Sino-Nepalese Engagements in the Himalayan Borderland

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In the Nepalese Himalayan borderland, the recent flurry of infrastructure building signifies the amalgamation of two ambitious plans – Nepal’s state building through technological advancement and China’s massive ‘Belt and Road Initiative’ (BRI). Of the two, Chinese priorities dominate. Major infrastructural projects that are currently under way in the Nepalese Himalayas backed by Chinese capital are often touted as ‘Gifts’ (The Kathmandu Post 2015).

Among its many gifts, highways to facilitate physical connectivity across the China-Nepal border have resulted in a re-routing of earlier trade passages. Following the 2015 Nepal earthquake, building, re-building, re-opening border points and re-routing of trans-Himalaya trade routes have become the main points of convergence for the two countries. This paper assesses the competitive geopolitical interests that have thus converged and been advanced by infrastructure building in the Nepalese Himalayan borderland.

Infrastructure – Is it a Prime Mover for a Nation’s Development?

Nepal shares a 1,414 kilometres-long international border with the Tibet Autonomous Region (TAR) of China. The border touches 14 of Nepal’s 77 districts namely, Taplejung, Sankhuwasabha, Solukhumbu, Dolkha, Sindhupalchowk, Rasuwa, Manang, Mustang, Dolpa, Mugu, Humla, Bajhang, and Darchula.

On the China side, the border is shared by seven TAR counties namely: Tingkey, Tingri, Naylam, Kyirong, Saga, Drongpa, and Purang. Out of half a dozen traditional points of entry — Kodari-Zhangmu(Nyalam), Rasuwa-Kyirong, Yari(Humla)-Purang, Olangchung Gola-Riwu, Nechung(Mustang)-Likse, and Chenthang-Kemathanka — the three border trading ports at Kodari-Zhangmu, Rasuwa-Kyirong, and Nechung-Likse have been designated for bilateral trade (Chinese Embassy in Nepal 2017) (see map 1). The trade...
routes such as Kodari-Zhangmu have traditionally experienced busy caravan traffic between Nepal and Tibet.

This was the overall scenario in the Nepalese Himalayan borderlands until the Chinese road building frenzy, which had begun in the 1960s, witnessed the recent revival. The rough one way passages that were negotiated by intrepid traders and animals (see Bell 1924: 20) were replaced by modern roads which can accommodate mechanized vehicles. The trans-Himalayan landscape, which was often referred to as the ‘remote inaccessible’, is now well-connected by international highways built by Chinese capital.

Nepal envisions transport connectivity in the Himalayan borderland not only as a means for enhancing bilateral commerce but also as a path towards modernization and improved accessibility (Ministry of Infrastructure & Transport 2017), by implication, to greater material and social cohesion. Nonetheless, the roads in the high Himalayas, along with reducing the ‘tyranny of distance’ by integrating spaces nationally and internationally, have also enabled particular political practices.

Thus, the infrastructure of access in Nepal interconnects economic, political and strategic concerns. For instance, foreign aid during the mid-1950s was designed to advance not only economic development but also the political interests of the sponsors in the context of the Cold War and Sino-Indian conflict. As Isaphani (1989: 25) argues, transport infrastructure is of dual-use: ‘Depending on its location and specifications, it can be an instrument of economic development or a tool of internal security or external defense’. Thus the infrastructure building in this Himalayan belt has not only facilitated the changing political and economic dynamics but has also become a crucial symbol of continuing transformations in Sino-Nepal-India relations.

At present, in the Nepalese-Himalayan borderland, China’s connectivity projects, leveraged through the BRI initiative – although Nepal is at the periphery of the BRI network – fuel Nepal’s vision of modernization and development (Adhikari 2018). Moreover, despite the challenges inherent in large infrastructure construction, China has managed not only to build/upgrade transportation networks on its side of the Nepal-TAR border but has also unfailingly assisted its southern neighbour in constructing transport infrastructure oriented towards the North.

Nonetheless, apart from extending the Beijing–Lhasa Expressway on to Lumbini near the Nepal–India border and the Qinghai–Tibet Railway on to Kathmandu, most of the BRI projects in Nepal are in fact an appropriation of pre-dated, ongoing projects (The Kathmandu Post 2017). It is evident that the operationalization of these projects will result in China’s substantial involvement and active bilateral engagement in the future, but it is questionable if they will fulfil Nepal’s optimism and bring about over-arching socio-economic cohesion.

