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## Nepal: Use of "China Card"- Nepal Gets rewarded: Update No. 363

Submitted by asiaadmin2 on Fri, 03/23/2018 - 07:03

**Note No. 799 Dated 23-Mar-2018**

By Dr. S. Chandrasekharan.

In an earlier update (no. 360 dated 23rd feb.) we had referred to PM Oli's statement on Indo-Nepal Relations. We had said that what was more troubling was the open, brazen and arrogant declaration of Oli that he would be able to get more leverage from India by getting closer to China. Though we criticised the statement, it looks that Oli was perhaps right in his assessment on relations with India.

The Economic Times of 21st March reported that the Centre had decided to hike its aid to Nepal by 73 percent from previous allocation "while expressing concern over increasing Chinese presence in some of the neighbourhood countries." The heading of the news item was more direct that said that India's aid to Nepal is up by 73 percent to check China's infra push. It is also said in the report that the reasons for the hike are because of security concerns on the India- Nepal border.

This report has not been denied by any official sources and should be deemed as correct.

What is important to note is that neither China nor Nepal will ever be influenced by the hike in India's aid to Nepal. On the other hand, it is likely to be assessed by the new dispensation in Nepal that getting closer or even threatening to get closer to China would bring in more benefits to Nepal.

After the experience on the blockade, Nepal is certainly expected to diversify its trade to the extent possible. This is nothing new and it is hoped that the Indian establishment does not show its concern or panic. On the other hand it should encourage such diversification. Even from Panchayat days Nepal has been trying to diversify its trade but given its geographical location and population centres spread horizontally, it has perhaps not been so easy.

There was a talk that within a decade, a rail link from Keirung ( formerly Kyirong?) to Kathmandu will be established by Chinese aide and that Nepal does not have to depend on India fully. It is said that a Chinese technical team had visited Kathmandu but had concluded that a rail link may not be feasible. First was the uneven terrain and unstable geological formations. Second was the viability as the wagons that come to Nepal will go back empty all the way!

Third, was the enormous cost involved. Unless Nepal wants to join the additional list of eight countries who are already vulnerable to “debt distress” in connection with the Belt Road initiative, a rail link may not be possible. ( The seven most vulnerable countries are said to be Tajikistan, Laos, Maldives, Djibouti, Kyrgystan, Pakistan, Mongolia and Montenegro).

Take for example China-Laos Railway line under the BRI initiative. The total cost of the project is said to be US \$ 6 billion or about half the country’s GDP which Laos cannot afford.

The fear is that in trying to diversify, Nepal does not get into a debt trap as Pakistan has already got into.

Another bit of news though not directly related to aid is that India will be approaching Nepal to bring the surplus waters of Mahakali River to Yamuna. It is also said that India had already approached twice the previous government in Nepal in August and September last year and that it would approach the new government once again.

Given the general negative response of past governments of Nepal on projects which would be mutually beneficial and the fact that new Oli government succeeded to get elected overwhelmingly on an anti Indian-nationalistic platform, it is doubtful whether Nepal would in the near or medium term ever agree on sharing the surplus waters of Pancheswar project or for that matter any other project. The increase in aid to Nepal is not going to help India’s case!

Oli’s approach towards reconciliation with the Madhesi groups has also hardened. While he gave a general commitment to amend the constitution to enable the FSF-Nepal led by Upendra Yadav to join the government earlier, it appeared now that he is not for any amendment in the near future. In an address to a reception at his residence on 14th March, Oli told the legislators of his alliance, that the “constitution would be amended as per the need of the time.” He also added that amendment would be done to strengthen and unite the country. In other words, it would mean no separate concession for the Madhesis for the present.

All the important slots in the ministries have also been filled up in the reshuffle Oli made two days later thus making it more difficult even for Upendra Yadav who was very keen to join the government at any cost!

It is now left to the Madhesi groups to join the government on Oli's terms and not otherwise!

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