nepal and China is largely sealed and as such the border inhabitants among the two countries have not been able to obtain adequate benefit at the local level. It is likely that the border inhabitants living along Nepal's border regions with India and China would benefit more if connectivity is developed between the two sides of the border through roads, irrigation, communication and other infrastructural facilities. In order to safeguard Nepal's national interest, the country has to take all possible precautions to ensure that the interest of one neighbor is not affected by the other, while avoiding further rivalry between them.

Background

Nepal is a landlocked country located between the world's two most populous countries – India and the People's Republic of China (PRC). It holds an important place in the region not only on account of its size and population but more so for its strategic location as a buffer state between the two countries. Nepal borders with India to the east, south and west; whereas it borders with the Tibet Autonomous Region (TAR) of the PRC to the north. What is called India's "Chicken's Neck" of Siliguri, this corridor divides Nepal with Bangladesh. Bhutan is just on the other side of the Indian state of Sikkim.

Since time immemorial, Nepal has been maintaining an open border system with India, which ensures the free-flow of people from one country to another. The country was India-opened even at a time when it was cut off from the rest of world until the end of the Rana regime in 1951. After India achieved independence from the British in 1947, Nepal and India signed the Treaty of Peace and Friendship in 1950 and confirmed that the border between the two countries would remain open to the great advantage of the peoples of the two countries.¹ As such, there is no need of passport or visa formalities among the border inhabitants or other nationals of Nepal and India. The nationals of one country can enter into the other country through the border not merely through the checkpoints but through any point. Because of this unique arrangement, the border inhabitants greatly benefit from education, health, trade and commerce, employment opportunities and other economic activities

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¹ Hari Bansh Jha, "1950 Treaty: A Visionary Approach," *South Asia Analysis Group*, May 17 (2010).

in each other's territory. On the contrary, the border between Nepal and Tibet had never been opened due to the presence of the Himalayas separating the two territories.

Status of the Border Regions

Unfortunately, Nepal's border regions with both India and China largely remain underdeveloped. Quite inadequate efforts have been made by the centre to develop infrastructural facilities such as roads, telecommunications, education, health and other facilities along those regions. This is so because the development of peripheral border regions with India and China had never been a priority for the Nepalese government.

Due to unknown reasons, both India and China also remained passive when it came to the development of their own regions bordering Nepal. While efforts were made during British rule in India to develop 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.

But in recent years India has been trying to develop linkages along its regions bordering Nepal. A transport agreement was signed between Nepal and India in 2004 for the regulation of passenger vehicular traffic through five border crossing points, including Mahendranagar, Nepalgunj, Bhairahawa, Birgunj and Kakarbhitta. In order to connect the different border districts of Nepal with Indian cities like New Delhi, Kolkata, Patna and Varanasi,² a provision was made for plying 53 buses on the agreed routes from each side. The nationals of Nepal and India had expected to be able to travel freely and unhindered either way on vehicles for specific purposes such as to get married, attend religious functions, go on pilgrimages and participate in study tours.³ The agreement was expected to bring a new dimension to relations between the two countries, but that scheme hardly worked satisfactorily.

Like India, China too is interested in developing linkages with Nepal through transport and communication means. In this regard, Nepal made a proposal to develop the country as an economy based on a transit route between India and China at the time King Gyanendra ruled the country. Such a measure was intended to develop infrastructure in the border regions. Possibly, the connectivity between Nepal and India through Nepalese territory by road or train might not only reduce the transport cost on tradable items between India and China, but it might also increase the prospect of investment particularly in Nepal. In view of the fact that the volume of trade between India and China is to the tune of \$70 billion (2011), the two countries could benefit substantially if the transport cost

² Hari Bansh Jha, "Indo-Nepal Economic Cooperation and its Impact on Terai" (paper submitted to the Bonds Beyond Borders workshop organized by Consulate General of India in cooperation with B.P. Koirala India-Nepal Foundation (BPKF) at Birgunj (Nepal), May 27-28, 2006), 6

³ *The Kathmandu Post*, February 26, 2004.

