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Prospects of a Trilateral Trans-Himalayan Economic Cooperation Agreement (THECA): China, Nepal, and India

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For decades, small countries in South Asia have had to rely on India for economic assistance and the trade and transit outlets. Sometimes, it was not uncommon for them to feel Indian leverage in matters related to national politics. For a long time, China had maintained a low key approach to dealing with these small neighbors in South Asia. China's new found prosperity, its natural resources needs, and their pursuit to seek alternate maritime passages have all changed the South Asian dynamics in a significant way. This thesis argues that both India and China are much better off looking at these smaller neighbors as a land of opportunity rather than a platform for rivalry. We begin with Nepal as an example.

With the enhanced growth and economic clout at the global stage, India and China are both forging various individual bilateral economic linkages with the smaller South Asian neighbors. A newly formed economic alliance between China and Sri Lanka to develop Hambantota port on the southern tip of the island is the latest example. Another SAARC member Bangladesh is collaborating with China to open a transportation outlet into Myanmar.

India is also courting Bangladesh for natural gas supplies and looking into its transportation network within Bangladesh as a transit corridor to reach the north-eastern frontier states, and perhaps beyond into Myanmar. Oil explorations, transit rights, hydro development, and seaport access are other examples. So, a proposal from a transit corridor country like Nepal for a trilateral economic cooperation with India and China should be welcomed as a natural economic reality made possible by the unprecedented growth trajectories of the two rising economic giants.

Introduction

Most of the 31 landlocked countries in the developing world are poor with very little economic clout in the global market. Sandwiched between the two densely populated countries --China and India, Nepal too faces common sets of issues: poverty, geographic ruggedness, and the lack of the seaport access. To address the plights of these landlocked countries, the United Nations took initiative in 2003 to convene the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation in Almaty, Kazakhstan, from 25-29 August 2003. The Almaty Declaration had usual goals: secure access; reduce costs of imports; address problems of delays and uncertainties in trade routes; develop adequate national networks. Some of these goals have also been tied to the Millennium Poverty Reduction targets.

Despite global concerns about the seaport access and the transit costs of these landlocked territories, each landlocked country faces its own set of geo-political realities, requiring a set of appropriately crafted solutions. Many member countries of the South Asian Association for Regional Cooperation (SAARC) organization are striking various bilateral cooperative linkages as per their mutual economic interest, geographic landscape, and geo-political proximity.

Three-Way Cooperation

Nepal is no exception, and this essay urges all of us to think outside the box by way of a three-way cooperative agreement between Beijing, Kathmandu, and Delhi to take advantage of Nepal's geo-position as a transit corridor and other assets. In addition to making a case for Nepal and its comparative advantages as a vital transit corridor, this thesis examines smaller countries like Mongolia, Pakistan, Bangladesh, and Sri Lanka and their balancing acts against the two rising super power neighbors. The essay begins with some historical perspective.

China vs India Debate

For decades, small countries in South Asia have had to rely on India for economic assistance and the trade and transit outlets. Sometimes, it was not uncommon for them to feel Indian leverage in matters related to national politics. For a long time, China had maintained a low key approach to dealing with these small neighbors in South Asia. China's new found prosperity, its natural resources needs, and their pursuit to seek alternate maritime passages have all changed the South Asian dynamics in a significant way. But, this thesis argues that both India and China are much better off looking at these smaller neighbors as a land of opportunity rather than a platform for rivalry. We begin with Nepal as an example.

With a vast and sparsely populated Tibetan territory and an impenetrable Himalayan wall in the North, Nepal's interactions was mostly with its southern neighbor India who also shares a 1700 KM long open border with Nepal. For decades, a respectable distance of co-existence had been a norm between India and the Nepali



rulers. India's engagement in Nepal's internal politics began to deepen when the Maoist rebels started a bloody insurgency against Nepal's, according to the Maoists, "feudal power bases" that included monarchy, Nepal's new democratic Constitution of 1990, and the political parties. Indian apprehension was further confounded by its own fast spreading Naxalite movement. Finally after ten years of bloody war, India brokered a 12-point deal in Delhi between the Maoists rebels and the political parties, which ultimately led to the removal of King Gyanendra in 2005. Election for the Constituent Assembly followed, and the communist rebels surprisingly took a 40 percent of the seats in the 601-member parliament; the Nepali monarchical rule was formally abolished in December 2008.

