



## Inaugural Meeting of the China-India-Nepal Trilateral, Kathmandu, Nepal

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Institute of Chinese Studies  
Delhi

**Background:** The Director of the Nepal Institute of International and Strategic Studies (NIISS), Dr. Bhaskar Koirala had been in touch with the undersigned for several months during 2012 to discuss his idea of launching a trilateral discussion forum of China, India and Nepal at the academic level. The purpose of this initiative would be to identify areas where Nepal “can play a very important catalytic role in bringing India and China into a collaborative relationship...and thereby facilitate a discourse of cooperation between these two continental-sized states.....” (quote from NIISS Concept Note attached) benefiting not only Nepal, but China and India and in particular, their proximate regions: China’s TAR and the Indian states of Bihar, U.P., Sikkim and Uttarakhand. Dr. Koirala later met Prof. Alka Acharya and other ICS Fellows with an invitation to participate and ICS agreed to send a delegation to the inaugural meeting of such a trilateral.

**Trilateral Meeting:** The inaugural meeting materialized ultimately on January 30, 2013 at Kathmandu, Nepal. The ICS delegation consisted of the undersigned, Col.(retd) Virendra Verma, Honorary Fellow, ICS and Ms. Tshering Chonzom, Independent Ph.D Scholar. (Brief bio-sketches of the Nepalese and Chinese participants are included in the report below, and their visiting cards attached). The one-day event included a full working meeting, an audience with the Hon’ble President of the Republic of Nepal, and a social interaction over dinner in the evening. A photograph of delegation members with the President of Nepal is enclosed.

**Summary of Proceedings:** (see Trilateral Meeting Schedule attached). Each participant had between 10-15 minutes for a presentation. Each round of 3 presentations was followed by a discussion and summing-up by the Chairman. A brief outline is given below (details of proceedings and copies of the papers will be available from NIISS in due course).

**Bhaskar Koirala** welcomed the delegates and began by explaining that names of countries in the title “China-India-Nepal Trilateral Meeting” had been ordered alphabetically. Given the number of regional multilateral forums where China and India interact such as the SAARC, BCIM and SCO, it was timely for the trilateral idea to take shape. He spelled out the key points underlying the concept behind the Trilateral with the statement that India and China both are rich civilizations. However, he also believes that Nepal is a part of the Asian resurgence. He recited a quote that “It never rains on your neighbours without getting your feet wet.”

He argued that “black clouds over Sino-Indian relations” was not good for Nepal. He further explained that often many tend to see the relations between India and China from the lens of competition. Such a view, he felt, was unviable and that there is a need to change such a discourse. Rather, attention must be paid to the possibility that India and China could collaborate in the practical sense in a third country. According to him, Nepal stands to gain tremendously from this in terms of economic growth and prosperity.

In essence, the objective was to create a new paradigm of cooperation amongst the three participating nations which would lead to mutual benefits and win-win consequences (as opposed to a widely-held belief of geopolitical balance-of-power or rivalry between the two rising Asian powers.)

**Himalaya S. Rana** (formerly Finance Secretary of Nepal, Founder Governor of Nepal’s Rastra Bank and a former U.N. diplomat and now Chief Advisor Himalayan Bank Ltd Nepal ) took the chair as Chairman of the meeting. He candidly recounted the dire domestic political situation in Nepal and the increasing conditionalities from diplomatic and external agencies. Lack of political consensus was a stumbling block in Nepal’s growth. Owing to the pressure from all sides, he felt that the trilateral was timely. Such a trilateral would not be possible few years ago. Currently, the bilateral relations of Nepal with both China and India were cordial. Therefore, he expressed the view that despite Nepal’s disproportionality in many respects compared with the other two countries, it could act as a catalyst in promoting “peace” between India and China and developing a framework of positive cooperation amongst the three countries. He identified trade and mega projects as possible areas of cooperation. In the process, Nepal would develop and benefit enormously as Nepal has good relations with both of its neighbours.

