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CIANESA NESAR 89-024

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# Near East and South Asia Review

3 November 1989

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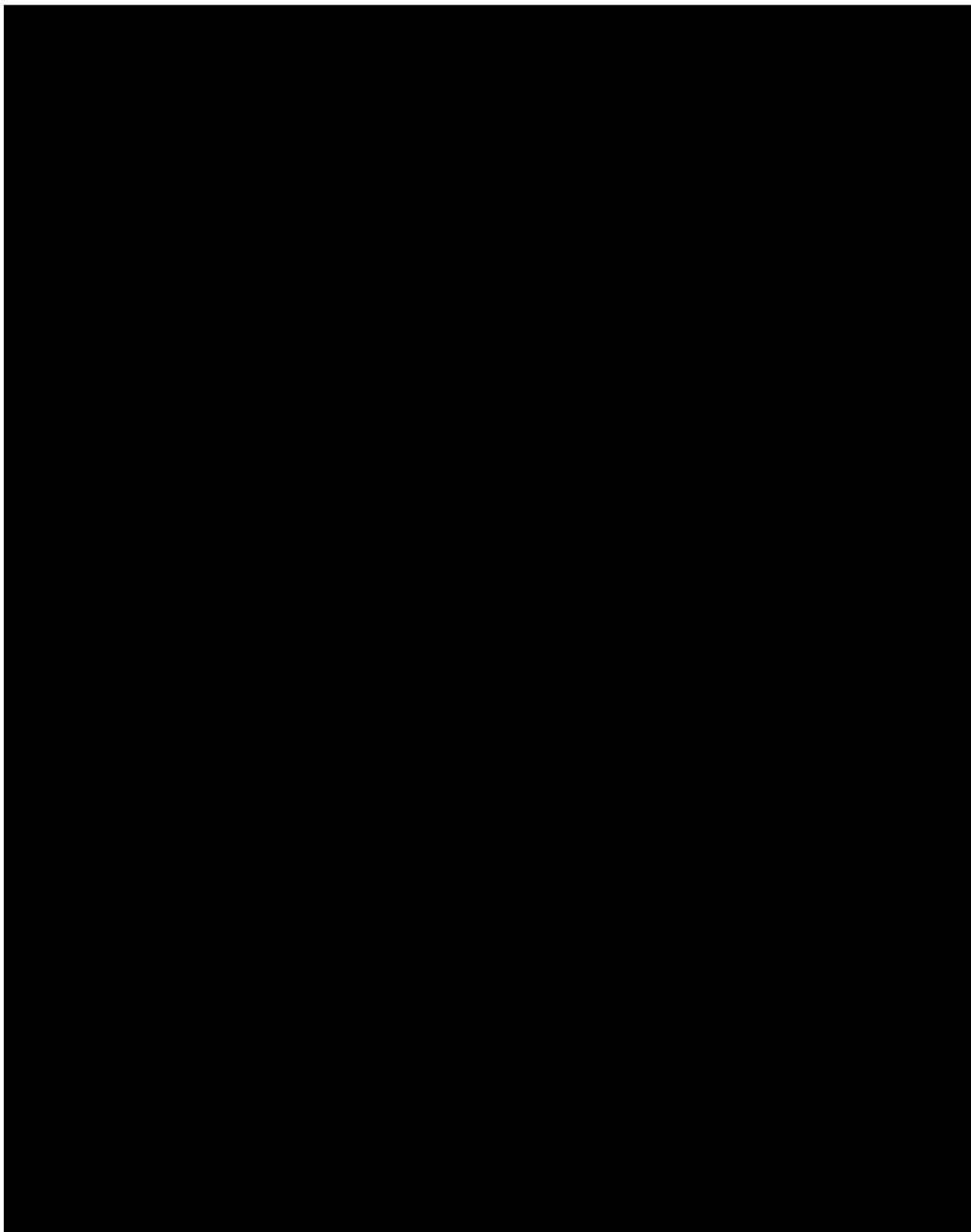
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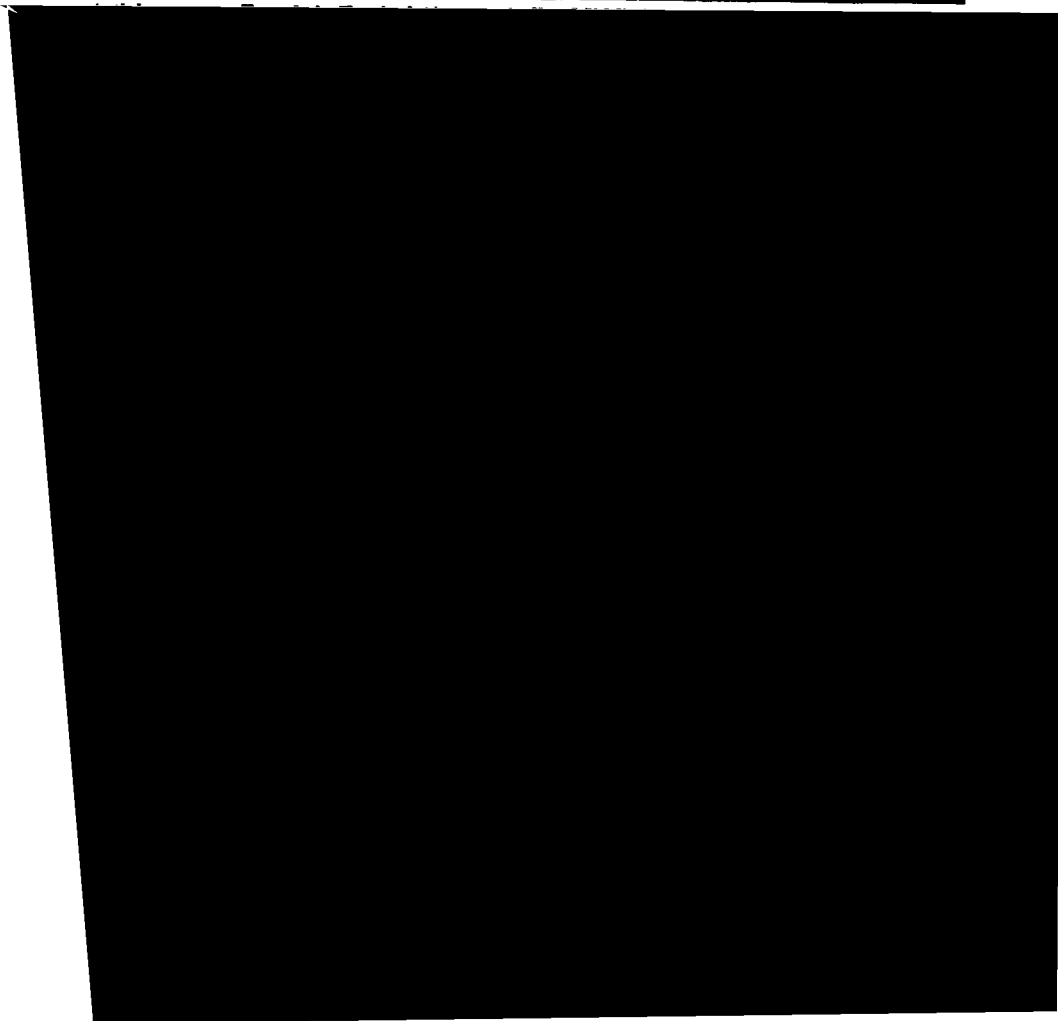
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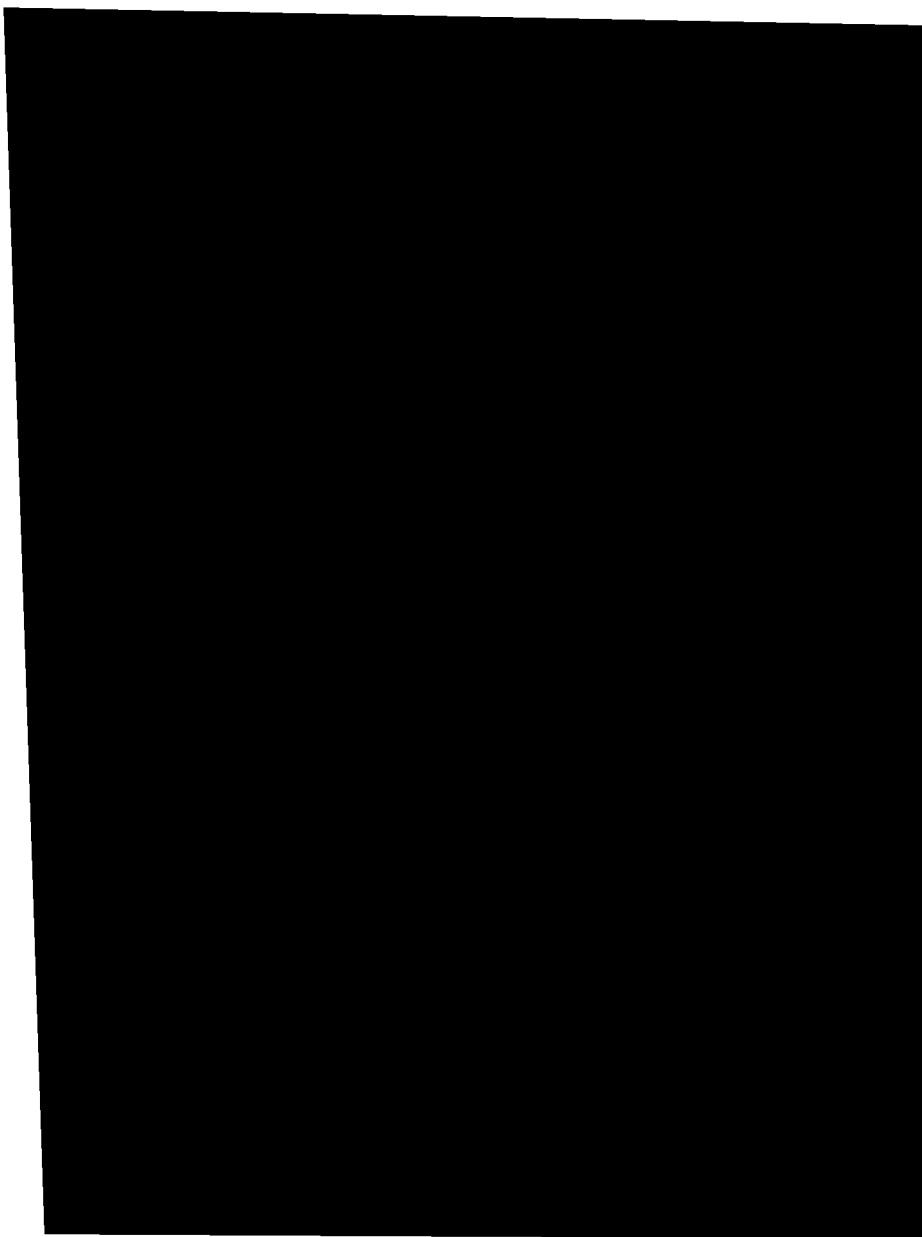