After two years since election, the constitutional writing process is still in limbo, and importantly, there is still no clear understanding over the number of the PLA fighters and their integration into the Nepal Army. The formation of the paramilitary style Youth Communist

League (YCL) wing by the Maoist party and the numerous armed groups creating a serious law and order situation across the country have added more complication.

Suddenly, India's Nepal policy began to seem like a failure. The situation reached its climax in the summer of 2009 when Prime Minister Pushpa Kamal Dahal or Prachanda --leader of the Unified Communist Party of Nepal UCPN(M)— had to step down over his failed attempt to fire the Commander in Chief General Katuwal. General Katuwal was a critique of the Maoists' plan of a wholesale integration of the PLA fighters into the Nepal Army. The resignation paved the way for a new government led by Madhav Kumar Nepal of the Unified Marxist Leninist (UML).

At the same time, the latest Chinese interest on Nepal --series of delegations, official visits between Beijing and Kathmandu, the gesture of economic aid, and the increased interaction between the communist party leadership of Nepal and China-- began to be seen as an emerging China factor. With the peace process delayed in several fronts, the Indian and Nepali newspapers and the various intelligentsias also began framing events in Nepal as an India versus China game. The latest revelation about the alleged vote-buying scandal involving a high level Maoist CA member and a Chinese official and the tapping of the private phone conversation by a mysterious third party have all fuelled many conspiracy theories. This is an example to show how a small country like Nepal can suddenly fall on a China-versus-India trap.

Think Big

When examined closely, this type of rivalry over Nepal, perceived or real, seems so frivolous for these two aspiring giants. China, who just surpassed Japan to be the second largest economy in the world and a new emerging auto-industry giant, is moving leaps and bounds on its development trajectory. It would make more sense for them to be more interested in the southern Asian markets than worry about how to engineer a political leverage over some parties in Nepal. The world's largest democracy --India, on the other hand, who is eager to enter the space age and aspires to be a permanent member of the United Nations Security Council, could also exercise some caution while dealing with the internal affairs of a small country like Nepal.

On the other hand, Nepali politicians are themselves mostly responsible for perpetuating such paranoia. In fact, many Nepalis genuinely do appreciate India for its help in Nepal's struggle for democracy and the development aid. Many still go to India for higher education. There is a deep cultural affinity between the people of India and Nepal, and it goes back several centuries. They celebrate the same festivals, and worship the same deities. Indians come to Nepal to pay religious homage to famous temples such as *Pashupati*, *Janaki Mandir*, *Lumbini*, and *Muktinath*, whereas for many Nepalis going on a pilgrimage to India's *Four Dhams* (four holy pilgrimage sites) is a lifelong dream. Similarly, Nepal's Lumbini, the birthplace of the Buddha, holds a special place in the hearts of 100 million Chinese Buddhists.

So how does Nepal chart a new direction and move forward? Foremost, the politicians should pay more attention on how to harness the strength of Nepal's two economic giant neighbors instead of playing one against the other for petty political power gains at home. To that end, the proposal in this essay recommends that China, Nepal, and India enter into a formal trilateral economic cooperative agreement.

Both China and India are already forging various individual bilateral linkages with the smaller South Asian neighbors. Notable is the newly formed economic alliance between China and Sri Lanka to develop Hambantota port on the southern tip of the island. Another SAARC member Bangladesh is collaborating with China to open a transportation outlet into Myanmar. India is also courting Bangladesh for natural gas supplies and looking into its transportation network within Bangladesh as a transit corridor to reach the north-eastern frontier states, and perhaps beyond into Myanmar. These are just some select examples. Another landlocked country Mongolia is moving towards economic independence by striking cooperative agreements with both neighbors – Russia and China, and other countries like the US and some international multinationals.

So, a proposal from Nepal for a bilateral and/or trilateral economic cooperation with India and China should be welcomed as a sign of new economic reality made possible by the unprecedented growth trajectories of the two rising economic giants. Will Nepal be able to

navigate out of its current conundrum? And if so, what kind of leverage does it have at its disposal?

How can Nepal assure both India and China and help them ease their security concerns? These questions have to be worked out carefully by sitting down with the two neighbors. But, with some open mindedness from the giant neighbors, a mutually beneficial cooperative agreement can be struck, especially given the fact that the two rising super powers of the world are just separated by a long and thin corridor of Nepal.

Given the unsettled disputed border issues between China and India in the north-east and the north-west frontiers, Nepal provides an excellent transit buffer for overland trading between the two countries.

