



CHINA-NEPAL RELATIONS AND INDIA

DR. T.R. GHOBLE



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To
Prof. (Mrs) GARGI DUTT

Na tam mata Pita Kayira
anne Vapi Ca nataka
Sammapanihitam Cittam
Seyyaso nam tato kare.

--DHAMMAPADA

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FOREWORD

I am glad that Deep & Deep Publications are bringing out Dr. T.R. Ghoble's book on 'China-Nepal Relations and India'. Dr. Ghoble has been a scholar at Jawaharlal Nehru University's Centre for East Asian Studies. The book has grown out of his research on the same subject. He has very carefully examined all the available material on the subject and provided an analytical study in a scholarly way of the whole story of this important subject. His study takes into account the historical background and goes on to describe and analyses the dynamics of political relationships from 1947 onwards. The real value of this book lies in the way Dr. Ghoble has painstakingly studied the Sino-Nepalese economic relations, which have provided the foundation for political and social relations between the two countries.

Sino-Nepalese relations cannot be studied and understood without reference to Sino-Indian and Indo-Nepalese relations. Dr. Ghoble has very ably brought out the impact of the triangular relationship involving this small kingdom sandwiched as it is between the two giants of Asia, that is India and China. In a way one can say that Dr. Ghoble's study brings into sharp focus the fact that Sino-Nepalese relations have been also the function of and reaction to Indo-Nepalese relations and India-China relations.

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New Delhi

GARGI DUTT

PREFACE

The present book, '*China-Nepal Relations and India*' is a survey of China's relations with Nepal from an analytical perspective. Since the inception of the Communist Government in China in 1949, China attempted to develop her relations with Nepal and since the conclusion of the Sino-Nepalese Friendship Treaty in 1956, her relationship with Nepal had been steadily developing barring minor instances of untoward interludes. It has also been observed that Sino-Nepalese relation has always been influenced by the Indian factor.

This makes the book interesting as it unfolds two important aspects : First, Nepal has been trying to maintain a policy of equidistance from China and India, for last two decades, and has always been reluctant to completely identify herself with either of the two regional powers. But she has managed to get overwhelming economic assistance from both of them. This prompts one to feel that India and China appear to believe that they have a major stake in Nepal; neither of them can afford to dispense with Nepal and allow the other to pull Nepal completely to its own side. This is understandable from the very strategic position in which Nepal is situated between China and India. It is observed that the policy of both the regional powers has been that if Nepal is reluctant to become a protege then it would serve far greater interest to make her maintain equidistance than to allow her to be totally dependent on the other. This aspect of Sino-Nepalese relation has been the recurrent theme of emphasis in the present book, and for this matter, even if the title of the book suggests that it would be a study in bilateral relations, for all practical purposes, it is a triangular study.

In 1949 the Chinese Communist Party took charge, and looked forward to develop the relations with Nepal. Later in the year the Sino-Indian hostility reached its climax, in which I have tried to find out how China succeeded in keeping Nepal silent over Sino-

Indian war which to any ordinary observer would seem surprising.

For Nepal, being a neighbouring country should have been duly concerned about the aggressive attitude of China towards another of her neighbours, and in the circumstances should have deplored the Chinese attack on a country with whom she had pledged to govern her relationships in accordance with the Five Principles of Peaceful Co-existence.

Even an elementary study reveals that China's relation with Nepal has followed a relatively uniform pattern, despite sweeping changes in China's domestic as well as foreign spheres. It seems the Great Proletarian Cultural Revolution of 1966-69 had not changed Sino-Nepalese relations a bit even though China had overhauled her perceptions of the world situation. China's economic aid to Nepal has also followed a uniform pattern and has always behind it the motive of becoming the largest donor to counter Indian influence on Nepal which, of course, she has so far not been able to achieve. It has also been observed that the nature of Chinese economic assistance to Nepal was that of undertaking such projects as would make an immediate impact on the economy characteristic feature of Chinese economic relations with the underdeveloped countries in general. Chinese projects in the Afro-Asian countries revealed in general that China concentrated on construction of roads and railways and on medium and small-scale projects. This was so because China did not have the proper technical expertise to foster basic or heavy industry in these countries. Added to this, was the well-thought policy that small-scale projects would have immediate bearing on the economy of the recipient country, and hence, would earn the goodwill of that country. This feature was also revealed in case of Sino-Nepalese relations. The economic relation between China and Nepal is, in fact, a major aspect. Hence, in my study, I have given special emphasis on the nature of Chinese economic assistance, the quantum of assistance, the nature of the financing of the different projects, the strategic importance of the road constructions, the impact of Chinese assistance on Nepalese economy and, last but not the least, how Chinese economic assistance compares with the assistance provided by India and other countries.

Contours of Sino-Nepalese relations reveal that Nepal does not so much figure in the Chinese view of the world affairs as it does as a country which has strategic importance as a buffer

between two regional powers. Nepal is a small state whose tangible power is quite insignificant in comparison to that of China. Moreover, Nepal has not as yet been able to obtain a status in the world power configuration, which would otherwise have given her position of respect as preacher of some laudable principles in international relations. On the other hand, China has been quite successful in increasing her power and prestige despite many cumbersome events in both her internal as well as foreign affairs. She ranks only next to the United States and the USSR in the hierarchy of nation states. Naturally Nepal cannot seek parity with China in their bilateral relationship. In this context in my study I have also examined the relative standing of Nepal in China's world-view and whether Nepal has importance in the balance of world powers or regional powers.

The book has been divided into five chapters.

In the first chapter, I have dealt with the nature of Sino-Nepalese relations prior to 1949, i.e., before the Communist take-over in China. Particular attention has been given to Nepal's relation with Tibet during the nineteenth century during which Tibet was a vassal of Nepal; as China staked claim on Tibet after the communist victory of 1949; the conclusion of the Sino-Nepalese Treaty of 1956; and last but not the least the Nepalese reaction to the Tibetan uprising and the Chinese manner of handling it.

In the second chapter the situation of Nepal as a strategic buffer between the two great regional powers is appraised. Nepal's typical situation as a landlocked state and the ensuing problems thereof also have been discussed. Nepal's cultural link with India due to its typical geographical situation is given consideration in this chapter. The chapter then proceeds with the study of the dynamics of Sino-Nepalese political relations in an analytical perspective.

In the third chapter, I have taken up the nature and quantum of Chinese economic assistance to Nepal, the nature of financing of the different projects, the strategic importance of the Chinese interest in promoting road constructions, the impact of Chinese assistance on Nepalese economy, the general Nepalese impression about China as an aid-giver and last but not the least, how Chinese aid compares with the aid given by the other foreign countries.

In the fourth chapter, Indian influence on Nepalese politics, Indian support for democratic movement in Nepal, Indian economic

assistance, and Chinese attempt at countering the Indian influence is analysed. The limitations of Chinese attempt due to the typical geo-cultural factor is also examined.

The fifth and the concluding chapter is both a summary of the observations of the different aspects of Sino-Nepalese relations and a barometer of prospective relations between the two countries.

I have made an indepth study of the primary sources consisting of materials from mainland China, such as *Survey of China Mainland Press*, *Summary of World Broadcast*, *Translations of China's mass media and materials from Nepal*, *IDSAs News Review on China, Mongolia and Korea*, *Asian Recorder*, *Nepal Press Digest*, *Indian Newspapers*, *Indian Foreign Affairs Records*, *Ministry of External Affairs Report*, *Newspaper Clippings*, some old records in National Archives of India, and Chinese and Nepalese documents have also been consulted. The Chinese materials mainly translated by the Western Press from Hong Kong, and Nepali language newspapers and books have also been referred.

Bombay

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The present study was made under the inspiring supervision of Professor (Mrs.) Gargi Dutt, Centre for East Asian Studies (China Division), School of International Studies, Jawaharlal Nehru University, New Delhi. She has been my mentor and guide throughout the planning and execution of this research undertaking. The insight she has given into the Chinese foreign policy and in research methods has been immensely valuable. Her advice, guidance, parental care and constant encouragement is the source of inspiration for completing this work. Words cannot express my debt to her.

I must mention Dr. Narnarayan Das, my teacher from the same Department whose direction and encouragement led my interest in the Chinese studies. I also owe a sense of gratitude to Prof. V.P. Dutt of the University of Delhi for his encouragement.

I am grateful to my friend Shri Naba K. Bhujabal for discussions and deliberations during my research period.

Many people have helped in many ways to complete this work. I am grateful to all of them, yet I must mention my sincere thanks to Shri V.D. Gaikwad (Asst. Secretary, P.E.S., Bombay), my friend Shri Gulam Dustgir Inamadhar, Prof. V.A. Fakirde of Milind College, Prof. K.G. Yesambare and Prof. P.V. Shelar of Shiddharth College, Bombay for their continuous encouragement. I am thankful to Mr. Ashok Jambhekar of the Sapru House Library (ICWA), the Staff of Jawaharlal Nehru University Library and Shri A.C. Tikekar, Librarian, Bombay University, who helped me in collecting the research materials.

I express special thanks to my revered Principal (Prof.) N.K. Belhekar, L.J.N.J. Mahila Mahavidyala, Vile Parle, Bombay. He, not only encouraged me on the academic level, but also afforded all the facilities and guidance necessary to complete this publication. My thanks are due to "Vile Parle Mahila Sangh Authorities" for their encouragement.

I am grateful to Shri G.S. Bhatia, Deep & Deep Publications, New Delhi, who deserves the special mention for the early publication of the book, through the press under his personal care and supervision. I must thank Shri L.B. Sonawane for his neat and accurate typing.

A obliged word goes to my parents especially to my brother Shri Shirang Ghoble and my sister-in-law Mrs. Jayshree Ghoble, who encouraged me to take up and complete this work during very difficult period full of pressing financial and other problems. Without their support this work would not have been completed. Bhivaji, my younger brother also gave his moral support during this period.

Finally, I must mention Vijaya, my wife. Her support has been a moving spirit all the time. She has lived so much of this book along with me, that if there is any credit flowing from this book, it is almost entirely hers.

Bombay

T.R. GHOBLE

CHAPTER I

SINO-NEPALESE RELATIONS : HISTORICAL BACKGROUND

In contradistinction of the new relationships that China established with the countries those are geographically separated from China, the relationship between China and Nepal was by no means new. On the contrary, it can be said that the two countries were in constant contact by the sheer logic of their geographical proximity. Records show that contact between the two countries was first established in the fifth century A.D., when the noted Buddhist and scholar of China Fa Xien, came to Nepal in the year 406 A.D., on a pilgrimage to the birth place of Gautam Buddha and to the place where he attained Nirvana. His *Record of the Buddhist Kingdoms* was the first Chinese account of Nepal and India.¹

It is also known that in 406 A.D., the same year in which Fa Xian reached Nepal, the Nepalese monk Buddhahadra, a native of Kapilavastu and a member of the Sakya clan came to Zhangnan which was then the capital of China. In 418 A.D., he was invited to Qian Ye, the modern Nanjing. There he became the senior translator at the Dao Zhang Si monastery, giving guidance to more than a hundred monks engaged in putting the Buddhist scriptures into Chinese.²

During the Tang dynasty (618-907), the Chinese Buddhist teacher Yuan Zhuang visited Nepal in 635 A.D. In his *Buddhist Records of the Western World*, in the great Tang period, he spoke of Nepal's natural wealth and praised the skill of its craftsmen.³ Yuan Zhuang had journeyed *via* the established route through Kashmir and Turkestan.⁴ But the first official Chinese mission to Nepal led by Li I-biao used the new route⁵ (Turfan-Nepal route) discovered by the Chinese Buddhist monk Xuan Zhao.⁶ This mission was warmly welcomed by the Nepalese King

Narendradeva.⁷

For the next two decades, the route through Tibet and Nepal was followed by many travellers between India and China. Official contacts between the Nepal Court and the Tang dynasty were also maintained. In 647, Chinese records indicate, a Nepali envoy visited Zhangan with presents for the emperor. Four years later, another Nepalese mission visited China. In 656, Wang Xuan-ze sent by the Chinese emperor to visit Nepal and India had a sojourn at Kathmandu.⁸

The Chinese got their first impression about the traditions, customs, religion, resources and art and architecture of Nepal from the travel accounts of these pilgrims.⁹ It is evident that the contacts between the two countries, interespaced at times by long intervals of no-contacts, were intermittent and the relationship between the two countries could by no means be termed political. Rather China's interest in Nepal was largely due to their religious affinities, as China also had a large Buddhist population and naturally Chinese showed great interest in getting information about the life and times of Gautam Buddha and the culture and tradition of his native place.

The political and economic relation between China and Nepal started with Tibet serving as the link. It was the emergence of a powerful kingdom in Tibet in the seventh century A.D., with its capital at Lhasa that transformed the Kathmandu valley into the intellectual and commercial entrepot between India and central Asia. Presumably, limited trade had been carried on across the Himalayas *via* Kathmandu prior to that period. During the Tang dynasty, Yuan Zhuang, who travelled through Tibet and Nepal en route to India in that period, mentioned the great wealth of the cities of Kathmandu valley and the important role of the mercantile community there.¹⁰ But it was not until the seventh century that political relations assumed a crucial importance. Chinese and Tibetan records assert that the early Tibetan ruler, Srongtsan Gambo exercised some form of authority over Kathmandu valley, reportedly for having helped King Narendradeva and his family regain the throne that had been usherped by a powerful minister, Amshuverama, two decades earlier. For this service, he had to subordinate Nepal to Tibet.¹¹ Nepali Vamshavalis record the visit of a Tibetan King to Nepal during the same period (i.e., about 640 A.D.), and also acknowledge that a Nepali princess became the

wife of Srongtsan Gambo and assisted in the introduction of Buddhism into Tibet.¹² The alliance between Tibet and China, formalized by the marriage, disintegrated after Gambo's death in 650. When hostilities broke out between Tibet and China, a decade later, the trans-Himalayan route between South and East Asia was barred, and it remained closed for several centuries. Reference to Nepal virtually disappear from Tang and succeeding dynastic histories. Even during the Yuan dynastic period, when these alien rulers of China exerted a powerful influence in Tibet, direct political contacts with Nepal were never re-established.

The Ming dynasty (1368-1644), which succeeded the Yuan (Mongols), failed to maintain a significant influence in Tibet but did manage to establish diplomatic relations with the Rama family of Patan (Kathmandu valley), one of the political factions then contending for control of the valley. During the period from 1384 to 1427, five Chinese missions and seven Nepali missions were exchanged between the two countries.¹³ The rival Malla family, however, abruptly terminated all diplomatic contacts with the Ming dynasty once Kathmandu valley had been unified under its authority in 1427,¹⁴ and many years passed before the relationship between the two countries were renewed.

The sixteenth and seventeenth centuries were critical periods for the relations between Nepal and Tibet. During this period Tibet underwent an internal crisis in the competing Buddhist sects. The two ambitious Kings of Nepal of this period, Rama Shah of Gorkha (1606-33) and Pratap Malla of Kathmandu (1624-74), took advantage of this situation to seize control of the vital border-pass areas through which most of the trans-Himalayan trade passed. Rama Shah's incursions into Tibet from 1625 to 1630 resulted in an agreement with the Tibetans under which the boundary line between Gorkha and Tibet was drawn at Kukurghat, thus, giving Rama Shah the control over one of the main channels of communication between Nepal and Tibet, i.e., through Kirong. This caused inconvenience for the Kathmandu trading community but the Kathmandu ruler, Pratap Mall, instead of contending directly with Rama Shah decided to bring the second trade route (*via* Kuti) under his control. An agreement with the Tibetan granted Kathmandu the joint authority with Tibet over the border towns of Kuti and Kirong. This joint authority lasted for 25 years. But neither Nepali nor Tibetan materials specify when or how

Kathmandu lost its authority in the border districts, but a Chinese source notes that the fifth Dalai Lama, who died in 1683, had regained the areas of Tibet that had been seized by Pratap Malla.¹⁵

In early eighteenth century, the Qing (Manchu) dynasty established a presence in Tibet in the form of two Manchu Ambans (Residents) at Lhasa. But this did not lead to an immediate renewal of relations with Nepal, on a protracted basis. Kathmandu sent an embassy to the Ambans in 1732.¹⁶ But nothing seems to have emerged from this contact, for neither Chinese nor Nepali records mention any further exchanges between Nepal and Chinese officials in Tibet during the next half century. Such exchanges had to await political changes in Nepal, India and Tibet in the late eighteenth century, as a result of which China became, for the first time, an important factor in Himalayan-area politics.¹⁷

The intrusion of Chinese influence in developments in the Himalayan area in the crucial period between 1788 and 1793 was closely linked with the changes in the political leadership in Tibet, Nepal and India in the period between 1780 and 1788. In Tibet, the Panchen Lama died and was succeeded by an infant, and the Dalai Lama at Lhasa finally reached his majority. In Nepal, power had been concentrated in the hands of the Regent, Bahadur Shah, whose approach to foreign policy and commerce varied in certain respects from that which had characterized Nepali Councils of State since the time of Prithvi Narayan Shah, who for the first time, had brought the entire central Himalayan hill area under his sole control. In India, the energetic and imaginative Hastings, had been replaced as Governor-General by Lord Cornwallis, a man whose interest in events to the north was sporadic and minimal.¹⁸

The arrival in Kathmandu, of the Ninth Karmapa Lama, the Shamar Trulku, an important Tibetan religious-political leader in the spring of 1788 was the catalyst that set in motion a whole series of events during the next five years. The Lama's connections with various political and religious elements in Tibet, amply evidenced by the role he played in negotiations between Nepal and Tibet in 1789, provided Nepal with an unprecedented opportunity to intervene in the internal dissensions then prevalent in Tibet. The Nepali invasions of Tibet in 1788 and 1791 were not merely conflicts between Nepal and Tibet nor were they only raids aimed at the seizure of loot. More fundamentally they constituted an

intervention in Tibetan politics and an attempt by the Gorkhalis to support those Tibetan political factions whose interests were most closely aligned with those of Nepal. Nepal may even have hoped to replace the Qing dynasty as the nominal suzerain of Tibet.¹⁹

Other considerations also induced Bahadur Shah to assume the risks inherent in any venture against Tibet. He must have considered it unlikely that China would interfere directly in any dispute between Nepal and Tibet, except possibly as a mediator insisting that the Chinese rights and interests be respected. Nearly 40 years had passed since the last vigorous intervention by Beijing in Tibet, and the Chinese officials in Lhasa had been comparatively quiescent during the minority of the Eighth Dalai Lama, i.e., since 1758. Moreover, Bahadur Shah, must have felt that the Himalayan barrier between Tibet, and Nepal, as well as the great distance any Chinese army would have to travel and over which supplies would have to be brought, made it unlikely that even the Manchus, could launch a successful attack against Gorkha's home base. Under these circumstances, the Regent was confident that the attack against Tibet could be launched with relative immunity to effective retaliation.

In the spring of 1788, a Tibetan monk arrived in Kathmandu on a pilgrimage, and King Rama Bahadur Shah took the advantage of his visit to send letters to Tibet demanding a devaluation of the debased Malla currency and protesting about the quality of salt imported from Tibet. Nepal threatened to seize the four border districts of Tibet in the Kuti and Kirong pass areas and to hold Shamar Trulku as a hostage if it did not receive satisfaction on these questions. Rejection of these demands by the Tibetan Kashag (cabinet) and the closing of the trade routes between the two countries by Tibet as a protest led to the Nepalis' invasion of Tibet. The Nepalis forces brought the four border districts—Nyanang (Kuti), Rongshar, Kirong and Dzongka (Jhunga)—under their control. The invasion of Tibet placed the various contending political groups in Tibet in a painfully complex position. The officials at Tashilhumpo, led by Regent Drungapa Trulku, were caught in a swirl of contending and contradictory interests. In view of Shamar Trulku's role, they viewed the Gorkhali invasion with considerable apprehension because it constituted a challenge to the political and religious hegemony of the yellow sect in Zang

province. But to turn to Lhasa for assistance was dangerous, particularly in view of the prevailing situation with a minor Panchen Lama at Tashilhumpo and a Dalai Lama who had reached his majority at Lhasa. Furthermore, an appeal to Lhasa for assistance meant ultimately an appeal to China. This also was likely to result in a diminution of Zang's limited autonomy in its relations with Lhasa, considering Beijing's policy of utilizing the instrument for the extension of its own influence throughout Tibet. In the circumstances Drungpa Trulka appealed to the British to send an army against the Gorkhali, but drew a blank from Cornwallis.²⁰ The Beijing Court had been informed of the Nepali intrusion into Tibet by the Chinese Amban (President) at Lhasa, Shu-lien, but apparently in rather ambiguous terms. The emperor ordered his aide-de-camp, General Fa Zhong, and the Governor of Sichuan, Ao-lin, to proceed to Tibet to investigate the situation. An advance detachment of 2,000 men under Cheng De reached Lhasa in early 1789. At the Chinese commander's request, the Kashag deputed one of the Kalars (ministers), Tenzin Paljor Doring to accompany the detachment to Zang Ba Zhong, and other Chinese officials in Tibet hoped to settle the dispute by negotiation. They pressed for talks with Nepal. A connection was established with Shamar Trulku, who suggested that they come to Kirong along with a representative of the Dalai Lama for talks with him and a Nepali delegation. Kalon Doring was instructed to act on Lhasa's behalf in these talks. The talks resulted in the signing of a treaty on 2 June 1789. The treaty *inter alia*, provided that Tibet would pay to Nepal an annual tribute of Rs. 57,000.²¹ The Beijing Court, however, was never informed of the terms of the 1789 treaty.²² Ba Zhong merely reported that he had obtained a promise from the Gorkhalis to withdraw from Tibetan territory and never to attack Tibet again, and that Nepal Darbar desired to send a mission to Beijing to present their submission to the Emperor. He also mentioned, in passing, that Tibet had assumed an obligation to pay Nepal a certain sum, each year, but classified this as "land-rent" rather than a tribute. The Nepali mission that visited Beijing in 1789-90 never mentioned the terms of the treaty to the court officials of the Emperor during the four audiences they were granted. Apparently, the Nepalis shared the apprehensions of the Tibetans with regard to the reactions of the Court, were it to learn of the treaty provisions. That these fears were justified is demonstrated by Qian

Long's scornful rejection of the rationalization offered in defence of the treaty once he had learnt of its existence.²⁸

The Nepali delegation to China was received with full honours by the Chinese Court. Gifts from the Nepali Raja were presented to the Chinese Emperor and more valuable gifts were given to the delegation in return, for presentation to the Raja. The Manchu title of Erdeni Wang (Brilliant King) was granted to Rana Bahadur, and the Regent Bahadur Shah received the Chinese title of Gong (Duke).

Tibet's refusal to comply with the terms of the 1789 treaty prompted the Nepalese to mount a second attack on Tibet. In 1791, the Nepalese again occupied the four border districts and advanced as far as Shigaste and Tashilhumpo. They looted the Tashilhumpo treasury. The Manchu Court took this attack of Nepal as a grievous blow to the imperial prestige of China and despatched a strong contingent to teach a lesson to Nepal. In June 1792, they mounted a strong attack on Nepal and inflicted defeat on the Nepalese army. The Chinese attempt to take over Kathmandu and compel the Nepalese to accept a treaty on the severest of the terms, however, was foiled by the climatic factors of difficult weather and unsurmountable terrain. The Chinese General, Fu Gang-an, felt constrained to persuade Nepal to agree to the terms that were not so humiliating. The treaty of 30 September 1792, *inter alia*, provided that the 1789 treaty would be scrapped, the Nepalese would maintain a fraternal relationship with Tibet and send five-yearly missions to the Beijing Court. The obligation was faithfully carried out until 1852. Between 1852 and 1866 no mission was sent due to ill treatment meted out to these missions by Tibetans, on their way to Beijing through eastern Tibet.

After 1866 Nepal sent missions to China in 1877, 1886, 1894, 1906 and 1908. Finally in 1911, the missions were discontinued by Nepal. In return for the tribute Nepal received rich goods from the Chinese Emperor. The tributary missions did not mean Nepal's subjection to Chinese political control. China never claimed direct control over Nepali policies, although Nepalese paid deference to her great name and power. Nepal's relations with China were never the same as Tibet's relations with China. A Chinese garrison was stationed in Lhasa, whereas China had no such garrison posted in Nepal. By 1866, China's power in

Tibet had decayed so much that it could not enforce its claim to suzerainty. Also there was danger of British India coming to the help of Nepal if China tried to reimpose its control. So the only reason for sending missions after 1866 was the valuable presents given by the Chinese Emperor. The periodical sending of an embassy to the Court of the Chinese Emperor was not a genuine sign of submission by the governments of the Frontier States. They paid little or no attention to Chinese orders. Nepali tributary states were like that of various other dependencies of China, such as Korea, Annam, Siam and Burma.²⁴

These terms were by no means humiliating or catastrophic for Nepal; rather the war had little permanent impact on the country or on its military capacity. Nepal reverted to a policy, previously adopted by Prithvi Narayan Singh, under which a tenuous and non-threatening relationship with China was assiduously preserved and contacts with the British were reduced to the just minimum necessary to avert a complete severance of relationship. The Beijing Court also reassessed its policy toward Tibet, curtailed the autonomy of Lhasa and enhanced the power of the Ambans in Lhasa.²⁵

In the post-1791 war period, the kernel of Chinese policy in Nepal was non-interference in Nepal's internal affairs or refusal to support one faction against the other. This was evidenced from the Chinese refusal to come to the rescue of Bahadur Shah when he was deposed by the King Rana Bahadur.²⁶ Thus, Nepal's relationship with China, though defined in terms of "vassalage" by Beijing, never held much political significance for internal Nepali politics. Very early, however, the Nepalese learned the value of an association with China, a deterrent factor in Kathmandu's periodic confrontations with the British. This was precisely the policy adopted by Nepal in the first half of the nineteenth century, whenever relations with the British reached a critical stage, the Nepalese did their utmost to dramatize their relationship with China to the British. But this was a clear distortion of their relationships as the experience of the 1789-92 wars had made it clear to China that the costs—financial, military and political—of intervention across the Himalayas would be prohibitive and should be best avoided in the future. Thus, China resorted to the policy of maintenance of *status quo* to the north of the Himalayas and avoidance of direct involvement in developments in the south

of the range. Obviously, then, Kathmandu was playing a losing game in its efforts to balance the Chinese against the British. But, it is surprising that several decades elapsed before the British fully comprehended the true character of China's interests in the area or realistically appraised China's military capacity. These events, therefore, had a strong influence upon British policy toward Nepal, and other hill areas to the south of the Himalayas, and was one factor that deferred their absorption into the British Indian Empire to the Chinese General that it was all fabrication of Nepal, and Nepal was castigated severely for this. The Chinese General even militarily demonstrated the displeasure of China by mobilising his small troops to strengthen the Tibet-Nepal border.

The withdrawal of the Chinese forces from Tibet in 1817 terminated this particular phase of Sino-British Indian relations, and not until about 50 years later did the Himalayan region once again figure prominently in the relations, between the Chinese and the British. The war with Nepal and the establishment of a British Residency at Kathmandu marked the re-emergence of the Company as an interested participant in trans-Himalayan developments. There was, however, a fundamental difference between British policy in Nepal in the post-1814 period and that of Warren Hastings' three decades earlier. Hastings' interest in Nepal had been primarily a reflection of a desire to open Tibet, and Western China to British commerce, and this policy carried within itself the seeds of dispute between the Company and Beijing. Such considerations, however, played no role in Calcutta's decision to resort to war against Nepal in 1814, nor did the Company even contemplate challenging China's predominant influence in Tibet, even indirectly, or altering the relationship between Nepal and China.

China's policy in these events was consistent with its border goals in the Himalayan region. Tibet was an integral part of the Chinese frontier-security system and Beijing was prepared to react to the limit of its capacity to any challenge to its authority there. Nepal fell within a different category, however, and was considered outside its border. In Beijing's view the Kathmandu Darbar was an independent power unbound by any restrictions on its capacity to act in both domestic and foreign affairs, except for its treaty obligations to dispatch periodic missions to China.

The brief episode in the history of the area demonstrated that

the Himalayan region was still only a potential source of conflict between China and British India.²⁷ Beijing was interested in the maintenance of a *status quo* so far as its own rights were concerned, but nothing more. The British were not disposed to challenge China's status in the area, at least until matters within India had been thoroughly and favourably settled. Thus, Nepal's foreign policy in the post-1814 period, based on the principle of balancing British and Chinese power, could have only limited success, and then only because of the British reluctance to take positive action rather than any real balance of strength between Nepal's southern and northern neighbours.

Between 1816 and 1846, the prestige and international reputation of the Qing dynasty suffered a setback due to its reversals in the Opium war and the incapability of China *vis-a-vis* the British empire was crudely exposed. Jang Bahadur, who rose to power in Nepal in 1846,²⁸ was well aware of the rapid decline of Chinese power and recognized that distant Beijing was neither willing nor able to challenge the British in the Himalayan area. The stream of appeals that had been directed to Beijing since the time of Rana Bahadur were terminated abruptly after Jang Bahadur's appointment as Muktiyar. Seldom again did any Nepali official seriously contemplate the utilization of China as a counter-balance to British power, although Nepal's traditional relationship with Beijing was retained. One of the side effects of Jang Bahadur's rise to power in 1846 was the decision to cancel the quinquennial mission to Beijing scheduled to depart in 1847; but five years later Jang Bahadur decided to renew the customary missions to Beijing. A major consideration was the seething unrest then prevalent in China, which burst forth in the Taiping rebellion, a conflagration that was to tear China apart for nearly fifteen years. Nepal's interest required first hand knowledge of these traumatic developments in China. There were also important economic considerations behind the decision to renew the mission; missions to China always had a commercial as well as political character since they were allowed to carry commodities for trading purposes free of any duties or other restrictions.

China played a minor role in the Nepal-Tibet confrontation of the 1855-56, for Ch'ing dynasty itself was involved in a desperate struggle for survival against the Taiping rebels. In the peace negotiations between Nepal and Tibet the Chinese officials only

ensured that Nepal still recognised and respected the Imperial authority of China, but conceded the clause by which Tibet agreed to give an annual tribute to Nepal.²⁹ The year 1856, thus marked a turning point in Nepali-Tibetan relations, or more precisely, the restoration of the essential features of their relations as it existed prior to 1792. The period from 1793 to 1853 had been of comparatively good relations between the two states. Tibet's foreign relations during that period were conducted largely through the Amban's office, which served both as a buffer between Kathmandu and Lhasa and as a mediator whose "good offices" were utilized by both governments whenever disputes arose. This system had virtually collapsed by 1840, and it disappeared almost entirely after 1856. From that time on, both Tibet and Nepal functioned as independent states, and direct diplomatic relations between the two governments were re-established on their pre-1793 basis.³⁰ But the Tibetans became apprehensive of the increasing contacts between Nepal and China after 1860 and feared that it might lead to a *de facto* alliance under which Nepal would help China reassert its influence in Tibet in exchange for Chinese guarantees that Nepal's economic position in Tibet would be protected.

China also came to realise the strategic importance of Nepal as a buffer between China and British India when it came to know that the British were reviewing their policy of comparative aloof attitude towards the trans-Himalayan region. By 1860, British hoped to create a direct land route for trade with Western China *via* Tibet.³¹ This constituted a direct threat to Nepal's virtual trade monopoly in Tibet. China also became apprehensive of the British intention and was inclined to cooperate with Nepal in order to safeguard its vital interests in Tibet. Co-operation between China and Nepal was all the more necessary because the British were probing the possibility of finding an alternative route to Tibet *via* Bhutan and Sikkim in view of Nepal's steadfast opposition to allow any British expedition to Tibet through Nepal and by 1877 they had succeeded in completing a road through Sikkim up to the Jelep pass leading into the Chumbi valley.³² The British interest also lay in recruiting more and more Gurkha in the Indian army. Bir Shamsheer was in such a weak position politically after his succession to the Prime Ministership in 1885 that he was constrained to meet British demands on the recruitment question on the best terms possible. Despite their gratitude to Bir Shamsheer

concerning the recruitment matter, the British had been careful to provide a safe refuge to the remnants of the Jang faction. Thus, there was always the implied threat of British support to a Jang conspiracy against the Shamshers for a change of regime at Kathmandu suited to Calcutta's interests. Under these circumstances, Bir Shamsher considered it essential to strengthen relations with China. Bir Shamsher wrote in 1885 to the Chinese emperor to recognise the Shamshers, and in 1886, renewed the Periodic quinquennial missions to China.

At first, the British authorities attached little importance to the 1886 mission, but gradually they began to evince growing concern regarding the character of Sino-Nepali relations. This can be ascribed, in part, to the delicate negotiations then in progress between the British and the Chinese concerning Burma, Sikkim and Tibet and the possible effect a Nepali-Chinese alliance would have on the outcome of those talks. Calcutta decided that it was time to consider more fully the nature of Nepal's relationship with both India and China, and after repeated correspondence with Beijing, finally dismissed the subordination of Kathmandu court to the Qiang Emperor as a fiction, both *de jure* and *de facto*.³³

The subsequent relations between China and Nepal were largely shaped by the forward policy of Lord Curzon in his dealings with Tibet. In this, however, the Chinese played the passive role; the actual dynamics being manoeuvred by the British, the Nepalese and the Russians. Lord Curzon's decision to directly interfere in Tibet to counter the Russian interests in Tibet was largely shaped by the suggestions given by Chandra Shamsher, who had come to power after staging a successful coup in 1901 against Deb Shamsher, the successor of Bir Shamsher. By the end of 1904, however, the British felt it imperative to reverse the "forward policy". The strain placed upon relations with both Russia and China by the sudden eruption of a dominant British influence to the north of the Himalayas constrained the British to withdraw from Tibet immediately.³⁴ The British next moved to reassure China and Russia. A convention was signed at St. Petersburg on 31 August 1907, in which both England and Russia recognized China's suzerain rights in Tibet and agreed: (1) to respect the territorial integrity of Tibet and to abstain from interference in its internal administration; and (2) to deal with Tibet only through the Chinese government as intermediary.³⁵ Thus

ironically, the only power involved in the 1903-5 proceeding that emerged with any tangible advantage was China which sent troops to Tibet and established far more control on Tibet than ever before in 1910.