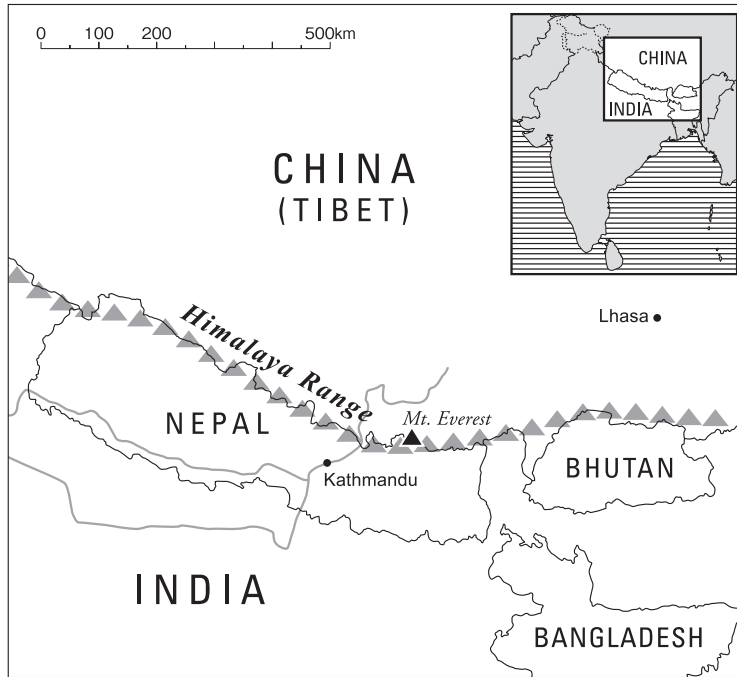


Figure 1

of tradable items were reduced.⁴

Yet both India and China had reservations for developing Nepal as transit country. India is apprehensive that such a move could not only give China an upper hand in dumping its products in Indian territory, and it might also have strategic implications in the region. On the other hand, the implications of connectivity between India and China through road/rail could facilitate more people-to-people contact particularly among border inhabitants of Nepal and Tibet, who are largely Buddhists. China might not like any consolidation of relations among border inhabitants between Nepal and Tibet as such a move would favor Tibet sympathizers. Perhaps, this could be one of the reasons why the Kathmandu-Lhasa bus service stopped in 2006. 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.⁵ Interestingly, the bus service could not be resumed even during the Beijing Olympics in 2008.

Nepal-India Border Relations

Nepal’s border with India measures 1,753 kilometers. The boundary between Nepal and India was demarcated only after the Anglo-Nepal War of 1814-16. The border between the two

⁴ *The Times of India*, November 19, 2011.

⁵ Post Report, “Kathmandu-Lhasa Bus to Run Again,” *Kathmandu Post*, September 16, 2010.

countries is called *Dash Gajja* (ten-yard no-man's land). By and large, this boundary is not a natural boundary separated by rivers or mountains except the Mahakali River that divides the two countries in the west and the Mechi River that divides the country in the east. At certain places, the border even divides the same village. As such, while the home of a person fell in one country, the agricultural land was on the other side of the border.

Interestingly, during the time the border was demarcated between the two countries, many people in Nepal's border region fought against the *Gurkhas* as they did not want to become part of Nepal.⁶ It was likely that such a course could have enabled the *Gurkhas* to take revenge against those people. In this context, the British regime had to enter into agreement with the *Gurkhas* and seek a promise that the latter would not take revenge against the border inhabitants in Nepal for their reluctance to merge with Nepal. Ever since then the British regime and the *Gurkhas* did not restrict the movement of people from one country to the other fearing that any restriction on their movement might trigger a backlash.

Ever since the border was demarcated between Nepal and India, there has not been any major problem between the two countries. The two countries have completed 98 per cent of the survey work along their border. Border problems between the two countries exist only in Susta and Kalapani, which the two countries hope to resolve through negotiation. Susta is situated in the Nawalparasi district in west Nepal; while Kalapani is in the far west of Nepal in the Darchula district.

After India achieved independence from the British in 1947, Nepal and India signed the Treaty of Peace and Friendship in 1950. The Treaty committed not only to keep the border open but also to provide national treatment (i.e. the same conditions a country gives to its own citizens) to the people of the other country in business, trade and other economic activities. Clause 6 of the Treaty provided the people of one country the right to conduct industrial and other economic activities in the other.⁷ Moreover, Clause 7 allowed the citizens of one country the right of residence, ownership of property, participation in trade and commercial activities, movement and other privileges in the other country.⁸ But later on in the letter of exchange of the 1950 Treaty, India conceded Nepal's sensitivity over being a small country and gave it protection with regard to participation of the Indians in economic activities.⁹ Because of the open border system, there have been no passport or visa

⁶ Hari Bansh Jha, *The Terai Community and National Integration in Nepal* (Kathmandu: Centre for Economic and Technical Studies in cooperation with Friedrich-Ebert-Stiftung, 1993).

⁷ Article VI of the Treaty of Peace and Friendship stipulates, "Each Government undertakes, in token of the neighborly friendship between India and Nepal, to give to the nationals of the other, in its territory, national treatment with regard to participation in industrial and economic development of such territory and to the grant of concessions and contracts relating to such development."