Three-Tier Diplomacy

Nepalis are aware of the rising economic prowess of China and India at the world stage, and they also love to talk about the strategic location. But in order to translate this rhetoric into reality, Nepali policymakers need to have a strategic vision, followed by a set of doable policies.

For such a vision, they need to make sure the regional politics are tied to their economic development strategies, and that the small country like Nepal can promote interests that are mutually beneficial for all parties involved. To that end, Nepal needs to persuade its two neighbors to sign a tri-lateral agreement – the Trans-Himalayan Economic Cooperation Agreement (THECA).

China's South-Westward Move

With rising economic trade between China and India to the tune of US\$60 billion per annum, which is more than the Indian trade with the South Asian Association for Regional Cooperation (SAARC) countries combined, a peaceful trade corridor in the middle would be a welcome relief for the two aspiring superpowers.

Numerous Indian banks are already operating in China; English-speaking Indian MBAs and engineers are penetrating Chinese markets in an unprecedented way. And the idea of a trans-Himalayan highway is not confined to romantic, visionary rhetoric. More than 80 per cent of goods in the US are transported over land, after all. Such an arrangement will be a necessity within a decade or two for the two Asian giants.

Also, the Chinese decision to move south-westward through the Tibetan plateau is highly strategic. In addition to laying an eye on the southern Asian market --Nepal, India, and Bangladesh, China is interested in integrating Tibet and its vast western front, Xinjiang, with the east coast. Xinjiang is the largest Chinese administrative division and borders Russia, Mongolia, Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan, Pakistan and India. It has abundant oil



reserves and is China's largest natural gas-producing region. Tibet shares borders with India, Nepal, Bhutan and Myanmar. A province to the east of Tibet, Yunnan, shares borders with Myanmar, Laos and Vietnam. Thus these Chinese southern frontier regions link China in one continuous chain with Eurasia, central Asian Republics, South Asia and South East Asia. Connecting these vast frontier provinces with the more prosperous east coast has become a priority for China.

As part of its development strategy, China has developed an impressive network of highways linking Beijing and Shanghai with 200 major cities and the provincial capitals, including a major section through Lhasa already completed (see above map). The National Expressway Network Plan of China has emulated US's system with a so-called "five downs and the seven acrosses." The total length of the highway network in China is over 2 million Km and counting. Similar to the US system, highways in the 200 series in China stretch from north to south and the 300 series stretch from east to west (e.g., from Lhasa in Tibet through to Dandong in Liaoning province in the north east China). China has completed much work to extend the Lhasa network westwards

running as a necklace parallel along the Chinese southern frontiers and the border countries like Pakistan, India, Nepal, and Myanmar.

The dry port of Gyirong across from the Nepal-China border is on this southern section of the east-west stretch. By placing a dry port strategically across from Nepal as a nodal point on its east-west



highway network, China is sending a signal to Nepal and to other southern neighbors India and Bangladesh. In addition to investing US\$200 million to upgrade the dry port, China is building a road inside Nepal connecting the capital of Nepal to its border town not far from Gyirong (red colored landscape on the border of Nepal). These enticing gestures should not be ignored, and Nepali authority should proactively respond by establishing a more vibrant business consulate in Gyirong.

With much of India's north-east and the north-west regions under tension, India too needs to see these developments taking place closer to China-Nepal borders as potential openings for economic cooperation. By making Nepal a partner in this trilateral agreement, both China and India stand to gain. As for Nepal, with some careful negotiation, it will benefit from the transit revenues, not to mention job opportunities in other collaborative ventures in tourism, IT-related outsourcing, agro-investment, hydro production, and modern transit infrastructure.

Rising Tibet

The sparsely populated but resource-laden Tibet Autonomous Region, the size of the Western Europe landmass, holds special place in China's southern drive. For example, Tibet holds close to 30 percent of China's fresh water reservoir (more than 100 b cb m underground and as much on the surface), 30 percent of the forest and bio-diversity (10% of the total Chinese landmass), massive river systems (20 major and 100 others), vast amount of minerals (100 mineral resources and 3000 deposit sites), and hundreds of miles of grassy lands. For example, by taming the rivers, the US converted vast expansive grassy lands in the Midwest (about 250 million acres)

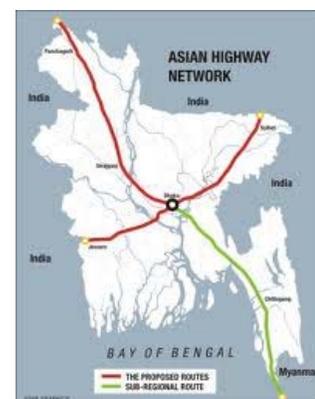
into productive farm lands and urban cities. China also plans to build 100 dams in Tibetan plateau, which is going to change the Tibetan landscape in a significant way.