**Prof. Liu Jiawei** (Assistant Director, Centre for South Asia-West Cooperation and Development Studies, Sichuan University) described Nepal as a “yam between China and India”. As a result, Nepal traditionally followed an equidistant policy according to him. He argued that the trilateral should promote mutual trust on the basis of “comprehensive cooperation”.

He cited four main reasons for the trade imbalance between Nepal and China: lagging economy of Nepal, Nepal being an agricultural country, instability of political situation, and Nepal’s backward infrastructure. Arguing that Nepal would be an “ideal trade route” for India and China, he focused his attention on developing Nepal as a transit economy which would lead to development of related industries such as warehousing, transport and catering, despite its current problems of trade imbalance, poor infrastructure and unstable politics. The political instability is causing risks in investments from abroad. He emphasized the importance of connectivity in all aspects, water resources and tourism in Nepal. Development of Nepal’s hydropower potential would be attractive for India. In it, China has great technological prowess to partake in the process. Electricity generated from Nepal can be sold to UP, Bihar and Bengal.

In order to achieve economic stability in Nepal, India and China should take responsibility by continuing aid together. In this context, he identified infrastructure as an important field for investment. He suggested that Nepal should develop labour intensive industry as it has a low labour cost. Lastly, he called for more cooperation among think tanks, quasi government and NGOs between the three countries.

**Ravi Bhoothalingam** started his presentation by noting that the meeting was being held in Nepal, the land where the Buddha was born. The Buddhist concept of the Middle Path was important since ‘path’

was a creative and positive concept of peace and mutuality (and not an arithmetic average or compromise position). Hence, it is highly relevant to the Trilateral's objectives, and to a multidimensional relationship between India, Nepal and China. He emphasized that the trilateral was timely and apposite, and in support shared some of the outcomes of the BCIM process. These included not only some concrete advances but also institutional learning by both China and India on working together in a limited multilateral framework along with smaller nations. He also highlighted the need to start work on at least one joint project capable of generating quick results and one involving all 3 nations so as to demonstrate early credibility. Areas identified included ecology, tourism, agriculture and food processing.

**Krishna Bahadur Mahara** (Maoist politician and former Deputy Prime Minister & Home Minister, NIISS Board Member) emphasized the need for development to be achieved through self-respect, and thus to pay attention to the political context of the trilateral. Nepal could never be close to one neighbor at the cost of the other. He understood that economic development and security issues are the two main concerns for both India and China. He agreed that it was important to guarantee both to secure the investment environment. However, Nepal must benefit from the investments being made and the development of infrastructure. He expressed that the tourism sector and water issues are important to "our country" and that India and China could invest jointly in these areas.

**Prof. Cui Hongjian** (Director and Senior Fellow of European Studies, China Institute of International Studies, Beijing) began by stating how China was charting a new direction after the latest Party Congress where it was emphasized that China must pursue its interests but also pay attention to the interests of others. He expressed the view that the Trilateral should not be like 3 bilaterals and therefore, it is important to maintain focus and "promote common interests". He suggested the framework of dividing these into security concepts, energy concepts and development concepts. He offered his Institute in Beijing as the venue for the next meeting of the Trilateral.

**Col. Virendra Verma** (Hon. Fellow, ICS) consolidated the connectivity theme by supporting the case for multi-point rail connectivity of Nepal with India, using the comparative advantage of favourable terrain at India-Nepal border. Huge hydropower potential is a God's gift to Nepal. India and China should undertake joint medium scale hydro power projects in Nepal. He emphasized the need for transparency and sharing information on trans-border seismic, water and river flow issues, since these are issues that arouse public anxiety. A concrete joint project idea was put forward re conservation of ancient monasteries in Tibet, Nepal and in Ladakh, Spiti and Arunachal.

