Bibek Chand
Florida International University
International Studies Association International Conference
Hong Kong SAR, China
June 15-18, 2017

Paper Title: Assessing Modi's Neighborhood First Policy: The China Factor in Indo-Nepalese Relations
Abstract:

Since winning the 2014 general elections, Indian Prime Minister Narendra Modi initiated a redirection in India’s foreign policy. Titled the Neighborhood First Policy, Modi sought to forge closer ties with its South Asian neighbors. Given China’s increasing interest in the region, Modi’s emphasis on the neighborhood highlights India’s attempt at entrenching itself as the major power in South Asia. This paper seeks to analyze this policy within the wider context of Indo-Nepalese relations. Since the 2015 earthquake that devastated significant regions of central Nepal, India and China’s response showcased the willingness of both states to extend their influence in the form of material relief and reconstruction aid. Additionally, Indo-Nepalese relations were recently fraught following Nepal’s promulgation of its new constitution in 2015, which India viewed as being not inclusive of minority groups that share significant socio-cultural connections with India. While recent overtures from Nepal have led to significant mending of ties, China remains a major factor in Indo-Nepalese relations. This paper utilizes data since 2015 related to the Indian and Chinese relief efforts following the Nepal earthquake, their investments in Nepal and the rhetoric emanating from Beijing and New Delhi concerning Kathmandu. It seeks to analyze how the China factor plays into the Neighborhood First Policy of India in the context of Nepal, particularly during critical juncture periods such as the 2015 Nepal Earthquake, the lull in Indo-Nepalese relations the same year, and Nepal joining China’s One Belt, One Road Initiative.

Keywords: Nepal, China, India, Neighbourhood First Policy
Introduction

Since the 2014 election victory of Narendra Modi and the BJP, India’s foreign policy has taken a new turn. The country’s neighboring South Asian states have long complained of complacency under Congress rule of the biggest state in the region. As a departure from this norm, Prime Minister Modi invited the heads of state of all SAARC members, which was widely perceived as a new turn in India’s neighborhood policy. Later named the Neighborhood First Policy, the Indian administration under PM Modi sought to further consolidate its presence in South Asia. Of course, this foreign policy change at the regional level was not limited to stabilizing India’s relations with its neighbors; it is widely regarded as a first stop in projecting India’s power abroad. A stable neighborhood consolidates India’s regional security concerns (barring Pakistan, which is a relationship that is unique and rivalrous) and allows it to pursue extra-regional aspirations. Accordingly, the People’s Republic of China (PRC) has recently initiated extensive overtures towards South Asia, a fact India is critically aware of.

This paper seeks to analyze the recent emphasis of India’s foreign policy towards its smaller South Asian neighbors under the auspice of its Neighborhood First Policy. Nepal will be used as the case study for the paper. As part of India’s Neighborhood First Policy, Nepal finds itself in a precarious situation as it recently joined China’s One Belt, One Road Initiative. In essence, the paper seeks to contextualize Indo-Nepalese relations within the context of India’s Neighborhood First Policy and the growing influence of China in the country. Three recent events will be utilized to assess Sino-Indian interactions in Nepal: the 2015 Nepal earthquakes, which witnessed immense mobilization of manpower and material resources from both India and China; the promulgation of Nepal’s Constitution, which led to blockage of goods and services into Nepal from the areas bordering India; and finally, Nepal’s joining of One Belt, One Road Initiative. Each of these events in Nepal showcase extensive interactions of Chinese and Indian interests in the country, and thus, are used to analyze the China factor in Indo-Nepalese relations under the Neighborhood First Policy.

The paper is divided into four sections. The first section delves into India’s Neighborhood First policy, which will unpack Nepal’s position within it. The second section deals with China’s increasing influence in Nepal, specifically analyzing it after the initiation of India’s Neighborhood First Policy. The second section includes the three aforementioned events that are critical to Nepal’s interactions with India and China as well as Sino-Indian dynamics in the country: the 2015 Nepal Earthquakes, the promulgation of Nepal’s Constitution, and Nepal’s entry into the Road and Belt Initiative (RBI). The third section touches the future trajectories of the Neighborhood First Policy as it relates to Nepal; it also includes future trajectories of Sino-Indian interactions in Nepal. The last section is the conclusion.
India’s Neighborhood First Policy

South Asia is one of the poorest and least integrated regions in the world. Despite efforts at regional integration through the South Asian Association for Regional Cooperation (SAARC), intra-regional trade stands at a measly 5 percent.\(^1\) Poverty remains endemic and the region’s largest state, India, under the rule of the Congress Party has long been considered apathic to its smaller South Asian neighbors. The election of Narendra Modi of the Bharatiya Janata Party (BJP) in 2014 signaled a departure from the lack of Indian foreign policy initiatives in South Asia. For the first time in India’s history, the incoming PM Modi invited the heads of states of its neighboring South Asian states, namely Bangladesh, Sri Lanka, Pakistan, Afghanistan, Nepal, Bhutan, and the Maldives, to his inauguration in New Delhi.\(^2\) Thus, Modi’s initiation as the Prime Minister of the Republic of India and as part of the ruling coalition called the National Democratic Alliance (NDA), rested on prioritizing India’s neighboring countries, which he symbolically communicated by inviting them to his inaugural ceremony.\(^3\)