Some notable infrastructural development in Tibet are: 25,000 KM of major and minor highway network, a spectacular railway line linking Beijing to Lhasa (4000KM), 1000 KM oil pipe line, and there is more to come. This infrastructural development in Tibet also holds strategic value for India. In 2009 alone, China invested about US\$3 billion in Tibet, thus opening a potential market for India as a supplier of “materials” for Chinese projects in Tibet. In some respect, getting supplies from India through Nepal would be cheaper and easier for China than hauling it from the east coast. Annual tourist volume of more than 5 million Chinese traveling to Lhasa every year can also be a potential lucrative market for Nepal.

India's Moves

This type of trilateral cooperative agreement between Beijing, Kathmandu, and Delhi should not be seen as a substitute for SAARC, nor should it be seen as a China-versus-India card game. OECD countries have forged their local cooperative treaties as per their national and regional needs (e.g., North American Free Trade Agreement –NAFTA-- between Mexico, US, and Canada). India too is constantly looking around to forge linkages with its neighbour on a bilateral basis to fulfill its resource needs: Bhutan for hydro, Iran for pipeline, and Bangladesh for natural gas.

Similarly, a visit to India by Myanmar's Head of State, Senior General Than Shwe from 25 to 29 July 2010 is equally significant. It is worth noting that India and Myanmar share a 1600 KM border much of it along the remote and volatile north-east frontier. Thus, despite Myanmar's closeness to China, Indian leaders have decided to focus on issues of common interests. Similarly, despite some outstanding border issues between China and India in the north-east and the north-west borders, Nepal in the middle can still provide peaceful transit outlets for the two countries.



Bangladesh Prime Minister Sheikh Hasina's visit to India in January 2010 is another example of a shift in the geo-political thinking which holds a larger implication for the sub-regional cooperation. The visit covered important issues such as: rail and road connectivity between Bangladesh, Nepal and Bhutan; use of Chittagong and Mongla ports by India, Nepal and Bhutan; inland water transports, and even collaborations on the use of Bangladesh transit to reach Indian north-eastern territories.

Given the volatile situation on the western frontiers in Pakistan and Afghanistan, India clearly wants Bangladesh's cooperation to move to the east. That is, going beyond SAARC, India is clearly looking to forge bilateral linkages with its neighbor to advance its economic interest. Nepal could be another perfect corridor for India's northward movement into China.

Other examples include India's longtime desire to join the much coveted membership to the Asia-Pacific Economic Co-operation (APEC) forum, and the Bay of Bengal Initiative for Multisectoral Technical and Economic Cooperation (BIMSTEC), of which Nepal is a member. Another example is the Comprehensive Economic Cooperation Agreement (CECA) between Japan and India. Thus, the proposed THECA concept is also a natural outcome and the socio-economic needs of the region.

India and China also had to come to some understanding about the two contentious issues: Tibet and Sikkim. Following a visit to China by former Prime Minister Atal Bihari Vajpayee in 2003, India accepted Chinese claim over Autonomous Region of Tibet, and similarly China has also reciprocated by accepting Sikkim as a part of the Indian territory.



There are other examples of the thawing relation between China and India. Just a few days after the opening of the high speed train system linking east China to Lhasa in 2006, the two nations reopened a transit road in Sikkim at the Nathu Las pass. Even though it is currently operational only for a few months a year with some limited commerce, the trading point has served as a new symbol of

China-India relation. Despite Indian attempts to build some road networks in the north-east and the north-west fronts, there are still some bones of contention between the two countries about the border disputes in Kashmir (north-western front) and the volatile region of Arunachal Pradesh (north-eastern front).

India Needs to Rethink

India needs to realize that there is little gain in creating economic stagnation in the region by playing too much of the China-India security card. In fact, smaller countries like Pakistan, Sri Lanka, Mongolia, Myanmar and even Nepal will all be succumbing to the gravitational pull of China's economic muscle power. If India wants to join that super power club, it needs to rethink its regional diplomacy, including its role in Nepal. There will always be some parties, for example in Nepal, eager to play the China-versus-India card for their personal gains. But a largest democracy in the world with a global ambition needs to be farsighted and a bit magnanimous towards its smaller neighbors.