The amazing success of the Chinese campaign in Tibet seems to have given rise to unrealistic expectations as to Beijing's capacity to adopt its own "forward policy" throughout the Himalayan regions. Indeed, as early as February 1907, the Junior Amban at Lhasa, Zhang Yin tang had written to Beijing regarding the urgency of strengthening relations with Nepal. The establishment of Chinese authority in Tibet in 1910 greatly increased the potential for the development of closer relations with both Nepal and Bhutan, whose ties with British Indian Empire were still ambiguous in some respects. British policy at this stage of developments was to allow China "practically complete control over Tibet, but to resist any Chinese attempt to interfere in south of the Himalayan crest. In a note to the Beijing government dated 26 February 1910, the British Government made this quite clear. In its reply, Beijing referred to Nepal as a "feudatory" of China. The Chinese Government adopted even stronger position in its note of 28 October 1910, which argued that Nepal has forwarded tribute to Beijing for years past and has long submitted to vassalage of China. In its reply, dated 17 January 1911, the British Government stated bluntly that it would act and advise the Nepalese Government to act, upon the assumption that Nepal was not a vassal but wholly independent of China. China refused to back down, however, and the British Government finally declared that they would be bound to resist any attempt on the part of the Chinese Government to impose their authority or in any way to intervene in either of these two states.³⁶ With the outbreak of the 1911, revolution in China and the expulsion of Chinese from Tibet, the question of Nepal became purely academic. But at no point during this period did the Chinese Government concede the independence of Nepal or the British Government's paramount authority there..

No one had been more embarrassed by the vacillating British policy towards the northern border in the 1905-10 period than Chandra Shamsher of Nepal. The Prime Minister had reversed Kathmandu's traditional policy discouraging direct British-Tibetan relations during the British offensive against Tibet, but none of the expected advantages with the very important exception of the

improvement in Nepali-British relations—had actually materialized. The Chinese military campaign in eastern Tibet made a renewal of direct diplomatic contacts with Beijing authorities advisable, and Kathmandu, therefore, sought permission for the periodic mission to proceed to China. Beijing, which was also eager to improve relations with Nepal, agreed immediately.

Kathmandu did not appear to be greatly agitated by China's forward policy in Tibet in its early stages, and even perceived several possible advantages for itself. In 1907, for instance, Chandra succeeded in obtaining additional modern arms from the British, using the volatile situation in Tibet as his most persuasive argument. Nepal may even have felt that it had more to gain from a Chinese-dominated Tibet than from an autonomous government at Lhasa under strong British influence. The Tibetans suspected that Nepal wanted a Chinese presence in Tibet as a potential balance to British India.

Whatever Nepal's initial reactions to the Chinese move into Tibet may have been, the course of developments there eventually aroused apprehensions in Kathmandu. The Chinese were scarcely established in Lhasa before Chandra wrote to the British on 11 March 1910, asserting Nepal's unfettered right to protect its interests in Tibet.⁹⁷ The Kathmandu Darbar seems to have been genuinely offended at the presumptuous Chinese claim to suzerainty over Nepal, which Chandra Shamsher characterised as an unwarranted fiction. Perhaps the greatest disappointment to Chandra Shamsher was the fact that the position of Nepali traders in Tibet had not improved after the Chinese had assumed direct control over the Tibetan administration. There were some positive aspects to China's presence in Tibet, of course, particularly with respect to Nepal's relations with British India. For instance, Chandra Shamsher used the Chinese claims to Nepal in a series of manoeuvres aimed at extracting concessions from the British on issue that had ranked Kathmandu for sometime. These concessions included : (1) granting him the rank of ambassador during his visits to India or London, and (2) deletion of the reference to Nepal as a "native state" in the 1906 edition of the Imperial Gazetteer of India. But, government of India politely rejected these concessions explaining that Nepal's status lay somewhere between that of independent Afghanistan and the "feudatory status of India."⁹⁸

But, the government of India granted some minor concessions to Nepal with respect to importation of arms and machinery to reassure Kathmandu regarding its Tibetan interests.

Whether Nepal would eventually have had greater success in its attempt to play off the Chinese against the British was never really put to test, for the 1911 revolution in China resulted in the abrupt expulsion of the Chinese from Tibet. Kathmandu's role in the struggle between Chinese and Tibetans in 1912 was of major importance, for the Nepalis vakili at Lhasa functioned as the mediator in the negotiations that led to the withdrawal of the Chinese forces. The diplomatic finesse employed by the Nepali vakili in these developments, more over, allowed Nepal to assist Tibet in ridding itself of the Chinese without at the same time unnecessarily antagonising the latter. Indeed, General Zheng Ye, the Chinese Commander, was so convinced of Nepal's goodwill that he wrote proposing a union of Nepal with the five affiliated races of China which, of course, Nepal politely declined.

The real question, however, was not a Nepal-China union, but whether the traditional relationship between the two states would be continued. Doubts over the wisdom of allowing Nepali mission to proceed to Beijing on a regular basis had been expressed in both Calcutta and Kathmandu even prior to the expulsion of the Chinese from Tibet. When the Amban suggested in mid-1911 that a Nepali mission will leave for China the following year, the British Resident informed China that this should be done only after consultations with the Government of India. The mission was first postponed and then cancelled, when Chandra, on British advice repudiated the Chinese interpretation of the significance of the mission and terminated the system. This constituted a formal abrogation of diplomatic relations between Nepal and China, and four decades passed before they were resumed.³⁹

REPUBLICAN CHINA AND NEPAL

The loss of Chinese control over Tibet after the 1911 revolution and China's preoccupation with its internal turbulence were the main factors inhibiting the establishment of close contacts between Republican China and Nepal. Records show that till the Communist take over in 1949, four missions were sent by China to Nepal in 1930, 1932, 1934 and 1946.⁴⁰ Nepal sent only one

mission in 1946.

The Chinese Nationalist Government sent a special mission to Nepal in the middle of 1934 to present Juddha Shamsher the insignia of Pao-ting and Lun Chuan Sanching Xie (highest rank of General in the Chinese army). During the course of an informal conversation with the Chinese mission headed by C.P. Liang, Chinese Consul General at Calcutta, Juddha declared that Nepal's second legation abroad would be established in Nanjing.⁴¹

Jiang Jie-shi sent the missions ostensibly to bestow Chinese titles on newly inaugurated Rana Prime Ministers. Reportedly, these missions also discussed issues of common interest, including the establishment of diplomatic relations, with the Nepali Government. Kathmandu, however, saw no particular advantage in this so long as China was excluded from Tibet, particularly as it might have embarrassed Nepal's far more important relations with both New Delhi and Lhasa.

In 1946, subsequent to the Nepalese realisation that the transfer of power was imminent in India, Nepal government, as a measure of preventing Indian intervention in Nepal in the post-independence period, decided to change its traditional isolationist policy and its principal corollary, the restriction of diplomatic relations to states with whom Nepal interacted directly on various levels. Kathmandu now moved to expand diplomatic contacts beyond the British-Indian-Tibetan relationship in 1946 when missions were sent to the United States and Nationalist China to test the response of those governments to the Nepalese overtures.

The Nepalese goodwill mission to China was sent in March 1946 under Major General Krishna Shamsher.⁴² China reciprocated by sending a mission under Song Ling-shen, Private Secretary to Marshal Jiang Tse-sai. It arrived at Kathmandu in November 1946.⁴³ Nothing much, however, could be achieved from these more because of Jiang Jie-shi's preoccupation with his communist rivals rather than a lack of interest. Kathmandu made no further overtures to China at that time, but the advantage of diplomatic relations with Nanjing continued to intrigue the Ranas. The old Nepali theme, the use of China as a counterpoise to the ruling power in India, was now reviewed. But the communist victory in China in 1949 came as a damper to Nepalese intentions and Nepal had to withhold its initiative in furthering relations with China till it ascertained the policy dispositions of the new regime at Beijing.

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CHAPTER II

DYNAMICS OF POLITICAL RELATIONS BETWEEN CHINA AND NEPAL

The political relations between Communist China and Nepal have witnessed many ups and downs during the period 1949-78. The dynamics of such relationships have been shaped by the typical geographical location of Nepal, India's role in Nepal as also by the internal developments within the two countries—China and Nepal. This chapter starts with a discussion of the geographical constant in the Sino-Nepalese relations and goes on to narrate the developments and their determinants in the various phases of the relations between the two countries.

THE GEOGRAPHICAL CONSTANT

China and Nepal are geographically contiguous. China's contact with Nepal was really through Tibet and for much of the time China's own presence in and control over Tibet was very tenuous, which presupposes that the interaction between the two countries ought to be intense irrespective of the nature of relationship. However, the history of Sino-Nepalese relations runs counter to this presumption. China and Nepal had fewer interactions than would be expected of two countries bordering each other. By and large, China followed a policy of indifference with her relations with Nepal. Direct interaction between Imperial China and Nepal had been occasioned by matters involving Tibet and Nepal.

Geographical factors were the most important constraints in the development of continuous interaction between China and Nepal.

Nepal is a landlocked state situated on the southern slopes of the central Himalayas. On three sides (East, West and South),

she is surrounded by India. The Tibetan region of China borders the north. However, differences in the geographical features between the Indo-Nepal and the Sino-Nepal borders have made it obligatory on the part of Nepal to follow different policies with her two neighbours.¹

SINO-NEPALESE BORDER

Nepal is separated from China by the lofty Himalayas and the huge arid tableland of Tibet having an average altitude of 15,000 feet. The nature of the terrain makes communication difficult. Tracts of overland communication are limited to the passage provided by the mountain passes. There are about eighteen pass areas in the central Himalayas range that can be used as channels of communication between Nepal and Tibet. The two most important, however, are the passes leading to the Tibetan border trading centres of Kirong and Kuti, which have given rise to controversy between the two countries for several centuries. Formed by rivers that have their source in the Bhairab Langur range to the north of the crest of the Great Himalayas, these passes are two of the best in the entire border area because they are low in Himalayas (13,000 to 14,000 feet) and are usually not totally impassable in winter. The altitude of other passes in the central Himalayas, on the other hand, is more than 17,000 feet, and they are invariably snow bound for several months of the year. They are, consequently, of limited utility, as trade channels—except for the local inhabitants on either side of the passes—and moreover they are not as important strategically.

For sound economic and strategic reasons, therefore, it was a long major objective of Nepali foreign policy to establish Nepal's authority over the Kirong and Kuti areas up to the watershed, that is, the Bhairab Langur range. Except for several brief periods, however, Kathmandu was frustrated in that aim by the Tibetans, at times assisted by the Chinese. Indeed, the border in both areas does not even reach up to the summit of the passes in the Himalayan range, but rather lies half way down the southern slope at about 6,000 feet. As a result, the Tibetans (and now the Chinese) have controlled not only the pass areas but also the approaches to the passes from the south, and thus have had a decided advantage in the several local wars that have been fought in these areas during the past three centuries.

Thus, the lofty and inaccessible Himalayas had insulated Nepal from any large-scale political, social and cultural invasion by China. The logic of geographical factors prevailed in the Chinese policy of a global indifference towards Nepal during the earlier historical period. On the contrary, the same geographical conditions have also made it imperative on the part of Nepal to be in closer contact with India.

INDO-NEPALESE BORDER

Unlike the Sino-Nepalese border, there is no natural frontier between Nepal and India; rather the former is a geographical extension of the latter as is evident from the contiguity of their settlements. Nepal's border on the south is contiguous to the Indian plains, and the natural barriers and mountains and rivers (the river Kali on the west and the Tista on the east) extend into Indian territory. The Terai which extends all along the Indo-Nepalese border and which was considered a barrier to communication between India and Nepal is no more considered so because of the clearing of jungle in this region. Because of the easier accessibility, mobility is quite frequent between the people of Nepal and India.

Apart from the nature of border, certain other factors make it obvious for Nepal to be in constant contact with India. The fact that Nepal is a landlocked state having her only outlet to sea through the Calcutta port obligates Nepal to remain in constant touch with India for overseas trade and transit facilities.

Within Nepal, the dominant topographic features are the complex river drainage system which cuts through the country in a generally north-south direction, and the three mountain ranges—the Himalaya, Mahabharat, and Siwalik—which lie along on east-west axis. The three principal river systems—the Karnali, Gandaki and Kosi—all have their sources in Tibet, and enter Nepal through spectacular gorges that bisect the Himalayas. South of the Crest, they are joined by innumerable tributaries, some of them glacial in origin, and eventually make their way down to the plains, where they merge with the Ganges. This river system, with its deep gorges and rugged transverse ridges, vastly complicates east-west communications in Nepal. Western and Eastern Nepal, as such, are more easily accessible from India than from Kathmandu with

obvious political and economic consequences.

STRATEGIC BUFFER

Nepal is sandwiched between two giant countries and is strategically located to play the role of a buffer. During the British period when Tibet was autonomous from China and British power extended beyond the Himalayas—Tibet (not Nepal) played the role of the buffer. But with the rise of China as a power and her occupation of Tibet, Tibet ceased to serve the role of a buffer. China's frontier was extended up to Nepal. India's interest in Nepal became important because the five hundred-mile long Nepal-Tibet border, which was also the main natural defence line of India, had now been exposed. The threat to India's security became real because the Himalayas on the north of Nepal could be penetrated in quite a few passes. India has an open border with Nepal and the latter's northern border runs along the Tibetan frontier; therefore, if Nepal falls under the occupation or influence of China or any inimical power, the entire Indo-Gangetic plain would be gravely exposed. It is in this respect that Nepal occupies an important strategic position in India's northern security system. Jawaharlal Nehru had highlighted the point by observing in the Parliament on 6 December 1950 :

. . . Apart from our sympathetic interest in Nepal, we are also interested in the security of our own country. From time immemorial, the Himalayas have provided us with a magnificent frontier. Of course, they are no longer as impassable as they used to be, but they are still fairly effective. We cannot allow that barrier to be penetrated because it is also the principal barrier to India.²

The strategic significance of Nepal is indisputable. However, the role of Nepal as a buffer has serious limitations. Since the main Himalayan range lies to the north of Nepal, it is the Himalayas and not Nepal that demarcate the frontier between China's Tibet and India. Since there is no natural frontier between India and Nepal, the latter, in spite of its separate political entity, remains geographically a part of India and cannot be excluded from its defence parameter. Besides this, a buffer state should, physically,

be so viable as to be able to survive the pressure of external subversion. The physical depth of Nepal is too narrow to serve the purpose of an ideal buffer. However, despite these limitations, both the countries have never lost sight of Nepal as a buffer and both would want Nepal continue playing this role.

It is to be always remembered that the location of Nepal has always weighed heavily in the post-liberation strategic thinking of China.

THE BEGINNING

Apart from this constant factor of the geostrategic location of Nepal, the dynamics of Sino-Nepalese relations has also been influenced by other factors as well. The relationship between the two countries could not start in a normal manner after the Communist victory in China. The thinking and activities of the Communist leadership were partly responsible for inhibiting the growth of normal relationships. Mao Zedong had once listed Nepal as one of the "dependent states" the British had seized from China.³ Reminiscence of these historical claims along with the Communist Chinese steps in 1950-51 to impose China's historical claim to Tibet⁴ raised apprehensions in Nepal. It was only logical on the part of Nepal to think that Nepal could come within the purview of the Chinese expansionist policy. Nepal also did not feel any necessity of diversifying its relations because there was general satisfaction about the way India maintained her relations with Nepal after the British withdrawal.⁵ In this case, contrary to the apprehension of the Nepalese that Indian political leaders might take steps to integrate Nepal in the Indian territory, the relationship was maintained on the basis of acknowledging sovereign status of Nepal. Of course, opposite political factions expressed the feeling that an appeal for Chinese help was not completely out of their mind. In 1949, the opposition leader D.R. Regmi argued that "if the Government of India adopted a policy of helpful co-operation with the Ranas on the plea of counteracting Communist infiltration from the north, the Nepali people in frustration would be compelled to seek support from their northern neighbour in the struggle against the Ranas."⁶

If it was the Nepalese satisfaction with the post-independence India's attitude towards Nepal that prompted the Nepalese to think

that opening of relations with China was not necessary, the same was necessitated by the dissatisfaction with some of the policies of India. The Nepalese were particularly critical of the manner of functioning of C.P.N. Singh, the Indian ambassador in Nepal,⁷ the decision to send an Indian military mission to reorganize and train the Nepalese army,⁸ and the activities of the Indian advisers in the Nepal Secretariat.⁹ The propensity of Nepali high officials, including King Tribhuvan and most of the ministers, to visit New Delhi for advice during Nepal's periodic political crises, was another cause of resentment among the Kathmandu public.¹⁰ The Indian economic aid programme also became a subject of controversy in Nepal.¹¹ The three occasions in the 1951-53 period in which Indian army or police units were sent into Nepal at the request of the Nepali Government to control the activities of "lawless elements"¹² also contributed to the deterioration in relations between the two countries.

Along with the steady growth of anti-Indian sentiments in Nepal, the emergence of China as a major participant in the politics of the Himalayan area fostered the growth of a feeling among some Nepalese that China could be a counterfoil to what the Nepalese regarded as Indian attempt at paramountcy. By late 1951, a number of prominent Nepali leaders were already beginning to demand that as an integral part of Nepali foreign policy, diplomatic relations with China be established.¹³

Against such feelings there was the Indian cautionary advice against rushing into diplomatic relations with China.¹⁴ Kathmandu's disinterest in this question in the 1951-54 period was also due to several other considerations as well. Foremost among these was the Nepalese apprehension regarding the Chinese expansionist intention consequenced by the Chinese offensive in Tibet. The flight of Dr. K.I. Singh and a number of his followers to Tibet after the collapse of the January 1952 abortive coup further complicated Nepal's relations with China.¹⁵ Fears were expressed in Nepal that the volatile K.I. Singh would be used by the Chinese to mount a Communist Guerrilla War in Nepal.¹⁶ There was also the question of China's attitude towards Nepal's rights in Tibet under 1856 treaty. The Chinese instruction to Dalai Lama to cancel the annual payment to Nepal in 1953,¹⁷ and the withdrawal of the right of the Nepali wakil at Lhasa to hear cases involving Nepali subjects in Tibet, were responsible for the

Nepalese doubt, regarding the Chinese intention of accommodating the Nepali rights in Tibet. It was only a few weeks before the signing of the Sino-Indian treaty of 1954 that M.P. Koirala had declared that his government did not intend to surrender Nepal's rights in Tibet under the 1856 treaty.¹⁸

The conclusion of the Sino-Indian Treaty of 1954 and the Indian recognition of Chinese suzerainty over Tibet¹⁹ sealed the fate of the Nepalese rights in Tibet. Subsequent to the signing of the Sino-Indian Treaty, Nepal was advised by India to place her own relations with Tibet on a new basis conforming in general to the terms of the Sino-Indian Treaty.²⁰ Confusion, however, persisted as to whether this meant that Kathmandu should merely revise its treaty relations with Tibet or should also establish diplomatic relations with China. As late as 5 September 1954, D.B. Regmi was still denying press reports that the M.P. Koirala Government was considering "normalizing" relations with the Beijing regime.²¹ Three weeks later, however, he welcomed Premier Zhou Enlai's statement that China was prepared to exchange diplomatic representation with Nepal, and said that "we are willing to give serious thought to the proposal whenever it reaches us."²² There was a further delay at this point however, as Nepali-Chinese relations constituted one of the subjects for discussion between Nehru and Zhou Enlai during the Indian Prime Minister's state visit to China in October 1954. After the visit, Nehru gave the green light to Nepal to undertake serious discussions with Beijing on this subject.²³ Negotiations between the Chinese and the Nepali Ambassadors in New Delhi started the following month.

Thus, by the end of 1954, a number of developments were already underway that were to have a tremendous impact on Sino-Nepalese relations. The pace of change, however, proved to be much faster than either party contemplated. In early stages, at least, this was not due to initiatives on the part of China but to changes within Nepal stemming from the death of King Tribhuvan on 13 March 1955, and the succession to the throne of King Mahendra. The new ruler of Nepal proved to be a very different man from his father, both temperamentally and with regard to his views on Nepal's role in the international community.

The withholding of initiative on the part of Communist China in opening a positive relationship with Nepal in this period of 1949-54 was the result of various factors concerned with the

direction, determinants and limitations of the general foreign policy approach of liberated China.²⁴ Even though the new Communist Republic with a bubbling revolutionary enthusiasm was forthright in pledging to undo the "misdeeds of the capitalist-imperialist powers", the fact that the Communist regime was new to the international community, put sufficient fetters on the Chinese intentions. With her involvement in Korean War and Tibetan affairs, China surely could not have afforded to take up another issue in mounting an offensive in Nepal. China appeared to indirectly acknowledge Nepal as the Indian sphere of influence,²⁵ and thought it wise not to antagonize India by meddling in Nepal. For that would surely have given a setback to the Chinese intention of cultivating friendship with neutral Asian and African states and of creating enough goodwill in the international community to politically offset the American containment policy.

ESTABLISHMENT OF DIPLOMATIC RELATIONS

The talks in late 1954 between the Nepali and Chinese ambassadors in New Delhi regarding diplomatic relations ended inconclusively.²⁶ A six-man delegation, headed by the Chinese Ambassador in India, General Yuan Zhuangxuan, was, therefore, sent to Kathmandu in late July 1955 for talks with the Nepali government.²⁷ After five days of intensive and secret negotiations, an agreement was reached on 1 August 1955 which called for diplomatic relations between the two states based upon the five principles of peaceful co-existence.²⁸ The Chinese Ambassador in New Delhi was accredited to Nepal but, in conformity with Indian wishes, a resident embassy was not established in Kathmandu at this time.²⁹

Appointment of Tanka Prasad Acharya, a known leftist with anti-Indian proclivities, as Prime Minister by King Mahendra on 27 January 1956 was indication enough that Nepal was becoming serious about the diversification of her foreign policy. Acharya gave vent to this in his first press conference itself.³⁰ Response to this policy from the Chinese government was equally enthusiastic. The Chinese Ambassador to India and Nepal, General Yuan Zhuangxuan arrived in Kathmandu for a four-day visit on 3 February 1956 to extend economic assistance to Nepal.³¹ The Nepalese Prime

Minister expressed his appreciation for this "friendly gesture" and stated that his government would soon take up with Beijing the question of Nepali-Tibetan relations and the demarcation of the northern border.³² Official missions were exchanged between Nepal and China shortly thereafter, Vice Premier Ulanhu representing Beijing at King Mahendra's coronation in May 1956³³ and Balchandra Sharma heading a Nepali delegation to China two months later.³⁴

While in Kathmandu Ulanhu prepared the way for Sino-Nepali talks on Tibet, and a second Chinese delegation, headed by the new Ambassador to India and Nepal, Ban Zili arrived in Kathmandu on 14 August 1956.³⁵ Negotiations with Nepali Foreign Minister, Chuda Prasad Sharma, continued for approximately a month, culminating in the signing of a treaty on 20 September 1956.³⁶

Towards the latter part of 1956, Sino-Nepalese relations witnessed rapid development. On 25 September, as a concession to Chinese sensitivity, the Nepali government imposed severe restrictions on mountaineering expeditions into the Himalayan range.³⁷ The next day, Tanka Prasad Acharya left on a ten-day tour to China,³⁸ the first Prime Minister to visit a country other than India for nearly half a century. During his visit, an economic agreement was signed between China and Nepal on 7 October 1956.³⁹

During this stage of its interaction with Nepal, the Chinese authorities were careful to avoid any blatant and direct challenges to India's pre-eminent position south of the Himalayan Crest. Premier Zhou Enlai's visit to Kathmandu from 25 to 28 February 1957,⁴⁰ however, marked a significant change in Beijing's approach, for henceforth her concern for Indian sensitivities was considerably muted. The Premier's reference to the "blood ties between Nepal and China",⁴¹ i.e., between the Chinese and those Nepali ethnic groups of Mongoloid origin—was quite disquieting to India, for the Chinese had now begun to compete openly with the Indians in the use of cultural and racial factors in influencing the Nepali public. Since that time, Chinese propaganda in Nepal has subtly encouraged the concept of "Bhotia Raj" (rule by the Bhotias or Mongoloids), particularly when directed at the Newar community in Kathmandu valley or the Limbu and Kirati communities in the eastern hills. That propaganda has taken various forms, including

contributions to Newari cultural and philanthropic organizations and an emphasis on the supposed Buddhist ties between Chinese people and Nepali Bhotias.⁴² The Chinese Buddhist Association, for instance, served as hosts to Nepali Buddhist delegations in 1959,⁴³ and also contributed Rs. 500,00,000 for a Buddhist hostel in Kathmandu⁴⁴ (which was inaugurated on the occasion of King Mahendra's birthday).

Foreign policy took a definite pro-China slant in the hands of Tanka Prasad Acharya. However, Acharya was only an instrument; the real policy-decision was taken by King Mahendra and it was King Mahendra who dismissed the Acharya ministry when he realised that Nepal had taken some hasty steps in its eagerness to develop relations with China and there was a need to balance Nepal's foreign policy.⁴⁵ Dr. K.I. Singh was appointed the Prime Minister and Nepalese attitude took a pro-Indian slant. Dr. Singh announced that China and Soviet Union would not be allowed to establish embassies in Kathmandu.⁴⁶ By late 1957, the Singh Ministry had become both a political embarrassment and a potential threat to the palace, and was suddenly dismissed from office on 14 November 1957.⁴⁷ King Mahendra introduced a period of direct rule and emphasized on the policy of diversifying beyond the immediate neighbours.

In 1959, three factors—the formation of first elected government under B.P. Koirala, the outbreak of a full-scale rebellion against Chinese rule in Tibet, and a major dispute between India and China over border issue—had profound impact on Sino-Nepalese relations. Koirala's government had distinct pro-Indian proclivities both because of ideological affinity with India and because Nepali Congress was aided and supported by India. The general political approach of Koirala government was democratic and unsympathetic to Communist ideology and communist regimes.

UPRISING IN TIBET (1959)

The Khampa rebellion in Tibet and the Chinese steps to suppress the rebellion⁴⁸ evoked some sharp comments from Nepal and affected Sino-Nepalese relations in general. On 30 April 1959 i.e., after the election but before the B.P. Koirala government had taken office, two Nepali Congress General Secretaries, S.P. Upadhyaya and Ganeshman Singh criticized Chinese actions in

Tibet and argued that the Communists had violated the 1951 Sino-Tibetan Treaty. They suggested that China should apply "the Leninist principle of self-determination to Tibet" and placed the Hungarian revolt of 1956 and the revolt in Tibet on the same footing.⁴⁹ This frankly critical appraisal of China's policy toward Tibet immediately raised questions concerning the foreign policy of the Nepali Congress government that was then preparing to take office.

B.P. Koirala clarified the party's position on 17 April when he stated that recent Tibetan developments "will affect our traditional relations with our great neighbour China". He, however, made it explicit that the Nepalese were quite worked up with the developments across the Nepalese border.⁵⁰ On 2 May 1959 the Nepali Congress adopted a resolution on Tibet which went even further in characterizing Chinese action in Tibet as within the "nineteenth century imperialist tradition" and asserted that "it would be a reactionary step if China tries to establish her sovereignty over Tibet on the basis of old standards."⁵¹ Two days later, B.P. Koirala told the party M.Ps. that his government's foreign policy would continue to be based on neutrality and non-alignment, but repeated that "China must unequivocally allow Tibet to exercise full autonomy within the 1951 Sino-Tibetan agreement."⁵² In taking such a stand Nepal was co-ordinating her foreign policy with India which becomes clear from the joint communique issued by the Prime Ministers of India and Nepal on 14 June 1959.⁵³

Nepal's stand on the Tibetan issue was quite disconcerting to China, but the Chinese opted for a soft approach. The Chinese Ambassador to India and Nepal, Ban Zili, came to Kathmandu twice in 1959, in late May⁵⁴ and again in October,⁵⁵ for talks with Nepali authorities, ostensibly concerning economic assistance but actually in regard to Tibet. The practical problems affecting the Nepalese interest in the Tibetan rebellion were concerning the Nepal-Tibet trade. Nepal-Tibet trade suffered a setback because of the restrictions put on the movement of the Nepalese traders⁵⁶ and the declaration that the Chinese currency would be the only legal currency in Tibet.⁵⁷ After the initial euphoria subsided and Tibet came under the control of China, it offered suggestions to alleviate Nepalese feelings. Several Nepali subjects under detention in Tibet were released.⁵⁸ Most of the travel restrictions on Nepali traders were lifted,⁵⁹ and Beijing suggested joint Sino-Nepali talks on a new

trade treaty.⁶⁰ The Chinese also announced that the new illegal Tibetan currency could be exchanged at face value for Chinese currency.⁶¹

Kathmandu on its part took some steps to improve relations with China. It supported Communist China's right to the seat in the United Nations.⁶² Nepal also abstained from voting on a U.N. resolution condemning China's behaviour in Tibet.⁶³ A six-man Nepali Buddhist delegation was allowed to visit China at the invitation of the Chinese Buddhist Association.⁶⁴

Nepal, however, was not exactly reassured of the Chinese intentions in the Himalayan region. In order to ascertain more clearly the objectives and policies of the Chinese Government, B.P. Koirala sent one of his closest associates, Dr. Tulsi Giri, to Beijing as the head of the official delegation to China's October celebrations.⁶⁵ On his return Giri repeatedly stressed China's interest in a peaceful settlement of the dispute with India as well as its willingness to be "reasonable in its relations with Nepal."⁶⁶ In his visit to China in March 1960, B.P. Koirala implicitly criticized China for its policies towards India and Tibet.⁶⁷ China, however, without being perturbed by such comments, set out to relieve Koirala's concern over the border situation. This was accomplished substantially through number of major Chinese concessions in the agreements reached with Koirala on the demarcation of the Nepal-Tibet border, additional Chinese economic assistance to Nepal,⁶⁸ and decision to set resident embassies in Kathmandu and Beijing.⁶⁹ On 21 March 1960, both countries signed a boundary agreement providing for the appointment of a joint demarcation committee and a twenty-kilometre demilitarized zone on each side of the border.⁷⁰ To bring Nepal closer China also promised Rs. 100 million in aid in addition to the amount promised in the 1956 agreement.⁷¹

QUESTION OF MOUNT EVEREST

This phase of relative stability in Sino-Nepalese relations was disturbed by almost an incidental issue involving Mount Everest. B.P. Koirala's casual remark about Chinese claim to Mount Everest⁷² led to the first ever anti-Chinese demonstration in Kathmandu.⁷³ China, surprised by such a happening, took urgent steps to repair the damage. Zhou Enlai in his visit to Nepal in 1960

allayed the Nepalese apprehension and suggested that the issue be left to the joint demarcation commission.⁷⁴ However, the successful expedition of Chinese mountaineering team to conquer Mount Everest sufficiently demonstrated the Chinese intention about sharing control of the peak with Nepal.⁷⁵

Nepalese feelings were further hurt by the Mustang incident of 28 June 1960 in which Chinese troops fired on an unarmed Nepali police party in the demilitarized zone in the vicinity of the Kore pass in the Mustang section of the Nepal Tibet border, killing one of the party and capturing seventeen others.⁷⁶ According to Chinese foreign ministry, the Chinese forces has mistaken the Nepali party for Tibetan rebels.⁷⁷ The incident caused considerable commotion in Nepal and was made a rallying point by anti-China forces of Nepal. Anti-China rally was held on 21 April⁷⁸ and to counter the effect, Nepalese Communist forces conducted a rally on the Gandak issue giving expression to anti-Indian feelings.⁷⁹

There could have been more to the Mustang incident than was explained by both the countries in their exchange of letters.⁸⁰ It could have been staged by China to demonstrate its dissatisfaction with Koirala's criticism of Chinese policies as also with his intransigence in not accepting the Chinese offer to build a road connecting Tibet with Kathmandu and establishing embassies in Kathmandu and Beijing.⁸¹ However, one development was noteworthy. The Nepalese now perceived that the threat to Nepal was not only from India but could also be from China. This was a more realistic perspective on the part of Nepal. Koirala government took care not to endanger the future relations with China on the basis of incidental commotions. Before the Koirala ministry was dismissed on 15 December 1960,⁸² the Chinese embassy was allowed to open in August 1960,⁸² and the joint boundary commission met in September to inaugurate the boundary talks.⁸⁴

KING MAHENDRA'S POLICIES

The way Sino-Nepalese relations improved after the sudden dismissal of the Koirala government, provided enough substance for the view that it was King Mahendra who was really making the policy decisions in this regard and the roles of his Prime Ministers were only formal. The fact that Beijing discreetly

maintained on the royal coup without any comment, and carried on the joint boundary demarcation work without any interruption⁸⁵ whatsoever was indicative of the disfavour that Koirala had incurred with Beijing and of the extent of satisfaction that Beijing got from such a change. It is also to be noted that Beijing's reaction was in sharp contrast to the reaction from India.⁸⁶

King Mahendra's visit to China on 25 September 1961⁸⁷ and the net result of the trip demonstrated the change in Nepal was welcomed by China and the removal of Koirala had promoted the Chinese interests in Nepal. China signed a boundary agreement with Nepal on 5 October 1961,⁸⁸ and on 15 October signed an agreement on the construction of a road between Tibet and Kathmandu.⁸⁹ The draft road agreement was presented to the King on the day before his departure and the Chinese insisted that the implementation of the boundary agreement depended on the signing of the road agreement. Thus, the way the agreement was signed, the amount of economic and strategic interests of China served by this road as well as the fact that Koirala had earlier rejected such a proposal were sufficient to indicate that it was the Chinese who took the initiative in this agreement and not the King as reported in the press.⁹⁰ The King could not have possibly rejected such an offer because that would have earned the dissatisfaction of the Chinese which he could have hardly afforded because of the domestic opposition he was facing from the India-supported Nepali Congress.