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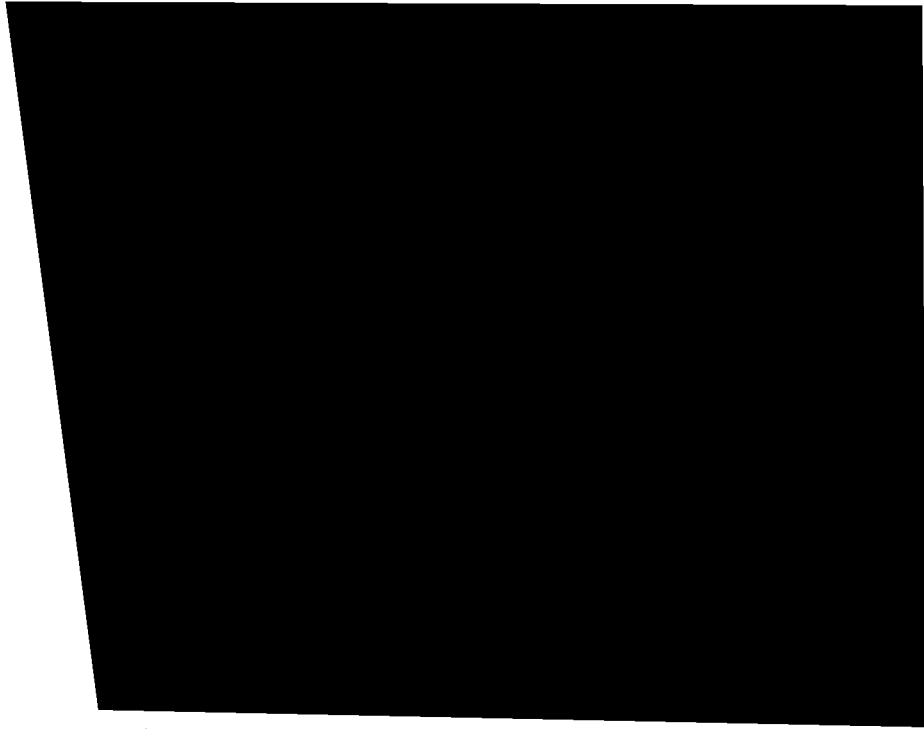
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Nepal's China Card: Don't Bet on It [REDACTED]