With more than US\$1.2 trillion export figures in 2009, China overtook Germany as a leading exporter. Now, China is surpassing Japan as the second largest economy in the world. For India, the export figure for the same year was about US\$170 billion. In 2009, there were close to 25,000 foreign direct investment projects in China totaling close to US\$80 billion. In 2010, 56 Indian companies were named among the world's 2,000 most powerful listed companies, according to US magazine Forbes. As one of the largest trading partners themselves in South Asia, the two giants are on their way to surpass US within the next 20 to 30 years.

Closer to home, smaller South Asian nations like Pakistan, Sri Lanka, Bangladesh, and Myanmar are already coming into the Chinese economic folds through various bilateral economic agreements. Some examples include: China-Pakistan Free Trade Agreement (FTA) in 2006; Chinese investment in Chashma Nuclear Power Plant, Pakistan; China-Bangladesh Most Favored Nation (MFN) agreement of 1984; oil exploration right for China at Barakpuria, Bangladesh; Chinese naval access to the Bangladeshi Chittagong port; Chinese investment in Norochholai Power Station, Bangladesh; China-Sri Lanka Joint Communiqué of 2005 to further bilateral relations and provide each other MFN treatment; oil exploration right for China in the

Mannar basin in Sri Lanka; development of Hambantota port in Sri Lanka; and Special Economic Zone for Chinese enterprises at Mirigama, near Colombo.

Following a visit to China by Prime Minister, Sheikh Hasina of Bangladesh, the two countries came to an agreement to build a link road between Bangladesh and Myanmar. This project is to be constructed in two phases –one inside Bangladesh and one in Myanmar- with an ultimate goal of connecting it with Association of South East Asian Nations and China.

Even though some Indian analysts have begun to see this as a challenge to Indian hemispheric influence, others concede this as being a new reality brought about by the nature of globalization. Yet, many have begun to urge India to take a different approach in dealing with its smaller neighbors in matters related to internal politics, border issues, development strategies, and trade.

The formation of SAARC itself has not adequately addressed many important agendas such as the water sharing issues, opening of the export markets, and the issue such as the trade and transit for a country like Nepal, just to name a few. Then there is an ongoing impasse between India and Pakistan. As many of these smaller nations begin to reach out to form alternate economic alliances, the traditional geographic rivalry between India and China will soon be a thing of the past.

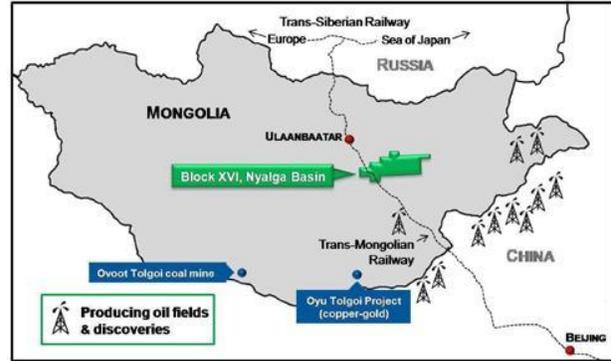
Can India afford to keep looking at China as a political rival and lose its neighbors through attrition? Or, should India come to terms and see China as a vibrant collaborator? This China versus India fault line will not help form a healthy relationship between India and its neighbors, which is also not helpful for India's own security. A freer and prosperous neighborhood is in the best interest of India. The proposed THECA doctrine to bring China into a trilateral alliance is a good test case for India.

Learning Lessons from Mongolia, Pakistan, and Sri Lanka

The Mongolian Independence

Mongolia had been historically under the Soviet Union's sphere of influence. After the fall of the Soviet empire in the 80's, Mongolia began seeking an end to its unidirectional dependence on its

northern neighbor, Russia. Things began to change dramatically when its resource-hungry southern neighbor China started taking note of Mongolia's natural resource deposits: uranium, gold, copper, and one of the largest coal reserves near the Gobi desert bordering China.