SINO-INDIAN BORDER DISPUTE

The period of one year intervening the King's return from China and the Sino-Indian hostilities of October 1962 was a period of stress for China, India as well as Nepal. And the outcome of the events occurring in the period had determining implications for China's relations with Nepal. The king's signing of the Kathmandu-Kodari road agreement was most disconcerting to India in the wake of her border disputes with China. The immediate implication was that China would have alternate supply routes to Tibet in the event of India closing the routes *via* Sikkim and Bhutan. The king was also clearly perturbed by the peaceful agitation of the exiled Nepalese Congress leaders operating from India.

His attempts at persuading Nehru to disallow the agitation activity from India did not succeed, because Nehru evidently took the stand that "since Nepalese subjects enjoy full civil rights in India under the Indo-Nepalese Treaty of 1950, the Government of India cannot prevent peaceful political agitation by the exiled Nepalese Congress leaders from India."⁹¹

Nepali Government's notes to India became undiplomatic and almost abusive.⁹² Nepal also tried to pressurize India by playing the China factor. On 31 January a spokesman of the Nepali Foreign Ministry announced that "unidentified aircraft" were dropping arms to Tibetan rebels in the Mustang area. The Nepali army was incapable of handling the well-armed Khampas on its own and, the spokesman declared, if the Chinese should feel threatened by the rebels and should demand the right to send troops into Nepal to bring the Tibetans under control, there was little that Kathmandu could do.⁹³

Nepal also helped in boosting China's image in Nepal and denigrating India in several other ways.⁹⁴ Radio Nepal and the Government-controlled press deliberately gave detailed coverage even to minor cocktail parties and other functions organized by the Chinese Embassy and underplayed or ignored the activities of the Indian Embassy. The Government banned a popular weekly because it asked the Chinese to keep their hands off Everest. It reprimanded another for giving publicity to a highly popular show organized by the Indian Embassy.⁹⁵ On the other hand, the Royal couple and other members of the Royal family attended a function organized by the Chinese Embassy to celebrate the second anniversary of the Sino-Nepalese Peace and Friendship Treaty on 27 April.⁹⁶ China responded to the Nepali steps by expanding its establishment in Nepal. The strength of the officials in the Embassy rose to eighteen.⁹⁷

On the other side, India attempted to pressurize Nepal by imposing in late September an unofficial and undeclared economic blockade of Nepal. A number of minor incidents on the border were used to rationalize a total interruption of trade relations between the two countries. For several days, the flow of essential commodities into Nepal was halted, although no formal ban was placed on their exportation. For Nepal it was a pretty grave situation and King Mahendra was placed in such a situation in which he would have had to make major concessions to the Indians

and the Nepali Congress, for alternative sources of supplies were not available. Such desperation perhaps led to King's approach to China to take some demonstrative steps.

On 5 October 1962, simultaneously with the crisis in Indo-Nepali relations, the Chinese Foreign Minister, Chen Yi, told the audience at a banquet in Beijing to celebrate the first anniversary of the Nepali-Chinese boundary treaty that "in case any foreign army makes a foolhardy attempt to attack Nepal . . . China will side with the Nepalese."⁹⁸ This assurance was repeated on 6 October.⁹⁹ This assurance could hardly have comforted the Nepalese for what they were facing was diplomatic and economic pressure and not military threat. China's offer of military assistance, perhaps, was made in view of the escalating Sino-Indian border conflict rather than Indo-Nepali conflict. What, in fact, served Nepal best was the border war between India and China in the latter half of October 1962. With the reverses of the Indian army New Delhi hastened to make fundamental changes in its Nepal policy. The unofficial economic blockade was lifted, and trade began to flow across the border again. The Nepali Congress leaders, on the advice of the government of India, first suspended their agitation in November and then formally terminated it the following month. King Mahendra had survived both Indian economic pressure and a concentrated and determined assault by his major domestic opposition. And for all these the King was thankful to China.

1962 : WATERSHED

For so many reasons 1962 could be regarded as a watershed in Sino-Nepalese relations. The relationship between the two countries after this period was carried along a new equation. This was a consequence of the changes in the regional power alignments subsequently to the Indian reverses in the Sino-Indian confrontation. India realised that it was no more possible to maintain Nepal as a dependent State and it accordingly changed its policy posture in favour of regarding Nepal as more equal. A common realisation on the part of the three countries was the strategic significance of Nepal and this prompted the two great neighbours to reinvigorate their political and economic policies to keep Nepal in good humour, thus giving rise to competitive diplomacy in Nepal. It was

more than clear to Nepal that it was highly vulnerable to Indian economic pressure capable of administering a suffocating effect on Nepal. Along with it the realisation that the China factor, though effective in the political sphere, would be inoperative in situations of economic strain, had an inhabiting effect on Nepal's drift towards China. Nepal adopted a neutral posture towards its two neighbours, counterbalanced India with China and manipulated the triangular politics to its net advantage. For, hence forward both the Nepalese neighbours were eager to extend economic help to Nepal.

The developments in 1962 and their implications earned China a stronger foothold in Nepal. This by itself was a great achievement even if the factors operating against such prospect—historical, cultural, geographic and economic—were almost insurmountable. This was a credit to Beijing diplomacy. China took various steps to put it in an advantageous position in Nepal—it supported the Royal regime and apparently kept publicly aloof from the activities of the Nepalese Communist Parties which were anti-monarchy, it increased and diversified economic assistance to Nepal and it employed its propaganda machinery to convince the Nepalese of their good intentions in Nepal.

India's discomfiture at the hands of the Chinese in the fall of 1962 was generally believed to have given Kathmandu additional leverage in dealing with India. However, the Chinese aggression was never an unmixed blessing for Nepal. The Nepalese were fairly disturbed about the implications of Chinese victory for their own security and territorial integrity. This compelled Nepal to follow a balancing policy in the post-1962 period.

1963-1967 : PERIOD OF DIPLOMATIC FORMALITY

Even if the 1962 Sino-Indian confrontation gave China some advantage in Nepal, it refrained from taking any major offensive in Nepal. It respected Nepalese option of following a neutral policy in its relations with the two neighbours. There were even few instances in this phase when China informally advised Nepal to forge good relations with India. In June 1963, Premier Zhou Enlai told a Nepalese Press delegation, "We shall be very glad if Nepal has better relations with India than with China."¹⁰⁰ China apparently took no exception to Nepal's attempt at mending

relations with India, and on certain occasions bowed out of some projects in Nepal in the face of Indian insistence and without making it an issue in the mutual relations between Nepal and China.

China's relationship with Nepal during this period was good but not intimate. Its behaviour towards Nepal was characterized by a certain amount of diplomatic formality. It scrupulously avoided criticism of any sort against the Monarchy and refrained from giving any open support to the Nepali Communist Party. This was done not because China did not have any sympathy for Communist movement in Nepal but due to various real political factors involving India-China conflict. At most of the banquets and other formal occasions the leadership of King Mahendra was praised; his efforts to push Nepal towards independent political and economic development were commended.¹⁰¹ Nepalese support for China's claim to the seat in the United Nations was lauded by Chinese leaders.¹⁰²

MUTUAL DIPLOMATIC GESTURES

Diplomatic exchanges between the two countries were quite frequent during this period, although it was never exchanged at the highest level. Foreign Minister of Nepal and Crown Prince Birendra made visits to China.¹⁰³ But the King never went to China, neither did Zhou Enlai come to Nepal. This indicated that no new initiative or dimension was given to their mutual relations.

The number of delegations exchanged was unusually large. In January 1963, Vice-Chairman of Nepalese Council of Ministers, Tulsi Giri, paid a visit to Beijing to sign the Protocol of the Sino-Nepalese Boundary Treaty.¹⁰⁴ In October 1963, a Nepalese National Panchayat delegation made a tour of China under the leadership of Viswabandhu Thapa.¹⁰⁵ In October 1964, the Vice-Chairman of the Nepalese Council of Ministers, Surya Bahadur Thapa, went to China in response to an invitation from the Government of China.¹⁰⁶ From 30 March 1965 to 3 April 1965, the Chinese Foreign Minister, Chen Yi, visited Nepal.¹⁰⁷ Kirtinidhi Bista, the Nepalese Foreign Minister, led a delegation to China in August-September 1965. A protocol for the construction of a new road was signed during his visit.¹⁰⁸ Crown Prince Birendra undertook a three-week visit to China in summer 1966.¹⁰⁹

Apart from these high-level visits, there were visits undertaken by a large number of minor delegations of political, commercial and social nature. These visits were given disproportionate publicity in the Nepalese and the Chinese Press. The Nepalese delegations were given very warm welcome. They were taken on extensive tours in the country and were received by important leaders. The impression that the delegations carried home served an important propaganda purpose for Beijing. The large number of unofficial visits made without any pressing need for them served the purpose of diplomatic gestures and cordial relations between the two countries.

NOTES OF DISCORD

Notes of discord for once were conspicuous by their absence during this phase of Sino-Nepalese relations. Any sort of unpleasant happening was played down by both the parties.

In April 1963, *Nepal Ahwan* reported the settlement of large number of Chinese and Tibetans overnight in Kabali area of Tibet bordering Dhankutta district of Nepal. The weekly observed that the sudden move of the Chinese in the virtually inaccessible, snow-clad area might have the intention of smuggling rice from Eastern Nepal districts to famine-stricken Tibet.¹¹⁰ Another report stated that the Chinese troops had moved in large numbers and occupied areas in Suli Daran, Taley Daran, Segeydap, Chepuwa, Kama Khola of the north-eastern Dhankuta district of Nepal and confiscated herds of sheep and yak of Nepali tribals. These Chinese also claimed that those areas had been transferred to China under Sino-Nepalese treaty.¹¹¹ Nepal Government, however, took quick steps to announce that such reports were baseless.¹¹² Disagreement was also inherent in claims of both the countries on Mount Everest, but neither party pressed for any decision on this. There were also occasional criticisms in the Nepali press of the Chinese verbosity regarding its assistance in Nepal's industrialization,¹¹³ China's intentions in showing unusual interest in road construction and Chinese technicians' behaviour at the Chinese projects. But nothing seemed sufficient to cause any serious trouble in their relations.

CULTURAL REVOLUTION

In 1966, Communist China was engulfed in the Cultural Revolution—a movement declared launched to root out the so-called “capitalist roaders” from the Communist Party of China and weed out capitalist mode of thinking from the minds of the people. It was generally a movement of criticism and self-criticism, often taking violent forms and it caught the social, political, cultural and economic climate of China in a whirlwind.¹¹⁴ The spillover effect of the Great Proletarian Cultural Revolution was also felt in China’s external relations with China recalling its Ambassadors from all the countries except one. But the impressions of the Cultural Revolution in Nepal were more intense. The Chinese officials, workers and technicians in Nepal assumed Nepal to be an extended stage for the political high-drama. The over-zealousness of the Chinese in Nepal in showing their support for the Mao-line had, however, a disturbing effect on the Sino-Nepalese relations. And it was the exercise of remarkable restraint on the part of the Nepalese Government that prevented the escalating effect of these disturbances.

With the launching Cultural Revolution in 1966, the Chinese personnel in Nepal engaged themselves increasingly in political work. Chinese propaganda was intensified to captute the minds of the Nepalese in the areas lying along the Kathmandu-Kodari Road, the Sunkosi Hydel Project, and the Kathmandu-Pokhara road becoming the special centres for such propaganda. A Nepalese translation of Mao’s Red Book was widely distributed. Badges and buttons with Mao facsimile were also distributed free. Propaganda films were screened at the project sites. A Chinese cultural troupe that came to participate in the inaugural function of the Kathmandu-Kodari Road in May 1967¹¹⁵ stayed on for several weeks and presented the theme of the Cultural Revolution along the highway.¹¹⁶ Pro-Chinese students of Tribhuvan University also used slogans taken from Mao’s Red Book in their Students’ Union election campaign.¹¹⁷ A large number of officials of the Chinese Embassy in Kathmandu returned to China to study Mao Zedong’s thought.¹¹⁸ The post of Chinese Ambassador remained vacant for about two years after July 1967. Following Beijing’s directive to all foreign students, about seventy Nepalese students returned to Nepal in October 1966.¹¹⁹ The Nepalese

government, however, was not perturbed by all these developments since by now, they had become accustomed to Chinese propagandist work. More important in the withholding of any action on the part of Nepal, perhaps, was their conviction that all those activities were not targeted against the Royal regime.

The second stage of Chinese activity in Nepal was, however, quite disconcerting to the Nepal authorities, for now the propaganda indirectly suggested Mao to be the leader of Nepal as well. Officials of the Chinese Embassy started embarrassing the government of Nepal, by villifying countries friendly to Nepal in formal functions. In a speech at the National Theatre on 29 January 1967, the Chinese Ambassador, Yang Gongshu condemned the so-called "US imperialists", "Soviet Revisionists", and "Indian reactionaries".¹²⁰ On 2 June 1967, reporting the inaugural ceremony of the Kathmandu-Kodari Road, the *Beijing Review* wrote that the Nepalese people shouted: "The great leader Chairman Mao is the red sun which shines most brightly in the hearts of the people of the whole world."¹²¹ This, however, was a concoction and was purely for propaganda purpose, for no such slogan was shouted at the function.¹²² Earlier, on 24 February, it carried a picture showing some Nepalese saluting a portrait of Mao.¹²³ It also published a poem, composed by a Nepalese journalist, acclaiming Mao: "Mao Zedong is not the leader of China alone. To us he is the leader of all exploited people."¹²⁴

The worst incident of this period and the only incident to cause a public dispute in recent times occurred on 17 June 1967. On that day, approximately 200 Chinese Embassy officials and project technicians, led by the Ambassador, gathered at the Kathmandu airport to welcome two of "Mao's warriors" who had just been expelled from India. The crowd, disappointed when the two men were not on the flight from New Delhi, became unruly, shouting anti-Indian and pro-Cultural Revolution slogans.¹²⁵ This was repeated on 24 June when another batch of Chinese diplomats reached Kathmandu.¹²⁶ The Indian Government lodged a strong protest against this demonstration which Kathmandu reportedly, was assured that such incidents would not be repeated.¹²⁷

The Nepalese press and public which were feeling restive by the earlier Chinese activities in Nepal¹²⁸ resented the happening at the airport in strong language. The *Motherland* condemned it

as militating “against all cannons of diplomatic practice”.¹²⁹ Despite all these the Nepalese Government refused to come out with a public statement on the event and the Deputy Prime Minister denied the events altogether.¹³⁰

Such restraint, however, was not possible at the next event on 1 July 1967. On that date, in a “fun fair” organised at Kathmandu to celebrate King Mahendra’s 48th birthday, a Chinese stall was attacked by a crowd of Nepali students who reportedly objected to the display of a large portrait of Mao with no accompanying picture of King Mahendra. After being dispersed by the police, the demonstrators moved toward the centre of the city, where they stoned a Chinese Embassy jeep and partially sacked the Nepal-China Friendship Association Library.¹³¹

On 5 July, the Chinese Ambassador lodged a “serious protest.” A strongly worded *New China News Agency* report dated 9 July 1967¹³² accused US, “imperialists”, Soviet “revisionists” and Indian “reactionaries” of having instigated the Nepali “hooligans” who had perpetrated “this vile anti-China outrage”. It also directly accused the Nepali authorities of having “approved and supported this anti-China outrage” and of having banned Nepalese people from wearing Mao buttons and carrying the Mao “quotations” handbook.

The following day, the Nepali Foreign Secretary protested to China about the “false and baseless reports” in the *NCNA* statement.¹³³ The Chinese reply of 21 July rejected the protest and repeated the charges.¹³⁴ This was the last that was heard of the incident in public, however, and later exchanges between the two governments were again restrained.

It is possible that the “fun-fair” incident was an event of discomfiture for the Chinese; however, it was not serious enough for the Chinese to adopt an openly critical attitude toward the Nepalese government. Perhaps this was a part of the general attitude of China toward countries like Burma and Cambodia with whom China exchanged angry notes during the radical stage in the Cultural Revolution. There is also the possibility that the Chinese government felt that a stage had been reached in Nepal where Kathmandu authorities required an indirect but pointed reprimand, such as that given to B.P. Koirala in 1960, to restore Nepali-Chinese relations to a more acceptable level. The tensions that developed between the two governments concerning the Mao

buttons and similar questions, may seem minor in retrospect, but in the context of the Cultural Revolution they could have loomed large in Beijing's way of thought at that time.

Such a process of deterioration in Sino-Nepalese relations, however, was a passing phase. And as soon as the Cultural Revolution euphoria subsided both the countries showed keenness to restore normalcy in their relations. The mutual desire to compose differences found expression in the ten-day visit of the Nepalese Deputy Prime Minister, Kirti Nidhi Bista, to China on 24 May 1968, upon a well-timed initiation from the Chinese government. Bista was the first dignitary from a non-communist country to visit China after the Cultural Revolution. He was given an unusually warm welcome. Among those who met him were Mao Zedong,¹³⁵ Lin Biao, Zhou Enlai¹³⁶ and other top leaders who paid their usual compliments to King Mahendra and conveyed to him their country's readiness to give more assistance to Nepal. The Nepalese Deputy Prime Minister on his part assuaged Chinese feelings by praising the Cultural Revolution, commended China's attitude towards Nepal, and pledged support for the Chinese efforts to secure membership of the United Nations.¹³⁷

AFTER THE CULTURAL REVOLUTION

The post-Cultural Revolution Chinese policy towards Nepal was in essence a continuation of the policies of the post-1962 phase. China's main aim was to give support to the ruling elite and provide economic assistance. The main power in Nepal was the King and his position was critical due to the disagreement between his policy and the Nepali Congress. Under any condition the King wanted to preserve his power. China took advantage of this opportunity to help him. The other aim was to relieve Nepal of its dependence on India. Due to its geographical position, Nepal was important for China in the latter's dispute with India on the boundary question as well as in its competitive trade relations with her.

The growing Chinese influence and an anti-Indian campaign in Nepal strengthened Beijing's position day by day. In May 1969, speaking on the occasion of the 9th anniversary of friendly

treaty between China and Nepal, the Nepalese Prime Minister, Kirti Nidhi Bista said that Nepal-China friendship was based on five principles of peaceful coexistence. He further made it clear that "though we followed different political ideas and social systems, concerning the friendship, we have no issue between us".¹³⁸

In July 1969, China appointed Wang Ze as its new Ambassador to Nepal. It may be recalled that the post was lying vacant since July 1967,¹³⁹ when the Chinese Mission had suddenly left for home in the wake of the Great Proletarian Cultural Revolution. The new Chinese Ambassador, while presenting his credentials to King Mahendra, assured him that his government would always stand on the side Nepal to safeguard its national independence and sovereignty.¹⁴⁰ Replying to the friendly gesture of the Ambassador, King Mahendra reiterated that Nepal always tried her best to get China its rightful place in the United Nations and she would continue her efforts in this direction incessantly.

On her own part, China left no stone unturned to discredit India. A commentator of *People's Daily* said that "the Chinese people support the people of Nepal in their just struggle against the Indian expansionists, and resolutely support the struggle waged by the people of all countries, that have been subjected to aggression, control, intervention, to bullying by U.S. imperialism, Soviet revisionism and the Indian expansionists."¹⁴¹ Once this Chinese support got full approval of the ruling circle of Nepal, Prime Minister Kirti Nidhi Bista lost no time in demanding through a writing in a local daily, *Rising Nepal*, that Indian operations should cease at Nepalese border checkpoints.¹⁴² He demanded the withdrawal of 40-member Indian military liaison group in Kathmandu and Indian wireless personnel (along Nepal's northern border) attached to checkpoints.¹⁴³ Tokyo correspondent of *The Hindu* quoting "well-informed diplomatic sources" in the Japanese capital, said that one main reason behind Nepal Government's demand was the pressure brought by Beijing on Kathmandu for reciprocity in the matter of stationing border personnel. China, it is believed, demanded that if the Indian posts along China-Nepal border were to be continued, China should be allowed to operate her own border checkpoints along the Indo-Nepal border, although this border has traditionally been an open one without any military fortification. The same

correspondent added that, according to other knowledgeable diplomatic information in Tokyo, China had not yet made such a demand but Kathmandu had decided to seek India's withdrawal in order to forestall a Beijing demand.

Meanwhile, in Nepal, an internal tussle was going on between the democratic forces and the King. China's Ambassador in Nepal, Wang Ze took advantage of the growing antagonism, and indirectly hitting at India said that "the people of Nepal were ever protesting against foreign interference", but he did not elaborate this point.¹⁴⁴

A section of the Nepalese press criticized the speech of Wang Ze. Objecting to China's remarks, the *Nepal Times* said that Nepal believed in her own policy despite Chinese reminders and added that two years ago Chinese had threatened "to break our skulls, yet we had not deterred from our path and the Nepalese vigorously opposed Chinese policy." The paper went on claiming that the Chinese had thought that they would make Mao Zedong the ruler of the Nepalese hearts and distributed Mao badges, Red Books and all other propaganda material throughout Nepal in large quantities to achieve their mischievous goal, but national pride led the Nepalese to nip in the bud the Chinese mischief.¹⁴⁵

The paper further observed that just for being China's neighbour it was not necessary that the Nepalese should believe in the Chinese national doctrine that "power grows out of the barrel of the gun." It pledged to maintain Nepal's sovereign existence and threatened: "We will smash all such subversive activities, conspiracies and threats." The paper noted that the Chinese forces were hovering on the Russian, Mongolian, Burmese and Indian borders and on the "border of a peace-loving country like Nepal". Conceding that their presence on the Indian and Soviet borders was "understandable", it asked "What about their presence on the borders of other countries? Are they there for peace or war?"¹⁴⁶

The paper charged China with having instigated riots in Burma, Indonesia and Malaysia. It concluded that Nepal would stick to its policies despite advice from others and would shed the last drop of blood to maintain its national integrity and sovereignty. There was, however, no change in Nepalese government's stand. In 1970, China-Nepal relations were in full bloom. China's aim and interest was to safeguard its image in the land of Nepal.

They did not say anything critical when in January 1970 Mao's statues were removed from the Kathmandu crossing, the Nepal-Tibet border, and Kathmandu-Kodari highway, near Mustang.¹⁴⁷ In February 1970, Premier Zhou Enlai met and discussed with the Nepalese Charged'Affaires to China, Niranjana Bhattarai. In the course of their conversation the Nepalese diplomat told the Chinese leader that the Nepalese "deem it their paramount duty to defend their country and to safeguard their national dignity."

Zhou Enlai replied that the Chinese firmly support "the Nepalese national aspiration and wish her new success in domestic and international affairs."¹⁴⁸ Chief of the Army Staff, Huang Yungsheng was also present. On 10 March 1970, Guo Moruo, Vice-Chairman of the Standing Committee of the National People's Congress, who headed a seven-member goodwill mission, met Prime Minister Bista in Kathmandu. The *Times of India* quoted him saying that "China would ever remain its reliable friend and supporter in its just struggle for safeguarding its independence and sovereignty".¹⁴⁹ In June, the Ambassador of Nepal to China, Randhar Subba, while celebrating the 50th birthday of King Mahendra observed in Beijing, "China is the best friend of Nepal; she is a good neighbour and true friend". Replying to this friendly gesture, the Chinese Vice-Premier Li Xiannian said that the Nepalese people had a glorious tradition of defying brute force, daring to struggle to safeguard their national independence, sovereignty and territorial integrity and to oppose "imperialism and expansionism". He expressed satisfaction that the boundary question had been settled smoothly.¹⁵⁰

During this period, Nepal's domestic political scene showed a tilt in favour of royalist elements. To keep India away from Nepal, China supported the King and the royalists both morally and economically. The pro-democratic elements in Nepal, who enjoyed India's moral support were the main reason for the king to seek help from China. China looked at the problem from another angle. As B.N. Mullik observed: "China's further thinking was that, instead of relying on the goodwill of other countries she must struggle for getting international status and prestige by her own efforts. If the imperialist policy was to hold a position through strength, China's policy was to hold a position through revolutionary measures."¹⁵¹ Because of her internal solidarity, great internal development and skilful foreign policy, the international

status of China was very high. In order to get international recognition she accorded concessions to the countries of Asia, particularly to those who were enemies of her enemy. Nepal fell under this category and China used all kinds of diplomatic and propaganda sticks to keep India at bay from Nepal. In November 1970, the *NCNA* reported that India was interfering in Nepal's internal affairs. The report said that Tribhuvan University students shouted anti-Indian slogans against the expansionist policy of India towards Nepal.¹⁵² According to the press report from Tokyo, appearing in the *Hindu* on 9 January 1971, China was making good use of a stalemated trade talks between India and Nepal to spread dissatisfaction against India among the Nepali people. The report said that Nepal was giving the impression to the outside world that India was not only trying to strangle Nepal economically but was even bringing military pressure on the country by increasing her troops on Nepal border. And Beijing was making anti-India propaganda by saying that India was bringing all sorts of pressure on Nepal to accept unreasonable demands.¹⁵³ The report further stated that China was fully supporting Nepal, especially her right as a landlocked country to insist that India should conditionally provide transit facilities through her territory for Nepal's trade with rest of the world. On the failure of negotiations on trade and transit between Nepal and India, the report commented : "The Indian ruling clique's attitude is unreasonable—if the Indian government persists in its policy of imperilling with the national independence and sovereignty of her neighbouring countries, she will be lifting a rock only to drop it on her own feet and is bound to come to grief."¹⁵⁴ This statement was repeated by Deng in 1978 when Nepalese Prime Minister, Kirti Nidhi Bista visited China.¹⁵⁵

It may be recalled that during this period an anti-India movement was started by China and the Nepalese King took its advantage to support his weak position. He signed an agreement with China which was directed against India. The agreement provided for the Chinese technicians to conduct investigations to ascertain the feasibility of cotton cultivation in the Butwal area of the Nepal Terai. Raising the issue, some Indian M.Ps including Hari Kishore Singh, Vayalar Ravi and Laxminarain Pandey, had jointly stated that the presence of Chinese experts in the region might endanger India's security. The Defence Minister, Swaran Singh

assured them that the government was fully aware of this. He said, "We are taking and have taken adequate steps to ensure the security of our border." In an important statement, he said that the Chinese were conducting such investigation but cotton had not so far grown in that region. He added that he was not aware of any 'anti-Indian lobby' in Nepal, but there were certain political leaders who made speeches, not friendly to India. The Minister wanted the members to realise that India could not prevent Chinese technicians from coming to Nepalese territory. He said that they should not presume that Nepal was unable to see her own interest. The Indian Government, he said, was constantly in touch with the Nepalese Government, and he did not see any ground to suspect that Nepal would do anything to endanger India's security. He pointed out that notwithstanding several anti-Indian speeches, the attitude of Nepal Government continued to be friendly to India.¹⁵⁶

In September 1971, Nepalese Premier defended his government's decision to allow Chinese experts in the Terai region. He said that India's fears about the proposed feasibility survey for cotton growing or mineral exploration in the Terai with Chinese help were without justification. He held that as a leading donor of aid for Nepal's economic development, India was so placed as to appreciate the need of other sources of economic assistance to Nepal. Expressing satisfaction at the existing relationship, he said that it did not mean they should adopt a complaining attitude. He further indicated that the Kingdom might continue to allow more Chinese experts more boldly in spite of grave concern repeatedly expressed by India.¹⁵⁷

In the year 1972, the relations between Nepal and China continued to progress on the lines desired by the rulers on both sides. The Chinese were glad to note that the Nepalese King continued to maintain his hostility towards India, and a warm hospitality was growing towards their country. Moreover, the aid programme, the construction of highways between Lhasa and Kathmandu, and some Nepalese politicians showing an interest in renewed Chinese proposal for a Himalayan confederation continued to surrender momentum to strengthen relations between China and Nepal. Even though the political relation between these two countries was friendly, Nepal's attitude towards China was different. There was never any official criticism against China. A cool,

correct politeness was being observed which was the result partly of genuine respect for the achievements of the great neighbour and partly out of fear that China might some day make some hegemonical claim on Nepal. Nepal considered it as in her interest to cultivate good relations with that country, and even to assign her the role of counterweight to India on certain occasions. China, on the contrary, was energetically trying to consolidate her position in Nepal by way of diplomacy, economic aid and propaganda.

On the death of King Mahendra on 31 January 1972, his son Birendra, ascended the throne. On 17 February, Premier Zhou Enlai in a message of congratulation to the new king, said that Nepal was consistently pursuing a policy of peace, neutrality and non-alignment, and was unremittingly struggling to resist foreign aggression and interference. He added that he was deeply convinced that the friendship and co-operation between the two countries would grow stronger and develop continuously.¹⁵⁸ In September of the same year, a new Chinese Ambassador, Cao Ji, was set to Nepal.¹⁵⁹ A senior party leader and a moderate career diplomat, his posting was considered significant in political circles in Kathmandu. In November, Nepalese Premier Bista visited Beijing for the third time.¹⁶⁰ In the banquet speech given in his honour, the Chinese Premier, Zhou Enlai not only praised the Nepalese people for their "glorious tradition of resisting imperialist aggression", but went on to say that they "withstood foreign pressure and safeguard their national independence and state dignity". He went on to say that the Chinese Government and the people "appreciate Nepal's spirit of defying brute force. The Chinese Government consistently holds that countries, big or small, should treat each other as equal and that it is absolutely impermissible to carry out aggression, pressure and interference or subversion against the other countries under any pretext."¹⁶¹

Zhou's statement was interpreted by some observers in India as well as Nepal as "a veiled threat" against India. They also pointed out that while Zhou's statement evoked no greater reasons from Nepal than a quiet denial by Bista of the existence of any external threat to Nepal, a similar statement by Nehru in the Indian Parliament had at that time led to a storm of protest in Kathmandu.¹⁶²

Certain quarters argued that the Chinese leader could have made such statement only when he had the idea that his guest

might like the same. And if the Nepalese had not liked such repeated Chinese support, they should have conveyed their feelings to the Chinese.¹⁶³

In August 1973, China resumed the practice of offering scholarships to Nepalese students.¹⁶⁴ It may be recalled that during the Cultural Revolution, 10 Nepalese students were sent back.¹⁶⁵ About the same time, Nepal strengthened its Embassy in China to bring it to the level of its mission in India. In December, King Birendra paid a week's state visit to China.¹⁶⁶ In the joint communique, issued at the end of the visit, the Chinese Government praised King Birendra's leadership and reaffirmed its support to the policy of peace, neutrality and non-alignment, pursued by His Majesty's Government. The King of Nepal, on his turn, thanked the Government of the People's Republic of China for its assistance to Nepal's development efforts, and spoke highly of the achievements of China in the fields of industry, agriculture, science and technology. Both sides held the view that the world situation was undergoing significant changes and the Third World playing an ever greater role in international affairs. Both sides were of the opinion that "every nation, big or small, has an inherent right to exist without committing itself to any power bloc." They agreed that "the idea of creating spheres of influence contravenes the fundamental interests of the people and is, in itself, a manifestation of hegemonism". The Chinese Government also agreed to send a delegation to Nepal for consultations on measures for further development of trade and cooperation between the two countries.¹⁶⁷

On 2 September 1974, the *People's Daily* strongly condemned India for what it called the Indian Government's expansionist act of annexing Sikkim.

The *NCNA* quoted an article from the Nepalese weekly *Arpana* which said that the Indian action in Sikkim had given rise to a "grave danger for Nepal and other small countries in this sub-continent". It also quoted the Nepalese Panchayat Member P.C. Lahari as saying that "we would be more vigilant against our southern border."¹⁶⁸ The *NCNA* and Radio Beijing were, thus, playing up Nepalese journals and dailies which condemned New Delhi's new relations with Sikkim, saying that Bhutan and Nepal might be the Indian Government's next target.