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Nepal traditionally has looked to China as a balance against India, but the minimal Chinese aid since the Indo-Nepal trade and transit dispute began in March has convinced King Birendra that Nepal's only option other than compromise is to accept the economic hardships of self-sufficiency. [REDACTED]



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## Nepal's China Card: Don't Bet on It [REDACTED]

Decades of good Sino-Nepalese relations led to overblown hopes in Kathmandu that Beijing would offer substantial assistance during the continuing Indo-Nepal trade and transit dispute.<sup>1</sup> King Birendra looked to China for aid soon after the dispute erupted, hoping that the Chinese would help shore up Nepalese stocks of petroleum, salt, and other essential commodities. Eight months into the dispute, the King is recognizing that the Sino-Nepalese relationship cannot substitute for Nepal's frayed ties to India. Kathmandu traditionally has looked to China as a balance against India, but the minimal Chinese aid since the dispute has convinced the King that Nepal's only option other than to compromise is to accept the economic hardships of self-sufficiency. [REDACTED]

**The History: Nepal Looks to China for Balance**  
Nepal responded to China's revolution in 1949 with concern—which prompted Nepal to sign its treaty of peace and friendship with India in 1950 but Kathmandu ultimately followed India's lead and established diplomatic relations with China in 1954. The two countries exchanged resident ambassadors in 1960. Kathmandu and Beijing also signed a treaty in 1956 in which Nepal recognized Chinese sovereignty over Tibet. China has given Nepal economic aid since the 1950s. [REDACTED]

Kathmandu's relations with China have continued on a smooth course through the 1980s. The two sides occasionally exchange official visits, including King Birendra's most recent trip to Beijing in 1987, and they have avoided serious border disputes since signing a border demarcation agreement in 1961. Each country has avoided comment on the other's

<sup>1</sup> The dispute nominally centers on a trade and transit agreement that expired in March. The disagreement, however, covers several broader issues, including India's concerns about Kathmandu's treatment of Indian laborers in Nepal; New Delhi's worries about Nepal's ties to China; and King Birendra's desire to assert Nepal's sovereignty and alter the traditionally close Indo-Nepalese relationship. Some of these issues are outlined in a 1950 treaty of peace and friendship, but the two capitals do not agree on how that treaty should be interpreted and each argues that the other has violated it. [REDACTED]

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### Nepal's Tibet Policy: Mum's the Word

*We believe Nepal's avoidance of a formal policy on Tibet has helped keep Sino-Nepalese relations steady. Although Kathmandu has for years allowed Tibetan refugees to transit Nepal to India, Nepalese officials have sidestepped public comments on the issue. Nepal continues to walk a diplomatic tightrope on Tibet. It allows the Dalai Lama's refugee support center to operate in Nepal, but it has recently worked to tighten security along the border with Tibet. Nepal took a step this year to share the responsibility for processing and caring for Tibetan refugees seeking political asylum in Nepal by allowing the UN High Commissioner for Refugees to open a mission in Kathmandu. [REDACTED]*

*Nepal's views on Tibet have disrupted relations with China in the past. In a 1956 treaty, Nepal relinquished the rights and privileges it had held in Tibet, but the Tibetan rebellion in 1959 led Kathmandu to criticize China publicly. [REDACTED]*

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domestic politics. China has not criticized Nepal's monarchy and has kept its distance from Nepal's pro-Beijing Communist factions, while Nepal has remained mute on the imposition of martial law in Tibet and the crackdown on this year's prodemocracy demonstrations in China. [REDACTED]