**Dr. Shekhar Koirala** (prominent Nepali Congress leader, NIISS Board Member, medical practitioner & Vice Chancellor of Medical University in Nepal) accepted that the political situation on Nepal was poor. He stated that security assurances to all parties was of vital importance. He also put forward a concrete project idea suggesting that the B.P.Koirala Institute of Health Sciences (set up with India's help) and the B.P.Koirala Institute of Cancer (set up with China's help) collaborate in a common health-oriented project.

**Gen. Sadip Shah** (former Chief of General Staff Nepal Army and NIISS Board Member) explained that Nepal is a multiple ethnic country's with the infusion of both Mongolian and Aryan features. While the bilateral relations with both India and China were great, Nepal has been economically more interdependent with India than China. Currently, there is a need to maintain a balanced outlook. Concerns about Nepal's future are justified. However, he argued, that "with uncertainty comes choice, and to embrace challenges." He said that the common experiences of the Trilateral could give examples

of movement of a society from uncertainty to consensus. He also suggested that at this stage, the trilateral should be conducted in a diplomatic manner by navigating sensitive issues and prioritizing important issues. He suggested that a comprehensive definition of security should be adopted by the Trilateral to embrace disaster management and transnational threats.

**Mr. Zhang Shubin** (Director, Confucius Institute, Kathmandu) explained that he was filling in for Prof. Che Ming Kuai, Deputy President of the Tibet Academy of Social Sciences (TASS) who could not attend the meeting as earlier planned. After giving a detailed introduction about the Confucius Institute and his role in it, he read out Prof. Che's prepared speech. He constantly stressed the importance of the media's role in propagating national images. Therefore, Mr Zhang suggested that each participant after the conclusion of the trilateral meeting should write a piece in their mainstream political dailies. This would play a very important role in promoting the trilateral.

Prof Che (in the delivered presentation) argued that promotion of peace, stability and development in Asia was of common concern. In the past, Asia was dragged into the cold war structure. He expressed the importance of being guided by five principles of peaceful coexistence and stated equality should be the basis of relationships in south Asia. New order which this initiative would lead to would be a pioneering work for our common aspirations. He also appealed that Nepali schools should adopt Chinese language as a compulsory subject.

A short round of discussions was held before breaking for lunch. Ravi Bhoothalingam suggested the setting up of joint projects in Nepal in the short term even if it is at an experimental level. This could be replicated later in India and China. Col Verma suggested that perhaps cultural project such as preservation of cultural monuments could be a useful entry point for such a joint project. K M Ghising added that there is a lot of potential for joint cooperation in the energy sector for India and China in Nepal. There are already many ongoing between Nepal and China.

**Ms. Tshering Chonzom** (Independent Researcher) recounted her experience of the India/Pakistan/Afghanistan Trilateral, and of the importance of involving youth and Universities in furthering the activities of the Trilateral. She also suggested that stakeholders such as women's groups, media and professionals should be recruited for this purpose. She proposed 'Migration studies' as a common issue between the 3 countries to be taken up in the agenda. She advocated tripartite investments in small projects and joint policy papers by NIISS.

**Ambassador Durgesh Man Singh** (former Nepal envoy to India, EU, Member Planning Commission, NIISS Board Member) made an eloquent presentation by quoting Prime Minister Manmohan Singh: "Nothing can stop the idea whose time has come". Traditionally Nepal had economic trade with Tibet. It is time to now revive it for the sake of common prosperity. It has to be a collective advantage. He stated that the "ice needs to be broken now". According to him, the time has now come for China-India-Nepal cooperation. Many years ago it was a forbidden topic. But no more.

He further mentioned how China also understands that it cannot handle regional issues in isolation which is why the Chinese are focusing on its western side and making efforts to keep the development pace in order to address issues of regional inequalities. We should address not just trilateral but also transnational issues. 'He emphasised the importance of infrastructure development as being the "main

issue". According to him, China has been able to sustain ten percent growth owing to it and that India is learning from China's experience. He also mentioned the importance of supporting private initiatives. He also stated that India and China display a sense of confidence, and thus should focus on unity and not division. He indicated the importance of hydropower as an area for trilateral investment. Nepal could support the goals of China's Western Development Project.