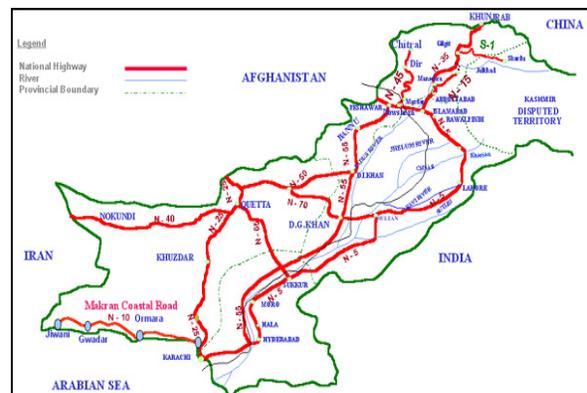


On Mongolia's part, it wants Chinese investment but desires no political interference from its southern neighbor. Consequently, Mongolia has begun to reach out to other third parties including the US. As a sign of its newly found "freedom", Mongolia even participated in the "coalition of the willing" campaign in Iraq. Russia has also begun to enter the fray offering its own financial help of \$7 million in military cooperation. The US has gone one step further offering \$285 million to renovate Mongolian railway system. Importantly, Mongolia has gone beyond its border to forge economic alliances by signing a \$5 billion agreement with the private multinational companies to harness its Oyu Tolgoi mine near the Southern Gobi Desert.

Mongolia's move in diversifying its political-economic linkages outside the traditional sphere – the third-party doctrine-- is similar to what another landlocked country, Kazakhstan, has adopted. The Mongolian "independence" effort is yet to play out in full, but what it shows is the difficulties one faces by being a landlocked territory.

India's Western Frontier: Pakistan

Another example of a bilateral economic cooperation taking place in South Asia is between China and Pakistan. China has been investing heavily in Pakistan's south-west province of Balochistan which borders with



Afghanistan, Iran and the Persian Gulf. Well endowed with oil, gas,

copper, gold and coal reserves, Balochistan is becoming a vital interest for China, especially its port city of Gadwar. China has invested about \$200 million and has pledged another \$1.6 billion to upgrade the platforms at Gadwar port. Frustrated with the poor road infrastructure and in a significant move, China has decided to build a road linking Gadwar to the capital of Balochistan and thus putting the port city of Gadwar on the national highway grid of Pakistan. That is, China is taking this southern outlet very seriously, but there are still many security issues related to the regional conflict. Anyway, this only shows that mutually beneficial economic incentives can overcome development obstacles. Nepal needs to do the same in its approach while dealing with China and India. Again, the larger lesson is that mutually beneficial bilateral or trilateral agreements are equally vital even within the framework of SAARC. Both China and India are doing it, so can Nepal.

Furthermore, Afghanistan is sitting on a vast amount of natural resource deposits worth \$3 trillion. It is inevitable that the bordered countries like China, Pakistan and even the US and India will all have to strike a cooperative agreement to promote peace and prosperity in the region, especially for the benefit of the Afghan people.

Sri Lanka's Balancing Act

Nepal can learn a lesson from Sri Lanka and their approach to economic diplomacy, especially in dealing with India and China. A case in point is the Chinese involvement in the development of \$1.5 billion Hambantota port (with a Chinese credit line of \$425 million). It was only ten years



ago when India had sent troops to help the Sri Lankan Government quell the Tamil insurgency. The Government of Sri Lanka knows it well, and has expressed their gratitude by celebrating India's Independence by remembering the fallen Indian soldiers in Kotte. But, they are also smart not to put all the eggs in one basket, given the economic opportunities provided by the Chinese global economic expansion. Sri Lanka holds an important maritime passage and an

alternate transit route for a resource-hungry China. This island country is trying to cash it by exerting its own “independence”, but not by playing a China versus India card. In another brilliant move, Sri Lanka has approached Delhi to join hands to invest in Hambantota. This is similar to what the underlying concept of the proposed THECA doctrine proposes – cooperation not confrontation.

India needs to realize that there is little gain in creating economic stagnation in the region by playing too much of the China-India security card. In fact, smaller countries like Pakistan, Sri Lanka, Mongolia, Myanmar and even Nepal will all be succumbing to the gravitational pool of China’s economic muscle power. If India wants to join that super power club, it needs to rethink its regional diplomacy, including its role in Nepal. There will always be some parties, for example in Nepal, eager to play the China-versus-India card for their personal gains. But a largest democracy in the world with a global ambition needs to be farsighted and a bit magnanimous towards its smaller neighbors.