On 4 September, the Indian Embassy in Kathmandu protested

to the Nepalese Foreign Ministry against the Chinese Embassy issuing press releases regarding the Sikkimese development, which contained derogatory remarks against the late Prime Minister Nehru and Prime Minister Indira Gandhi. The Indian Embassy pointed out that the Chinese mission was misusing the soil of a friendly country, Nepal, to launch an offensive propaganda against another friendly country, India. China had committed a breach of the diplomatic code by the derogatory use of language in its propaganda materials, it was pointed out.¹⁶⁹ In her attempt to isolate India from her immediate neighbours in South Asia, China tried to drive a wedge between Kathmandu and New Delhi. *NCNA*, on 30 October, devoted its columns exclusively to New Delhi-Kathmandu relations, accusing India of intimidating the government and people of Nepal to achieve her expansionist designs." It said that since the anti-Indian demonstration in the first week of September by Nepalese students on Sikkim issue, the Indian Government had "flagrantly exerted pressure on and intimidated Nepal". The Indian Government, in its view, was trying to assert her historical status in the Himalayan Kingdom of Nepal and Bhutan, now that Sikkim had been turned into an associate state of the Indian Union.¹⁷⁰

In the later half of 1974, armed Khampa refugees from Tibet, living in the northern part of Nepal, were making forays into Tibet. Khampa tribesmen constituted the backbone of Tibetan resistance against the Chinese administration in Tibet, after the flight of the Dalai Lama from Lhasa in 1962. Nepal was wary of Khampa activities and often tried to check them. In early August 1974, the security forces launched a drive to round up armed Khampas who had failed to surrender their arms by the end of July. On 28 August, the *NCNA* under a Kathmandu dateline, reported measures recently taken by the Nepal Government to disarm the Tibetan 'rebels' who were using the kingdom as a base for hostile activities in China. A spokesman of the Nepalese Foreign Ministry, on 21 July, categorically ruled out any plan for a co-ordinated action with China against armed Khampas living in the kingdom. He discounted the report that Nepal was taking action against Khampas under Chinese pressures.¹⁷¹ Nepal's Home Minister, H.B. Shreshtha, in an interview with official news agency *RSS*, published on 23 July said: "There is no concrete evidence to substantiate allegations that India is encouraging

armed Khampa refugees.”¹⁷² Speaking at a reception in honour of the heads of states and governments, who attended his coronation in Kathmandu, King Birendra, on 25 February 1975, made a proposition that Nepal be declared a zone of peace. “Only under a condition of peace will we be able to create a politically stable Nepal with a sound economy which will in no way be detrimental to any country”, he said. “If our relations with India have been deep and extensive, our relations with China have been equally close and friendly, consistently marked by understanding of each other’s problems and aspirations. We adhere to the policy of non-alignment because we believe that it brightens the prospects of peace,” he added.¹⁷³

Talking to a team of visiting Indian journalists on 23 May 1975, Nepal’s Foreign Minister, Krishna Raj Aryal, suggested publicly, for the first time, that India should have responded to the Kingdom’s desire to be declared “a zone of peace”. “Nepal would have been happy if India had been the first country to respond to her proposition,” he said. He added that the Soviet Union, Pakistan and China had welcomed the proposal.¹⁷⁴ In an interview to a *Kyodo* correspondent, Aryal said that Nepal hoped to obtain India’s support to the concept. Referring to Nepal’s relations with China and India, he said : “The problem is that China seems to think that Nepal is closer to India while India sees Nepal as being on the Chinese side.”¹⁷⁵

The main reason behind India’s silence was said to be “the lack of clarity” around the concept. Besides, it was pointed out by commentators that Nepal overlooked prior consultation with countries whose views it valued most. Countries like the Soviet Union, Pakistan and China had reacted to the proposal, keeping in mind their own larger context. On 1 August China pledged support to King Birendra’s concept of Nepal as a “zone of peace”. In an article, greeting the 20th anniversary of the establishment of the Sino-Nepalese relations, the *People’s Daily* made it formally known.¹⁷⁶

Between 1975 and 1978 many important developments were witnessed inside China. Mao Zedong and Zhou Enlai who had been at the helm of affairs since 1949, died in 1976. Internally China went through a power struggle in which the so-called moderates triumphed against the radicals and attempted to reshape China’s internal and external policies. In the internal sphere, the

moderate leadership emphasised on rapid growth and modernization, and to sustain the campaign of Four Modernization, China's foreign policy was modified to accept Western financial and technical collaboration.

All these changes, however, did not bring any perceptible change in China's policies towards Nepal. Although Chinese leaders in their speeches gave a wider perspective to Sino-Nepalese relations by linking it with other developments in the world, in essence the relationship was directed by the two constants—geography and India. The logic of the constants prevailed over the variables in world politics.

Important events in China-Nepal relations of this period were—King Birendra's visit to China in June 1976,¹⁷⁷ and Chinese Vice-Premier, Deng Xiaoping's visit to Nepal in February 1978.¹⁷⁸ In a message to the Nation before he left for China the King said: "China is one of our neighbours. The visit will strengthen the traditional friendship with China and will increase the scope of mutual cooperation."¹⁷⁹ The King declared that "personal contact not only led to a better understanding between the two but also helped further develop the bonds of close relationship leading to fruitful co-operation."¹⁸⁰ Among the issues discussed during the King's visit were China's support for the King's proposal for Nepal as a zone of peace,¹⁸¹ the recently opened Nepal-China trans-Himalayan flight and matters of trade and its expansion and diversification.¹⁸²

During Deng Xiaoping's visit to Nepal in 1978, China gave "firm support to King Birendra's proposal of Nepal as a zone of peace."¹⁸³ This stand was exactly the opposite of Indian stand. Indian suggested to make South of Himalayas as a zone of peace thereby difussing any support to King's concept of declaring Nepal as a zone of peace.¹⁸⁴ During his visit Deng Xiaoping was careful not to display any big brother attitude. In fact, he made it a point to emphasize that China and Nepal were both developing countries belonging to the Third World. This was the assurance to Nepal that China was not assuming a posture of superiority.¹⁸⁵ Deng's visit was also remarkable for the avoidance of any offensive statement against India. There was no indication that Deng wanted to neutralise the warmth between his host country and its southern neighbour generated in the wake of the Indian Prime Minister's visit to Nepal in December 1977. On the other hand,

it was amply evident that Deng had in mind the thawing of his country's relations with India. Side tracking anything which might have hurt India's susceptibilities and indirectly accepting the role which India had played leading to an improved atmosphere in South Asia, Deng expressed his country's "eagerness" to bring relations between India and China closer.¹⁸⁶ The attitude was further continued during the Nepalese Prime Minister's visit to China in September 1978.¹⁸⁷ In his speech at the Great Hall, Deng Xiaoping referred to Soviet "hegemonism" and American "imperialism"; but there was no reference to Indian "reactionaries" as it was done during earlier periods.¹⁸⁸

During this period Nepal was not only seeking the support of China for the Nepal peace zone proposal but also wanted to involve China in the development of regional water resources.¹⁸⁹ But during his visit to Nepal, Deng Xiaoping took care not to be pushed into supporting such a demand without studying the complications involved.¹⁹⁰ On her part, India rejected the participation of China in such measures on the basis that China was not a South Asian country.¹⁹¹

This phase of Sino-Nepalese relationship was also conspicuous by its absence of any unpleasant happenings, i.e., criticizing India's role in Nepal was underplayed. There was, thus, a sign of carrying on the relationship on a positive basis.

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CHAPTER III

SINO-NEPALESE ECONOMIC RELATIONS

THE LOGIC

Sino-Nepalese economic relations, apart from traditional local trading operations between the Tibet region of China and Nepal, could be accepted to have opened in 1956 with the signing of the Agreement on Trade and Intercourse between the People's Republic of China and Nepal on 20 September 1956. Due to its typical geographical location as a landlocked state surrounded by India on three sides excepting the North, Nepal has natural constraints in its desire to have a diversified foreign economic policy. While the routes to India are quite convenient permitting trading activities, the routes to Tibet, the adjoining Chinese territory, with some of them even being inaccessible to the pack animals, hinder trading activities. Consequently, about 95 per cent of Nepal's foreign trade had been with India.¹ Trade with other countries is also carried on through the ports of India, principally Calcutta.

Due to this almost insurmountable constraint the traditional Chinese policy had been to concede to the Indian dominance in Nepalese economic matters. But this stand changed, between 1949 and 1956, as the Chinese perception of China's strategic interests and world politics changed. Complementary changes in the political and economic thinking of the Nepalese leadership also hastened the process of inaugurating the Sino-Nepalese economic relationship in 1956.

In the initial years after the communist take-over in 1949, Chinese foreign policy was openly pro-Soviet. This ideological predilection hindered the growth of positive relationships between China and the non-communist countries and China carefully avoided economic transactions with such countries. The

geographical distribution of China's trade was strongly influenced by ideology. Mao established the "lean-to-one-side" policy for China and this policy resulted in China's economic orientation towards other communist countries, particularly the USSR. This policy was reinforced by the Western trade embargo against China, imposed in 1950 following China's intervention in the Korean War. Imports were obtained from the Western countries chiefly when they were not available or were in short supply in the Communist World.

Since 1960, both the commodity and geographical patterns of Communist China's foreign trade has shifted dramatically. The collapse of the Great Leap Forward and the withdrawal of Soviet technicians from China in 1960, the persistent need for imports of Western grain, and the continuing deterioration of Sino-Soviet relations combined to lower the volume of trade and to alter sharply its direction and composition. China's total trade rose from \$ 1.2 billion in 1950 to a peak of \$ 4.3 billion in 1959, and then declined to a level of \$ 2.7 billion in 1962. This downturn was reversed in 1963, and by 1965 trade had increased to an estimated \$ 3.7 billion. Since 1960, a major realignment in China's trading partners took place. Communist countries used to account for two-thirds of China's trade before 1960, but the trend was reversed; the "Non-Communist World" accounted for 70 per cent of China's total trade² (See, Table 1 at the end of this chapter).

The same trend is also exhibited in case of Chinese aid to the non-Communist developing countries. China inaugurated its aid programme as late as in 1956 and the reasons for such a decision were almost the same as that of the diversification of China's foreign trade to the non-Communist Countries. The increasing Sino-Soviet rivalry for the allegiance of the former colonial world, Beijing's efforts to establish wider diplomatic relations, to enhance its prestige and gain the support for Nationalist China's influence in the area, however, have driven China increasingly to disregard revolutionary precept and engage in a highly opportunistic aid and trade programme of its own. National self-interest has governed Chinese economic military support of Pakistan. For example, despite its membership in such "imperialist" groupings as CENTO and SEATO, and substantial trade exchanges with South Africa which had antagonised some African opinion.

China's opening of economic relations with Nepal came within the ambit of this policy of opening out to the non-Communist World, especially to the neutral developing countries. But apart from placing Nepal in this broad context of China's foreign economic policy thinking, one also finds a more immediate, and perhaps more important, logic in the Sino-Nepalese economic relation, i.e., the safeguarding of China's image and political interests in this strategically situated buffer through the economic policy of aid and trade with Nepal which was traditionally dependent on India for such matters. Thus the need was to relieve Nepal of its overdependence on India in economic matters.

There were also pressing needs on the part of Nepal to start economic transactions with China. Due to its typical geographical location as a landlocked State, Nepal had been dependent on India for all sorts of economic matters. Nepalese had, quite often, been critical of this excessive dependence on India which they thought was detrimental to Nepal's economic prospects. Logically, they looked for the opportunity to diversify their economic relations. China as the only other neighbour came within the perview of this thinking. Complementary political changes in the internal politics of Nepal facilitated the translations of such thinking into concrete policies and programmes. The death of King Tribhuvan in 1955 brought changes in the Nepalese political scene. King Mahendra who had a different approach towards Nepal's political and economic affairs, wanted to assert his power and was determined to diversify trade relations in order to lessen Nepal's total dependence on India.

Given this backdrop of the logic of Sino-Nepalese economic relations it is proposed to discuss the economic relations between the two countries under the heads of Trade and Aid.

SINO-NEPALESE TRADE RELATIONS

Nepal-Tibet Trade

The Himalayas had proved to be the most formidable obstacle to any substantial increase in trade activities between Nepal and China. If at all Nepal had any trade relations with China it was in the form of local trade between Nepal and Tibet. The history of trade relations between Nepal and Tibet can be traced from 1856 when a treaty was signed between Jang Bahadur's emissary

and Chinese and Tibetan officials Palden Dondup on 31 July 1856 at Thapathali. This treaty governed the relations between them and provided, among other things, for freedom of trade and commerce, for citizens of both countries in each other's territories. This was continued till 1904.³

The famous British expedition to settle differences between the British and the Tibetan Governments was sent in 1904 under Colonel Younghusband. Since the Tibetans refused to enter into negotiations and offered active resistance to the British entry, this became a military expedition afterwards. The terms of the Indo-Tibetan Treaty concluded in 1904 included the opening of three trade marts : one at Gyantse, one at Yatung, and the third at Gartok; the abolition of trade duties between Tibet and India; the payment of indemnity to the British Government.⁴

The opening of trade marts by the British Government had an adverse effect on Nepal-Tibet trade. The trade with India started becoming more favourable and it was after this treaty that most of the Nepalese traders went and settled down in Kalimpong in India for trade purposes. In fact, Kalimpong and Calcutta started becoming more prosperous centres for transactions with Tibet part of China.⁵ At the same time, Nepal's role as an entrepot trading country between India and Tibet also dwindled considerably when faster and better connections directly through Sikkim were established in the beginning of the present century.

The establishment of the British consulate at Gyantse made the British all the more effective in this respect and strengthened their position against Nepal in commercial relations. In fact, opening up of the new road of Chumbi Valley almost stopped all trade which Nepal used to have through Kirong and Yenam marts, and thus Nepal had to suffer losses. In 1926, the Tibetan Government established a foreign office in Lhasa and this greatly facilitated official communication with foreign governments, including Nepal.⁶ However, because of the undeveloped transport system trade relations could not flourish with the Tibet region. Since 1950, when Tibet became a part of China, and China proper came to be regarded as a trading partner, a motor road was built from Beijing to Lhasa, and trade between the Tibetan capital Lhasa, and its leading trade centres and Nepal further dwindled as a result of this development.

In fact, until 1955, when diplomatic relations between China

and Nepal were established, relations between these two countries were more or less completely cut off. In September 1956, Nepal and China signed a comprehensive treaty of friendship in which both the countries expressed their desire to develop their traditional economic and trade relations on the principles of equality and mutual benefit.⁷ Article IV of the treaty provided that China and Nepal had mutually agreed to establish Trade Agencies. China agreed that Nepal might establish Trade Agencies at Shigetse, Kirong and Nyalam; Nepal allowed China to open an equal number of Agencies in Nepal.

After the September agreement, on trade and travel, both countries signed aid agreements, one on 7 October 1956⁸ and another on 21 March 1960.⁹ All these provided a good start for developing trade relations between China and Nepal.

Post-1962 Trade Agreements

Since the opening of diplomatic relationships and the signing of the agreements in 1956 and 1960, trade relations between the two countries grew steadily both in the fields of overland and overseas trade. On 19 May 1964, both countries signed a two-year trade agreement in Kathmandu.¹⁰ Both the countries agreed that the traditional barter trade between Nepalese and Tibetans living within 30 kilometres of the international boundary would continue. This covered trade between government trading organizations as well as private parties. It did not cover the government goods that Nepal received from China to meet the cost of Chinese aided development projects. On 2 May 1966, a new agreement on trade and related questions between Nepal and Tibet was signed. The agreement was signed in Beijing by the Chinese Foreign Minister, Marshal Chen Yi, and Nagendra Prasad Rijal, visiting Minister for Industry and Commerce of Nepal.¹¹ The agreement was concluded on the basis of the 1956 agreement,¹² which it replaced, and was to remain in force for a period of six years.¹³ It, *inter alia*, provided for the establishment of Consulate-Generals by China in Kathmandu and by Nepal in Lhasa.¹⁴ However, all these agreements could not succeed in substantially increasing the volume of trade between the two countries (see Table 2 at the end of this chapter).

Earlier, on 24 February 1966, the Nepalese Government had closed down three of its four trade agencies in Tibet with immediate

effect. The decision was taken by mutual agreement by the two governments. The trade agencies at Kuti, Kirong and Digarcha were closed while the one at Lhasa continued for the time being.¹⁵

In May 1969, an agreement was signed, according to which Nepal was to import goods worth £ 800,000 from China. The goods to be imported were agricultural implements, construction materials, consumer goods, and cosmetics. The sale proceeds of these goods were to be used on the Chinese aided Kathmandu-Pokhara highway.¹⁶

On 31 May 1974, Nepal and China concluded in Kathmandu a Trade and Remittance Agreement, designed to boost the volume of trade between the two countries.¹⁷ The agreement envisaged trade between the two countries through land and sea-routes. It provided for three points in the land route for trade with the Chinese autonomous region of Tibet, viz., Kodari (already existing) Rasuwa (opposite to Kirong in Tibet) and Yari (opposite Purang near Taklakot in Tibet).

A press communique said that the mode of payment on the foreign trade between the two countries would be through special account for the purpose of which a 'Swing Credit' of about Rs. 75,75000 (£ 300,000) had been ascertained.¹⁸ Under the new agreement, unlike the past, the annual account of payment would not have to be settled through convertible currency, and even when the amount exceeded the swing credit, the difference could be made up by exporting goods. The press communique further said that only if the difference would not be settled by exports payments would be made by convertible currency. Also, unlike previous agreements which were valid only for two years, the 1974 agreement was to be valid for three years after the expiry of which it would be automatically extended for a further period of three years as long as it remained acceptable to both the sides.¹⁹ Commenting on the agreement, the Nepalese Government newspaper *Rising Nepal* said that, the provision for a 'Swing Credit' would greatly facilitate trade transactions and thus lead for their speedy expansion. It further said that establishment of two more trade points at Rasuwa and Yari, apart from the already existing point at Kodari, would bring significant new areas of northern Nepal more directly into the mainstream of trade between Nepal and Tibet.²⁰

The volume of trade between Nepal and Tibet-part of China

nearly doubled in three years since 1972. According to reports published in Kathmandu newspapers on 8 June 1976, the total volume of trade between Nepal and Tibet-part of China on state account and through barter was estimated in 1975 to be at Rs. 1 crore a year. The number of commodities involved went up from 88 in 1971 to 108 in 1975. It was claimed that between 1974 and 1975, there was 24 per cent increase in the volume of trade.²¹

Composition of Sino-Nepalese Trade

(See Tables 3, 4, at the end of this Chapter).

The composition of Sino-Nepalese trade is typical of the relationship between an industrially advanced country and a country having an underdeveloped economy, dominated by agriculture and traditional handicrafts. It has been estimated that about 75 per cent of Chinese exports to Nepal are manufactured goods and machines and about 85 per cent of Chinese imports from Nepal are raw materials.²² Chief among the exports to Nepal are textiles,²³ light industrial products, foodstuff, cement, lubricant oil, chemical,²⁴ construction materials, agricultural implements, cosmetics,²⁵ newsprints, condensed milk, soap and sports goods.²⁶

Among the main Chinese imports from Nepal were agricultural products and raw materials like jute, sugar, timber, tanned leather,²⁷ shoes, medical herbs and tea. China was the main importer of Nepalese jute. In 1975, Nepal exported 7,000 metric tonnes of rice to China. In the same year, it also exported about 175 tonnes of tanned leather.

Sino-Nepalese Trade : Some Observations

Sino-Nepalese Trade which had traditionally been confined to overland trade between the people of Nepal and Tibet region of China had, over the years, been extended to the field of overseas trade between the two Governments. Yet the barter trade between the local people still constituted a substantial proportion and this had been augmented by various agreements between the two governments. Despite many agreements between China and Nepal, the volume of trade had not shown any marked increase in these periods. The total trade flow between the two countries during 1956 to 1962-63, and 1974-75 to 1978 was estimated to be of the order of Nepali Rs. 379,839 export and Rs. 110,368 import (see Table 2 at the end of this chapter).²⁸ And when compared to the

volume of Indo-Nepalese trade, it almost looks non-existent. Over 90 per cent of Nepali trade is with India compared to less than 1 per cent with China.²⁹

Thus, despite its best efforts, China had not exactly succeeded in offsetting the Nepalese dependence on India. From an analysis of the triangular relations concerning trade activities, it has been observed that Nepal has utilized its strategic location as a buffer between the two. Powers to a great extent to extract concessions from both China and India. Particularly, India had, time and again, announced relaxations and concessions to Nepal just to keep this small Himalayan Kingdom at its periphery. India had compelling reasons to do so because Nepal's closeness to China would have threatened its security. It had been noted that, during the Sino-Indian hostility period in the early sixties, exports from India were re-exported to Tibet to augment the Chinese military preparations, and Nepal had to ban on 6 December 1961 the export of certain strategic materials like iron rods, iron bars, iron sheets, cement, petrol, kerosene and coal. The Chinese were known to be encouraging the smuggling of these items into Tibet by offering high prices.³⁰

From the small volume of Sino-Nepalese trade and the importance that the Chinese propaganda machinery gives to its relations with Nepal, it was obvious that the interests of the Chinese in such economic transactions were political and strategic rather than economic.

CHINESE AID PROGRAMME IN NEPAL

Chinese Foreign Aid : General Features³¹

In the beginning, Chinese foreign aid programme, was confined to the fellow communist countries. Aid to non-communist developing countries was begun in 1956. Given the fact that China itself had been deeply in debt, and that half the countries receiving Chinese aid had per capita national products roughly equal to, or exceeding that of China, there was no logical economic reason for China to mount a foreign aid programme. Yet the aid commitments to foreign countries during the period 1953 to 1965 totalled more than 2 billion dollars.³² Even during years of domestic economic difficulty, the foreign aid programme seemed not to have declined significantly. During the economic crisis of 1961, aid

commitments were extended in a larger amount than ever.³³ The Chinese foreign aid programme is primarily politically motivated, designed to promote Chinese influence. This, however, does not rule out the possibility of long-run commercial gain. In fact, these have been the unexceptional interests of the countries engaged in the task of assisting the less developed countries, euphemistically called "aid", to come off their economic slumber. The Chinese foreign aid programme, though similar with the programme of other foreign countries in this respect, exhibited some unique features.

Quite a substantial amount of China's aid was in the form of donations, technically described as 'non-repayable loans'. Between 1956 and 1973, China gave a total of US \$ 309 million as donation to six countries each, in Africa and Asia and to two countries in the Middle East.³⁴ The African countries received US \$ 30.6 million, the Asian countries, US \$ 257.6 million, the near and Middle Eastern countries, US \$ 21 million. In this respect Asia took precedence with 23.6 per cent of all loans offered to the seven Asian countries (US \$ 1,089 million) consisting of loans.³⁵ The country profiting most was Cambodia all of whose loans were non-repayable. The second country benefited by donations was Nepal, 35 million US dollars, of whose Chinese loans were donations³⁶ (see Table 6 at the end of this chapter).

The major share of China's economic aid loans are without interest. Added to this is the fact that her terms of repayment are more favourable than those granted by any other country, capitalist or Communist. In the case of relatively large loans, China has made it a habit to offer the recipients a period of grace of 10 years, beginning on completion of the economic aid project in question. Only after the lapse of this period does repayment begin; the instalments usually being distributed over 20 years.³⁷

Another unique feature consists of the conditions China has made for the remuneration of Chinese aid personnel working in foreign countries. All Chinese economic aid agreements contain a clause that Chinese technicians and workers shall be paid in accordance with the standards of the receiving country. As the standard of living in most developing countries is low, the cost factor is thus reduced considerably. It is, therefore, fairly safe to assume that the expenses on salaries and wages in a Chinese

economic aid project will amount to far less than half the costs arising for the recipient countries when comparable economic aid is offered by capitalist countries or communist countries other than China.³⁸

China, of course, has given loans to some countries with an interest rate of 2.5 per cent. But the proportion of such loans in the total loans given by China is rather insignificant. Of the US \$3,384.4 million total aid promised by China by 1973 only US \$70.2 million were loans with interest. The greater part of the offered loans by China, viz., US \$1,643 million (or 48.8 per cent), went to 29 countries in Africa. Second comes Asia where seven countries received a total of US \$1,089 million (32 per cent). The centres of gravity in Chinese aid pattern are marked by rail and road communications projects on the one hand and medium and small scale projects on the other (see Table 6 at the end of this chapter). This was so because China did not have the proper technical expertise to foster basic heavy industry in these countries. Till date, China has only set up one Heavy Machine Factory at Taxila in Pakistan. Added to this was the well-thought out policy that small scale projects would have immediate bearing on the economy of the recipient country, and, hence, would earn the goodwill of that country.

One noteworthy feature about the financing of these Chinese-aided projects is that China does not finance them through hard currency, obviously because of its limited foreign exchange resources. China followed the Soviet model of financing through local currency and that currency is acquired from the proceeds of the sale of Chinese consumer goods in the Nepalese market. The repayment from the recipient country is also accepted through that country's exports.

Given this backdrop of the characteristic features of the Chinese foreign aid pattern, we would analyse the nature of China's aid to Nepal.

Aid Agreement with Nepal

(See Table 7 at the end of this chapter)

China's aid programme in Nepal started in 1956, the year in which China inaugurated its policy of giving aid to non-communist developing countries in contrast to the original policy of advancing such assistances to fraternal communist countries. On 7 October

1956, during the then Nepalese Premier's State visit to China, Beijing agreed to offer Nepal donation worth 60 million in Indian rupees (US \$ 12.7 million) over a period of three years.³⁹ One-third of this was a cash grant, to be paid in two instalments in 1957 and 1958, and the remaining was an unsecured loan. The unique feature of this aid was that Nepal was given complete freedom of utilizing the money and commodities.⁴⁰

Subsequently, China altered in cash the first instalment of its aid amounting to 10 million rupees in February 1957. Instead of spending this amount on the stipulated purpose of setting up Chinese-aided projects, like cement factory and paper mill, this amount was spent by the Nepalese Government on Indian and American aided projects. Similarly, the second instalment of 10 million rupees, as provided in 1959, was spent by Nepal in tiding over the persistent economic crisis resulting from fluctuations in its currency value.⁴¹

On 21 March 1960, B.P. Koirala's Government signed an aided agreement with China. Under this agreement, covering three years, China agreed to provide Nepal a grant of 100 million in Indian rupees (US \$21.2 million).⁴² This new agreement differed from its predecessor in that it was earmarked for technical assistance to Nepal like equipment, machinery and technical advice.

It was specified that the travel expenses of the Chinese experts and technicians from and back to China as their salaries during the period of work in the Kingdom would be borne by the People's Republic of China, but their living expenses during their period of work in Nepal were to be paid from the aid amount. It was also stressed that the living standard of the Chinese personnel would not exceed the level of that of their American and Indian counterparts.⁴³ On 15 October 1961, China again agreed to donate £ 3.5 million (US \$ 9.8 million) to Nepal for the construction of the Kodari-Kathmandu road.⁴⁴ Thus, a common characteristic of all these three agreements was that the aids were in the form of donations and were allowed to be spent according to the recipient country's wish. This became very attractive to Nepal, for the aids she was receiving from other countries, like India and the United States, though massive in comparison to the aid given by China (see Table 8 at the end of this chapter), were conditional and in the form of loans.

On 21 December 1966, China entered into another agreement with Nepal to give interest-free loan of Nepalese rupees 150 million (US \$20 million), for the period commencing on 21 December 1966 and ending on 31 December 1977.⁴⁵ On 18 November 1971 China agreed to give an interest-free loan of US \$35 million (estimated).⁴⁶

CHINESE AID PROJECTS IN NEPAL

(See Table 9 at the end of this Chapter)

The Kathmandu-Kodari Road : (Arnika Road)

The Chinese participation in the aid projects in Nepal started with signing of the agreement for the construction of the Kathmandu-Kodari road on 15 October 1961 by the Chinese Foreign Minister, Chen Yi and Dr. Tulsi Giri, the Nepalese Minister for Foreign Affairs, Home, Transport, Works and Communications. The road was proposed to link China's Tibet area with Kathmandu in Nepal.⁴⁷

The idea of linking Tibet with Nepal was first mooted when the Chinese Premier Zhou Enlai visited Nepal on 26 April 1960.⁴⁸ During his visit the Chinese Premier under-scored the cultural and commercial intercourse between China and Nepal in ancient times and emphasized the need of linking Tibet with Nepal to further the economic and trade intercourse between the two countries.⁴⁹ Concrete talks for the construction of Kathmandu-Kodari road, however, were started in October 1961 when King Mahendra visited China and an agreement was signed.⁵⁰

China offered to spend £3.5 million on the proposed 80-mile black-top all-weather road linking Lhasa with Kathmandu through the Kodari pass on the Nepal-Tibet border. Starting from Kathmandu the road was planned to go up to Benepa, at the North Eastern end of the greater Kathmandu valley after touching the ancient town of Bhadgaon.⁵¹ Work on the project began on 24 September 1963 at half a dozen points. Official sources indicated that about 3,000 Nepalese workmen had been employed to complete the preliminary work.⁵² The road was opened to single file three-ton truck traffic on 25 December 1964. A supplementary agreement was signed on 30 June 1966 for metalling the surface of the road and it was agreed that the additional cost of metalling the surface would be met out of the £ 3.5 million aid China⁵³ had

agreed to give to Nepal in October 1961. The road was completed six months ahead of schedule and was formally inaugurated by King Mahendra on 26 May 1967.⁵⁴

The highway replaced the old mule track through which the traditional trade between Tibet and Nepal used to flow. Besides facilitating the movement of men and materials within the country, the road helped in the direct and quick communication and transportation between Nepal and China through Lhasa. It also brought the remote hill region of Nepal much closer to the rest of the Kingdom. Besides, the road also served strategic and political objectives, though the strategic importance was never explicitly highlighted by China. Strategically, the road linked the Nepalese capital with Kodari, a Tibetan village on the Sino-Nepalese border. Kodari is further linked with Beijing through Lhasa and also with a whole network of strategic roads in Tibet.

The 104 km. road had four major bridges, 19 medium and minor bridges and 477 culverts. The breadth varied from 5.5 to 7.5 meters. 77.45 km. of its length is covered with a 4 cm. deep layer of bitumen and the rest 26.55 km. is stone work.⁵⁵ The design load of the bridges and culverts on the road was 17 tons, much more than that of the Tribhuvan Rajpath built with Indian assistance and what is normally needed for a commercial traffic and is quite sufficient for the movement of the troops and military equipment used in the mountain warfare.⁵⁶ The speed, interest and skill with which the project was executed further confirmed these motives.

It seems that the Chinese gave considerable attention in persuading Nepal to agree to such a project. This becomes evident from the fact that China herself conceded that the then Nepalese Prime Minister, B.P. Koirala rejected the project at the first instance. Koirala pointed out that any such project was not of much economic value for Nepal but would be of strategic advantage only to the Chinese.⁵⁷ The Chinese, however, succeeded in getting the acquiescence of King Mahendra during his visit to China in 1961. In the talks between the Chinese leaders and the King, it was also clearly revealed that the Chinese took all the initiative and the King was on the receiving side. From all these facts, one would say that it was the strategic objective which reigned supreme in the Chinese mind in offering such a project.

The potential strategic importance of the road to the Chinese

could be deduced from the extreme urgency shown by China for completing the construction within the stipulated period of five years.⁵⁸ An important feature of Chinese foreign aid programme, which manifested during the construction of the road, was that China provided consumer goods to Nepal to meet the local cost of construction.⁵⁹ In fact, China was the first country to provide consumer items to meet the local cost of the construction of foreign-aided projects out of the proceeds of the sales of such goods. This served China's purpose in two ways: first, it earned Nepal's goodwill by providing consumer goods at a fantastically low price,⁶⁰ and secondly, it reduced Nepalis dependence on India for such comparable goods.