**Mr. K.M.Ghising** (Managing Director, Chilime Hydropower Co. Ltd.) made a comprehensive presentation on hydropower, energy, water and ecology in the South Asian region and proposed an energy grid that could ultimately include China (TAR)/Nepal/Bhutan/India (Northern Grid) and Bangladesh. He gave examples of similar grids in Europe and Latin America. [The source for many of his comprehensive charts and tables/diagrams was Global Trade Atlas.]

**Mr. Siddhant Raj Panday** (CEO Ace Development Bank and NIISS Board Member) explained that China has the two largest banks in the world. India much ahead in the regional context. Nepal's financial sector also is much well off compared to other sectors. Nepal and India have few joint venture banks. However, there are no Nepal banks in India. Indo-Nepal remittance scheme are there but not allowed to set up Nepal remittance banks in India. Nepal has no banking relations with China. He basically argued that banking relations need to be formalised in order to foster business relations and investments. Reform of banking measures would improve free flow of capital and financing of ventures, especially from China. Important to reform the Central Bank of Nepal. Finally, free flow of capital has to be allowed before anything else.

**The Chairman** concluded the business session of the meeting by stating that a list of priority areas agreed would be circulated, and emphasizing the need to involve a wider audience to support the aims of the Trilateral. He also called for the need for an acronym for the trilateral.

A short round of **discussions** were held. Dr Hongjian once again reiterated the importance of having an agent in each country to further the trilateral. He suggested that the next meeting should be held in Beijing. This was agreed and Ravi too joined to invite the third meeting in India. Ravi also mentioned two points: that though an emotional area, water and ecology were important issues to be taken up. Secondly, he emphasised the importance of methodology in furthering the trilateral. On the immediate term, people to people contact was suggested as doable and necessary starting point. Most of the participants agreed to this suggestion.

**Commentary on the overall discussions and proceedings:** The discussions took place in an atmosphere of cordiality and in a positive spirit. There was agreement on the objectives of the Trilateral and on its importance. On the subject matter, there was full participation and openness in discussion. For example, there was a willingness to look at issues such as water and transnational crime. It was also emphasized that people-to-people connectedness was vital to build trust and knowledge. The need to show quick progress was also taken on board. It was agreed that the Director NIISS would draft a Press Release and agree it with delegation heads before release to the media as a matter of urgency. (The meeting was subsequently covered by a number of news media from Nepal, see below\*.)

It was felt by all the delegates that the meeting had made good progress on the agenda, considering that it was the very first of its kind.

**Meeting with His Excellency the President of Nepal, Dr. Ram Baran Yadav:**

Following the business session of the meeting, the delegates proceeded to Shital Niwas, the Presidential Palace, for a 45-minutes meeting with Dr. Ram Baran Yadav.

Dr. Yadav received the delegation with warmth and communicated the importance which the Nepalese people and Government accord to the trilateral process. He admitted frankly that Nepal's current problems were entirely of its own making and that it sought the goodwill and help of its neighbours in the process of its rapid development. This would only be possible if the three countries operated in a positive and cooperative spirit with win-win outcomes so that trust and confidence in each other could be built up. Dr. Yadav assured the Trilateral of all support from Nepal and wished it well for its aims and endeavours.

**\*Media coverage in Nepal**

<http://www.ekantipur.com/the-kathmandu-post/2013/01/31/nation/nepal-india-china-cooperation-quest-for-trilateral-partnership-begins/244761.html>

[http://www.myrepublica.com/portal/index.php?action=news\\_details&news\\_id=49182](http://www.myrepublica.com/portal/index.php?action=news_details&news_id=49182)

<http://www.thehimalayantimes.com/fullNews.php?headline=Scholars+emphasise++trilateral+cooperation&NewsID=364253>

<http://www.ganeshbhandari.com/2013/02/nepal-india-china-cooperation-considered/>

<http://www.signalfire.org/?p=23107>

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