The Act of Giving

Infrastructural developments have historical importance as integrative, political and strategic forces, facilitating the ‘politics of access’ and thereby intensifying the state’s ability to penetrate and control space over time. For instance, during the 19th century, the British colonial state forged a territorial space for itself at the frontiers of the empire through

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1 In her article, ‘The Tyranny of Proximity: Power and Mobility in Colonial Cambodia, 1863–1954’ (2006), Penny Edwards argues with reference to road building in colonial Cambodia that ‘the tyranny of distance’, referring to the geographical remoteness of an area, was replaced by the colonial state with a new ‘tyranny of proximity’.
road and rail building (Haines 2004). The mechanism provided a crucial site for empire-building as roads and railway lines etched the colonial state on the ground, thus intensifying the state’s ability to penetrate, control and re-orient the region into the imperial domain.

In the present century, Chinese infrastructure development in the Nepalese Himalayan borderland echoes some of the erstwhile British colonial state’s ventures, as did the well-known engagement of both America and India in the region in the mid-1950s, for instance, the Indian-built Tribhuvan Rajpath highway from Kathmandu to Raxaul, the Indian town on the Nepal–Bihar border (see map 2). For Nepal during this period, this may have been an efficient means of raising investment, but for India, it became instrumental not only for maintaining the special relationship with Nepal but also for limiting Chinese influence (Mihaly 1965: 46).

Further, the Tribhuvan Rajpath not only opened the Kathmandu market to trade with India but also facilitated the defense of Kathmandu by the Indian military. Less than a decade later, His Majesty’s Government of Nepal and the Government of the People’s Republic of China concluded a breakthrough Protocol to the Agreement on Economic Aid between China and Nepal (1961) – one month before the codification of the 1961 Boundary Treaty (Jain 1981). The attractive terms offered by China, including the construction of the Araniko Highway which connects Kathmandu with the Nepal-China border at Kodari became an explicit expression of ‘friendship’ designed to prize Nepal lose from Indian influence.

The construction of highways and their maintenance require continuous foreign support, and China’s ‘benevolence’ in this regard is noteworthy. Recently, China has emerged as one of the leading sources of foreign direct investment in Nepal, with infrastructure being one of the major areas of interest (Xinhua 2017). The Chinese transport and associated infrastructure in the Sino-Nepalese borderland require constant Chinese presence as the projects are both carried out and maintained by China. Furthermore, the fragility of the Himalayan borderland terrain implies constant environmental mishaps, requiring continuous assistance from the Chinese state. The Araniko Highway, one of the north-south highways between Nepal’s northern districts and Chinese Tibet (see Map 1), represented one of the earliest Chinese investments in Nepal. In early 2017, China handed over the Araniko Highway to Nepal after a complete renovation as one of the post-disaster reconstruction projects following the earthquake of August 2015 (Ekantipur 2017a).

Built in 1963, the Araniko Highway linked Tibet with Nepal through the ‘Friendship Bridge’ built across the Sun Kosi river. The highway was an extension of China’s G318 Highway, which runs from Shanghai to Lhasa and then onward to the China-Nepal border town of Zhangmu-Kodari, which was the only conduit for Sino-Nepalese bilateral trade and connectivity up until 2015. Following the 2015 earthquake, the Chinese state-owned company – China Railway Sisuju Group Corporation – repaired the highway at the cost of NRs.760 million (Ekantipur 2017b).

After a hiatus of more than four decades, the Rasuwa-Kyirong road was also completed and opened in 2015 as an alternative to relieve the trade emergencies on the Kodari route. Chinese labour paved a 500 km highway from Syabrubesi to Rasuwa, which was linked by a 100metre-long ‘second Friendship Bridge’ to Kyirong (Cowen 2013). This restructuring of trade routes resulted in a massive increase in Chinese exports to Nepal. The overall Chinese export in the year 2014 touched almost US$950 million, as opposed to just over $731 million in 2013 (Table 1).
Table 1. Nepal-China trade balance from 2011-2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Import from China (USD)</th>
<th>Export to China (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1,271,409,408</td>
<td>22,418,351</td>
</tr>
<tr>
<td>2016</td>
<td>1,247,078,724</td>
<td>18,114,353</td>
</tr>
<tr>
<td>2015</td>
<td>915,228,067</td>
<td>17,992,698</td>
</tr>
<tr>
<td>2014</td>
<td>949,901,248</td>
<td>31,655,435</td>
</tr>
<tr>
<td>2013</td>
<td>731,818,779</td>
<td>23,503,309</td>
</tr>
<tr>
<td>2012</td>
<td>741,864,285</td>
<td>22,890,571</td>
</tr>
<tr>
<td>2011</td>
<td>691,308,173</td>
<td>10,172,303</td>
</tr>
</tbody>
</table>