⁸ Article VII of the Treaty of Peace and Friendship mentions, "The Government of India and Nepal agree to grant, on a reciprocal basis, to the nationals of one country in the territories of the other the same privileges in the matter of residence, ownership of property, participation in trade and commerce, movement and other privileges of a similar nature."

⁹ Article III of the Letter from the Ambassador of India to the Prime Minister of Nepal mentions, "In regard to Article VI of the Treaty of Peace and Friendship which provides for national treatment, the Government of India recognize that it may be necessary for some time to come to afford the Nepalese nationals in Nepal protection

formalities for the Nepalese and Indian people to enter into each other's territory.

But it is strange that visa regulations were imposed by the Nepalese authority even on the people living in the border region of Nepal when they had to travel to the capital city of Kathmandu. This system was in vogue until the mid-1950s.

Encouragingly, the arrangement of the open border system is unique. It proved immensely beneficial to the border inhabitants of Nepal and India as it promoted their traditional ties in religious, cultural, social and economic fields. The arrangement of an open border system with India has been rewarding. It fostered friendly relations, mutual understanding and cultural ties among the border inhabitants of the two countries.¹⁰

People of one country can cross over the border without any restriction from any point, though 22 checkpoints exist at different places along the border. But foreign nationals require both an entry and exit visa and they must cross over the border through six immigration points, which include Banbasa, Dhangadhi, Nepalgunj, Bhairahawa, Birgunj and Kakarbhitta. With regard to the Nepal-India border, Ravi Nitesh rightly commented, "... It gives the message of peace and mutual trust rather than hate, and restrictions. It is more towards freedom rather than binding a person within a confined political boundary."¹¹

Because of ethnic and linguistic similarities, people along the two sides of the Nepal-India border speak Maithili, Hindu, Bhojpuri and Awadhi. Their food habits, dress and way of living are almost the same. This has promoted matrimonial relationships among border inhabitants. Each year thousands of marriages take place among the border inhabitants of the two countries, which has added warmth in their relations.

Often, the border inhabitants of Nepal cross over the border and go to different parts of India on pilgrimages. Likewise, the Indian border inhabitants also visit different religious places in Nepal. For the Nepalese border inhabitants, the popular pilgrimage sites across the border in India are Gaya, Kashi, Prayag, Mathura, Vrindaban, Vaishnodevi, Balaju Tirupatti, Rameshworam and Dwarka. Conversely, the popular pilgrimage site for the Hindus of India in Nepal, include Janakpur, Gadhi Mai, Barahakshetra, Muktinath and Kathmandu.

A number of sites such as Koshi Tappu, Parsa Wildlife Resort, Bardiya and Chitwan National Parks in Nepal's border region with India are tourist attractions. In addition, rafting in rivers and beautiful tea gardens also attract tourists. Many Indian tourists visit Lumbini, the birthplace of Buddha. The thick forest region, rivers, flora and fauna and the hospitable nature of the Nepalese border inhabitants is the source of attraction for the Indian tourists.

Significantly, many of the border inhabitants from Nepal cross over the border and go to India to study in different disciplines such as arts, commerce, science, law, medicine and engineering. Often, the Nepalese border inhabitants go to Siliguri, Darjeeling, Madhubani, Darbhanga, Sitamadhi,

from unrestricted competition."

¹⁰ Vidya Bir Singh Kansakar, "Nepal-India Open Borders: Prospects, Problems and Challenges," paper presented in a series of seminars organized by the Institute of Foreign Affairs and FES in Nepalgunj, Birgunj, Biratnagar and Kathmandu in 2001.

¹¹ Ravi Nitesh "Nepal-India Frontiers: More of Trust than Conflict," *nepalnews.com*, August 8, 2012.

Muzaffarpur, Gorakhpur and other border towns of neighboring Indian states of Bengal, Bihar and Uttar Pradesh for study. This is so because educational institutions in India are of higher quality as compared to those in Nepal. Besides, the Nepalese students are provided national treatment in India as per the provision of the Treaty of Peace and Friendship of 1950 between Nepal and India. They pay the same fees for their education in Indian educational institutions as is paid by the Indian students. If the Nepalese students were charged fees on par with other foreign nationals, it could have drained much of Nepal's scarce foreign exchange. Nevertheless, over the last few years certain educational institutions in India have started charging fees in foreign currencies even from the Nepalese students, which is against the letter and spirit of the Treaty of Peace and Friendship of 1950. Also, some private engineering and medical colleges opened in the border areas in Nepal admit Indian students; for which they are charged higher tuition fees as compared to the Nepalese students.