Nepal’s Case and the Proposal

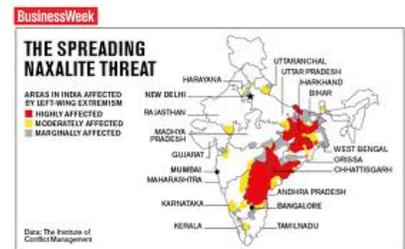
Nepal is aware of its potential in cash crops (coffee, spices, tea, herbs, biofuel), cultural and recreational tourism, hydro, manpower pool, and the importance of the Himalayan water towers. For example, by investing in fiber optics and IT parks equipped with physical facilities, water, electricity and tax breaks, culturally friendly and beautiful Nepal can attract some portion of the billions of dollars of outsourcing ventures in India and China. Thousands of MBAs and IT engineer graduates of Nepal can find good paying jobs and can learn entrepreneurial skills from Indian and Chinese partners. Multi-lane highways and railway lines through the Himalayas could link the two economic giants. The THECA doctrine should spell out these collaborative ventures, including the preservation of the trans-boundary eco-system. Nepal’s banking sector is already poised to be a regional financial capital, and its private colleges will be reinvigorated by linkages with educational institutions north and south of the border.

It is also worth noting that Nepal now ranks in the top five to ten in student population in the US universities just behind countries like China, India, and South Korea. The Nepali intellectual

diaspora knowledge society in North America and Australia can invigorate such entrepreneurial activities in Nepal just like what the Indian diaspora did for India. The Government of Nepal should adopt a diaspora friendly VISA policy, including perhaps starting a debate regarding the possibility of a dual citizenship.

The Security Concerns

In return for these economic opportunities and infrastructure development in Nepal, and as an integral part of the THECA doctrine, Nepal should not hesitate to offer some peace of mind to its neighbors. Chinese concern is the growing anti-China political activities in Nepal. Keeping with the human rights charter of the United Nations, peaceful demonstration in some designated areas should be tolerable to the Chinese. The Nepal government should also make sure that the monasteries in Nepal do not violate their spiritual sanctity by being the centers of political activism. Furthermore, Nepal does not have any such prohibition against anti-India, anti-U.S. or even anti-Nepal demonstrations. This is simply a matter of honoring universal human right to peaceful assembly and freedom of speech in a democracy. The Dalai Lama himself has not demanded a separate Tibet, and professes non-violence. Any violent demonstrations by the Tibetan exiles in Kathmandu are not consistent with the Dalai Lama's view. Plus, the recent dialogue between China and the Dalai Lama's emissary is also an indication of a positive sign.



Likewise, Nepal should assure India that its land and the government apparatus would not be used to aid and incite Maoist insurgency on the Indian lands. Similar assurance will have to be extracted from the Indian side.

Historical Context

Historically, Nepal has provided a cultural linkage between Tibet and India. There are hundreds of cave dwellings in the upper Mustang valley filled with the centuries old magnificent Hindu and Buddhist paintings. These vast cave settlements provide evidence that the valley was frequented by pilgrims traveling between Tibet and India. This vibrancy in the valley several centuries ago seemed to have played a major role in spreading Buddhism in Tibet. On economic

front, Nepal and Tibet traded salt, rugs, and spices for centuries, and Nepal used to have a strong business presence in Lhasa. There are still several hundred Nepalis permanently settled in Tibet. Lately, the two countries are increasingly involved in export and import of the manufacturing goods. We already know of Nepalis and Indians sharing an age-old Vedic cultural heritage. But, Nepal's Himali cultural tie with the northern neighbor is also not less important.

There are thousands of Buddhist shrines, pagodas, statues in China, and some even bear Nepali architectural influence. The world famous White Pagoda near Beijing was built in 1271 AD by a Nepali artisan Araniko from Kathmandu. Manjushree, a revered Buddhist deity in the Kathmandu valley, has a deep connection with Mount Wutai mountain of China. With its five flat peaks, Mount Wutai is a sacred Buddhist mountain, and a global center for Buddhist Manjushree worship.

There are numerous accounts of Chinese travelers coming to Indian subcontinents and spending time learning Sanskrit and spiritual texts, and then taking them to China for translation. An Indian Yogi Padma Shambhawa, also known as Guru Rimpoche, is regarded as the founder of Vajrayan Buddhism in Tibet.



There are close to 100 million Buddhists in China, and about 3-5 million tourists visit Lhasa every year. That is, there is a natural trans-boundary cultural foundation that binds the three countries together, making a trilateral agreement more relevant between the three countries. One can only hope that these old ties will be restarted again, and China, Nepal, and India will again find a way to live with each other in an environment of mutual trust and respect.