Academic observers generally agree that Nepalese leaders see the country as "a yam caught between two stones—the words of an 18th century king of Nepal. This perception has led Kathmandu to look to China as a potential guarantor against Indian aggression. India's dispatch of troops to Sri Lanka in 1987 and to the Maldives last year almost certainly redoubled Nepalese worries about an Indian threat to Nepal. [REDACTED]

We believe Kathmandu's interest in building a relationship with China helped spark the trade and

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transit impasse with India. Nepal's effort to play China against India probably prompted the King's decision in 1988 to buy Chinese military supplies, including guns and dated anti-aircraft equipment. The clandestine arms deal irritated India, which had concluded a treaty with Nepal in 1950 that established a fuzzy security relationship, and last March New Delhi refused to renew the Indo-Nepal trade and transit treaty. [REDACTED]

#### The Indo-Nepal Dispute: China to the Rescue?

Kathmandu's historically close relationship with China apparently led King Birendra to count on Beijing for aid after the Indo-Nepalese dispute erupted. [REDACTED] the King said last spring that he would stand firm against India and seek foreign aid, and he appointed representatives to solicit help from several countries, including China. [REDACTED] Birendra still was counting on Chinese moral and economic support. The King took the unusual step of dining at the Chinese Embassy in Kathmandu in his quest for help. [REDACTED]

We believe the remoteness of the Sino-Nepalese border, primitive roads, and an energy shortage in China will limit Beijing's ability to fill the void left by India's trade cutoff. The King had expected China to supply essential goods, particularly petroleum products, which were in short supply after the dispute. [REDACTED]

Nepal's Foreign Minister traveled to Beijing in May to secure deals for essential supplies at concessionary rates. He returned disappointed with China's agreement to supply only salt and limited quantities of petroleum. Although press reports indicate that China offered the salt as a grant, [REDACTED] Kathmandu has paid market rates for the petroleum. [REDACTED]

#### The Reality: King Birendra Versus Realpolitik

China's failure to respond as wholeheartedly as Birendra had hoped has led the King to reassess the "China card" that he had hoped to play. [REDACTED] the King has become resigned to receiving only limited Chinese support, although he may hope Beijing will offer more during Premier Li Peng's visit to Kathmandu this month. China probably is sending a higher-level visitor to Nepal than to India — the Vice Premier visited New Delhi in October — in lieu of more substantial economic or material assistance. [REDACTED]

[REDACTED] The Nepalese believe China values its improving ties to New Delhi too much to jeopardize them by favoring Nepal too heavily during the dispute. The Chinese Vice Premier apparently did not raise the Indo-Nepal trade dispute during his visit to India last month. [REDACTED]

We believe Birendra's recognition that he overestimated the potential support from China and that he is standing alone against India are influencing his thinking about how and when to resolve the Indo-Nepal dispute. [REDACTED]

[REDACTED], the King is hesitant to press the dispute now because the foreign assistance he had hoped for has not been forthcoming. The lack of external aid is worsening the economic problems caused by the dispute, such as inflation, severe fuel shortages, and government cutbacks. These shortages probably trouble the King more than any other aspect of the dispute because they have prompted strikes and government concerns about unrest in the Terai region that borders India. [REDACTED]

#### Outlook

China's limited reaction to Nepal's calls for help expose the futility of Nepalese efforts to stand equidistant between Beijing and New Delhi. Although Nepal's relations with China historically have been warm, they have been based more on friendly diplomacy than on strong mutual self-interest. Conversely, Nepal's relationship with India results from tangible Nepalese interests in India, which is easily Nepal's largest export market and the home of large numbers of Nepalese laborers. These interests are forcing Kathmandu to realize that its ties to India are more important than its relationship with China and that China cannot substitute for India. [REDACTED]

The King almost certainly still hopes for long-term help from China. The Chinese are working on large Nepalese development projects, such as roads and a convention center in Kathmandu, [REDACTED]

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Kathmandu believes that other countries, including the United States, have offered too little help. Although Nepalese officials probably do not expect much now from Washington, they may ask the United States for quick help as petroleum reserves dwindle.

[REDACTED]

[REDACTED] the King considered but rejected the option of capitulating to India, and he remains intent on adjusting to the economic problems Nepal is facing.

[REDACTED]

The King will probably stand firm against India despite the recognition that he will not get the foreign aid he had sought.

[REDACTED]

[REDACTED]

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