The border inhabitants of Nepal and India also cross over the border in order to receive health treatment. Often, the Nepalese border inhabitants seek health services on the Indian side of the border in border cities such as Siliguri, Darbhanga (Laheriyasarai), Sitamadhi and Gorakhpur. Some Indian border inhabitants also visit the B.P. Koirala Institute of Health Sciences, Dharan to take advantage of the health treatment facilities. Similarly, many of the patients from across the border in India visit Cancer Hospital at Bharatpur, Eye Hospital at Lahan, and medical colleges in Janakpur, Chisapani and Nepalgunj for treatment. Because of the provision of national treatment to the people of one country into the territory of the other, the border inhabitants do not need to pay extra for health services than what is paid by the locals.

Nepal's open border system with India also provides scope for shelter to political leaders from one country to the other. Whenever there is any political upheaval in one country, people easily escape by crossing over the border. During the time India was ruled by the British, eminent Indian leaders like Jay Prakash Narayan and Ram Manohar Lohiya along with their guerrilla fighters popularly called *Aazad Dasta* escaped to Nepal in the wake of Quit India Movement in 1942.¹² Later on, those leaders were caught by the Nepalese security agencies and then imprisoned at the Hanuman Nagar Jail in the Saptari district. But again with the help of *Aazad Dasta*, the two leaders were freed. Similarly, several other Indian freedom fighters also took shelter in the Nepalese border region during the Quit India Movement.

As and when occasions arise, Nepalese political leaders cross over the border and take shelter in India. During the authoritarian Rana regime that lasted for 104 years until 1951, many Nepalese political leaders took shelter in India. When King Mahendra dissolved the parliament and the duly elected government of Prime Minister B.P. Koirala in 1960, many of the democratic leaders of Nepal took shelter in India.

Many of the Tharus, particularly in Jhapa, Chitwan, Nawalparasi, Banke, Bardiya and Kanchanpur districts of Nepal, opted to migrate across the border to India to avoid atrocities at home. This happened when the hill migrants (people living in the hill/mountain regions of Nepal who migrated to the plain Terai region of the country) managed to take away their property and virtually

¹² <http://www.liberalsindia.com/freedomfirst/ff452-01.html>

made them homeless, landless and paupers during the Panchayat regime (1960-1990). Those Tharus who did not migrate and chose to stay in their villages had to live a life of Kamaiya – a kind of life in slavery. Even the state helped a large number of hill migrants to clear the forest so as to enable them to settle in the Terai region, when the local landless and poor people were devoid of any such opportunities.

Even as recently as the Maoist insurgency period (1996-2006), many of the Nepalese crossed over the border to India to escape from the atrocities of the rebel forces and the security agencies with a view to protecting their lives and to seek a livelihood and employment opportunities. The number of people crossing over the border to India through certain border checkpoints shot up to 2,000 per day during the conflict period.¹³ From the Nepalgunj sector alone, the number of people crossing over the border from Nepal to India was 300 to 400 per day in November-December 2002, which shot up unprecedentedly to 1,200 during the same period in 2003.¹⁴ There are reports that during the conflict period 24,000 people from the Rajapur areas of the Bardiya district had left their villages *en masse* to settle in the Baharaich and Bachya areas across the border in India.¹⁵

Before the green revolution in India in the 1970s, many of the agricultural laborers from across the border in India used to come to Nepal for seasonal employment and get themselves engaged in agricultural activities during the plantation and harvesting seasons as there was a great demand for labor in this country. Subsequently, because of the growing employment opportunities within India, the agricultural labors from across the border stopped coming to Nepal. The green revolution in certain parts of India such as in Punjab and Hariyana attracted many of the Nepalese border inhabitants for seasonal employment in that country. Additionally, the Nepalese border inhabitants also visit Delhi, Mumbai and other parts of India to seek employment. The Nepalese are allowed to work in government, semi-government and private sectors in India without any restriction. Earnings by the Nepalese border inhabitants in Indian states have helped reduce poverty at home and raise their standard of living. But there has not been any serious study to estimate the amount of remittance that is coming to the border region of Nepal from India. However, there has been a decline in the tendency of the border inhabitants to go to India because of the growing alternative opportunities of employment in Malaysia, Qatar, Saudi Arabia and other overseas countries.

Many of the farmers living along the border regions buy and sell agricultural and livestock products at the border *hat bazaars* and other market centers in each other's territory. This has generated employment opportunities for many people in the border regions.

Often, the Nepalese border inhabitants buy commodities to meet their daily needs at the

¹³ www.ipsnews.co.th/writingpeace/features/nepal.html.