Nepal as Transit Land of Opportunities

A long and narrow stretch of Nepal, with multiple transit points, provides an excellent transit buffer to link China's Tibetan territory and its east-west highway network with the densely populated Indian planes of Bihar and Uttar Pradesh. With several multi-lane feeder highways under construction linking Kathmandu with the Tarai (southern planes) towns, the traveling



distance between the northern (China) and southern (India) borders will not be more than 300 KM. Currently, Nepal has a highway linking Kathmandu with a Tibetan border town of Khasa (north-east). A second highway is being built through Rasuwa district connecting Kathmandu and Kerung, a border town

in the north from the capital. With just a few kilometers of narrow Indian territory separating Nepal and Bangladesh in the south-east corner of Nepal, the proposed trans-Himalayan network can easily be connected to the ports and markets in Bangladesh. India also stands to gain much by cooperating with Bangladesh to tap into their national highway networks to have easier access to the north-eastern Indian territories, and perhaps beyond into Myanmar.

Nepal can be a strategic transit to help India play a role in another big game China is orchestrating on its western frontier, also referred to as China's new Silk Roads. As India continues to seek opportunities around its neighborhoods, China is also making heavy investments to make headways into the resource-laden Central Asian countries that once were considered the buffer states. Thanks to Chinese economic muscle power and the farsighted vision, the region of contentious flashpoints is gradually turning into a transit corridor between East and West. Thus, politicians in Nepal too should change their old mindset, and not consider the country as a buffer state between China and India. The proposed THECA doctrine will help Nepal look beyond the narrow tunnel vision that is being harbored for decades.

Dissolving Mindsets

So what should Nepal do? First and foremost, Nepal's politicians need to drop the China versus India rhetoric from their political vocabulary and begin a fresh dialogue to design a new strategic vision for Nepal. As stated above, in terms of economic trade and volume, India now has closer ties with China than with Nepal or any other country in South Asia. So, Nepal's positioning for taking advantage of the economic growth of China should not be looked at as a precursor to a

geopolitical avalanche. In reality, the hue and cry in political and diplomatic circle in Nepal and India is merely a hangover psychology of the bygone days. It reminds us of the period when even after Russia and US ended the cold war, the US continued to treat India as an ally of Soviet Union of the cold war era. Within a span of two decades, who would have thought that India and the US would be engaged in a joint naval exercise? Likewise, Nepal's closeness to India need not be interpreted as a sign of big brotherly hegemonic domination. Nepal just has to learn how to leverage its comparative advantages. India also needs to rethink its regional diplomacy and the way its views China and the smaller neighbors.

Moving Ahead

The key is to build a sense of trust by being respectful of each other's national sensibilities. Nepal cannot afford to use the China versus India card as pendulum diplomacy to suit their domestic political game plan. Nor can they afford to sit back passively and submit to their merciful discretion of the two giant neighbors. Time has come for Nepalis to change the mindset, and be transparent about their needs and concerns, and take up a proactive approach to regional diplomacy.

Given Nepal's potential in being a busy corridor, the country needs to be environmentally sensitive and far-sighted from the beginning and avoid building polluting motor vehicle-dependent highways. Instead, they should strive to go for futuristic electrically-operated high-speed train services. This may sound expensive and unrealistic at present, but it ought to be the wave of the future. It is also worth noting that China is committed in connecting Lhasa to the Nepal border town by extending its railway system. It only shows Chinese eagerness to link this railway system to the Indian network on the Nepali borders with a gap of only about 300 KM in-between.

Of course, in order to get Nepal on track for economic prosperity, the Maoists must be completely assimilated into our political spectrum, starting foremost with a written agreement on the merger of a mutually agreeable fixed number of PLA fighters into the Nepal Army. In addition, two things are essential pre-conditions: 1) a semblance of some political stability in

Nepal, and 2) for the Maoists and others to tame their militant cadres against engaging in frivolous demonstrations and disruption of economic activity that discourage both foreign direct investment and national investment.

Given the way things are going at present, the tri-lateral treaty will require some more time, serious homework, and a tactful shuttle diplomacy. But while the politicians are distracted, the groundwork for the proposed THECA doctrine should begin to help break the geo-political paranoia and economic stagnation. But a long-run success of an agreement like this will require strong parliamentary endorsement from all the parties in Nepal, big and small.

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