Source: Trade Statistics, Trade and Export Promotion Centre, Government of Nepal, 2018

Further, the Chinese side is reported to have assigned NRS 15 billion for the upgradation of the Rasuwa-Kyirong route as an international crossing point (Ekantipur 2017c). Although the 2015 earthquake halted traffic on this route for six months, the Chinese intervention facilitated the revival of the trade through this sector.

In the allotted 5.5 hectares of land at Timure village of Rasuwa district, construction of an International Container Depot (ICD) has already commenced. The ICD will include an integrated inspection building, accommodation, a cargo warehouse and parking lot, and a flood protection levee, along with the customs office and inspection equipment (The Himalaya 2016).

The Chinese engineering feat in road construction in this Himalayan belt has been supplemented by other projects as well. Lying 5 km across the border, the 111-megawatt Rasuwagadhi Hydropower Project is estimated to be in the range of NRS 13,684.20 million (Rasunghwadi Hydropower Company Ltd).

The planned Qinghai–Tibet railway is touted as a ‘ray of hope to Nepal’ with which Nepal expects to rival the sea-land route via Kolkata. Under the recently inaugurated rail-truck cargo transfer mechanism between China and Nepal, goods imported at Guangzhou cross 3,000 km to Lanzhou in the northwest and thence another 3,000 km to Nepal: this will certainly increase the freight costs and the price rates of the goods imported from China.

Also, the Qinghai-Tibet railway is expected to connect with this very border point in 2020 (Bhushal 2017), linking Rasuwagadhi in Nepal through the Shigatse-Kyirong stretch to mainland China. In addition, considering the recent opening up of mine exploration in the region to Chinese companies the corridor will become a crucial channel to access the Dhading mineral deposits which are in close proximity to the border (Ekantipur 2017d).

The operation of these projects will certainly require continuous Chinese presence and everyday involvement in this region. It will allow Chinese firms to gain access to the country’s relatively untapped resources and unsaturated infrastructure. Further, the act of giving the ‘Chinese gifts’ will leverage Chinese ‘soft power’, as a complement to its rapidly growing economic and military strength. Most importantly, it will encourage those elements in Nepal which see China as a counterweight to India.

The Looming Problems

This brief overview testifies to the increasing and rapid expansion within the last five years of Chinese infrastructure building in the Nepalese Himalayan borderland. Significantly, as indicated, the geographical location of infrastructure building activities in this time period, has shifted from one site to another – i.e., from Kodari- Zhangmu to Kyirong-Rasuwa. While it is obvious that the availability of infrastructure will lead to greater commercial opportunities at the new border point, it also implies the decline of the vibrant border economy of the former trade route. The shifting economic geography will result in an unequal development in the Himalayan sub-region.

The planned Qinghai–Tibet rail road is touted as a ‘ray of hope to Nepal’ with which Nepal expects to rival the sea-land route via Kolkata. Under the recently inaugurated rail-truck cargo transfer mechanism between China and Nepal, goods imported at Guangzhou cross 3,000 km to Lanzhou in the northwest and thence another 3,000 km to Nepal: this will certainly increase the freight costs and the price rates of the goods imported from China.
products. In addition, should the railway line extend further south from the Nepal border, it ‘would be either over bridges or through tunnels’ (The Kathmandu Post 2016), which is to say, via infrastructure built at great additional cost. By implication, the cost of the bilateral trade is likely to be prohibitive.

As far as Nepal-China bilateral trade is concerned, the new routes have indeed facilitated the expansion of the trade volume, but along with this is the growing gap between exports and imports. Nepal’s trade deficit with China has increased massively (Table 1). Further, the bulk of Nepalese exports to China revolve around the paper, and wooden and bamboo products, whereas the imports are more diversified and in larger quantities: textiles, machinery, spare parts, medical and electrical equipment, and medicine (Ministry of Trade and Commerce 2017). Nepalese products have a more viable consumer market in India rather than in China (Table 2). Hence, Nepal’s growing trade deficit with China suggests motivations other than purely economic and commercial.