¹⁴ Save the Children – Norway, *A Study on Impacts of Armed Conflict Pushing Girls and Women into Sexual Abuse and Sex Trade* (Kathmandu, 2005)

¹⁵ Bishnu Raj Upreti, "Environmental Stress and Armed Conflict: A Study on Effects of Maoist Insurgency on Environmental Sanitation and Health of Internally Displaced Persons of Urban Areas of Kathmandu City of Nepal" (paper submitted to *International Conference on Health and Environmental Research Challenges in Urban Poor Settlement*, organized by Swiss Centre for Scientific Research in Côte d'Ivoire, September 3-5, 2005), 4.

neighbouring markets of Bengal, Bihar, Uttar Pradesh and Uttarakhand of India, which include such goods as sugar, food grains, clothes, cooking oil, cement, fertilizers, electrical and electronic goods. The Indian border inhabitants, however, buy such goods in Nepal that originate from third countries like China, Japan, Thailand, Hong Kong, Singapore and Taiwan. There is also unauthorized trade in gold, beetle nuts, and tea from Nepal to India.

Many of the border inhabitants in Nepal often visit market places across the border in India for shopping. Since the border inhabitants are not expected to pay customs for goods procured for personal use, many of them buy goods for their household needs across the border in India. Such goods of daily needs are commonly cheaper in India than in Nepal.

However, the security personnel on both sides of the Nepal-India border often harass the people when they carry with them goods even for their personal use as the volume of such goods is not defined. But many of those who indulge in the smuggling of goods from one side of the border to the other manage to deal with the security personnel by bribing them.¹⁶ The increasing presence of the security personnel on both sides of the Nepal-India border has not put a stop to the smuggling of goods. Rather it discouraged genuine Nepalese border inhabitants from buying goods across the border in India at a cheaper price. It is estimated that the general price of Indian goods in the Nepalese market increased by at least 50 per cent owing to some of these factors.

Despite the growing presence of security forces along both sides of Nepal-India border, unauthorized trade is common almost all through the border points, including in the Kakarbhitta, Biratnager, Janakpur, Birgunj, Bhairahawa and Nepalgunj corridors. Often, the carriers involved in unauthorized trade load goods either on their heads or on bicycles while crossing over the border. The normal commission that the carriers get for this purpose is 10 per cent of the value of the goods.

Interestingly, nearly 55 per cent of the people along the Nepal-India border region conduct border trade for private consumption, 23 per cent for business purposes and the remaining 14 per cent for social functions. About 68 per cent of the border inhabitants use authorized custom checkpoints for border trade, while the remaining one third go for trade through non-custom checkpoints.

There is hardly any estimate made about the volume of border trade between Nepal and India. But it is estimated that each day there is a transaction of around fifty million rupees worth of goods through the Sonauli border between Nepal and India.¹⁷ The total value of informal imports of agricultural products from India to Nepal through the Nepal-India border amounted to Rs. 55 billion in 2012.¹⁸ It is believed that the informal trade through the Nepal-India border is more than what takes place through formal channels. India is the largest trade partner of Nepal and the volume of bilateral trade between the two countries amounted to \$4.21 billion in 2010-11. In that year, Nepal's exports to India amounted to \$599.7 million, while its imports from India amounted to \$3.62

¹⁶ Benjamin Hans, "Nepal's Border to India: National Border and Identity Boundaries in South - East Nepal," http://www.uni-bielefeld.de/tidrc/ag_sozeranth/downloads/hans.pdf

¹⁷ "Traders Block Nepal Border in Maharajgunj," http://articles.timesofindia.indiatimes.com/2012-09-30/lucknow/34177269_1_indo-nepal-border-nepal-india-peace-nepal-s-maoist-party

¹⁸ <https://plus.google.com/110700033722522182284/posts/TLpc3WckyWW>

billion.¹⁹

There is no provision of tariff concessions for the border inhabitants for trade under the existing trade arrangement between Nepal and India, though there is a large volume of unauthorized trade all along the border region of the two countries. Unauthorized trade often results in revenue loss for the governments. Hence, there is a need for duty free border trade as it has the potential to exploit raw materials, capital and human resources existing in the border areas.²⁰

Most importantly, the presence of over 361 million people across the border in the neighboring Indian states of Sikkim, West Bengal, Bihar, Uttar Pradesh and Uttarakhand provide a wider prospect for the development of trade and industries in the Nepalese border region. The border areas of Nepal are best suited for the development of SEZs, which enhance the prospect for the export of goods from Nepal to those Indian states partly due to the proximity factor and partly due to the similarity of taste, preferences and purchasing power.