The opening of the Kathmandu-Kodari road caused considerable concern in the Indian Parliament. On 3 July 1967, Lok Sabha expressed a general feeling that the road posed a serious threat to India's security and any complacency in the matter on the part of the government would be fraught with grave consequences.⁶¹ The Soviet Union also expressed similar opinion on the opening of the road. On 13 July 1967, the Soviet journal *Literaturanaya Gazeta* stressed that the road had military and strategic importance. In an article titled "Mao's Shadow Over the Himalays", the author of the article, Andronar, observed that the highway was only a pretext for the Chinese to carry out espionage. It further noted that the five hundred Chinese specialists on the road project were obliged to pass information of a geological and topographical nature.⁶²

KATHMANDU-BHAKTAPUR ROAD

On 27 September 1968, China concluded an agreement to build a road from Kathmandu to a place west of Bhaktapur-Kodari road.⁶³ Surveying commenced in October 1968⁶⁴ and the 16-kilometre long road was completed in 1970.⁶⁵

KATHMANDU-POKHARA (PRITHVI HIGHWAY)

According to a protocol, signed on 29 August 1965, China agreed to construct a 176-km. long road linking Kathmandu with Pokhara.⁶⁶ The road starts at Naubise, located 20 km. from Kathmandu at the road to the Indian frontier. It follows the left bank of the Trisuli river, in western direction, to Tribeni Ghat. Hence it proceeds in north-western direction, following the right bank of Marsyandi Khora river to Chyanglitar where it turns

westward to Khairani and then again to northwest, following the left banks of the Trisuli river to the Pokhara valley.⁶⁷ Surveying of the road started in November 1965.⁶⁸ The number of bridges in the course of the 176-km. road total 29, the longest being (a) the one across the Madi river at Damauli, and (b) the one across the Trisuli river at Manglingpur.⁶⁹ The Chinese technicians engaged in this project had previously constructed the Kathmandu-Kodari road.⁷⁰ By July 1969 the first 74 km. of the road was ready to be used with jeeps,⁷¹ and was completed in January 1974.⁷²

Ring Road

Under an agreement, signed in Kathmandu on 20 March 1973, China agreed to build a ring road around the Kathmandu valley connecting Patari and Bhaktapur.⁷³ The ring road was to circularly link India-built Tribhuvan Rajpath and the Chinese-built Kodari highway. The 30-km long road project costing about (\$4.95 million) 50 million Nepalese rupees was to be financed by China.⁷⁴ The ring road would be 10 metres wide with 2½ meters foot-path on both sides. It would have seven major bridges and several culverts. Beginning from Chabahil the ring road would take a full circle touching points like Bansbari, Gangabu, Swayambhu, Neikap, Tribhuvan University Campus area, Jawalakhel, Satdobato, Koteswor and the Tribhuvan airport. The main advantage from the road would be easing up of the daily increasing traffic problem in the capital.⁷⁵ The road was completed in 1977 with nine small and medium size bridges.⁷⁶

Pokhara-Surkhet Road

On 2 February 1975, new aid agreement was signed by China and Nepal according to which China agreed to build 407 km. Pokhara-Surkhet midhill highway in West Nepal.⁷⁷ The highway, expected to cost Rs. 90 crores (U.S. \$ 80 to 85), would have 11 big and over 300 medium size bridges and more than 2,000 culverts was to pass through nine districts *via* Dana, Dhorpatan, Rukunkot, Jajarkot and Dailekh.⁷⁸ China agreed to provide engineers and technical personnel and road building machinery. It was also agreed that China would supply general commodities worth several crores of rupees. The proceeds from the sale of these would be used for meeting of the construction cost.⁷⁹

Leather and Shoe Factory

China built the first leather and shoe factory of Nepal⁸⁰ at Bansbari near Kathmandu.⁸¹ Work for the project was started in May 1964⁸² and was completed in June 1965.⁸³ The factory, with an annual capacity of 21,000 pieces of leather and 30,000 pairs of shoes, was built at a cost of 7 million Nepalese rupees.⁸⁴ According to the report, the factory was reported to be producing 300 pairs a day.⁸⁵ The capacity of the factory was raised later and, in 1972, it produced 31,000 pieces of leather and 66,000 pairs of shoes. The hides used for leather making are from Nepal. Ninety per cent of the sole leather is produced for export.⁸⁶ By making use of scrap leather the factory in the early seventies began to produce glue, sheath, belts, and other commodities, thus slashing production cost and increasing the variety of products.⁸⁷

Brick and Tile Factory

China constructed a Brick and Tile Factory at Harisiddhi in Lalitpur, five kilometres away from Kathmandu, at a cost of 15 million Nepalese rupees.⁸⁸ This fund was met out of the unutilized aid of the Janakpur-Biratnagar highway⁸⁹ from which China withdrew in face of Indian protest. Work for the factory started in October 1965,⁹⁰ and the factory, with an annual capacity of 20 million bricks and 0.5 million tiles,⁹¹ was inaugurated on 12 March 1969.⁹² The factory came fully under Nepali management.⁹³ The factory produced nearly 30 million red bricks in the fiscal year of 1971-72, while the output of red tiles doubled, as compared with the previous year.⁹⁴ The coal requirement of the factory was met by imports from India.⁹⁵ On 14 March 1972, letters were exchanged between China and Nepal regarding the expansion of the factory.⁹⁶ On 5 July 1974, an agreement was signed in Kathmandu between Nepal and China according to which China agreed to set up a second brick and tile factory at Surya Vinayak, 15 kilometres from Kathmandu.⁹⁷ The agreement followed a comprehensive survey of the prospects for the factory by a Chinese team. The team had arrived some months earlier in accordance with an agreement reached in Beijing between Nepal and China on 12 November 1972.⁹⁸ With an annual capacity of 20 million bricks the factory was to be constructed in an area of 14 hectares of land.⁹⁹ The agreement also provided that China would supply the required machines and equipment and would

provide training facilities to Nepalese technicians.¹⁰⁰

Hydroelectric Station

The Sunkosi hydroelectric station is an important gift of China to Nepal. Protocols for the project were signed on 25 May 1964¹⁰¹ and on 25 May 1967.¹⁰² Surveying commenced in June 1967¹⁰³ and work for the project started towards the end of 1968¹⁰⁴. The power station, with a capacity to generate 10,000 kw¹⁰⁵ of power, was completed on 24 November 1972.¹⁰⁶ China also constructed overhead transmission line from Sunkosi to Kathmandu.¹⁰⁷ By the Protocol of 24 December 1970, China agreed to provide financial and technical assistance in setting up overhead power transmission lines from Sunkosi Chautara and Barahbise.¹⁰⁸

On 8 July 1976, China and Nepal signed another agreement under which the former will give free grant equivalent to about \$4 million for the construction of a small dam across the Seti river near Pokhara in Western Nepal.¹⁰⁹ The proposed hydel project would generate 1,000 kw. of power and facilitate irrigation for 1,200 hectares of land in the Akhor valley.¹¹⁰

Mention should also be made of the Chinese withdrawal from the Kaula irrigation project in 1965.¹¹¹ A despatch of 6 April 1965 said that China withdrew from the Kaula irrigation project and the East-West highways project because of the problems of finding funds and technical knowhow.¹¹² The real reason behind the withdrawal from this project, however, was to avoid complications that would have resulted from third party participation in a project across, strictly speaking, an Indo-Nepalese river, i.e., the Kaula.

Warehouses and Town Hall

China has also constructed for Nepal two warehouses, one in Kathmandu¹¹³ and the other at Birgunj,¹¹⁴ and a townhall in Kathmandu.¹¹⁵

Both the warehouses were started in 1965 and completed in 1967, and both had equal floor space of 7,000 sq. metres.¹¹⁶ The town hall was inaugurated on 11 November 1970.¹¹⁷

Trolley-Bus Project

On 15 March 1972, China agreed to instal a 13 km. long trolley-bus service between Kathmandu and Bhāktapur.¹¹⁸ The

cost of the project was estimated at 2.3 million Nepalese rupees¹¹⁹ and China agreed to provide 22 trolley buses for the services. Work for the project was started on 29 December 1973.¹²⁰ In 1974 it was decided to extend the trolley bus line by 2 km. up to the Tripureshwar,¹²¹ and the same was completed in December 1975.¹²²

Cotton Textile Mill

After the failure of the Nepal-India Trade and Transit talks in 1971,¹²³ the Government of Nepal began secret talks with the Government of China with regard to the possibility of Chinese assistance in the establishment of certain basic industries including cement and textile and pharmaceutical plants in Nepal.¹²⁴ On 24 January 1974, it was announced in Kathmandu that China would help Nepal set up its first medium size cotton textile mill at Hetauda, about 70 km. from Indo-Nepalese border.¹²⁵ The project formed part of a technical and economic co-operation agreement, signed in Beijing thirteen months ago.¹²⁶ The mill with 15,000 spindles and 480 looms¹²⁷ would produce about 10 million metres of cloth, including shirting and saree materials annually and would consume about 23,000 tons of raw cotton.¹²⁸ Work for the factory began on 1 January 1976.¹²⁹ The factory went on trial production from March 1978 for which cotton was imported from Pakistan.¹³⁰ From the second week of January 1978, several flights by Pakistan International Airlines delivered some 200 tonnes lintals needed for trial production at the Rs. 17 crores textile factory.¹³¹

Cotton Cultivation

On 16 July 1971, China signed an agreement with Nepal to carry out feasibility survey for cotton cultivation in the terai region of Western Nepal.¹³² However, in 1973, China wound up its nearly two-year old cotton growing experiment.¹³³ The project had evoked strong protests from India because of its proximity to the Indian border.¹³⁴ While no definite reason was available for the closure of the project, the experiment had not resulted in a great success. The controversial project started when Nepal asked Chinese experts to carry out the cotton growing feasibility survey at Butwal hardly 25 km. from the Indian border,¹³⁵ in Nepalese Terai. This was the first incident of Chinese presence so near to Indian borders, indicating a breach of the Nepalese assurance given by Nepal in 1965 that the Chinese would

not be allowed in the Terai region. However, the Nepalese Government did not budge from its decision despite the "grave concern" expressed by the Indian External Affairs Minister, Sardar Swaran Singh, during his visit to Nepal in September 1971.¹³⁶ In fact, the Nepalese Prime Minister, K.N. Bista defended his government's decision, saying that Indian fears were without justification and that India should "appreciate the need of other sources of economic assistance to Nepal."¹³⁷

Survey on Mineral Deposits

Apart from the cotton cultivation project, on 27 October 1971, China also signed up with Nepal another controversial agreement, and in the face of strong protest from India to undertake a comprehensive geological survey in the Himalayan Kingdom to find deposits¹³⁸ of iron, phosphorite, coal and petroleum. The agreement was signed barely two hours after Nepal and India had arrived at an understanding on irrigation and power problems.¹³⁹ Sixteen Chinese experts were already in the capital. Under the agreement of 27 October, these experts would form two teams, a seven member team for petroleum survey and the other nine for iron, phosphorite and coal.¹⁴⁰

Pokhara Water Conservatory and Irrigation Project

By the agreement, signed on 8 July 1976 by the Nepalese Finance Secretary Mr. Bhasat Bahadur Pradhan and the Chinese Charge d'Affaires, Mr. Li Nuan-chin, China agreed to build a water conservatory and irrigation project in Pokhara.¹⁴¹ China agreed to provide construction materials and equipment, engineering and technical personnel and a certain amount of commodities the sales proceeds of which would be used to meet the local cost of the project.¹⁴² The agreement envisaged the construction of head works on the Seti Grandaki, a trunk canal, branch canals and a 1,000 kw hydroelectric power station on the trunk canal.¹⁴³

Chinese Aid Programme in Nepal : Analytical Perspective

Chinese aid mission as it all started in Nepal in 1956 could as well be described as a gesture rather than well-articulated programme with the sincere intention of implementation behind it. For one, China in the fifties never had the ideological inclination nor technological and fiscal capability to support any large scale

aid programme. All that was there was only a political expediency to win the goodwill of other nations-big or small, thereby establishing the credential of China in world politics. During this period of the fifties, China sincerely wanted to woo India and any large scale aid offensive in Nepal would have run counter to this objective. The manner in which the aid promises given in 1956 were implemented also give credence to the above argument. Till 1962, China did not make any sincere effort to construct the projects it promised, except, of course, the Kathmandu-Kodari road project, which was of vital political, economic and security interest to China. By 1961, China had withdrawn from the promised cement and paper plant, presumably because the expectation of getting the technology for plants from Eastern Europe did not hold any prospect.

It was only after 1962 that China made any serious effort to fulfil its promises. The one compelling reason for that was to counter the economic domination of India, with which China had by now deteriorated its relationship beyond reparation. The Sino-Indian War of 1962 had prompted both the countries to maintain a smooth relationship with the strategically situated buffer. But since China did not have the capability to match the volume of Indian aid programme in Nepal it sought different means to offset the Indian influence. It made its aid offers more attractive by offering better terms like free grants, interest free loans with a long period of repayment, payment of the salaries of the Chinese personnel working in Nepal by China and equal standard of living for the Chinese experts and their Nepalese counterparts. All this was done to mark a difference between the Chinese aid programme and the aid programmes of the other countries. Added to this, the continuing propaganda tactics that Beijing carried on to prove its populist and pro-people intentions, went a long way in influencing the Nepalese mind in favour of China and against India.

The nature of the projects that China undertook also made China more popular in Nepal than India. Whereas India had undertaken long-term projects with the intention of developing the economic infra-structure of the country, China emphasized short-run, low capital-consuming projects that would have an immediate impact on the local economy making the Chinese efforts more visible. Among the projects that China undertook, a considerable portion was road construction. The road projects endeared the

Chinese to the Nepalese as they eased Nepal's communications problem. The other projects like brick and tile factory, leather and shoe factory, warehouses, cotton textile factory, etc., were all in small and medium sector. The noteworthy feature about the financing of these projects was that China did not finance them through hard currency, obviously because of its limited foreign exchange resources. China followed the Soviet model of financing through local currency and that currency was acquired from the proceeds of the sale of Chinese consumer goods in the Nepalese market. The repayment was also accepted through Nepal's exports. This policy offered China an assured market for the future.

The type of project that China undertook in Nepal revealed the implicit motive of China to offset Indian influence. It offered to construct such projects-like cotton textiles, leather and shoe factory—to produce things which Nepal had traditionally been importing from India.

It is conceded that Chinese aid programme since 1963 displayed steady growth. This would be evident from tables given at the end of this chapter. In 1969, China became the second major donor for Nepal, and since that year its position as a aid-giver to Nepal had alternated between second and third. But the foremost aid—giver to Nepal had always been India and the volume of Chinese assistance to Nepal made a poor comparison. In 1969 itself, when China became the second major donor, its volume of assistance was approximately one-third of the Indian assistance. In fact, the amount of China's aid had never become more than fifty per cent of the Indian amount, and when the total assistance given by both the countries since 1956 is compared, China's record was very meagre. Despite this, China through its aid programme had earned an amount of goodwill in Nepal much more than the volume of aid it gave. Nepal regarded Chinese aid as completely without any string and as the only country capable of offsetting Nepal's overdependence on India. As far as offsetting Indian influence is concerned, it would hardly be maintained that China had succeeded in achieving it. But, as regards the Chinese intention of cultivating a pro-Chinese and anti-Indian Nepalese-mind, the efforts of China met with a measure of success.

TABLE I

China : Balance of Trade¹ (In Million US Dollars)

	<i>Total trade</i>				<i>Communist Countries</i>			<i>Non-communist Countries</i>				
	<i>Total</i>	<i>Exports</i>	<i>Imports</i>	<i>Balance</i>	<i>Total</i>	<i>Exports</i>	<i>Imports</i>	<i>Balance</i>	<i>Total</i>	<i>Exports</i>	<i>Imports</i>	<i>Balance</i>
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>	<i>11</i>	<i>12</i>	<i>13</i>
1950	1,210	620	590	30	350	210	140	70	860	410	450	-40
1951	1,900	780	1,120	-340	975	465	515	-50	920	315	605	-290
1952	1,890	875	1,015	-140	1,315	605	710	-105	575	270	305	-35
1953	2,295	1,040	1,255	-215	1,555	670	885	-215	740	370	370	0
1954	2,350	1,060	1,290	-230	1,735	765	970	-205	615	295	320	-25
1955	3,035	1,375	1,660	-285	2,250	950	1,300	-350	785	425	360	65
1956	3,120	1,635	1,485	150	2,055	1,045	1,010	35	1,065	590	475	115
1957	3,055	1,615	1,440	175	1,965	1,085	880	205	1,090	530	560	-30
1958	3,765	1,940	1,825	115	2,380	1,280	1,110	180	1,385	660	725	-65
1959	4,290	2,230	2,060	170	2,980	1,615	1,365	250	1,310	615	695	-80
1960	3,990	1,960	2,030	-70	2,620	1,335	1,285	50	1,370	625	745	-120
1961	3,015	1,525	1,490	35	1,685	965	715	250	1,335	560	775	-215
1962	2,670	1,520	1,150	370	1,410	915	490	425	1,265	605	660	-55
1963	2,775	1,575	1,200	375	1,250	820	430	390	1,525	755	770	-15
1964	3,220	1,750	1,470	280	1,100	710	390	320	2,120	1,040	1,080	-40
1965	3,880	2,035	1,845	190	1,165	650	515	135	2,715	1,385	1,330	55
1966	4,245	2,210	2,035	175	1,090	585	505	80	3,155	1,625	1,530	95
1967	3,915	1,960	1,955	5	830	485	345	140	3,085	1,475	1,610	-135
1968	3,785	1,960	1,825	135	840	500	340	160	2,945	1,460	1,485	-25

(Contd.)

TABLE 1 (Contd.)

1	2	3	4	5	6	7	8	9	10	11	12	13
1969	3,895	2,060	1,835	225	785	490	295	195	3,110	1,570	1,540	30
1970	4,340	2,095	2,245	-150	860	480	380	100	3,480	1,615	1,865	-250
1971	4,810	2,500	2,310	190	1,085	585	500	85	3,725	1,915	1,810	105
1972	6,000	3,150	2,850	300	1,275	740	535	205	4,725	2,410	2,315	95
1973	10,300	5,075	5,225	-150	1,710	1,000	710	290	8,590	4,075	4,515	-440
1974	14,080	6,660	7,420	-760	2,435	1,430	1,010	420	11,645	5,230	6,415	-1,185
1975	14,575	7,180	7,395	-215	2,390	1,380	1,010	370	12,185	5,800	6,385	-585
1976	13,255	7,250	6,005	1,245	2,345	1,240	1,105	135	10,915	6,015	4,900	1,115
1977. . .												
1978. . .												

*Dates are rounded to the nearest \$5,000,000. Because of rounding components may not add to total shown.

Source : Chinese Economy Post-Mao, A Compendium of Paper's Joint Economic Committee, Congress of the United States, vol. 1, 9 November 1978, p. 733.

TABLE 2

China's Trade with Nepal 1956-1978 (In Million Nepali Rupees)

Year	Exports to Nepal	Imports from Nepal
1956-57	2.036	1.967
1957-58	2.818	0.301
1958-59	1.242	1.349
1959-60	0.444	2.829
1960-61	0.565	2.760
1961-62	1.328	4.753
1962-63	1.643	5.075
1963-64 to		
1973-74	n.a.	n.a.
1974-75	121.301	23.580
1975-76	48.012	29.094
1976-77	68.437	16.493
1977-78	132.012	22.167

Source : Investment Promotion and Publicity Division, Nepal Industrial Development Corporation, Kathmandu, Nepal, *Statistical Abstracts*, October-November 1967, p. 7; Nepal Trade Promotion Center, *Nepal : Overseas Trade Statistics, 1976-77* (Kathmandu, 1977), pp. 109 & 120; 1977-78 (Kathmandu, 1978), pp. 143 & 154; Nepal Rashtra Bank Research Department, *Monthly Report*; Main Economic Indicator January 1980 (Kathmandu), p. 4.

TABLE 3

Nepal's Commodity Exports to China,* 1974-75 to 1976-77
(In Million Rupees)

Commodity	1974-75	1975-76	1976-77
Goat skins	—	0.648	1.739
Hides	—	1.071	1.830
Linseed	6.054	14.911	4.008
Medicinal herbs	0.210	0.131	—
Raw Jute	17.316	12.332	—
Tobacco	—	—	8.853
Others	—	0.001	0.063
Total	23.580	29.094	16.493

*Excluding overland trade.

Source : Nepal, Trade Promotion Centre, *Overseas Trade Statistics of Nepal 1976-77 (Provisional)* (Kathmandu, n.d.), pp. 109 and 119-20.

TABLE 4

Nepal's Commodity Imports from China, 1974-75 to 1976-77
(In Million Nepali Rupees)

<i>Commodity</i>	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>
Textiles (synthetic)	1.915	0.648	—
Textiles (non-synthetic)	37.474	11.984	7.822
Readymade garments	5.146	1.647	0.184
Bus, truck and parts	0.516	1.800	0.174
Bicycle and parts	0.592	0.831	—
Machineries and parts	0.654	2.108	30.078
Construction materials	—	1.190	1.666
Asphalt pitch	1.212	0.656	—
Cement	8.544	10.282	3.865
Steel and their products	1.529	1.011	0.790
Aircraft spare parts	0.010	1.209	—
Office equipments and stationary	12.422	3.339	2.309
Medical equipments	—	1.472	0.008
Chemicals	0.835	0.720	0.823
Soaps	1.557	1.190	0.331
Shoe and sandals	0.600	1.518	5.493
Iron rods and sheets	3.990	0.905	—
Personal goods	0.090	1.084	0.182
Others	44.215	4.418	14.712
Total	121.301	48.012	68.437

*Excluding overland trade.

TABLE 5
Chinese Loans to Nepal, 1956-1977

<i>Date of agreement</i>	<i>Amount of loan in million rupees</i>	<i>Amount of loan in million US dollars</i>	<i>Nature/terms of payment</i>	<i>Purpose</i>
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
7 October 1956	60	12.7	One-third as financial aid to be paid in two instalments in 1957 and 1958, two-thirds in goods donation, only partially utilized	
21 March 1960	100	21.2	donation	
5 September 1961	...	5.4	\$ 2.1 million in cash and \$ 83.3 mn in commodities	To pay local costs of Chinese aid
15 October 1961	...	9.8	donation	For construction of Lhasa-Kathmandu road to be completed by 1966

(Contd.)

TABLE 5 (Contd.)

1	2	3	4	5
21 December				
1966	150*	20.0	interest-free; payable between December 1966 and December 1977	
1971	...	6.5	annual aid contribution	
18 November				
1972	300*	35.0**	—	Rs. 300 million economic and technical cooperation agreement covering five projects, including an electric trolley bus system and Narayangarh-Gorkha highway
8 July 1976	...	4.0	donation	For construction of small dam across Seti river near Pokhara, Western Nepal

*In Nepali rupees.

**Estimates.

TABLE 6

The Chinese Aid Projects (According to Branches and Stages)

	<i>Completed</i>	<i>Under Construc- tion*</i>	<i>Planned</i>
Heavy Industry	1		
Mining	2		1
Oil Industry	1	1	
Light Industry	63	9	28
Textile Mills	13	9	5
Broadcasting Stations	9		
Buildings	31	4	6
Power Stations Hydroelectric	7		5
Power Stations Thermoelectric	2		5
Electrification	3		4
Transport Roads	12	8	4
Transport Railwaylines	1	1	2
Transport Bridges	11	2	2
Transport Miscellaneous	2	1	1
Medical Aid Medical Groups	4	10	
Medical Hospitals	7	3	
Medical Aid Pharmaceutical plants	3		
Agriculture	16	9	13
Irrigation and water supply	10	4	6
Other Projects	6		11
Total	206	61	90

*Including ten projects, which had not been completed when economic aid was discontinued in Burma, Ghana and Indonesia.

Source : Woolfgang Bartake, *China's Economic Aid* (Delhi, 1975), p. 204.

TABLE 7

Agreements Signed between China and Nepal, 1955-1978

<i>1</i>	<i>2</i>
1 August 1955	Agreement on establishment of diplomatic relations signed in New Delhi.
20 September 1956	Agreement on friendly relations and trade and intercourse.
7 October 1956	Agreement on economic aid providing for Chinese donation of US\$ 12.7 million.
21 March 1960	Agreement on economic aid providing for Chinese donation of US\$ 21.2 million.
21 March 1960	Boundary agreement.
28 March 1960	Treaty of Peace and Friendship.
5 September 1961	Protocol to the agreement on economic aid of 21 March 1960.
5 October 1961	Boundary treaty.
15 October 1961	Agreement on construction of Kodari-Kathmandu road providing for Chinese donation of £ 3.5 million (US\$ 9.8 mn).
April 1961	Protocol on Chinese donation of 200,000 yuan for Biratnagar fire victims.
14 August 1962	Exchange of notes on the choice of nationality, trans-frontier pasturing by inhabitants of certain border areas.
13 January 1963	Protocol for the construction of the Kathmandu-Lhasa Highway.
20 January 1963	Boundary Protocol.
27 April 1964	Supplementary protocol to agreement on economic aid of March 1960 and to protocol of September 1961 for construction of Dhalkewar-Ithari road, a bricks factory at Kathmandu and a warehouse at Birganj.
19 May 1964	Trade agreement.
25 May 1964	Protocol on construction of a hydroelectric station.
4 October 1964	Protocol on construction of irrigation

1	2
	projects.
11 October 1964	Cultural agreement.
November 1964	Agreement on construction of a barrage as part of Kamal irrigation project.
21 January 1965	Provisional agreement on direct postal exchange.
August 1965	Protocol on construction of Kathmandu-Pokhara road.
3 September 1965	Cultural agreement.
2 May 1966	Agreement on trade, intercourse, and related questions between Tibet Autonomous Region of China and Nepal.
30 June 1966	Supplementary agreement on maintenance of Kathmandu-Kodari road.
18 October 1966	Exchange of documents on conversion of 1956 and 1960 Chinese loans of Indian rupees 160 million to £ 12 million.
21 December 1966	Agreement on economic and technical cooperation providing for Chinese interest-free loan of US \$ 20 million for the period of 21 December 1966 to 31 December 1977.
14 March 1967	Contract on Chinese donation of 20,000 tonnes of rice.
25 May 1967	Protocol on construction of Sunkosi hydroelectric station.
26 March 1968	Protocol on prolongation of 1960 economic aid agreement until 1975.
28 May 1968	Trade agreement.
13 June 1968	Agreement between NCNA and National News Agency of Nepal on exchange of news.
27 September 1968	Protocol on construction of Kathmandu-Bhaktapur road.
13 September 1969	Red Cross Society of China gifts 1 million doses each of smallpox and tuberculosis vaccines to Red Cross Society of Nepal.
24 December 1970	Protocol on long distance transmission line

1	2
3 March 1971	from Sunkosi hydroelectric station to Chantara and to Brahbise. Protocol on repair and maintenance of Kathmandu-Kodari road.
16 July 1971	Exchange of letters on Chinese assistance for construction of bitumen infiltration pavement for Kathmandu-Pokhara Highway and cotton planting survey in Nepal.
October 1971	Trade agreement.
27 October 1971	Exchange of letters on survey of mineral deposits in Nepal.
14 March 1972	Letters of economic cooperation exchanged for Chinese surveys for the construction of a weekly bus project along the Kathmandu-Bhaktapur Highway and for the expansion of the Kathmandu brick and tile factory.
April 1972	Agreement for import of Rs. 17.5 million worth of goods from China by Nepal in the next six months.
October 1972	Contract for import of Rs. 11 million worth of goods from China by Nepal (Rs. 6.5 million to be imported in the form of commodity aid and the rest on payment of foreign exchange).
18 November 1972	Agreement on economic and technical cooperation under China agreed to provide a Rs. 300 million loan for the construction of Narayanghat Gorkha Road, installation of a trolley bus service between Kathmandu and Bhaktapur, a textile mill, and expansion of brick and tile factory.
26 February 1973	Exchange of letters on technical assistance providing for 25 Chinese technicians to work at Sunkosi hydroelectric station.
20 March 1973	Protocol on economic and technical cooperation on construction of 30 km.

1	2
28 March 1973	ring road in Kathmandu. Protocol on economic and technical co-operation on construction of Kathmandu-Makwanpur trolley bus service.
May 1974	Trade and payments agreement.
2 February 1975	Agreement for Chinese construction of the 407 km. Pokhara-Surkhet road, western Nepal (east cost Rs. 800-900 mn).
30 April 1976	Exchange of letters on a further 10 year extension of the China-Nepal agreement on trade, intercrouse, and related questions between Tibet Autonomous Region of China and Nepal.
8 July 1976	Agreement for free grant of about \$ 4 million for construction of a small dam across the Seti river near Pokhara, western Nepal.
15 September 1976	Parcel post surface mail begins between Nepal and China.
28 May 1978	Agreement on inspection, repair, and construction of damaged boundary markets and for drawing up a fresh boundary map on a larger scale.
31 August 1978	Civil air transport agreement linking Shanghai and Kathmandu by air.
1 October 1978	Agreement for the setting up of sugar and paper plants in Nepal for which feasibility studies have been completed.

TABLE 8

Chinese Economic Aid to Nepal, 1951-52 to 1977-78 (As Compared with Indian, Soviet, and US Aid—In Million Nepali Rupees)

Year	China	India	Soviet Union	United States	Others	Total
1951-52 to						
1955-56	—	70.018	—	24.951	—	94.969
1956-57	—	14.570	—	12.753	—	27.323
1957-58	—	9.605	—	48.473	—	58.078
1958-59	—	17.102	—	17.951	—	35.053
1959-60	32.135	18.450	—	56.225	18.530	125.340
1960-61	—	22.355	8.456	86.997	19.291	137.099
1961-62	n.a.	n.a.	n.a.	n.a.	n.a.	69.58
1962-63	3.2	13.600	15.000	46.800	5.100	83.700
1963-64	14.7	34.000	33.400	74.400	9.400	165.900
1964-65	12.14	62.736	0.463	65.530	0.174	141.047
1965-66	16.2	93.000	5.000	57.000	3.200	175.300
1966-67	24.583	77.633	4.875	34.926	0.219	142.236
1967-68	26.16	95.867	3.069	32.226	0.537	158.114
1968-69	46.87	126.185	3.800	86.949	0.432	214.245
1969-70	76.67	160.301	4.500	66.747	15.156	329.279
1970-71	47.17	125.362	21.750	59.734	35.666	270.685
1971-72	53.10	109.270	5.000	45.202	47.546	260.126
1972-73	34.2	94.8	2.500	38.6	34.2	204.300
1973-74	34.30	112.70	n.a.	31.85	18.77	—
1974-75	49.2	103.9	n.a.	84.7	112.7	350.5
1976-77	105.9	117.6	n.a.	42.8	99.2	365.5
1977-78*	67.0	113.2	n.a.	58.8	326.2	565.2

*Includes grants and loans but not technical aid.

Note: One characteristic of China's economic aid to Nepal is that it includes huge quantities of consumer goods, such as bicycles, clothing, household goods, etc., which are sold by governmental trading agencies in Nepal and the proceeds are used to finance part of the Chinese projects.

Source: Nepal Rastra Bank; Budget Speeches; Foreign Aid Division, Ministry of Economic Planning, HMG, Nepal, Kathmandu, Y.P. Pant, *Problems in Fiscal and Monetary Policy*, 61; Economic Survey Report, 1979-80.

TABLE 9

Chinese-Aided Projects in Nepal

Name of Project	Capacity length	Cost	Commencement	When commissioned/ inaugurated	Remarks
1	2	3	4	5	6
Roads and Highways(10)					
1. Lhasa-Kathmandhu road					Protocol signed 13 January 1963
2. Kathmandu-Kodari road	104 km.	NR86 mn. (Rs. 74 mn) (£ 2.3 mn)	June 1963	26 May 1967	Agreement signed 15 October 1961; protocol signed 9 March 1971. China agrees to repair all sections of road destroyed by floods and landalides; validity extended to 31 March 1973 by exchange of letters on 14 March 1972.
3. Kathmandu-Bhaktapur Highway	16 km.	n.a.	October 1968	1970	Protocol signed 27 September 1968.

(Contd.)

TABLE 9 (Contd.)

1	2	3	4	5	6
4. Kathmandu-Pokhara* road	176 km. NR (\$45 mn)	130 mn	November 1965	Under construction	Protocol signed in August 1965.
5. Pokhara-Westward road			May 1973		
6. Kathmandu-Valley ring road**	27.4 km. estimate Rs. 50 mn		1974	February 1977	Agreement signed 20 March 1973.
7. Pokhara-Surkhet Highway, Western Nepal	407 km. Rs. 900mn			1980	Agreement signed 2 February 1975; survey work began in 1979; construction work to begin in 1980 and continue till 1990.
8. Ithari-Dhalke-war road	170 km. Rs. 17.5 mn				China discontinued work at the request of the Nepalese Government (23 April 1965) because the project had not gone beyond the planning stage.
9. Janakpur-Biratnagar road, of the East-West Highway in Nepal Tarai bordering India					Agreement signed in 1963; China withdrew from the project in 1965.
10. Gorkha-Narayanghat Highway	60km.		March 1978		Became jeepable in February 1980; expected to be completed in fiscal year 1981-82.
Power And Transmission Lines (4)					
1. Hydroelectric station at Sunkosi river	10,000 kw	Rs. 70mn	end 1968	24 November 1972	Protocol signed 25 May 1967; letters exchanged on 26 February 1973 for Chinese technical assistance for maintenance; generated 90 mn kwh in 1972-74.
2. Overhead transmission line, from Sunkosi to Kathmandu			end 1968	1972	
3. Overhead transmission line, from Sunkosi to Chantara				planned	Protocol signed 24 December 1970.
4. Overhead				planned	

(Contd.)

TABLE 9 (Contd.)

1	2	3	4	5	6
	transmission line, from Sunkosi to Barahbise				
Warehouses (2)					
1. Kathmandu	floorspace 7,000 sq.m.	} NR 10.03 million for both	October 1965	September 1967	
2. Birganj	floorspace 7,000 sq. m.		October 1965	March 1967	
Miscellaneous (11)					
1. Leather and Shoe factory, Bansibari	21,000 pieces of leather; 30,000 pairs of shoes annually	NR 7 mn	May 1964	June 1968	Produced 51,000 pairs of shoes worth Rs. 13 mn during fiscal year 1978-79.
2. Brick and tile factory Harsiddhi, Lalitpur	20 mn bricks and 500,000 tiles annually	NR 5 mn.	October 1965	12 March 1969	Agreement signed in April 1964; letters exchanged on 14 March 1972 for doubling production.
3. Second brick factory, Nang	20 mn bricks annually			1979	
	khal, Bhaktapur			11 November 1979	
4. Town Hall, Kathmandu					
5. Textile mill, Hetauda	15,000 spindles, 480 looms; 10 mn metres of cotton fabrics annually and spins over 300 metric tons of cotton yarn annually	\$15 mn (Rs. 180 mn)	December 1975	30 December 1978	When fully operational will meet 25 per cent of Nepal's total cotton textile requirement; the mill requires 2,300 tons of cotton annually and employed 550 workers in 1974.
6. Trolley bus project, on Kathmandu-Bhaktapur Highway	11.73km. long for 22 single trolley buses playing on the line; providing transport facility to 15,000 passengers daily	\$4 mn	December 1973	December 1975	Protocols signed 14 March 1972 and 26 March 1973; 100 Chinese technicians assisted in the task.
7. Seti river dam Pokhara Valley	1,000 kw; lift irrigation for 1,200 hectares	Rs. 50 mn estimate	1972	under construction	Agreement for free grant of \$4 mn signed on 8 July 1976; work began in 1979.
8. Cement factory, ** Hetaura	50,000 tons annually				Agreement signed on 5 September 1961; in April 1964 China dropped plans

1	2	3	4	5	6
9. Pulp and paper factory,** Nepal-gunj	20 tons of paper daily			As above	to construct this project on technical grounds.
10. Leather factory, Hetauda					Construction was scheduled to begin in October 1979.
11. Kamala irrigation project, Mahottari district, Eastern Terai		Rs. 7.5 mn			Agreement signed in October 1964; China withdrew from this project in 1965.
12. Geological survey					
China has provided geological survey for discovering iron phosphate and petroleum deposits in Nepal.					