Table 2. Comparison of trade imports between India and China from Nepal

<table>
<thead>
<tr>
<th>Year</th>
<th>Import by India USD</th>
<th>Import by China USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>6,561,869,841</td>
<td>418,516,909</td>
</tr>
<tr>
<td>2016</td>
<td>5,850,382,679</td>
<td>18,114,353</td>
</tr>
<tr>
<td>2015</td>
<td>4,046,765,605</td>
<td>17,992,698</td>
</tr>
<tr>
<td>2014</td>
<td>5,210,913,435</td>
<td>31,655,435</td>
</tr>
<tr>
<td>2013</td>
<td>4,539,207,276</td>
<td>23,503,309</td>
</tr>
<tr>
<td>2012</td>
<td>4,249,113,390</td>
<td>22,890,571</td>
</tr>
<tr>
<td>2011</td>
<td>3,746,427,191</td>
<td>10,172,303</td>
</tr>
</tbody>
</table>

Source: Trade Statistics, Trade and Export Promotion Centre, Government of Nepal, 2018

The socio-economic challenges that the projects engender are also worrying. These challenges have become a factor in delaying the operationalization of various projects in the border areas. In 2016, before the Chinese company could initiate its International Container Depot (ICD) project in Rasuwa, the land acquisition had become a major hurdle. It has been reported that the Nepalese government lacks suitable mechanisms for the rehabilitation or relocation of the project-affected families at the Nepalese borderland (Republica 2016). The Land Acquisition Act does not address the adversities of the project-affected people (The Himalaya 2015).

Conclusion

A brief review of Chinese projects in the trans-Himalayan border makes it apparent that the level of Sino-Nepalese engagement at present greatly surpasses that of the 1960s. The increasing Sino-Nepalese engagements along the trans-Himalayas have been heightened due to the complicated relations that Nepal has had with India since the promulgation of the Constitution of 2015. Since then, Kathmandu has been tilting towards Beijing as part of a nationalist drive to decrease the country's reliance on New Delhi. And China has responded, ramping up its diplomatic ties with Nepal mostly through large-scale infrastructure investments.

The recent change of leadership in Kathmandu is expected to accelerate the process further (The Diplomat 2018). India, which shares a porous border with Nepal in the neighbourhood, expresses skepticism about the viability of the Chinese-built infrastructure in the Himalayan terrain, but it is also wary of the so-called ‘inroads’ that China has been making in Nepal (Business Line 2018).

During the decade of the 1950s, the major infrastructure projects under Indian and American patronage failed to bring about any long-range prospect for economic growth in Nepal (Mihaly 1965: 1-17). Although China’s involvement was minimal at the time, the attractive terms offered by China, especially in
the case of the Araniko Highway, was a success in reference to China’s aim of gaining ascendancy in the Himalayas. The current Chinese infrastructural projects, expropriated to the framework of the BRI in the border region, are also not very different. The infrastructure building continues to be seen as a vehicle to advance geo-political interests and a crucial symbol of continuing transformations in Sino-Nepal-India relations.

Also, given the political economy of infrastructure building in the region, to what extent the present infrastructural engagement between China and Nepal would be a success and contribute towards Nepal’s nation-building is something only time will tell. Nonetheless, the following points are worth noting for all the three states in the neighbourhood -

1- India should speed up and upgrade its connectivity with land-locked Nepal. Pending Indo-Nepal connectivity border projects such as the Mechi River Bridge, Piprakothi-Raxaul Road (NH57A), and the Mirganj Bridge (NH 57A) (GoI, Ministry of Road Transport & Highways, 2017) (see map 3) should be implemented without further delay. Most importantly connectivity projects among the four SAARC nations under the BBIN (Bangladesh-Bhutan-India-Nepal) initiative should be encouraged as they enable India to bypass China for active engagement with Nepal, both economically and strategically.

2- Nepal’s optimism of state building through infrastructural development is explicable, but the expanding bilateral trade deficit in favour of China should also be taken into consideration, given the likelihood of Himalayan trading points merely being an exit point for Chinese goods to South Asia.

3- In the Nepal-China border the environmental and ecological concerns should be taken into consideration too. As the infrastructure projects are etched on and pass through fragile terrain – Himalayan ranges are already considered vulnerable due to climate change (Schell 2017) – there exists the possibility of extra cost for ecological consequences.

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