There are three dry ports in Nepal's border region, including in Biratnagar, Sirsiya (Birgunj) and Bhairahawa, which facilitate trade with third countries. Birgunj dry port is connected to India through rail and it is used for direct transshipment of goods between Birgunj and Kolkata Port of India to facilitate Nepal's trade with third countries. In October 2011, Nepal and India signed the Bilateral Investment Promotion and Protection Agreement (BIPPA) in order to promote investments from India to Nepal in such sectors as fast-track roads, railways, tourism, education, health, agriculture and other infrastructural projects. Nepal's border region could benefit if this agreement is realized.

Some of the recent efforts to upgrade four major custom checkpoints at Birgunj-Raxaul, Biratnagar-Jogbani, Bhairahawa-Sunauli and Nepalgunj-Rupediya might promote trade, commerce and other economic activities in the border regions of Nepal and India. Besides, India has undertaken a project to enable cross-border rail links at five locations at Jalpaiguri-Kakarbhitta, Jogbani-Biratnagar, Jaynager-Bardibas, Nautanwa-Bhairahawa, and Nepalgunj Road-Nepalgunj. India has also undertaken a project whereby it would develop a postal highway from the east to west end of Nepal. Nepal Oil Corporation and Indian Oil Corporation have undertaken the construction of an oil pipeline between Raxaul and Amlekhgunj. In addition, India has completed the East-West Highway Fiber Project in the border region. All such activities might go a long way in promoting the development of the regions on both sides of the Nepal-India border.

Nevertheless, there are reports of criminal and anti-social activities along the border regions such as the circulation of counterfeit currency, robberies, theft, smuggling, drug trafficking, human trafficking and arms smuggling.²¹ Many militants from other countries infiltrate India through the porous Nepal-India border. In order to control some of those activities, Nepal has deployed security forces to oversee the border on the Nepalese side. India has also mobilized security personnel in its border region for this purpose. But this has not helped much to control undesirable activities along

¹⁹ www.indianembassy.org.n/trade-and-commerce.php

²⁰ S.N. Raghavan, *Regional Economic Cooperation Among SAARC Countries*, (Mumbai: Allied Publishers, 1995), 128-29.

²¹ Ekantipur Report, "Nepal-India Border Security Meet Concludes with Eight-pt Deal," August 28, 2010.

the border region. In certain quarters, there is thinking that the controlling or closure of the border is the solution to some of those problems. But it is likely that controlling or closure of the border might help accentuate the feeling of alienation among the border inhabitants, which might have a negative impact on the process of national integration in Nepal. With this respect, Jayant Prasad, the Indian ambassador to Nepal rightly observed that there was no need to erect any barricade in the Nepal-India border area.²²

Nepal-China Border Relation

Nepal's border with the Tibet region of China measures 1,415 kilometers along the Himalayan range. Over 90 per cent of Nepal's frontiers with China run through uninhabited altitudes with rocks and snow, glaciers and ice fields. Of the world's ten tallest mountains, eight mountains, including the Kanchanjunga (28,209 ft) and the Mount Everest (29,029 ft) are located in Nepal's northern region bordering with Tibet. The main watershed between the Brahmaputra (Yarlung Tsangpo in Tibet) and the Ganges (including different major river system of Nepal) are located across the Nepal-China border towards the north in Tibet.

Many of the people in the Himalayan region in Nepal are of Mongol origin and they have Tibetan affinities. Often, they are called Bhotiya. By tradition, they raise yaks and produce such crops as potatoes, barley, buckwheat and millet. Mostly they work as porters, guides and cooks and are active in trade, tourism and trekking related businesses.

It was for the first time that Nepal and China established diplomatic relations in 1955. They signed an agreement in 1956 whereby strict visa regulations were imposed on the movement of people from one country to the other. However, the border inhabitants living within an area of 30 kilometers of either side of the Nepal-China border were allowed to carry out petty traditional trade on a barter basis. They were also allowed to visit friends and relatives and even change residence in seasons for which passports, visas or other certificates were not needed.²³ Nevertheless, they were expected to register at a border checkpoint or a duly authorized government agency of the other country.