*In 1965 at Nepal's request China undertook projects for the construction of the Kathmandu-Pokhara Road and a ring road in the Nepal Valley in place of the earlier Janakpur-Biratnagar Road projects and Kamala irrigation projects.

**The road links an industrial district in north-western Kathmandu with another in the southeast and the residential quarters with government building. It also passes historic sites and beauty spots. The 128-metre bridge with a width of 15 metres across the Bagmati river, the longest bridge in the Kathmandu valley, was built in less than one year.

***In 1964 the original agreement on the cement, paper and leather factories was so modified as to drop cement and paper industries in preference to brick and tile-making project, and Janakpur-Biratnagar road project.

Source : Nepal Rastra Bank, *Economic Report, 1974-1975, 1957-58*; Nepal Rastra Bank, *Monthly Report and Monthly Economic Indicators of Various Years*, supplemented by other sources.

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90. *NCNA*, 18 February 1966, also see *Bartake*, n. 31, p. 145.
91. *Amrit Bazar Patrika*, 22 January 1969.
92. *NCNA*, 13 March 1969; *Gorkhapatra*, 13 March 1969; *Naya Samaj*, 12

- March 1969; *Rising Nepal*, 14 March 1969.
93. *Gorkhapatra*, 6 November 1971.
 94. *NCNA*, 26 September 1972; *Gorkhapatra*, 15 February 1972.
 95. *Bartake*, n. 31, p. 147.
 96. *NCNA*, 15 March 1972 (No details are available).
 97. *Gorkhapatra*, 6 July 1974; *Asian Recorder*, 1974, p. 12184; *China Trade Report*, vol. 12, July 1974, pp. 13-14.
 98. *Ibid.*
 99. *Ibid.*
 100. *Ibid.*
 101. *Motherland*, 23 April 1964; *NCNA*, 28 May 1964.
 102. *Gorkhapatra*, 26 May 1967.
 103. *Gorkhapatra*, 16 June 1967; *NCNA*, 17 June 1967.
 104. *Gorkhapatra*, 10 June 1969; *NCNA*, 9 June 1969.
 105. *NCNA*, 28 May 1967.
 106. *NCNA*, 27 November 1972; also see, *China Trade Report*, vol. 13, no. 103, March 1975, p. 9.
 107. *NCNA*, 19 September 1968.
 108. *NCNA*, 24 December 1970; *Asian Recorder*, 1971, p. 10001.
 109. *Gorkhapatra*, 9 July 1976; *The Samaj*, 8 July 1976.
 110. *The Naya Samaj*, 9 July 1976.
 111. *Nepali Samachar*, 29 March 1965; *Gorkhapatra*, 31 March and 15 April 1965.
 112. *Ibid.*
 113. *NCNA*, 19 February 1966.
 114. *NCNA*, 25 March 1967.
 115. *NCNA*, 12 June 1970.
 116. *NCNA*, 19 February 1966 and 25 March 1967.
 117. *NCNA*, 12 Nov. 1970 ; also see *Bartake*, n. 31, p. 145.
 118. *SCMP* 5101, p. 38; *NCNA*, 15 March 1972.
 119. *The Commoner*, 27 March 1973.
 120. *NCNA*, 30 December 1973.
 121. *Gorkhapatra*, 6 July 1974.
 122. *The Japan Times*, 29 December 1975.
 123. *Asian Recorder*, 1971, p. 9983.
 124. *Nepal Press Digest*, vol. 15, no. 4, 25 January 1971, pp. 65-66; also see *Hnog Kong Standard*, 30 November 1972.
 125. *The Times of India*, 25 January 1974; *Asian Recorder*, 1974, p. 11875.
 126. *Ibid.*
 127. *Nepal Gazzette*, 30 April 1973; also see, *Times of India*, 6 August 1973, and 25 January 1974.
 128. *China Trade Report*, vol. 12, no. 1, February 1974, p. 9; *Asian Recorder*, 1974, p. 11875; *Times of India*, 25 January 1974.
 129. *The Times of India*, 3 January 1976.
 130. *The Commoner*, 1 January 1976.
 131. *Asian Recorder*, 1978, p. 14220.
 132. *NCNA*, 17 July 1971; *SCMP* 4945, p. 175; *The Gorkhapatra*, 19 July 1971.

133. *Lok Sabha Debates*, 19 July 1971, cols. 8-10; *Swatantra Samachar*, 22 July 1971.
134. *Asian Recorder*, 1973, p. 11441.
135. *Ibid.*
136. *Ibid.*
137. *Ibid.*
138. *NCNA*, 28 October 1971; *Gorkhapatra*, 28 October 1971; *The Rising Nepal*, 29 October 1971.
139. *Gorkhapatra*, 4 November 1971.
140. *Asian Recorder*, 1971, p. 10485.
141. *China Trade Report*, vol. 14, no. 220, September 1976, p. 7.
142. *Asian Recorder*, 1976, p. 13306.
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CHAPTER IV

INDIA AS A FACTOR IN SINO-NEPALESE RELATIONS

In view of Nepal's geographic proximity, socio-cultural affinity and economic dependence, India has exercised a great measure of influence on Nepal in many aspects of its policy decisions. India had undertaken to safeguard the security of Nepal against predatory attempts by any country. The developments within Nepal had brought India into a situation of much greater coordination of foreign policies. From this, it followed logically that Nepal would be consulting India regarding its policy deliberations towards the newly liberated China. From another perspective it could be maintained that India would be deeply interested in remaining in the know and in close touch with Nepal regarding the shaping of the future relations between Communist China and Nepal. This was imperative in the circumstances, for India had now tacitly acquiesced in the Chinese suzerainty over Tibet. The outer buffer having thus disappeared, Nepal, Sikkim and Bhutan had become essential for the defence of India's northern frontiers. India and all the three Himalayan kingdoms had, therefore, to be brought in a closer relationship both from the point of view of defence and foreign affairs. Regarding this aspect Prime Minister Nehru said on 22 March 1949 that "our neighbours now are all the countries of the world so that we cannot relate our foreign policy just to a few countries around us, but have to think of practically every country in the world and take into consideration all the possible areas of conflict, trade, economic interest, etc." He further mentioned that "our foreign policy cannot limit itself to the nearby countries. Nevertheless, the nearby countries always have a special interest in one another and India must, inevitably,

think in terms of her relations with the countries bordering her by land and sea".¹

Unlike India's policies toward Sikkim and Bhutan, with whom India entered into treaties of peace and friendship, the new Indian policy toward Nepal did not attempt to undermine the sovereign status of that country. The new relationship only implied that any power inimical to India's interests did not get an upper hand in Nepal. Prime Minister Nehru made it clear that the identity of interest between the two countries and mentioned India's special position in Nepal. He said that ". . . . If it is not necessary for us to have a military alliance with Nepal But apart from any pact or alliance, the fact remains that we cannot tolerate any foreign invasion from any foreign country, of any part of the Indian subcontinent. And any possible invasion of Nepal would inevitably involve the safety of India."² Nepalese apprehensions arising out of China's claim over Tibet prompted that country to discuss mutual security problems with India. This was done after the Nepalese Prime Minister Mohan Shumsher's visit to Delhi in February 1950.

On 31 July 1950 Nepal entered into a treaty of 'Peace and Friendship' with India. The treaty *inter alia* provided for coordination of the foreign policies of the two countries. It also provided that "neither government shall tolerate any threat to the security of the other by a foreign aggressor. To deal with any such threat, the two governments shall consult with each other and devise effective counter measures".³ Since the treaty was concluded in the context of Chinese offensive in Tibet, the above clauses obviously referred to China as a possible trouble-maker in Nepal. Thus, from the very beginning itself India was instrumental in shaping Nepal's relations with Communist China.

To speak of a "Nepali foreign policy" in the period immediately following the 1950-51 trouble would probably be incorrect. Indian influence on questions of external relations was so all-pervasive as to make foreign policy formulation by Kathmandu irrelevant or redundant. New Delhi's concept of Nepal's interest was accepted almost automatically in Kathmandu, at least at the official level. Indeed, it is probable that some Nepali leaders tended to be over responsive in this respect, interpreting even casual suggestions by the Indians as advice to be acted upon. On a number of occasions, the Nepal Government not only tamely followed New

Delhi's suggestion but actually took the initiative in seeking it.⁴

The special relationships between India and Nepal was duly appraised by China, and China avoided taking any offensive policy in Nepal, for that would definitely have incurred the displeasure of India and created problems for China's interests in Tibet. China did not want at this stage to open another front after the Korean War and Tibetan developments. It had enough problems to solve at the domestic as well as international fronts. Nepal could have added another dimension to it and China would definitely have lost the goodwill of India which it badly needed for its international standing.

During this period India was instrumental in blocking the establishment of direct diplomatic relations between Nepal and China. With the establishment of Chinese power in Tibet and the neutral attitude that India adopted to this development, certain sections in Nepal pleaded for a concurrent modification in Nepal's policy towards China. The government looked to India for guidance and initiative. New Delhi, however, did not favour any positive action by Nepal until India had reached an understanding with China on Tibet and other Himalayan states. When the Nepali Congress passed a resolution demanding that Nepal should establish diplomatic relations with China,⁵ the Indian advice against such feeling was that any move on Nepal's part towards China must follow the Sino-Indian understanding in the border region, where India's position and defence needs must be sufficiently recognised by China and Nepal.⁶

The Chinese were also keen to come to a prior understanding with India and then approach Nepal through New Delhi. This is evident from the fact soon after the end of the feudal Rana regime in Nepal, Zhou Enlai, the Chinese Premier, in a discussion with K.M. Panikkar, expressed a desire for India's mediation for the establishment of diplomatic relations with Nepal. The latter, however, advised him to wait for some time as the position in Nepal was a little confused and uncertain.⁷ Nepal also acquiesced to the suggestion that a Sino-Indian understanding should precede any move towards Nepal-China contacts. There was, however, a subtle divergence between the Nepali and Indian positions on China's status in Tibet. Delhi formally terminated direct relations with the Dalai Lama's government and implicitly recognised China's sovereignty in Tibet when it signed an agreement with

Beijing on 15 September 1952,⁸ converting the Indian mission at Lhasa to a consulate. Nepal, however, refused to surrender its rights in Tibet and as late as 5 April 1954, Prime Minister M.P. Koirala was still describing Nepal's relations with Tibet as "independent of Chinese control."⁹

The Sino-Indian negotiations for solving the mutual problems in the Himalayas went on for a long time, and it was only in April 1954 that an agreement was reached between them.¹⁰ According to it, Tibet was accepted as an 'Autonomous Region of China'. The broad understanding between them implied that China had accepted India's primacy in the sub-Himalayan states, not only in Sikkim and Bhutan but in Nepal as well. Nehru also unilaterally reiterated India's interests and position in these states, and China did not contradict him. This is proved by the fact that in the 1954 edition of Mao's *Selected Works* an amendment was made by which both Nepal and Bhutan were deleted from Mao's earlier list.¹¹

The agreement of 1954 had immediate repercussions on Nepal's China policy. In view of Sino-Indian understanding, the Nepalese government had to reconsider its stand on relations with Beijing. It was untenable that Nepal should continue to enjoy extra-territorial rights that it had secured following the Tibet-Nepal War of 1856. Therefore, soon after the Sino-Indian Convention on Tibet, D.R. Regmi, the Nepalese Foreign Minister accompanied King Tribhuvan to New Delhi on 1 May 1954 to discuss various issues connected with the new developments. The Indian Government advised the Nepalese leaders to redefine their country's position in Tibet in the changed context and to regularise their relations with China. Regmi welcomed the proposal and, in a press conference on 8 May 1954, he declared, "If China approaches us formally, we will do the right thing at the right moment. For the moment, we want to be on friendly terms with the Chinese and we would not do anything which creates embarrassment for either side".¹²

The *aide memoire* handed to D.R. Regmi at the conclusion of the talks made it clear that New Delhi had no intention to share Nepal as a "sphere of influence" with China. It provided that both governments would coordinate their foreign policies; the Government of Nepal would consult the Government of India in regard to any matter relating to foreign policy or relations

with foreign powers; and, in particular, in matters relating to relations of Nepal with Tibet and China, consultations would take place with the Government of India.¹³ The Nepalese Government, however, could not conclude an agreement which bound the Nepalese foreign policy to India without any reciprocity in view of the mounting anti-Indian feelings in Kathmandu and internal differences within the Nepalese ministry.

Despite the failure of the co-ordination move, Nepal remained in close touch with India regarding any step it took towards China. Nehru as late as in September 1954 was cautioning Nepal against any haste in approaching Beijing, and Nepal understandably accepted the advice.¹⁴ Accordingly, M.P. Koirala, the Nepalese Prime Minister, met Nehru both before and after the latter's visit to China in October 1954. The Indian Prime Minister discussed the issue with the Chinese leaders and seemed to have got the assurance that China would respect India's special position in Nepal. Nehru also got an assurance from China that it had no ulterior motive to use K.I. Singh, who fled to China in 1952 for fomenting internal subversion in Nepal.¹⁵ Having cleared the deck, Nehru gave the green signal to Nepal to go ahead with the regularisation of its relations with China. In a press conference at New Delhi shortly after his return from China Nehru stated that Beijing had recognized Nepal as an exclusive Indian sphere of influence and that, moreover, he had been assured that China had no intention to use Dr. K.I. Singh to lead a pro-communist guerrilla movement in Nepal.¹⁶ Further, he observed, "As for diplomatic relations between Nepal and China that is the matter which the Nepalese Government, no doubt, will deal with in its own way."¹⁷

It was not India's direct role only, in giving clearance to Nepal to go ahead with regularisation that paved the way for direct relations between China and Nepal. India was also responsible for this in an indirect way. It was Nepal's dissatisfaction with India's overbearing influence in Nepal that prompted Nepal to seek for diversification and with the accession of King Mahendra, there was a man who could take positive steps in that direction out of his conviction in ensuring a more bargaining position for Nepal between India and China. A noteworthy feature of Sino-Nepalese relations prior to 1955 was that India was constantly in the minds of the two countries and there was

not even the slightest effort to by-pass India in this respect. China was all the time conscious of India's influence on Nepal and did not do anything to undermine it. For a beginning of Sino-Nepalese relations, thus, the initiative remained with India.

During the first few months of Mahendra's rule, India adhered to its earlier policy on the assumption that Nepal would develop relations with China within limits prescribed by it and that Kathmandu would respect the political understanding reached between India and China. Accordingly, Sino-Nepalese diplomatic relations were established on 1 August 1955 in accordance with the informal advice of the India Government. The formula of Panchsheel was accepted as the basis of future relationship. The establishment of resident embassies was, however, postponed for some time in deference to Indian with and susceptibilities. It was decided both China and Nepal would conduct their relations through each other's embassies in New Delhi.

The manner in which relations between Nepal and China developed after the accession of Mahendra was in a way disconcerting to India. The visit of the new Nepalese Prime Minister, Tanaka Prasad Acharya to China in 1956, the return visit by Chinese Premier Zhou Enlai, to Nepal in 1957 and their emphasis on historical and ethnic aspects of Sino-Nepalese friendship¹³ gave India a feeling that the relations between the two countries was conducted independent of Indian views and, for the first time, India was by-passed. India sensed that it was losing its grip on Nepal. The Chinese Premier's declaration that "Nepal and China are blood brothers and nothing can poison their relationship",¹⁹ was a pointer to a number of Nepalese whose ethnic characteristics are similar to those of the Chinese across the Himalayas. What the Premier actually meant was that the Chinese were no less close to the Nepalese than the Indians. He also pointed out that "national economic development was an essential means of safeguarding full national independence" and added that "China would be willing to aid Nepal within its capabilities".²⁰ The statement implied that as long as Nepal was dependent on India it was virtually not enjoying independent status; Kathmandu, therefore, should diversify its policy in order to preserve its independence.

New Delhi's concern over the developments was first of all demonstrated by bolstering up K.I. Singh who, since his return

from China, had been taking pro-Indian stand in his foreign policy statements. He announced that China and Soviet Union would not be allowed to establish embassies in Kathmandu.²¹ He visited New Delhi on 11 October 1956. In his speeches he made a critical reference to Nepal's China policy and advocated close relationship with India.²² As a part of this effort a state visit by the Indian President Dr. Rajendra Prasad was arranged in the same month. The visit was significant as it was the first time that an Indian President paid a visit to any foreign country, and it was arranged between Acharya's return from Beijing and the Chinese Premier's visit to Kathmandu. India was obviously motivated by a desire to stop a drift of Nepal towards China.

India's concern over Nepal's China policy could not be overlooked by the Nepalese Government. To assuage India's feelings Acharya paid a visit to New Delhi in December 1956 where he explained that his policies in no way aimed at undermining the Indian interests. Justifying his policy Acharya said, "Even India recognized Tibet as part of China and our relations with it are quite justified. When India has taken a lead on this score, we do not want to confuse the relations between Nepal and China."²³ New Delhi, however, accorded him just a formal reception. It seemed that India wanted to make Nepal realize that neither Acharya nor his policies had been appreciated by India. King Mahendra, to placate India, dismissed Acharya on 26 July 1957 and appointed K.I. Singh as Premier who, by now, had become intensely pro-Indian and anti-Chinese. However, the manner in which K.I. Singh conducted the foreign policy was not appreciated by Mahendra. He felt that K.I. Singh was undoing whatever he achieved through Acharya and would make Nepal lose whatever independence it had achieved *vis-a-vis* India²⁴ K.I. Singh's dismissal on 4 November 1957 proved that it was Mahendra, not Acharya, who was the key factor behind the Nepalese overtures towards China for a closer relationship.²⁵

Throughout this period China never explicitly undermined India's presence in Nepal. China did not take any positive steps to break its political understanding with India and did not challenge India's special relations with Nepal and thereby avoided a tactical error. But it was clear that China had entered into competition with India in Nepal and it would be difficult for India to steer Sino-Nepalese relations in the same assertive manner as it did in

the earlier phase.

With the developments in Tibet and Sino-Indian border and the consequent strained relations between China and India the latter gave particular attention to keep Nepal on its side. India maintained that the developments in Tibet were not only a threat to India but to Nepal's security as well and warranted a coordinated foreign policy between the countries to offset the Chinese threat. India's attempt was facilitated by the formation of B.P. Koirala ministry known for its pro-Indian proclivities.

In April 1959 Koirala stated that "the recent events in Tibet have affected the people of Nepal deeply and it has exercised the emotion of nationalist elements in our political life." He further said that "you all know how sensitive we Nepalese are on the question of nationalism and the preservation of our national way of life."²⁶ Nehru went to Nepal in June 1959. He spoke openly of the explosive situation along the Sino-Indian and Sino-Nepalese border and denounced the Chinese military intervention in Tibet.²⁷ He discussed with the King and the Prime Minister. In the joint communique it was affirmed that "there was an identity of views in the policies of the two countries both in the international and domestic sphere, being animated by similar ideals and objectives".²⁸ In an obvious reference to Tibet uprising, it was stated that in the "interests of peace and as well as national and human progress, no country should be dominated by another and colonial control in whatever form, should end."²⁹ In order to further clarify and assert India's strategic interests and special position in Nepal, Prime Minister Nehru observed on 12 September 1959 that "we have publicly, and rightly, undertaken certain responsibilities for the defence of Sikkim and Bhutan, if they are attacked. It is very necessary for us to understand that if something happens on their borders, then it is the same thing as an interference with the border of India."³⁰ After two months, Prime Minister, Nehru made a major policy statement in the Lok Sabha on 27 November 1959. He observed that "any aggression on Bhutan or Nepal would be considered an aggression on India."³¹ It was not a casual remark but a deliberate warning to the Chinese to keep their hands off Nepal.

As the Sino-Indian relations deteriorated, both the countries competed with each other to keep Nepal on its own side. Both the countries took recourse to persuasion as well as pressure.

While India exercised pressure on Nepal to assert its special position, China also made efforts to wean Nepal away so as to reduce its dependence on India and do away with the symbols of Indo-Nepalese special relations or at least to secure Nepal's neutrality in Sino-Indian relations. It was obvious, therefore, that Nepal would have to take into account India's relations with China. The objective was to maintain its treaty relationship and get closer to India within the basic framework of Indo-Nepalese relations to resolve its differences with China, by negotiations and to create a sound basis for Sino-Nepalese relations. There was no formal agreement but the principles contained in it had been observed all through the period. Nepal not only adhered to Indian advice on the Chinese issue but also welcomed India's stand on the cease-fire in Indo-China and condemned the United States military aid to Pakistan.³²

The Indian approach towards Sino-Nepalese relations was quite clear. While maintaining its special relationship, India encouraged Nepal to resolve its mutual problems with China. Nepal being so vital to India's security system, it was in its interest that Nepal's northern border should be finally settled and put beyond controversy. At the same time, New Delhi also tried to use Nepal as an instrument to vindicate its basic stand on the border controversy with China. It wanted Nepal to adhere to the basic approach that the main crest of the Himalayan watershed constituted, by custom, the frontiers which needed only minor adjustment and scientific demarcation.

The development of Indo-Nepalese relations would show that Nepal, while dealing with China, not merely took India into confidence at every stage but also successfully resisted any Chinese move to undermine Indo-Nepalese friendship. B.P. Koirala came to India in January 1960 to seek guidance and advice from Nehru on mutual defence and security problems in view of China's military action in Tibet. The Indian Prime Minister suggested him to resolve Nepal's border dispute with China.³³ In March 1960, B.P. Koirala, on his way to Beijing, discussed various aspects of the Sino-Indian and Sino-Nepalese boundary issues with Nehru. In China, Koirala in his very first speech implicitly criticized the Chinese stand on the Sino-Indian dispute. He stated that "notwithstanding its size or might, if any power attempts to occupy or control even an inch of territory of another Asian country,

such attempts will definitely disrupt peace in the world." He also warned against efforts to suppress freedom-loving people by means of force which in the context was an obvious reference to Tibet.³⁴ Koirala signed a boundary agreement with China on 21 March 1960, but before signing it he met the Indian ambassador in Beijing and was particular about asking the Chinese leaders to include the phrase "existing customary boundary line" in order to lend support to India's *vis-a-vis* China³⁵ Koirala was also advised by Nehru to seek project-oriented aid from China³⁶ and kept in mind this, while signing Rs. 100 million economic aid programme.³⁷

Before leaving for China, Prime Minister Koirala said : "Such friendly exchange of visits between neighbours is highly essential. I have full belief that this visit of mine will further develop the relations of friendship and goodwill that have continued between Nepal and China. . . . I feel that this will greatly contribute to the cause of world peace. . . ." ³⁸

During Koirala's visit the Chinese made determined and persistent effort to wean Nepal away from India. The Chinese Premier made a proposal for non-aggression pact. The Nepalese Prime Minister resisted the Chinese proposal which for all practical purposes would have rendered Indo-Nepalese relations meaningless. Having failed in his efforts, Zhou Enlai suggested that Nepal and China should sign a Treaty of Peace and Friendship. This was also turned down. Koirala also rejected Zhou's proposal for a road linking Tibet and Kathmandu.³⁹

In a banquet of honour given by Chinese Premier Zhou Enlai, B.P. Koirala reiterated that "Nepal's neutral foreign policy, and expressed the hope that there would be increased co-operation between Nepal and China." He further stated that his visit to China proved the effectiveness of the policy of settling international problem in a peaceful manner by means of direct contact.⁴⁰

The Indian overture to Koirala to settle the Sino-Nepalese border dispute along the "customary boundary line" was given with the objective that India would cite this in its own talks with China over Sino-Indian border. New Delhi's purpose, however, was not fulfilled as China denied to employ the same formula. It is understandable that China could afford concessions to a small country. But strategic convenience must have weighed heavily in case of concessions to India. Moreover, China gave such concessions

to Nepal in order to keep Nepal in 'good humour so that it would take a less clear-cut and less anti-China stand over the Sino-Indian dispute.

After returning from China, Prime Minister Koirala declared that "it is insignificant where the treaty is signed, because our friendly relations with China are as good as ever and we do not face any danger from that quarter. . . ." Pointing out a non-aggression provision in the treaty would be meaningless, inasmuch as aggression could never be prevented by treaties. He declared that "this was impossible because the consequences would be a globe war." He added that "every conscious Indian should feel happy over the way the Sino-Nepal border agreement had been concluded."⁴¹

The relationship that India was having with Nepal was reversed when the King dismissed the Koirala ministry in December 1960. New Delhi's immediate reaction was to disapprove and denounce the King's action. On 16 December 1960, Prime Minister Nehru observed in the Lok Sabha :

"It is not for me to criticize the actions taken there but, obviously it is a matter of regret for all of us that a democratic experiment or practice that was going on has suffered a setback."⁴²

Nehru described in detail a few days later before the Rajya Sabha on 20 December 1960 the allegations against the Nepali Congress as vague charges. He said that "if such an event happened in any part of the world, it would be a matter of regret to us, but happening in a country on our own threshold, with which we have such intimate relations, it has been a matter of great concern to us." He further mentioned that "we have not at any time sought to interfere in Nepal in the last ten years or so. Since it gained its freedom from the old regime, we have helped Nepal to the best of our ability. Even in the old days we had treaties with Nepal which were renewed. We had close bonds between us and were consulting each other when there was any danger from abroad. That represents the actual position in regard to the relationship between India and Nepal." Further he mentioned that apart from all these political and other aspects, our sympathies go out to any country which is trying to gain freedom as Nepal was ten years ago; Further

he mentioned that when the proclamation of the King reached us, it was not in a sense a surprise. Nevertheless, it did come to us as a bit of shock just at that time. It was not the surprise in the sense that we had been conscious of different pulls there and the possibility of something happening. The King and the government were not working very harmoniously. I am not referring to our Ambassador's report, but to what the King himself had in the course of conversations and by his behaviour led people to believe. Nehru referred the King's proclamation as failure of the Nepal Government and the ministry to improve the administration and accused them of corruption. He said that there are vague charges and it is difficult to say anything about vague charges. He further mentioned the first ten years rule when there was an upheaval against the old Rana regime, the previous King was working for the democratic system of the government. Governments were formed and dismissed and there were fairly long periods of King's rule without any other government, even then it was made clear that that was a preparation or an interval before going back to democracy and we were happy when the present King announced a constitution and later followed it up with elections. In the elections, the Nepal Congress Party got a very big majority and they have functioned since then. He said further that "it is not for me to judge their functioning but it is fairly easy to find faults. They had a tremendous task and I believe the impression we had generally was that for the first time Nepal had some orderly government which was trying to do its best to improve things. Whether they succeeded much or not is another matter." He said lastly that "the basic fact remains that this is not a question of pushing out of government which has a big majority; this is a complete reversal of the democratic process and it is not clear to me that there can be a going back to the democratic process in the foreseeable future."⁴³

The Indian press also pointed with the Indian Government and expressed its deep concern at the political change in Nepal and deplored the King's action.⁴⁴ The Indian reaction was not encouraging to the King at all. On the contrary the King became apprehensive that India might utilise the Nepali Congress as a lever against him. In typical Mahendra style the King opted to bring in China as a balancing factor. Even if India had avoided taking a clear-cut anti-monarchy stand the mild criticism was enough to disturb him. Thus, if in the earlier phases India had

successfully employed the persuasive and pressure tactics to keep the initiative in Sino-Nepalese relations, it was now beginning to lose the same. For, now Mahendra was taking decisions despite India's criticisms. Mahendra's moves were facilitated by the growing Sino-Indian dispute. The King used this as a bargaining point. On the other hand China was only eager to exploit this situation to its advantage in the Sino-Indian relations. For the first time Beijing completely disregarded the feelings of India in dealing with Nepal. It took deliberate steps to move Nepal further away from India. It hastened the boundary agreement with Nepal and made quite a few concessions to Nepal. It offered economic aid to Nepal and managed to get the approval of the construction of the Kathmandu-Kodari road.⁴⁵ The road agreement was particularly displeasing to India. The fact that the road proposal was never in the mind of King Mahendra before, it was presented to him by the Chinese at the last moment and the fact that China pressurized the King to agree to this proposal,⁴⁶ was ample proof that China offered the proposal keeping the Sino-Indian dispute in view. The road agreement, nevertheless, provided the King with a badly needed bargaining weapon in negotiations with India. The strategic significance of the road, the first to breach the Himalayan barrier, was readily apparent, and the King was not being unrealistic in assuming that India would be prepared to pay a high price to avert this threat to its hard-pressed defence and security system on the northern frontier.

The reaction in the Indian press to the road agreement was surprising and unfavourable indeed, almost frantic but the government of India maintained a discrete silence. Though no formal protest was lodged by the Government of India, Nehru made a statement in the Lok Sabha on 25 November 1961. He observed that "India's security interests would be adversely affected by the road." He added that "Nepal's failure to consult India in the matter was a flagrant violation of the treaty of 1950, both in letter and spirit." Nehru also informally communicated his concern to the Nepalese Government.⁴⁷

Nepali Government sources dismissed the alarmist accounts of the road in the Indian press and Parliament as unwarranted intrusion into Nepal's domestic affairs that were prompted by basic misunderstanding of the significance of the agreement. King Mahendra argued, Communism would not enter Nepal "in a tax

cab".⁴⁸ In 1967 the Indian Government was, however, far more concerned about the fact that Chinese might use the road for progressive purpose.⁴⁹

Even more important, perhaps, was the gap the road made in the Indian economic blockade of the Chinese forces in Tibet. Kathmandu recognized the validity of New Delhi's position on this point, and itself imposed a ban on the exportation of strategic goods to Tibet on 6 December 1961. Five months later, Nepal agreed to extend the ban to include Indian-produced goods imported into Nepal. This left a wide divergence in the two governments' trade policies, however, as goods imported into Nepal from third countries could still be transhipped to Tibet if they were not on the banned list.

After Mahendra's return from China, reasons for Nepal's drifting towards China became still more obvious. It was during Mahendra's visit to China that co-ordinated widescale terrorist campaign organized by the Nepali Congress leaders in India broke out. These widespread and scattered disorders and terrorist acts never constituted a serious threat to the royal regime, but they did contribute to a dangerous deterioration in Indo-Nepal relations. King Mahendra certainly knew that the rebel activities launched from across the border could not seriously threaten his power, but he feared that India might, with the help of the rebels, intervene again as it had done in 1950. He was never satisfied with the repeated reassurances he got from the Indian Government and took recourse to vocal diplomacy. He also tried to array a number of rival forces against India, such as China, Pakistan and even the United States. China, for obvious reasons, occupied a special place in his calculations. The King received a prompt response from China. On 4 October 1962, on the eve of the first anniversary of Nepal-China Boundary Treaty, the Chinese Foreign Minister, Marshal Chen Yi declared. "In case of any foreign forces attack Nepal, we Chinese people will stand on your side."⁵⁰ Nehru, of course, dismissed this as unnecessary bravado but the implications of the statement weighed heavily in the minds of the Indian leadership. New Delhi adopted a more stiff attitude towards Nepal which eventually led to the deepening of the crisis between the two countries. While India was taking this bold stand in the hope that the King would ultimately yield, the eruption of Sino-Indian hostilities on 20 October 1962 changed the entire course of

Himalayan politics.

If it was the deterioration of Indo-Nepalese relations that prompted Nepal to drift in the direction of China, it was the deteriorating Sino-Indian relations that made China to bring Nepal closer to it. Whatever responses China made over the Indo-Nepalese relations were calculated keeping the Sino-Indian relations in perspective. Nehru was wrong, at least from hindsight, when he stated that China was showing off by declaring that China would step in if any country attacked Nepal. Nehru's thinking, perhaps was that the difficult and almost impregnable terrain of the Himalayan would deter China from undertaking a trans-Himalayas incursion into Nepal. Nehru was thinking straight. The Chinese had other ideas in their mind. When they said that they would assist Nepal against invasion from another country they were expressing their capability to undertake a major trans-Himalayan adventure. If they said that they could undertake such operation in Nepal they were making it obvious that they could do so in other regions like NEFA and Ladakh. But the Indian leadership failed to take the hint and paid a heavy price in the subsequent border war.

The Indian reversal in the Sino-Indian War changed the whole complexion of Himalayan politics. India lost prestige in Nepalese eyes as it proved incapable of defending its own border against China, not to speak on defending Nepal against China. This, however, was not exactly comforting to Nepal. For, if China had proved its capability against India that also meant that China could mount an offensive against Nepal if it became necessary. Nepal, hence, was expected to play a more careful diplomacy with China-keeping, China as a friend, not antagonizing it and remaining close enough to India to balance China as far as possible. For India it was proven, as never before, that it had lost its determining role in case of Sino-Nepalese relations. India henceforth remained only "a determinant". India realised that, even if it had some natural advantages against China in Nepal, it had to compete with China to keep Nepal reasonably close. It also meant that India had to give a new perspective to Indo-Nepalese relations and give more concessions and economic assistance to Nepal. China was, however, reluctant to take rapid strides in Nepal. Having boosted its international image by defeating India, it refrained from doing anything in Nepal that would cast an

expansionist image on it. It opted for a smooth and steady relations with Nepal. From their experience in the Sino-Indian War, the Chinese realised that a military operation in the Himalayan region was expensive, in both material and human terms. The Chinese also realised that such activities should be avoided unless it was absolutely inevitable. Since Nepal did not do anything to displease China, there was no necessity of any military offensive in Nepal. China had proved its capability to the Nepalese and was sure that Sino-Nepalese relations were beyond damage by the Indians.