Nepal and China exchanged residential ambassadors in July 1960. In the same year, Nepal experienced border conflicts with China at 35 places, including at Mount Everest. At one point of time, Nepal even flatly denied Chinese claim over Mount Everest in 1960. Cases of territorial disputes erupted between Nepal and China at certain places in the Sankhuwasabha (Kimathanka), Taplejung, Rasuwa and Humla (Nara Nangla) districts. But later on Nepal managed to settle its boundary problems with China as per the Nepal-China Joint Boundary Commission on October 5, 1961.²⁴

²² Ekantipur, "Federalism Necessary in Nepal: Jayant Prasad," September 1, 2012, <http://www.ekantipur.com/2012/09/01/top-story/federalism-necessary-in-nepal-jayant-prasad/359616.html>

²³ *Trade and Payments Agreements Between His Majesty's Government of Nepal and the Government of the People's Republic of China*, November 22, 1981.

²⁴ Buddhi Narayan Shrestha, "Border Issues of Nepal: With Special Reference to India" (paper submitted at the

Besides, Nepal and China agreed to demilitarize 20 kilometers on both sides of the border in 1960 in order to reduce the expenditure on border security. The two countries completed the 115-kilometers long Arniko Highway between July 1, 1962, and June 30, 1966, to connect Kathmandu in Nepal to Kodari in Tibet. With the construction of this road, Kathmandu was connected to Lhasa, the capital city of Tibet. This road was opened in May 1967, but it had very little commercial and economic value for Nepal.²⁵

The Tibet region of China has emerged as Nepal's top trade partner since 2001.²⁶ Bilateral trade between Nepal and Tibet through the border points skyrocketed to \$945 million in 2011 from \$235 million in 2000.²⁷ However, Nepal's exports amounting to \$14 million proved quite meager in comparison with the total volume of trade of \$1.2 billion with China.²⁸ Nepal exports foodstuffs like flour, vegetable ghee, handicrafts, metal statues, incense and construction materials to Tibet; whereas it imports sheep wool, textiles, household electrical appliances and traditional medicines from Tibet. There is high demand for some of the Nepalese products in Tibet because a sizeable chunk of the Chinese are engaged in infrastructural projects like roads and railways. The overland trade between Nepal and Tibet is conducted through six points along the Nepal-Tibet border, including at Kodari/Nyalam, Rasuwa/Kerung, Yari (Humla)/Purang, Tinker/Purang, Olang-Chungola/Rui and Kimathanka/Rui. Tatopani customs is the largest checkpoint along the Nepal-China border. Substantial portions of overland trade between the two countries take place through this route.

Informal trade between Nepal and China is also on the rise. Several cases of undesirable activities have been recorded along the border regions due to the growth in the smuggling of red sandalwood, currencies and illegal animal skins. Because of the presence of hooligans, trading through the Kathmandu-Tatopani route has become quite insecure. They extort money from traders. Cases of theft, wear and tear of goods are rampant.

But in order to facilitate its exports, China is now in the process of constructing a dry port at Larcha in the Sindhupalchowk district. Nepal and China have also agreed to construct dry ports at Yari-Pulam, Rasuwa-Jilong and Kodari-Zangmu (Khasa), Kimathanka-Dingri, Olangchungola-Riwa and Mustang-Ligzi.²⁹

With a view to ensuring the further flow of goods and people between Nepal and Tibet, Nepal and China plan to develop cross border roads through Simikot-Hilsa (85 km), Jomsom-Korala

Seminar *Hydro-resources Development, Water Sharing, Border Issues and Treaty of Different Countries*, organized by South Asian Social Forum, Hyderabad, India, January 1-7, 2003, <http://indiamadhesi.files.wordpress.com/2008/11/border-issues-of-nepal.pdf>.

²⁵ R.K. Das, "Indo-Nepal Security Relations" *Indo-Nepal Relations: South Asia Studies Series 25*, ed. Ramakant and B.C. Upreti (New Delhi: South Asian Publishers Pvt. Ltd, 1992), 172.

²⁶ <http://nepalnews.com/archive/2011/feb/feb27/news07.php>

²⁷ Xinhua, "Nepal Becomes Tibet's Most Important Trading Partner: Official," July 16, 2012, <http://english.peopledaily.com.cn/90778/7875730.html>

²⁸ Sweta Baniya, "Nepal China to Enhance Trade Relations, Economic Ties," http://news.xinhuanet.com/english/china/2012-03/26/c_122878776.htm

²⁹ Post Report, "Nepal gets Rs 12 billion, China's Largest Grant," *The Kathmandu Post*, January 15, 2012.

(80 km) and Khandbari-Kimanthanka (80 km) in the Nepal-Tibet border region.³⁰ The two countries are likely to open the second Nepal-China land route of the Syaphrubesi-Rasuwa Gadhi Road and promote connectivity between the two countries.

Growing Rivalry between India and China

Since the establishment of diplomatic relations between Nepal and China, the rivalry between India and China has been increasing on Nepalese soil. India wants to uphold its traditional leverage in Nepal; whereas China wants to puncture this relationship and seek its own space in different layers of administration, security agencies, army and not the least among the people.