The events of October-November 1962 were eye-opener to Nepal's geo-economic compulsions. India being critically important, Nepal saw that it would be folly to allow its relations to drift the way they had been allowed since December 1960. There were certain obvious strategic factors that it had to take into account from both the Indian point of view and its own. Moreover, since Nepal had to get everything from India, India alone could play a vital role in its economic development. However, the credibility gap created by the Indian defeat compelled Nepal to do something on its own to ensure security *vis-a-vis* China. Amidst these compulsions Nepal found an opportunity to impress both of its neighbours with its own importance and thus to gain greater manoeuvrability. India felt disturbed at China's efforts to involve itself in Nepal's affairs more than ever before, and it sought to neutralise those efforts by greater assistance and concessions to Nepal. This was welcome to Nepal and it quickly moved to improve and redefine its relations with India. The basic idea in the newly attempted equation was that Nepal had an identity separate from both the neighbours and that its geographical situation had made it a true buffer between the two giants. This idea found expression in Nepal's partyless Panchayat system, which was different from the systems obtaining both in India and China; in attempts to define the unique feature of the Nepalese culture, genius, and nationalism; in a foreign policy of equidistance as between the two neighbours and of friendship with all; and in a diversification of Nepal's political and economic options in a manner that was best calculated to reduce its dependence on India.

The Chinese on their part, knowing what Nepal wanted, went on pushing it towards an independent and neutral position, which in practice meant a position of independence from India.

They made attempts to erode as many symbols of India's "special relationship" as possible. For, they made substantial investments, but incurred no permanent liability; for it was for them like fighting on enemy territory; what they achieved was positive gain and what they lost was no real loss. The means that they employed were equally interesting. They struck a patronizing posture of power-cum-reasonableness and used a diplomacy of gestures and slogans. Nowhere else did their slogans of Asian-African unity, good neighbourliness, non-alignment, neutrality, peaceful co-existence, and national independence and economy carried greater weight than they did in Nepal.

But it is to be noted that at no stage did the Chinese seriously plan or think of replacing or even competing in an unlimited way with India in Nepal. They were aware of their own limitations and the geocultural and economic determinism of Nepal. They only wanted to ensure that Nepal did not develop an antagonistic attitude toward China.

India's perception of Nepalese domestic policy underwent a fundamental change after the Sino-Indian confrontation. India understood that monarchy had stabilised in Nepal and it would be sheer foolishness to attempt to dethrone the King. The result was that India gave unconditional support to the royal regime and directed all anti-Royal forces exiled in India to suspend their activities. The price that India paid for its virtual unconditional support of the royal regime was a progressive alienation of non-Communist-anti-regime forces and leaders in Nepal. Nepali political refugees in India occasionally threatened to go to China for support if India did not provide the necessary backing, particularly after the 1962 border war.⁵¹ This, of course, did not make much of an impression on Indian officials, who strongly doubted that China was interested at that time in giving any Nepali opposition group, including the pro-China faction of the Nepal Communist Party, the magnitude of support in both materials and men that would have been required to overthrow the royal regime.

Nevertheless, the long term significance of the alienation of anti-regime forces was quite disturbing to Indian leadership which understood that the present political system, dependent as it was upon an active and vigorous monarch, may not prove durable. The other plausible alternatives, however, appeared less attractive. Material assistance to the "democratic

forces" at that stage might well have political and economic consequences that would have been more threatening than the existing situation and would present China with an excuse to intervene in similar fashion. Furthermore, Indian officials had learned from experience that any government set up in Nepal with New Delhi's assistance would soon feel compelled to adopt a noisily anti-Indian posture in order to prove its nationalist credentials to the Nepali public. New Delhi, therefore, preferred to maintain informal friendly contacts with a broad spectrum of Nepali political leaders, but on terms that patently did not threaten King Mahendra. The assumption was that in the event of the collapse of the existing set up, should Mahendra suddenly disappear from the scene, the Indian Government would be in a position to assist the non-Communist forces in gaining an ascendancy in the country. In any case India wanted to avoid intervention at almost any cost except the establishment of an overtly pro-Chinese regime in Nepal.

China, it seems, was not unduly disturbed by the Indian attempts at keeping Nepal in good humour. The anti-India campaign by the Chinese in Nepal subsided only to appear again during the Cultural Revolution phase. China was becoming accommodating. For instance, the last minute cancellation in 1964 of a Chinese-aided road project in the Terai, at Indian and American insistence, did not provoke the Chinese to an angry response, even though the project was handed over to the Indian aid programme for completion.

It is to be noted that after the Sino-Indian War, China as well as India underplayed their political disputes *vis-a-vis* Nepal and concentrated more on economic dimension and the King utilised this opportunity for improving economic situation in Nepal. The King had no doubt that in shaping Nepal's cultural and economic destiny India alone could play a vital role but he thought that China could be used as a corrective to India's attitude. The quantum of Chinese aid remained much less than that of India and due to India's policy of appeasement Nepal managed to secure more of Indian aid and on better conditions. In bilateral trade with India the King aspired for a privileged position in India's economic system based both on the principle of sovereign equality of nations and the most favoured nation treatment.

China on its part extended more aid to Nepal, which of

course, was no match for India's aid to Nepal. Nevertheless, China employed its propaganda machinery to convince the Nepalese that their terms and conditions were any time better than India's and other aid givers. China realised that it was impossible to replace India in the Nepalese economy and it could not afford the amount of aid that India was offering to Nepal. It used its aid programme for political and strategic objectives. It showed unusual interest in undertaking projects in the Terai region, that is close to Indian border. But there it met with stiff Indian opposition and India succeeded in keeping the Chinese out of this zone.

During the Cultural Revolution phase Chinese personnel in Nepal indulged in anti-India propaganda. Indian's activities in Nepal were viewed by China as reactionary and expanding. India was bracketed with "United States imperialist" and "Soviet revisionists" as the powers operating contrary to the interests of Nepal. The Chinese attempt at discrediting India was explicit in the airport incident of 1967 in which about 300 Chinese residents in Nepal including the Chinese ambassador shouted anti-Indian slogans because the plane did not carry the two deported diplomats from India.⁵² This incident in a neutral country like Nepal caused much annoyance to India.

Propagation of anti-Indian feeling in Nepal and the opening of the strategically important Kathmandu-Kodari road to vehicular traffic in 1967 made India increasingly uneasy about Chinese intention and in this context India offered a defence pact with Nepal to fight the Chinese threat which was politely rejected by the Nepalese Prime Minister Kirti Nidhi Bista.⁵³ Spreading anti-Indian feeling also continued after the Cultural Revolution. Thus, writing in the *People's Daily* a commentator said: "The Chinese people support the people of Nepal in their just struggle against the Indian expansionists, and resolutely support the struggle waged by the people of all countries, that have been subjected to aggression, control, intervention and bullying by US imperialism, Soviet revisionism and the Indian expansionists."⁵⁴

China used all kinds of diplomatic and propaganda sticks to keep India at bay in Nepal. In November 1970 the *NCNA* reported that India was interfering in Nepal's internal affairs. The report said that Tribhuvan University students shouted anti-Indian slogans against the expansionist policy of India towards Nepal.⁵⁵ According to press report from Tokyo, appearing in *The Hindu* on

9 January 1971, China was making good use of a stalemated trade talk between India and Nepal to spread dissatisfaction against India among the Nepali people. The report said that Nepal was giving impression to the outside world that India was not only trying to strangle Nepal economically but was even bringing military pressure on the country by increasing its troops on Nepal border. And Beijing was making anti-India propaganda by saying that India was bringing all sorts of pressure on Nepal, to accept unreasonable demands but that "brave little Nepal" admirably stood up to these pressures.⁵⁶ The report further stated that China was fully supporting Nepal, especially its rights as a landlocked country to insist that India should unconditionally provide transit facilities through its territory for Nepal's trade with rest of the world. On the failure of negotiations on trade and transit between Nepal and India a report commented : "The Indian ruling cliques' attitude is unreasonable; if the Indian government persists in its policy of imperilling the national independence and sovereignty of its neighbouring countries, it will be lifting a rock only to drop it on its own feet and is bound to come to grief."⁵⁷

The Nepalese King utilised China's anti-Indian posture to strengthen his own position and get a greater leverage in dealings *vis-a-vis* India. He allowed the Chinese to survey the prospects of cotton cultivation in the Terai region, close to Indian border. This expectedly elicited Indian opposition. There was particularly a heated debate in the Indian Parliament and the External Affairs Minister assuaged the ruffled feelings of the leaders by saying that notwithstanding several anti-Indian speeches, the attitude of Nepal government continued to be friendly to India.⁵⁸

Despite the displeasure of India, Nepal asserted its right of employing the Chinese in the survey work. This was an instance of the Nepalese becoming disregardful of Indian opposition. This they could not have done without the support they got from the Chinese. This along with the almost regular exchange of visits between Nepal and China was a proof enough that Nepal was drawing closer to China.

In November 1972, on the occasion of Nepalese Prime Minister Kirti Nidhi Bista's visit to Beijing the Chinese Premier, Zhou Enlai again made a reference to Indian interference in Nepal.⁵⁹ Although the reference was an indirect one, Zhou's statement was interpreted by some observers in India as well as Nepal as "a veiled threat"

against India. They also pointed out that while Zhou's statement evoked no greater response from Nepal than a quiet denial by Bista of the existence of any external threat to Nepal a similar statement by Nehru in the Indian Parliament had at that time led to a storm of protest in Kathmandu.⁶⁰ There was now reason to think that Nepal's disagreement with China was expressed in a softer tone by Nepal than Nepal's disagreement with India.

China utilized India's actions in Sikkim in 1974 to encourage the anti-Indian sentiment of the Nepalese. The *NCNA* and Radio Beijing were playing up Nepalese journals and dailies which condemned New Delhi's new relations with Sikkim saying that Bhutan and Nepal might be the next targets of the Indian Government. There were clearcut attempts to drive a wedge between Kathmandu and New Delhi. *NCNA*, on 28 October devoted its columns exclusively to New Delhi-Kathmandu relations, accusing India of intimidating the government and people of Nepal to achieve its 'expansionist designs'. It said that since the anti-Indian demonstration in the first week of September by Nepalese students on Sikkim issue, the Indian government had "flagrantly exerted pressure on and intimidated Nepal".⁶¹ The Indian Government, in its view, was trying to assert its historical status in the Himalayan Kingdom of Nepal, and Bhutan, now that Sikkim had been turned into an associated state of the Indian Union.⁶²

These were all said to generate a fear psychosis among the Nepalese about India's ulterior designs in Nepal. Thus reference to India's interference in Nepal's internal affairs by China were almost without any break till 1976.

After 1976 one witnesses a general toning down in China's anti-India posture in Nepal. This was because of the death of Mao Zedong in 1976 and the control of political power by the "moderates" in Beijing. Moreover, the prospects of normalization of Sino-Indian relations prompted China to refrain from criticising India's policies in Nepal. After 1976 one does not find any important reference to India's expansionist attitude in the Chinese media.

The survey of Indian factor in Sino-Nepalese relations reveals that China had always been deciding its policies towards Nepal keeping India in view. In the early fifties when China needed India's support in the international community it did not object to India's special relationship in Nepal. Its establishment of relationship with Nepal was through India. But during the period of Sino-

Indian dispute, China utilized its relations with Nepal to get a greater leverage in its dealings with India. It kept Nepal in good humour in order to concentrate on Sino-Indian relations. After the 1962 War China generally maintained an anti-India posture in Nepal to weaken the relationship between Nepal and India. China changed this posture when the prospect of Sino-Indian normalization was in the horizon. Thus, one could say that China's attitudes towards Nepal was all along conditioned by its state of relations with India. One could also say that Sino-Nepalese relations was made a second fiddle to Sino-Indian relations by China.

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3. *Ibid.*, p. 374. For the text of the agreement see *Foreign Policy of India : Texts of Documents 1947-1964* (Lok Sabha Secretariat, New Delhi, 1966), pp. 56-58.
4. The decision to send an Indian military mission to reorganise and train the Nepalese army, the Indian advisers in the Nepali Secretariat, the propensity of Nepali high officials, including King Tribhuvana and most of the Ministers to visit New Delhi for advice. On the three occasions in 1951-53 period, the Indian army or police units were sent into Nepal at the request of the Nepali government to control the activities of trouble makers. Koirala also admitted the fact that when he visited New Delhi in January 1952, where he declared that "we have taken particular care not to interfere, we have given advice on some occasions; on two occasions the Prime Minister was here and the King was also here once or twice. We naturally discussed various matters and gave advice, and in two matters more particularly we are closely associated, in matters of foreign policy and defence not by any formal agreement but simply because both matters are common to us." For complete details see, *The Hindu*, 23 February 1952; Press Conference of Jawaharlal Nehru, New Delhi, 28 February 1952 in A.S. Bhasin (ed.), n. 2, pp. 145-46; *The Ministry of External Affairs Report, 1951-52* (New Delhi), pp. 13-14; *The Statesman*, 17 January, 1952; *Times of India*, 22 February 1952; *The Hindustan Times*; 24 August 1953; *Hindustan Times*, 16 February 1952; India, *Parliamentary Debates* 12 March 1951, col. 2164.

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25. *Ibid.*
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32. *SCMP* 804, p. 28.
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44. *Hindustan Times*, 16 December 1960; *Indian Express*, 20 December 1960.
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46. How and under what circumstances the agreement was concluded is still shrouded with mystery and open to different interpretations. More convincing view found, while consulting the various sources, is that "the Chinese had proposed the road agreement and they took the advantage of King's helplessness". If the King had this plan in his mind, he could have proposed it earlier (he himself admitted that it was not pre-planned). Obviously, the Chinese leaders, who were very clever (shrewed) took undue advantage of the King's helplessness *vis-a-vis* India, and proposed the draft of the agreement on the very last day of his departure for Kathmandu. The king was put into very embarrassing position and had no option except to approve the agreement. However, the king, in order to demonstrate his dissatisfaction but keeping in view New Delhi's possible objection to the agreement, did not himself sign the agreement and asked Dr. Tulsi Giri to sign it for Nepal. Leo E. Rose has expressed the same view. He observed that "suddenly on the day before his departure, the Chinese presented a draft of road agreement to king Mahendra and in such terms to implementation of the Boundry Treaty depended upon a favourable response on the road question". Having been badly outmanoeuvred for once, the king was in no position to resist the pressure. The official Nepali position regarding the road agreement is that King Mahendra took the initiative and that the Chinese, "after a cursory glance at His Majesty's proposal gave their assent". See Rishiram, "Kathmandu-Lhasa Sadak" (Kathmandu Lhasa Road), *Swatantra Samachar*, 11 June 1962; also see, *The Report on the King Mahendra's*

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CHAPTER V

CONCLUSION

The history of Sino-Nepalese relations is a history of progressive development with minor intervening irritants. China started its relationship with Nepal from virtually a scratch and with odds operating against it. Recently liberated, a revolutionary faith influenced their thinking of international politics. The Chinese at a time thought that Nepal was part of the Chinese Empire and it had been snatched away from China by imperialist plotting. Since communism was committed to undoing the unjust relationships of the imperialist and colonialist powers, Communist China had a right to restore the previous vassal state relationship. In the immediate aftermath of the liberation, with a story of success to their protracted revolutionary activity, the Chinese Communists were thinking that in the prophetic battle between the Communist bloc and the capitalist bloc the victory of the Communist countries was assured as they represented the progressive forces. The Chinese communists were also confident that their determined struggle would destroy the unjust relations established by the imperialist and capitalist powers. The reversal in the Korean War, however, washed away much of the Chinese complacency and forced them to think in terms of real politik rather than engage in wishful thinking about the prospect of world communism.

The experience in the Korean War also undermined much of the trust the Chinese reposed in the Soviet Union. It exposed the limitations of a Communist Country in giving assistance to a fellow Communist Country engaged in a war against the capitalist countries. It made China realize that Soviet Union could not do certain things to assist a fellow Communist Country in distress even if it wanted to do because of the constraints imposed by international law, international morality and world public opinion. The post-

Korean War years also proved to be trying time for China as America mounted an offensive to contain China by drawing the countries armed China into a military alliance (SEATO), by increasing military activity in the vicinity of China and by trying to choke Chinese economy by enforcing a trade embargo against it. Developments like these prompted China that it could not depend on the strength of the Soviet Union for all time. China had to improve its standing in the world community if it were to force the United States to cease its enimical actions against China. In its policy of diversification of foreign policy beyond the Communist countries the first to get Chinese attention were the neutral and nonaligned countries of the Third World. Apart from being nonaligned Nepal also received special attention from China as it was a neighbouring country.

Yet China initiated the relationship with Nepal from a low key. It, as we have observed earlier, indirectly acknowledged the Indian dominance in Nepal and accepted Nepalese dependence on India because of some obvious geocultural factors. Moreover, China could not afford antagonizing India by taking an offensive policy in Nepal as it felt that India's support was essential for improving China's position in the international community. Nepal was also not sure of Chinese attitude towards Nepal as it apprehended that China might stake a territorial claim on it. Hence it responded cautiously to Chinese initiatives and that too after consultation with India. Chinese on their part maintained a low profile in Nepal and approached Nepal through India. It persuaded India to mediate for establishment of diplomatic relations with Nepal. China, of course, took advantage of anti-Indian feeling among some Nepalese to impress forcefully the merits of establishing diplomatic relations. But that was not much because the Nepalese government during the rule of King Tribhuvan was close to the Indian Government was inclined to see developments in international politics and take steps on national and international issues in concert with India. The undisguised distrust of China mainly acquired through their own experience of relationship with China and Indian cautionary advice against any hasty step were, thus, the stalling factors in opening the Sino-Nepalese diplomatic relations.

Apart from the Indian factor and the Nepalese attitude inhibiting free growth of Sino-Nepalese relations the Chinese steps in

Tibet were also strong factors militating against a close relation. The Chinese attempt at occupying Tibet was quite disquieting to Nepal who surmised that China might take similar punitive action against Nepal. China, however, on its part, was becoming indifferent to Nepalese sensitivities. It might have thought that it was important to secure one's hinterland buffers rather than bothering about the implications of such steps for an outer buffer which was already under the predominant influence of another country.

The establishment of diplomatic relationship between China and Nepal took a rather circuitous path. China had to wait for regularising its relations with Nepal till India had established its relationship with China on a stronger footing. Even then China was to accept the Indian condition that it would have to conduct its relationship with Nepal from its embassy in India and the opening of resident embassy in Kathmandu was withheld till a more opportune time. From all these the low profile that China was maintaining in Nepal at the beginning becomes evident.

After the establishment of diplomatic relations Sino-Nepalese relations took rapid strides, obviously to the disquietude of India. But the initiative in this rapid stride was taken by Nepal rather than by China. China extended approval of Nepalese advances. Changes in internal political situation and in its perception of Indian role prompted Nepal to assume such initiative. This could be directly traced to the personality and outlook of the new king Mahendra.

China took interest in Nepal after it reappraised its position in world politics. After 1956, it was getting gradually estranged from the Soviet Union which culminated in a split in 1961 with the withdrawal of Soviet technicians from China. United States was mounting ever increasing pressure on China. China, was not getting any concrete support from the neutral and nonaligned countries. They, according to China, maintained too vague and vacillating a position in order to be reckoned by China as a force to depend on. Obviously China's position in international politics was quite insecure and China desperately needed the support of as many countries as possible irrespective of their size and stature. Nepal came within the purview of this policy, although China was sure that Nepal would not extend unequivocal support to China. Of course, more decisive factor was the changing relationship with India.

The development of Sino-Indian discord acted like a catalyst

for Sino-Nepalese relations. China understood that Nepal would be important for its manoeuvre against India; that China's interests would be better served if Nepal's tie with India could be loosened and Nepal's attitude towards China could be placed on a positive basis. It took opportunity of the simmering anti-Indian feelings in the Nepalese mind and deliberately staked it to widen the breach further. It was now prepared to forego the Indian friendship as it understood that India would not back the Chinese line on international issues. China was also irritated due to the steady growth of Indo-Soviet relations during this period. It could not reconcile itself to such developments as it thought that India was getting aid from the Soviet Union at the cost of China.

It is important to note that in cultivating friendship with Nepal China was side-stepping its ideology. China, contrary to its ideological predispositions, was supporting a monarchy and was refraining from giving open support to local communist parties. Obviously China did not promote the objective of spreading communism in Nepal. Bypassing ideological stipulations China extended support to the royalist elements. By this China was making a real cost and benefit analysis and was giving precedence to national interest over ideology. It understood that the Communist forces in Nepal were as much anti-royal as the people of the Nepali Congress and any country extending support to either party would not be in the good book of the King. China witnessed how the India, support for Nepali Congress was eroding its base in Nepal and was resulting in gradual estrangement from India. China did not want to commit the same mistake in Nepal. And since China's main interest in Nepal was weakening India's position in it, China could not possibly have achieved this by extending support to local communist forces which were too weak to destabilise the king. Thus, from pure opportunistic calculations China decided to back the royalists. In fact China's policy in Nepal was an example of its relations with other Third World developing countries where it sacrificed its much vaunted sizzling radical revolutionary ideology and opted for a pragmatic policy which was by no means less opportunistic than the policies followed by any Western power, whenever it suited its interests.

In order to demonstrate its keenness on cultivating friendship with Nepal, China also utilized its economic aid programme. Nepal was among the non-Communist countries receiving Chinese

aid in 1956, the year in which China started giving assistance to non-Communist Countries. Assistance extended by China was not much in terms of quantity and in comparison to India in was only meagre. But China utilized its limited aid programme efficiently and utilized their propaganda machinery to make a qualitative distinction between the Chinese aid and aids extended by other countries. China, no doubt, was offering better terms to Nepal, but its impact on local economy was not much. By sheer publicity China was able to impress the Nepalese that China could be a viable alternative in Nepal's programme of economic diversification. Yet the Chinese themselves knew that they could not replace India from the Nepalese economic scene. China also did not have the technology necessary for the rapid modernization of the Nepalese economy. We have pointed out in the chapter on Economic Relations that much of China's assistance was marked for road projects and consumer products that would cost less but would make an immediate impact on the economy thus earning the goodwill of the Nepalese. Winning the goodwill of the Nepalese rather than sincerely attempting to develop Nepalese economy was the main objective of China's aid programme in Nepal.

The deterioration of Sino-Indian relations changed the Chinese perception of Nepal's importance for its security interest. China was no longer prepared to tolerate Indian prominence in Nepal and Chinese leaders and government also have been anxious that India might use Nepal for encouraging hostile activity in Tibet. China decided to compete with India for Nepal's friendship. It gave support to the Royal decision dismissing the democratic government and scored a point against India by projecting that China was a more dependable ally of Nepal than India. It unleashed a vilification campaign against India. All these were directed towards obtaining some strategic concessions from Nepal, which was evident from the manner in which the Chinese tricked the Nepalese king into signing the Kathmandu-Kodari road agreement. China also, as we have pointed out earlier, utilized Nepal for sending symbolic messages to India regarding its capability in mountain warfare which they demonstrated amply in their engagement with India in 1962.

After defeating India China got a massive face lift in international politics. It scored a point against Soviet Union by demonstrating that it would tackle a major enemy without Soviet Union's

help. It proved its potential to the community of nations. It proved its strength to the Third World developing countries and staked a claim to their leadership. It also compelled the Nepalese to reassess their position between two regional powers. This conveyed a message to Nepal that it (Nepal) must not feel complacent with Indian protection and must accommodate China as the other preponderant power.

However, China did not try to intimidate Nepal, for that would have incurred the ill-feeling of Nepal and would have proved China as an expansionist power. China, instead, reassured Nepal after the Sino-Indian War about scrupulous avoidance of dictating terms to Nepal. A major success for China in this period was that it compelled Nepal to change its tilt towards India and make it follow a policy of equidistance between the two big powers. It, thus, considerably loosened the Indian grip in Nepalese politics. One in fact witnesses that in the post-Sino-Indian War period China started vying with India for different projects in Nepal. It was demanding greater freedom of operation near the Indo-Nepalese border similar to that of the right enjoyed by the Indians near Sino-Nepalese border. It pressed Nepal to allow China to construct a road in the Terai region. But it had to withdraw in face of strong Indian protest. Nevertheless, the fact that China was vying with India was proof enough of the strength that China had acquired in its dealings with Nepal.

A characteristic feature of Sino-Nepalese relations after 1961 was that there was no major dispute between the two countries and the relationship advanced in a smooth and steady manner. Minor irritants were observed only when the Chinese technicians in their overzealousness for demonstrating their cultural allegiance to communist ideology utilized Nepal as an extended stage for the Cultural Revolution high drama. They engaged themselves in ideological propaganda distributing communist literature and projecting Mao as the leader of the world. These obviously were quite disturbing to the Nepalese as the royalists thought that the Chinese were attempting to erode the base of the King. China also became undiplomatic when it used a neutral country for anti-India propaganda. Nepal felt that China was taking undue advantage of Nepal's neutral posture and indicated the Chinese leaders about its displeasure. Both countries, however, scrupulously avoided any major showdown and both exhibited

compromising attitude. This was to prove that the logic of Sino-Nepalese relations in the context of the Sino-Indian conflict had asserted itself and neither party was prepared to forego the advantages of the relationship. The irritants during the Cultural Revolution were minor and were insufficient to have any serious impact on Sino-Nepalese relations.

In the post-Cultural Revolution phase China's general foreign policy posture took a new turn. China had now identified the Soviet Union as the number one enemy. The United States was referred to as a less dangerous enemy than the Soviet Union. This was because Beijing now emphasized that the threat to Chinese national security was more imminent from Soviet Union than from the United States. In this situation of two formidable enemies China decided to make its relationship with countries of first and second intermediate zones more vigorous.

However, one did not see any perceptible impact of such a change in China's general foreign policy posture on relations with Nepal. 1969 was indeed a watershed in China's approach to world politics but it did not have any impact on China's bilateral relations with Nepal. In essence in the post-Cultural Revolution period Sino-Nepalese relations were exhibiting the same characteristics as in case of pre-Cultural Revolution relations. The logic of the pre-1969 phase was continued.

During the 70's the economic aspects of Sino-Nepalese relations proliferated. China entered into more and more agreements with Nepal and undertook different projects. Still the amount made a poor comparison with India. China did not have any political disputes with Nepal. But it continued its anti-India propaganda in Nepal as before which was given a respite only after the prospects of Sino-Indian normalization of relations loomed in the horizon.

It is evident from the above analysis that for China India has been the major determinant of its relations with Nepal. China's world view does not seem to have a direct correlation with its relations with Nepal. It is of course true that Nepal figures in China's world view as a country in the first intermediate zone, but its relations with Nepal has developed almost independent of the successive changes in the general foreign policy framework of China. It is a fact that China's view of a regional power (i.e. India) is more important in determining its relations with Nepal than of its

analysis of world power configuration.

It is also clear that changes in China's domestic politics are not reflected in its relations with Nepal. Once the Chinese had laid down the logic of Sino-Nepalese relations, they did not look back and maintained steady relations with Nepal irrespective of changes in China's internal politics. This was because to China Nepal had concrete implications for its national interests irrespective of ideology of world developments.

Thus India was the real factor that influenced China's attitude towards Nepal and China never lost sight of oblivious of this factor. China changed its relationship with Nepal keeping always in view its own relations with India. China understands that in order to keep Nepal close it has to compete with India but at the same time it is aware of the limitations of such competition. It realizes that Nepal's access to the sea lies through India; major portion of its economic transactions are with India; its territory is a natural extension of the India landmass; it has cultural and religious affinity with India. Hence, it would be impossible for China to alienate Nepal from India. For, it is understood that, in case Nepal tilts in favour of China and goes against India, it would be impossible for China to meet all its necessities. This limits China's relationship with Nepal. For China the best that could be expected is that Nepal follow a policy of equidistance between India and China.

APPENDIX I

FRIENDSHIP AGREEMENT

September 20, 1956
(Ratified on January 17, 1958)

The Government of the People's Republic of China and the Government of the Kingdom of Nepal,

Being desirous of further developing the friendly relations between the two countries as good neighbours on the basis of the long-standing friendship between the two people.

Reaffirm that the five principles (Panch Shila) of :

- (i) Mutual respect for each other's territorial integrity and sovereignty;
- (ii) Non-aggression;
- (iii) Non-interference in each other's internal affairs for any reasons of an economic, political or ideological character;
- (iv) Equality and mutual benefit; and
- (v) Peaceful co-existence.

Should be the fundamental principles guiding the relations between the two countries.

The two parties have resolved to conclude the present agreement in accordance with the above-mentioned principles and have, for this purpose, appointed as their respective plenipotentiaries :

The Government of the People's Republic of China, His Excellency Pan Tzu-li, Ambassador Extraordinary and of Nepal; the Government of the Kingdom of Nepal, His Excellency Chuda Prasad Sharma, Minister for Foreign Affairs of the Kingdom of Nepal, who, having examined each other's credentials and finding

them in good and due form, have agreed upon the following :

Article One

The high contracting parties declare that peace and friendship shall be maintained between the People's Republic of China and the Kingdom of Nepal.

Article Two

The high contracting parties hereby reaffirm their decision to mutually exchange diplomatic representatives on ambassadorial level.

Article Three

All treaties and documents which existed in the past between China and Nepal including those between the Tibet Region of China and Nepal are hereby abrogated.

Article Four

In order to maintain and develop the traditional contacts between the peoples of the Tibet Region of China and Nepal, the high contracting parties agree that the nationals of both parties may trade, travel and make pilgrimage in those places in each other's territory as agreed upon by both parties, and the two parties agree to safeguard the proper interests of the nationals of the other party in the territory in accordance with the laws of the country of residence, and for this purpose the high contracting parties agree to do as follows :

Paragraph One—The high contracting parties mutually trade agencies :

- (i) The Chinese Government agrees that the Government of Nepal may establish trade agencies at Shigatse, Kyeróng and Nyalam;
- (ii) The Government of Nepal agrees that the Chinese Government may establish an equal number of trade

- agencies in Nepal, the specific locations of which will be discussed and determined at a later date by both parties;
- (iii) The trade agencies of both parties shall be accorded the same status and same treatment. The trade agents of both parties shall enjoy freedom from arrest while exercising their functions, and shall enjoy in respect of themselves, their wives and their children who are dependent on them for livelihood freedom from search.

The trade agencies of both parties shall enjoy the privileges and immunities for couriers, mailbags and communications in code.

Paragraph Two—The high contracting parties agree that traders of both countries may trade at the following places :

- (i) The Chinese Government agrees to specify (1) Lhasa, (2) Shigatse, (3) Gyantse, and (4) Yatung as markets for trade;
- (ii) The Government of Nepal agrees that when with the development of Chinese trade in Nepal, it has become necessary to specify markets for trade in Nepal, the Government of Nepal specify markets for trade in Nepal, the Government of Nepal will specify an equal number of markets for trade in Nepal;
- (iii) Traders of both countries known to be customarily and specially engaged in border trade between the Tibet Region of China and Nepal may continue trade at the traditional markets for such trade.

Paragraph Three—The high contracting parties agree that pilgrimage by religious believers of either country to the other may continue according to religious customs. Personal baggages and articles used for pilgrimage carried by the pilgrims of either party shall be exempted from taxation by such trade, by the other party.

Paragraph Four—For travelling across the border between the Tibet Region of China and Nepal, the high contracting parties agree that the nationals of both countries shall use the customary routes.

Paragraph Five—For travelling across the border by the nationals of the two countries, the high contracting parties agree to

adopt the following provisions :

- (i) Diplomatic personnel and officials of the two countries except those provided by sub-paragraphs two, three and four, who travel across the border between the Tibet Region of China and Nepal, shall hold passports issued by their respective countries and visaed by the other party. Nationals of two countries who enter the Tibet Region of China or Nepal through a third country shall also hold passports issued by their respective countries and visaed by the other party.
- (ii) Traders of the two countries known to be customarily and specifically engaged in trade between the Tibet Region of China and Nepal, their wives and children dependent on them for livelihood and their attendants, not covered by sub-paragraph three of this paragraph, who enter into the Tibet Region of China or Nepal as the case may be for the purposes of trade, shall hold passports issued by their respective countries and visaed by the other party or certificates issued by their respective governments or by organs authorized by their respective governments.
- (iii) Inhabitants of the border districts of the two countries who cross the border to carry on petty trade, to visit friends or relatives, or for seasonal changes of residence, may do so as they have customarily done heretofore and need not hold passports, visas or other documents of certification.
- (iv) Pilgrims of either party who travel across the border between the Tibet Region of China and Nepal for the purposes of pilgrimages need not hold passports, visas or other documents of certification, but shall register at the border checkpoints or the first authorized government office of the other party, and obtain permits for pilgrimage therefrom.
- (v) Notwithstanding the provisions of the foregoing sub-paragraphs of this paragraph, either government may refuse entry to any particular persons.
- (vi) Nationals of either country who enter the territory of the other party in accordance with the foregoing sub-

paragraphs of this paragraph may stay within the territory only after complying with the procedures specified by the other party.

Article Five

This agreement shall be ratified. It shall come into effect after mutual notice of ratifications, and remain in force for eight (8) years. Extension of the present agreement may be negotiated by the two parties if either party requests for it six (6) months prior to the expiry of the agreement and the request is agreed to by the other party.

Done in Kathmandu on the 20th day of September 1956, in duplicate in the Chinese, Nepalese and English languages, all texts being equally authentic.

Sd/- PAN TZU-LI
Plenipotentiary of the Government
of the People's Republic of China

Sd/- CHUDA PRASAD SHARMA
Plenipotentiary of the Government of the Kingdom of Nepal.

APPENDIX II

ECONOMIC AID AGREEMENT

Peking, October 7, 1956.

The Government of the People's Republic of China and the Government of the Kingdom of Nepal, for the purposes of promoting the friendly relations between the two states and of strengthening the friendship of their people and on the basis of five principles of peaceful co-existence (Panch Shila), have reached an agreement the articles of which are as follows :

Article I

The People's Republic of China shall make a free grant to the Kingdom of Nepal within a period of three years as from the date of the signing and coming into force of this agreement in an amount of 60 million Indian rupees. Of the 60 million Indian rupees, one-third shall be given by instalments in foreign exchange and two-thirds in machinery, equipment, materials and other commodities which the Kingdom of Nepal needs and the People's Republic of China can supply. The said machinery, equipment, materials and other commodities shall be determined by further negotiations between the two governments.

Article II

The economic aid by the government of the People's Republic of China to the Kingdom of Nepal is made without whatever conditions attached thereto and no technical personnel shall be despatched to Nepal in connection with this aid. The Government of the Kingdom of Nepal shall have entire freedom in utilizing the

above-mentioned monies and goods and the Government of the People's Republic of China shall not interfere.

Article III

The organs to carry out this agreement shall be Ministry of Foreign Trade of the People's Republic of China for the People's Republic of China and the Ministry of Planning and Development of the Kingdom of Nepal for the Kingdom of Nepal.

Article IV

This agreement shall become effective from the date of its signature.

Done and signed in Peking, on the 7th day of October 1956 in two copies, each in the Chinese, Nepalese and English languages, all texts being equally authentic.

YEH CHI-CHUANG

Minister for Foreign Trade,
for the Government of the
People's Republic of China

**DAMAK SHAMSHER JANG
BAHADUR RANA**

Ambassador Extraordinary and
Plenipotentiary to the People's
Republic of China. For the
Government of the Kingdom of
Nepal.

APPENDIX III

AGREEMENT OF ECONOMIC AID

Peking, March 21, 1960

The Government of the People's Republic of China and His Majesty's Government of Nepal, for the purpose of further promoting the friendly relations and of strengthening the economic and technical co-operation between the two countries have, on the basis of the Five Principles of Peaceful Co-existence, concluded the present Agreement, the articles of which are as follows :

Article I

With a view to helping His Majesty's Government of Nepal to develop its economy, the Government of the People's Republic of China is willing to give His Majesty's Government of Nepal, within a period of three years as from the date of coming into force of the present Agreement, a free grant of economic aid without any conditions or privileges attached. The amount of the aid is 100,000,000 (one hundred million) Indian rupees. This amount of, together with the remaining 40,000,000 (forty million) Indian rupees, provided under the Agreement between China and Nepal on Economic Aid of 1956, which has not yet been used by His Majesty's Government of Nepal, making a total of 140,000 (one hundred and forty million) Indian rupees, shall be utilized by instalments during the period of validity of the present Agreement by His Majesty's Government of Nepal in accordance with the items of economic aid to be agreed upon by both sides.

Article II

The economic aid to be given by the Government of the

People's Republic of China to His Majesty's Government of Nepal shall cover equipment, machinery and materials, technique and other commodities.

Article III

According to the requirement of His Majesty's Government of Nepal, the Government of the People's Republic of China is willing to supply, on the basis of the principles of economy and usefulness, equipment, machinery and materials and designs relating to the items of aid, in order to help develop the economy of the Kingdom of Nepal.

Article IV

At the request of His Majesty's Government of Nepal, the Government of the the People's Republic of China agrees to dispatch a necessary number of experts and technicians to help the Kingdom of Nepal in the construction of the items of aid to be specified under the present Agreement. The travelling expenses of the Chinese experts and technicians to the Kingdom of Nepal and back to China and their salaries during their period of work in the Kingdom of Nepal shall be borne by the Government of the People's Republic of China; the living expenses of the Chinese experts and technicians during their period of work in the Kingdom of Nepal shall be paid from the amount of the aid, with their standard of living not exceeding that of personnel of the same level in the Kingdom of Nepal.

At the request of His Majesty's Government of Nepal, the Government of the People's Republic of China agrees to accept trainees dispatched by His Majesty's Government of Nepal to learn technical skill in China. The expenses of the trainees shall be paid from the amount of the aid.

Article V

The items of aid to be given by the Government of the People's Republic of China to His Majesty's Government of Nepal and the methods of their implementation, in accordance with Article II of the present Agreement shall be discussed and decided upon

separately in a protocol to be concluded by the representatives to be appointed by the two Governments.

Article VI

The organs to carry out the present Agreement shall be Ministry of Foreign Trade of the People's Republic of China for the People's Republic of China, and the Ministry of Finance of His Majesty's Government of Nepal for Nepal.

Article VII

The present Agreement will come into force on the date of its signing and remain in force for a period of three years. At the expiry of the present Agreement, if the amount of the aid is not yet used up, the period of validity of the present Agreement may be extended by agreement of the two Governments.

Done in duplicate in Beijing on the twenty-first day of March, 1960, in the Chinese, Nepalese and English languages, all texts being equally authentic.

Zhou Enlai
Plenipotentiary of the Govern-
ment of the People's Republic
of China

B.P. Koirala
Plenipotentiary of His Majesty's
Government of Nepal

APPENDIX IV

PROTOCOL TO THE AGREEMENT OF ECONOMIC AID

Kathmandu, September 5, 1961

His Majesty's Government of Nepal and the Government of the People's Republic of China have, in accordance with the Agreement on Economic Aid signed between the two Parties on the 21st March, 1960 in Peking, concluded the present Protocol, the articles of which are as follows :

Article I

The name, capacity, design and delivery time of the equipments of the items of economic construction to be provided by the Governmen of the People's Republic of China to His Majesty's Government of Nepal shall be as per the Annexe hereto, which forms a part of this Protocol.

Article II

The expenditures for the designs, equipments, machinery, materials and technique etc., to be provided by the Chinese side under the items of economic construction as specified in the Annexe to this Protocol shall be paid from the amount of aid stipulated in Article I of the Agreement on Economic Aid.

Article III

In accordance with this Protocol, the scope, of aid given by

China to Nepal in respect of designs, equipments, machinery, materials and technique is as follows :

1. To make the civil engineering and technological designs of various items of economic construction as per the designing and projecting orders approved and the basic data for designing given by the Nepalese side;
2. To supply complete plants (inclusive of both main and auxiliary equipments) of various items and those special installation machines and instruments, building machines and materials, which cannot be procured in the Kingdom of Nepal;
3. To dispatch a necessary number of experts and technical personnel as agreed by both Parties to the Kingdom of Nepal to carry out, for the relevant item, the works of surveying and prospecting, collecting basic data for design, selecting site, and conducting civil engineering construction, installations of equipments and trial operation; and
4. To accept a necessary number of technical personnel and workers to be dispatched by the Kingdom of Nepal to China for practical (and) technical training in production in the relevant enterprises. Details of the dispatch of trainees and training matters shall be stipulated in a contract to be signed by the organs concerned of both Parties.

Article IV

The delivery terms of the equipments, machinery, materials and general commodities to be supplied by the People's Republic of China to the Kingdom of Nepal in accordance with this Protocol shall be C.I.F. Calcutta, India.

All the taxes and duties leviable on the above-mentioned equipments, machinery and materials within the territories of India and Nepal shall be paid by the Nepalese side. The prices of complete plants, machinery, materials and general commodities to be supplied by the People's Republic of China to the Kingdom of Nepal shall be fixed in contracts to be signed between the organs concerned of both Parties and shall be calculated in Indian rupees.

Article V

The dispatch of Chinese experts and technical personnel, and the working conditions during their stay in the Kingdom of Nepal shall be arranged in accordance with the letters relating to the working conditions for experts and technical personnel exchanged between the two Parties on the 5th September 1961 in Kathmandu.

Article VI

The entering of account in respect to the utilization of economic aid shall be discussed and fixed separately by the People's Bank of China and the Nepal Rastra Bank.

Article VII

The present Protocol shall come into force from the date of its signing.

Done in duplicate in Kathmandu on the 5th day of September 1961 in the Nepalese, Chinese and English languages, all three texts being equally authentic.

RISHIKESH SHAHA
Representative of His Majesty's
Government of Nepal

CHANG SHI-CHIEH
Representative of the Govern-
ment of the People's Republic
of China

APPENDIX V

TRADE AGREEMENT

Kathmandu, May 19, 1964

His Majesty's Government of Nepal and the Government of the People's Republic of China (hereinafter referred to as the Contracting Parties) for the purpose of further developing the friendship between the two countries and strengthening the economic and trade relations between the two countries, especially the traditional trade relations between Nepal and the Tibet Region of China, have, on the basis of equality and mutual benefit, agreed as follows :

Article I

The two Contracting Parties shall take all appropriate measures to develop the trade between their two countries, and agree to promote the exchange of goods between them.

Article II

The trade between the two countries may be conducted through the state trading organisations in Nepal and China, as well as through other importers and exporters of the two countries.

Article III

The exchange of goods between the two countries shall be conducted in accordance with their respective laws, regulations and procedures regarding import and export and foreign exchange regulations in force from time to time in the two countries.

Article IV

The trade between the two countries shall be based, as far as possible on the principle of equilibrium between the total values of imports and exports.

The two Contracting Parties shall, through periodical consultations, determine what goods one country can make available to the other; and they shall mutually accord to each other as favourable treatment as possible in respect of the issuance of import and export licences for such goods.

The two Contracting Parties shall grant to each other the most-favoured nation treatment in all matters relating to customs duties and other taxes, fees and charges of any kind to be levied on exportation and importation of commodities, and to the rules, formalities and charges of customs management. These provisions, however, shall not apply to :

1. Advantages resulting from any customs union or other agreement on customs-free trade to which either Contracting Party is or may become in the future a party; and
2. Advantages accorded by multilateral economic agreements relating to International Commerce.

Article VI

Payment in connection with the importation and exportation of commodities and goods as well as other payments between the two countries shall be made in convertible Pounds Sterling or any other mutually agreed currency.

Article VII

Border inhabitants of the two countries may, within an area of 30 kilometres from the borders carry on the petty traditional trade on barter basis, which shall not be subjected to the limitations of the above-mentioned provisions.

Article VIII

Nothing in this Agreement shall be constructed to derogate

from any obligations of either of the Contracting Parties under any international convention or agreement entered into before or after the conclusion of this Agreement.

Article IX

Any dispute arising out of the implementation of this Agreement shall be settled through peaceful and friendly consultations between the Contracting Parties.

Article X

This Agreement replaces the Paragraph II of Article IV of the Agreement to Maintain Friendly Relations between the Kingdom of Nepal and the People's Republic of China and on Trade and Intercourse between Nepal and the Tibet Region of China concluded between the two Contracting Parties on September 20, 1956.

This Agreement shall come into force on and from the date of signing and its validity is for two years. If neither party notifies the other in writing to terminate this Agreement at least six months before its expiration, the validity shall be automatically extended for another two years.

After the expiration of this Agreement, all obligations arising therefrom shall be carried out in accordance with the provisions of this Agreement.

The present Agreement is concluded in Kathmandu on 19th May, 1964. Done in duplicate in the Nepalese, Chinese and English languages, all the three texts being equally authentic. In case there should arise any difference in interpretation between the Nepalese and the Chinese texts, the English text shall be taken as final.

Plenipotentiary of His Majesty's
Government of Nepal

Plenipotentiary of the
Government of the
People's Republic of
China.

APPENDIX VI

AGREEMENT ON TRADE, INTERCOURSE AND RELATED QUESTIONS BETWEEN TIBET AUTONOMOUS REGION OF CHINA AND NEPAL

Peaking May 2, 1966

The Government of the People's Republic of China and His Majesty's Government of Nepal.

Being desirous of further developing the friendly and good neighbourly relations between the two countries, reaffirming the five principles, i.e.,

1. Mutual respect for each other's territorial integrity and sovereignty,
2. Mutual non-aggression,
3. Non-interference in each other's internal affairs for any reasons of an economic, political or ideological character,
4. Equality and mutual benefit, and
5. Peaceful co-existence,

as the fundamental principles guiding the relations between the two countries.

Desiring to develop on the basis of these principles the traditional friendly relations between the peoples of the two countries and particularly between the inhabitants of the Tibet Autonomous Region of China and the peoples of Nepal.

Have agreed to conclude the present Agreement on the basis of the "Agreement to Maintain the Friendly Relations between the People's Republic of China and the Kingdom of Nepal and on Trade and Intercourse between the Tibet Region of China and

Nepal" signed by the two Governments on September 20, 1956.

After friendly consultations, the two Governments have agreed upon the following :

Article I

The two Governments agree that the movement of persons between the Tibet Autonomous Region of China and Nepal shall be governed by the following provisions :

1. Diplomatic personnel, civil servants and other nationals (except those covered by paragraphs 2, 3, 4 and 5 of this Article) of either country shall hold passports issued by their own country and visaed by the other country. Nationals of either country entering the Tibet Autonomous Region of China or Nepal *via* a third country shall also hold passports issued by their own country and visaed by the other country.
2. Traders of either country known to be customarily and specially engaged in trade between the Tibet Autonomous Region of China and Nepal (not being those persons covered by paragraph 3 of this Article), their wives and children dependent upon them for livelihood and their attendants shall hold passports issued by their own country and visaed by the other country or other certificates issued by their own Government or its duly authorised agency.
3. Inhabitants of the border districts of either country [to carry on petty trade, to visit friends or relatives, or for seasonal change of residence, need not have passports, visas or other certificates, but shall register at the border checkpost or the first encountered duly authorised government agency of the other country.
4. Religious believers of either country who travel for the purposes of pilgrimage need not have passports, visas or other certificates, but shall register at the border checkpost or the first encountered duly authorised government agency of the other country and obtain permits for pilgrimage.
5. Porters and muleteers of either country shall only hold

certificates valid for a period of not more than one year issued by the local government of their own country or by its duly authorised agency and register at the border checkpost of the other country and need not have passports or visas.

6. Border inhabitants of both countries while travelling across the border shall use the customary routes.
7. Government officials, pilgrims and traders of both countries shall have the facility of engaging the means of transport at normal and reasonable rates.
8. Notwithstanding the provisions of the foregoing paragraphs of this Article, either Government may refuse entry in its territory to any particular person, should it deem this necessary.
9. Nationals of either country who enter the territory of the other country in accordance with the foregoing paragraphs of this Article may stay within the territory of the other country only after complying with the procedures specified by the other country.

Article II

The two Governments agree that pilgrimage between the Tibet Autonomous Region of China and Nepal shall be maintained, and for this purpose have agreed on the following provisions :

1. The local authorities concerned of either country shall suitably facilitate the entry into or departure from its territory of pilgrims from the other country.
2. Pilgrims of either country entering or leaving the territory of the other country shall comply with procedures specified in Article I paragraph 4 of the present Agreement.
3. The personal luggage and articles used for pilgrimage carried by pilgrims shall be exempted from duties by both Governments.

Article III

Subject to the procedures to be mutually agreed upon, the two Governments agree to make full use on a reciprocal basis of

the Lhasa-Kodari and Kathmandu-Kodari Highways to develop friendly intercourse between the two countries in respect of official and trade purposes.

Article IV

In order to ensure the peaceful living and normal pursuits of either country's nationals in the territory of the other and promote the development of friendship between the two countries, the two Governments have agreed on the following :

1. The respective Governments shall protect the life, property and legitimate interests of the nationals of the other country in its territory.
2. Nationals of one country in the territory of the other shall be subject to the jurisdiction of the Government of the host country and abide by its laws and regulations, pay taxes and respect the local customs.
3. All civil and criminal cases or disputes in the territory of either country involving nationals of the other country shall be handled by the Government of the host country.

Article V

The two Governments shall encourage and support the development of trade relations between the Tibet Autonomous Region of China and Nepal. The authorities concerned of either country shall protect the legitimate interests of the traders of the other country in its territory and facilitate their business activities. The traders of either country in the territory of the other must abide by the relevant laws and regulations and shall be subject to the jurisdiction of the host country.

The two Governments should promote traditional petty trade across the border between the Tibet Autonomous Region of China and Nepal. The local authorities concerned should give facility and protection to the border inhabitants of the other country engaged in such normal petty trade based on barter.

Article VI

The Government of the People's Republic of China agrees

to the establishment of a consulate-general in Lhasa by His Majesty's Government of Nepal.

His Majesty's Government of Nepal agrees to the establishment of a consulate-general in Kathmandu by the Government of the People's Republic of China.

Article VII

In order to strengthen the friendship between the local officials of the two Governments and settle in time problems arising in the intercourse between the border inhabitants of the two countries, the local officials of the border districts of the two Governments may hold meetings as and when necessary.

The rank, time, place and other matters concerning each meeting shall be decided through consultation between the local officials concerned of the two Governments themselves.

Article VIII

The present Agreement abrogates the "Agreement to Maintain the Friendly Relations between the People's Republic of China and the Kingdom of Nepal and on Trade and Intercourse between the Tibet Region of China and Nepal" of September 20, 1956 and also the letters exchanged on the same date in relation to the same Agreement.

The present Agreement shall come into force on the date of its signing and shall remain in force for a period of ten years. Amendment of extension of the present Agreement may be negotiated by the two Governments six months before its expiration, if either Government proposes to amend or extend the present Agreement and obtains the consent of the other Government.

Done in duplicate in Peking on the 2nd day of may, 1966, in the Chinese, Nepali and English languages, all texts being equally authentic.

Plenipotentiary of the Government
of the People's Republic of China

Plenipotentiary of His
Majesty's Government
of Nepal

APPENDIX VII

AGREEMENT ON ECONOMIC CO-OPERATION

Kathmandu, December 21, 1966

His Majesty's Government of Nepal and the Government of the People's Republic of China, being motivated by the desire of further promoting and strengthening the friendly relations and the economic and technical co-operation between the two countries have, through friendly discussions, reached an agreement as follows :

Article I

With a view to helping His Majesty's Government of Nepal to develop its economy, the Government of the People's Republic of China agrees to provide His Majesty's Government of Nepal, within the period from December 21, 1966 to December 31, 1970, a free grant of aid without any conditions attached. The amount of the aid shall be 150,000,000 (One Hundred and Fifty Million) Nepali Rupees.

Article II

The aid amount mentioned in Article I shall be provided in instalments in the form of complete sets of equipment according to the capability of the Government of the People's Republic of China and the requirements of His Majesty's Government of Nepal. The specific items shall be discussed and decided upon separately by the respective representatives to be appointed by the two Governments.

Article III

At the invitation of His Majesty's Government of Nepal, the Government of the People's Republic of China shall dispatch experts and technical personnel to the Kingdom of Nepal to render technical assistance. Their living expenses and facilities and working conditions shall be covered by the related notes exchanged on September 5, 1961 between the two countries.

Article IV

The People's Bank of China and the Nepal Rastra Bank shall make an arrangement to establish the technical procedure for the smooth implementation of this agreement.

Article V

This agreement shall come into force from the date of its signing.

Done in duplicate in Kathmandu on December 21, 1966 in the Nepalese, Chinese and English languages, all the texts being equally authentic.

APPENDIX VIII

PROTOCOL TO THE CHINA-NEPAL TRADE AGREEMENT

28 May 1968

In accordance with the provisions of Article VI of the Trade Agreement between His Majesty's Government of Nepal and the Government of the People's Republic of China concluded on 28 May 1968, the two Governments have agreed as follows :

1. The trade over land between the two countries shall be on the basis of the C&F at the point of transfer of the goods over the border between Nepal and Tibet Autonomous Region of China or such other places in the vicinity of the border as may be determined by the local authorities concerned.
2. The trade overseas between the two countries shall be, in the case of exports from Nepal on the basis of f.o.b. and in the case of exports from China, on the basis of CIF Calcutta or other port through which the goods may be shipped in transit.
3. The method payments between the two countries shall be as follows :
 - A. (I) The two Governments shall open in a bank of the opposite side an interest-free and charge-free pound sterling clearing account, the balance of which shall be settled at the end of each calender year with convertible pound sterling.
 - (II) In the event of any change in the gold content of the pound sterling, one pound sterling containing 2.13291 grams of fine gold at present, the balance of account as

prescribed in A(I) above and the amounts of outstanding contracts and letter of credit expressed in pound sterling under the trade Agreement between Nepal and China shall all be adjusted according to the proportion of change, so that their gold equivalents shall remain unchanged as before.

B. The under-noted payment shall be channelled through the account as prescribed in A(I) above.

(I) Payments relating to the proceeds of the purchase and sale of commodities between the two countries and their incidental charges;

(II) Payments for local expenses of Embassies, Consulates and Commercial Counsellors' offices of both countries;

(III) Payments for expenses incurred by Governmental, commercial, cultural and social organizations and delegations or other representatives of each country in the territory of the other country;

(IV) Payments for expenses of students and trainees as well as overseas remittances and travelling expenses of tourists of both countries; and

(V) Such other payments as agreed upon by and between the Nepal Rastra Bank and the People's Bank of China.

C. The Nepal Rastra Bank and the People's Bank of China shall work out the technical details necessary for the implementation of this payment arrangement.

4. This Protocol shall remain in force for a period of two years starting retrospectively from 19 May 1969, and its validity is the same as that of the Trade Agreement between His Majesty's Government of Nepal and the Government of the People's Republic of China.

Sd/—
Kirti Nidhi Bista

Sd/—
Chen Yi

Source : Abstract of this agreement has been taken from *Beijing Review*, 7 June 1968, pp. 22-23; *SCMP* 4191, pp. 34-35; *NCNA*, 28 May 1968 and *Summary of World Broadcasts*, Part 3, The Far East (London), FE/2783, A3/1, 30 May 1968.

CHRONOLOGY

EXCHANGE OF VISITS BETWEEN CHINA AND NEPAL, 1955-1978

- | | |
|-----------------------------|--|
| December 1946 | Goodwill Mission in Nepal |
| July-August 1955 | A 3-member delegation led by General Yuan Zhongxien, Chinese Ambassador to India in Nepal, to negotiate establishment of diplomatic relations. |
| April-May 1956 | A 5-member delegation led by Ulanhu, Vice-Chairman of the State Council, in Nepal to attend coronation ceremony of King Mahendra. |
| 10-20 July 1956 | A cultural delegation led by Minister of Education Bal Chandra Sharma in China. |
| 19 August—10 September 1956 | A 5-member delegation led by Pan Tzuli in Nepal. |
| September 1956 | King Mahendra in China. |
| September-October 1956 | A goodwill student delegation led by Bharat Raj Joshi, Chairman of the Students Federation, in China. |
| 25 September-7 October 1956 | Prime Minister Tanaka Prasad Acharya in China. |
| December 1956 | A goodwill delegation by Lok Darshan, Principal Private Secretary to King Mahendra, in China. |
| 25-29 June 1957 | Prime Minister Zhou Enlai in Nepal. |
| 13-17 June 1957 | A cultural delegation led by Zhu Tonan in Nepal. |
| July 1959 | A 6-member Buddhist delegation led by Bhiku Amritanand in China. |

- October 1959 Village Development Minister Tulsi Giri in China to attend 10th anniversary celebrations.
- October 1959 Communist Party delegation led by Dr. K.J. Raimajhi in China to attend 10th anniversary celebrations.
- October 1959 A delegation of Nepal-China Friendship Association led by Puran Bahadur, in China to attend 10th anniversary celebrations.
- March 1960 A 5-member journalists delegation led by Pashupati Deva Pande in China.
- 11-21 March 1960 Prime Minister B.P. Koirala in China
- 26-28 April 1960 Premier Zhou Enlai in Nepal.
- June-July 1960 A 5-member youth and students delegation in China.
- 12 August-26 October 1960 Boundary delegation in Nepal.
- September 1960 A cultural delegation in Nepal.
- January-February 1961 A 9-member boundary delegation led by Padma Bahadur Khatri in China
- May 1961 A 8-member economic delegation led by Mang Mingzhen in Nepal to negotiate the terms of the utilisation of Chinese economic assistance to Nepal.
- 25 July-24 August 1961 Boundary delegation in Nepal.
- September 1961 Economic delegation in Nepal.
- 26 September-19 October 1961 King Mahendra in China.
- October-November 1961 10-member table tennis team in Nepal
- April 1962 Leather tanning experts in Nepal
- May 1962 Civil aviation delegation in Nepal
- April-June 1962 Boundary delegation in Nepal
- September-October 1962 Cultural delegation led by K.P. Bhandari in China
- October 1962 A 3-member goodwill delegation led by the General Editor of *People's*

- Daily* in Nepal.
- October 1962 A 3-member delegation of Sino-Nepalese Friendship Association led by Wuhan in Nepal.
- November 1962 A 3-member delegation of Nepal-China Friendship Association led by Prem Bahadur Kansakar in China.
- 23 November-December 1962 Goodwill mission of Rishikesh Shaha, Special Representative of the King in China.
- 19-24 January 1963 Foreign Minister Tulsi Giri and Defence and Foreign Secretary Padma Khatri in China.
- May 1963 A 3-member journalists delegation led Narayan Prasad Banskot in China.
- June 1963 Zheng Xiaoxun, Editor-in-Chief of People's Literary Publishing House of China in Nepal to attend a literary Conference in Kathmandu.
- October-November 1963 Panchayat delegation led by Vishwa Bandhu Thapa, Chairman of the Nepalese National Panchayat in China.
- December 1963 A 12-member economic delegation in Nepal.
- February 1964 A 4-member cultural delegation led by Hu Yujih, Deputy Minister of Cultural Affairs in Nepal.
- April 1964 An Economic Delegation led by Vice-Minister of Transport Koshen in Nepal.
- May-June 1964 A youth delegation led by Nabraj Subedi in China.
- June 1964 Chinese experts in Nepal to draw up blueprints and plans for setting up a brick and tile factory and some warehouses.
- June 1964 A 2-member Buddhist delegation in China.

- Augst 1964** A 7-member scientists delegation led by Professor Samba Deva Pande in China to attend scientific Conference in Beijing.
- August-September 1964** Educationists' delegation led by Kesari Raj Pande in China.
- September 1964** A goodwill delegation led by Lalit Chand in China.
- 28 September-5 October 1964** Surya Bahadur Thapa, Vice-Chairman of Council of Ministers, in China.
- January 1965** Friendship delegation led by Ehubanlal Pradhan, Minister of Power and Irrigation in China.
- 30 March-3 April 1965** Vice-Premier Zhen Yi in Nepal.
- April 1965** A 50-member cultural troupe in Nepal.
- August-September 1965** A goodwill delegation led by K.M. Singh Basnyat in China.
- 24 August-7 September 1965** Vice-Chairman Kirti Nidhi Bista in China.
- September 1965** Cultural delegation led by Janadan Sama in China.
- 28 September-15 October 1965** Vice-Chairman of Council of Ministers Surya Bahadur Thapa in China.
- November 1965** A 4-member broadcasting delegation led by Prakash Man Singh, Director of Radio Nepal in China.
- April-May 1966** Minister of Industry and Commerce Nagendra Prasad Rijal in China.
- May 1966** A 7-member writers delegation led by Yen Wenzing in Nepal.
- 23 May-1 June 1966** A goodwill delegation led by Deputy Prime Minister K.N. Bista in China.
- June 1966** A 10-member youth and sports delegation in Nepal.
- 25 June-13 July 1966** Crown Prince Birendra Bikram Shah Dev in China.
- June-July 1966** A 5-member friendship delegation

- led by Yang Tungsheng in Nepal.
- October 1966 A delegation of Nepal-China Friendship Association led by Ganeshman Shreshtha in China.
- May 1967 An economic delegation led by Lin Hai-yun in Nepal to attend opening ceremony of Kathmandu-Kodari Road and to sign Sunkosi project agreement.
- 23 May-1 June 1968 Foreign and Deputy Prime Minister K.N. Bista in China.
- 9 June 1969 The foundation-stone of the Sunkosi hydroelectric project is laid by Nepalese Prime Minister.
- 28 July 1969 The New Chinese Ambassador to Nepal presents his credentials to King Mahendra.
- September-October 1969 Transport and communications Minister Rudra Prasad Giri in China to participate in 20th anniversary of People's Republic of China.
- November 1969 Chinese Ministerial delegation in Nepal.
- 26-28 February 1970 A 7-member Chinese goodwill mission headed by China's Special Envoy Guo Moruo, in Nepal to attend marriage of Crown Prince.
- 1-9 March 1970 Guo Moruo, Vice-Chairman Standing Committee of National People's Congress, in Nepal as leader of a goodwill delegation.
- 20 March 1970 A 7-member Parliamentary Goodwill Mission, led by National Panchayat Chairman, Ram Hari Sharma, arrives in Beijing on a two-week tour of China.
- June 1970 Table tennis team led by Zhao Xiwu in Nepal.
- October 1970 A 3-member Nepalese economic delegation visits Canton Trade Fair.

- March 1971** National Panchayat delegation led by Chairman Ram Hari Sharma in China.
- March 1971** A 2-member medical delegation led by Ge Shu-shan in Nepal to attend Nepalese Medical Conference.
- 19 May-June 1971** Princess Sharda Shah and Kumar Khadga Bikram Shah as leader of National Sports Council delegation visit China.
- October-November 1971** Table tennis team in China.
- November 1971** Former Premier Tanaka Prasad Acharya in China.
- April 1972** Table tennis delegation in China.
- May 1972** Medical delegation in China.
- September 1972** National Sports Council delegation in China.
- 2 October 1972** Tsao Ji, a senior Party leader and diplomat of China, is appointed as the new Ambassador to Nepal.
- October 1972** Badminton delegation in Nepal.
- October 1972** Football team in China.
- November 1972** Nepal-China Friendship Society delegation in China.
- November 1972** Delegation led by Zhang bin, Minister of Water and Conservancy, in Nepal to attend inauguration of Sunkosi hydel project.
- 15-28 November 1972** Prime Minister Kirti Nidhi Bista in China.
- 30 January-6 February 1973** Nepalese State Council delegation led by Ranganath Sharma in China
- May 1973** Technicians to survey road connecting Pokhara with the Far Western Development Region in Nepal.
- July 1973** Badminton team in China.
- July 1973** A 7-member technical team to study establishment of proposed textile mill in Nepal.
- 13-29 July 1973** Princess Shobha Shah and Kumar

- 18-20 September 1973 Mohan Bahadur Shah in China.
Foreign Minister and Minister of Finance Gyanendra Bahadur Karki in China.
- November 1973 Trade delegation in China.
- 7-14 December 1973 King Birendra in China.
- February 1974 Sports delegation in Nepal.
- March 1974 Trade delegation in Tibet.
- April 1974 Youth delegation in China.
- April 1974 Economic delegation in China.
- May-June 1974 Trade delegation led by Minister for Foreign Trade Zhen Xien in Nepal.
- 3-18 September 1974 A 3-member educational delegation led by Krishna Raj Aryal, Minister of Health and Education in Nepal, leaves for China on a 10-day visit.
- October 1974 Cultural delegation in China.
- January-February 1975 Economic delegation in Nepal.
- 27 January-8 February 1975 Economic delegation led by Vice-Minister of Communications Dao Ji in Nepal.
- February 1975 A 6-member delegation led by Vice-Premier Zhen Xilien in Nepal to attend coronation of King Birendra.
- 31 March-14 April 1975 Medical delegation in Nepal.
- April-May 1975 Nepal-China Cultural Association delegation in China.
- July-August 1975 Table tennis team in China.
- 1 August 1975 China pledges support to King Birendra's declaration of Nepal as a zone of peace.
- September 1975 Medical delegation in China.
- October 1975 Economic delegation in China.
- 23-30 October 1975 Princes Gyanendra and Dhirendra, the two younger brothers of King Birendra and their wives, and Foreign Minister Krishna Raj Aryal in China.
- 21 October-1 November 1975 Youth badminton team in Nepal.
- 27 May-5 June 1976 Field Marshal Nir Shumsher in

- China**
- 2-9 June 1976 King Birendra visits Szechwan and Tibet.
- July 1976 Economic delegation in China.
- July-August 1976 A 12-member banking delegation in China.
- March 1977 A 7-member press delegation in China.
- March-April 1977 A National State Planning Commission delegation led by its Chairman, B.P. Shrestha in China.
- April 1977 Farm-irrigation and water-conservancy delegation led by B.B. Khadka in China.
- April-May 1977 General Arjun Shjun Shamsher J.B. Rana, Honorary ADC to King, in China.
- June 1977 A team of four Chinese experts in Nepal to train workers and assist Nepalese experts of the Sansbari leather and shoe factory built with Chinese assistance.
- June-July 1977 A Nepalese volleyball team in China.
- September-October 1977 A delegation of Nepal-China Cultural Association in China.
- 15-26 November 1977 A delegation of People's Bank of China Nepal.
- 3-6 February 1978 Vice Premier Deng Xiaoping in Nepal.
- March-April 1978 National Panchayat delegation led by G.P. Singh, Water Resources Committee Chairman of the Nepalese National Panchayat in China.
- 14-15 May 1978 King of Nepal in China on his way to Japan.
- May 1978 National Boundary delegation in Nepale to attend Joint Boundary Inspection Committee session.
- May-June 1978 A 10-member industrial survey team led by Yu Win-nan in Nepal.

19 May-3 June 1978

5-member Nepalese trade delegation led by D.R. Koirala, Secretary in the Ministry of Industry and Commerce in China.

2-8 June 1978

King Birendra in China.

July 1978

Two Nepali Princes and their wives in China en route to North Korea.

August-September 1978

Nepalese delegation led by Bishwa Pradhan, Joint Secretary of the Foreign Ministry, in China to attend Joint Boundary Inspection Commission meeting.

August-September 1978

Civil aviation delegation in China.

September 1978

11-member goodwill delegation led by Tien Bao, Vice-Chairman of the Tibetan Revolutionary Council, in Nepal.

27-29 September 1978

Premier Kirti Nidhi Bista in China.

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