India wants to see that China does not keep its footprints in the region across its border in Nepal. China, too, does not want India's presence whatsoever in Nepal's northern region bordering Tibet.

There is a report that China offered to undertake the construction work on a 170-km road section from Janakpur to Biratnagar along the East-West Highway in Nepal's border region with India in 1964. China also pledged to construct the Kamala irrigation project closer to the Nepal-India border at an estimated cost of NRs 175,000,000.³¹ But China was obliged to withdraw from both of those projects in 1965 following Indian pressure. Later on, India constructed the Janakpur-Biratnagar portion along with the bridges in the western sector of the East-West Highway.

Moreover, India pressured Nepal to prevent China from undertaking any survey work for cotton cultivation in the Nepalese border region in the south. On another occasion, the Indian authorities asked Nepal to withdraw Chinese from bridge construction projects in the western sector of the East-West Highway in Nepal.³²

On the other hand, on June 24, 1969, Prime Minister Kirti Nidhi Bista demanded the immediate withdrawal of Indian wireless operators posted along the checkpoints in the northern border region of Nepal. Ultimately, the Indian Military Personnel and Indian Military Liaison Group were removed from Nepal's northern checkpoints. Even as recently as October 2010, there was a case involving the humiliation of an Indian envoy by a former Maoist minister during the Indian envoy's visit to Solukhumbu in the north in connection with inaugurating an India-aided development project.³³

³⁰ Milan Mani Sharma, "Nepal to Seek US\$ 5b Credit during Wen Visit," *My Republica*, December 13, 2011, http://www.myrepublica.com/portal/index.php?action=news_details&news-id=39512.

³¹ Avtar Singh Bhasin (ed.), *Nepal's Relations with India and China (Documents 1947-1992) Volume Two* (New Delhi: Siba Exim Pvt. Ltd., 1994), 1399.

³² S.B. Singh, "Nepal and India's Security" in *Indo-Nepal Relations: South Asia Studies Series 25*, ed. Ramakant and B.C. Upreti (New Delhi: South Asian Publishers Pvt. Ltd., 1992), 188-89.

³³ "India summons Nepal envoy for attack on ambassador," *The Times of India*, October 23, 2010, http://articles.timesofindia.indiatimes.com/2010-10-23/india/28220763_1_indian-ambassador-rakesh-sood-indian-envoy-maoist-minister. Also see RSS, "Shoe Attack on Indian Envoy Flayed," *The Himalayan Times*, October 28, 2010, <http://www.thehimalayantimes.com/fullNews.php?headline=Shoe+attack+on+Indian+envoy+flayed+&NewsID=263392>

After India planned to spend \$361 million to develop connectivity with the border region of Nepal through roads and rail, China, too, declared an increase in its annual aid to Nepal by 50 per cent to nearly \$22 million.³⁴ Part of this aid is likely to be utilized for certain projects in China's border regions with Nepal. In addition, China has already constructed roads in its territory in Tibet bordering Nepal. Plans are afoot to link Kerung along the Nepal-Tibet border with Lhasa by Chinese rail. Lhasa is already connected with mainland China by rail. The Maoists in Nepal have been advocating for the extension of the Chinese railway from the Nepal-Tibet border down to Lumbini, the birthplace of Buddha, which is just a stone's throw from the Nepal-India border.

China is keen to link Nepal's southern border with India through railway as it wants tap not only the Nepalese market and its virgin natural resources but also it has design to capture the market across the Nepal-India border in India. On the other side, India has also started constructing roads, railways and other infrastructure facilities in its territory closer to the Nepalese border.

Conclusions

An open border system between Nepal and India has been in the best interest of the border inhabitants of the two countries, which is a model for other countries of the world. But there is no such reciprocity among the border inhabitants along the two sides of the Nepal-China border. In view of the fact that both India and China happen to be the fastest growing economies of the world, Nepal should take maximum benefit from them. Towards this end, Nepal should attract its two neighbors to maximize its efforts in Nepal's development activities. There is nothing wrong with the Indian or Chinese aided projects in so far as they support the Nepalese economy. But what is intriguing is that one of the neighbors is aggressive in increasing its area of influence in Nepal, while the other does not want to lose its traditional foothold in the country in view of its social, cultural and economic ties. It is feared if it could intensify the rivalry between the two countries, which might ultimately undermine Nepal's fragile democracy if not handled properly.

³⁴ Jyoti Thottam, "Nepal: Caught Between China and India," *Time Magazine*, March 2, 2010.