Prominent South Asia scholars C. Raja Mohan and S.D. Muni have long argued that in order for India to become one of the principal powers of Asia, it will need to properly manage the affairs in its immediate neighborhood.\(^4\) Mohan goes further to state that “an India that fails to reclaim its primacy in the subcontinent, Modi can now see, can’t really make a lasting impression on the world beyond.”\(^5\) The logic behind this rationale rests on the fact that India cannot project its power outside of South Asia without being able to consistently manage its relations with its South Asian neighbors, all of which have asymmetrical relations with the country due to its enormous population, military, geography, and economy. Following this logic, Modi’s government initiated what has been termed the “Neighbourhood First Policy” (NFP). This policy seeks to “pursue friendly relations” in the neighborhood and “work towards strengthening regional forms like SAARC.”\(^6\) In essence, the NFP seeks to promote regional connectivity, economic and political, to streamline regional affairs with India taking a strong initiative in the process.\(^7\) Due to the sensitive nature of relations in South Asia, the NDA government led by Modi has emphasized

---

economic linkages and other forms of regional connectivities as part of the NFP. Nevertheless, it must be noted that while the Indian administration under PM Modi has pushed for regional efforts in development, bilateralism remains a cornerstone of Indian foreign policy efforts. While the logic of emphasizing the need for a stable neighborhood to pursue extra-regional advances in projection of power and influence is at the heart of this Policy, there is another factor that has recently concerned India’s ruling governments: the increasing presence of China in India’s neighboring states. While the China-Pakistan axis has existed for decades, the emerging influence of the PRC in other South Asian states has raised concerns in New Delhi.

Following through with the NFP, PM Modi spent the first few months in office by partaking in extensive foreign policy maneuvering in South Asia. In 2014, Modi’s first foreign trip was to Bhutan, a country that India has long enjoyed a very close bilateral relationship with. In the same year, Modi became the first Prime Minister of India in 17 years to visit Nepal, a move that was widely characterized as successful. He visited Nepal again the same year for the SAARC Summit in Kathmandu. The Indian Foreign Minister Sushma Swaraj made her maiden foreign trip to neighboring Bangladesh. Additionally, Modi visited other South Asian states, including Sri Lanka, Bangladesh, Afghanistan, and Pakistan in 2015. Apart from Modi’s visits to India’s South Asian neighbors, the SAARC Summit of 2014 in Kathmandu presented the country with the opportunity to further bolster its NFP. India pushed for regional integration in the form of connectivity agreements on road, energy, and rail. India went further and announced a SAARC Satellite, which could be used by all SAARC members. This Summit was touted as a platform


10 Pal, “Reorienting India’s Foreign Policy.”


13 South Asian Association for Regional Cooperation


that would allow India to reinvigorate SAARC’s lackluster performance. Nevertheless, the historic India-Pakistani rivalry led to the signing of only the energy connectivity agreement due to Pakistan’s concerns regarding the other two. Additionally, Pakistan opted out of the SAARC Satellite, due to which it was renamed to South Asia Satellite highlighting the fact that one of the organization’s members was not part of it. In essence, Modi’s initial overtures in the arena of foreign policy showcased a strong push for consolidating the NFP, with or without Pakistani involvement.

Situating Nepal in India’s Neighbourhood First Policy requires assessing the relationship between the two countries. Both are Hindu majority states, which PM Modi utilized during his first visit to Nepal in 2014. During the speech delivered to Nepal’s Constituent Assembly, he harked to the country’s constitution writing process as “writing a treatise just like the rishis in the past wrote the Vedas and Upanishads,” highlighting the shared religious roots of the two states. While Modi used a precisely crafted rhetoric to hit the right notes in Nepal, the major factors driving his visit presents a far wider strategic picture. Lack of coherent policy towards its neighborhood had left a vacuum that China had increasingly filled in Nepal. Of course, China’s motives are not just to present India with strategic challenges in its own neighborhood but also to stabilize its borderlands, particularly since Nepal borders the highly sensitive Tibetan Autonomous Region. Nevertheless, India has positioned Nepal as a key aspect of the NFP, reflected by PM Modi’s third foreign trip being to Nepal after a gap of 17 years.

Indo-Nepalese relations had reached a low point under the previous Congress Government in India. During Modi’s trip to Nepal in 2014 to attend the SAARC Summit, he made a series of announcements to bolster India’s position in the country. These included: a Motor Vehicle Agreement for direct bus services between Kathmandu and Delhi; MoU on National Policy Academy (INR 550 crores), line of credit of US $1 billion, MoU between Ministry of AYUSH, GoI and Ministry of Health & Population of Government of Nepal for Cooperation in Traditional Systems of Medicine, MOU on Tourism between the GOI and GON on Cooperation in the field of Tourism, MoU on Twinning arrangements between Kathmandu-Varanasi, Janakpur-Ayodhya and Lumbini-Bodh Gaya as sister cities, MoU between India and Nepal on Cooperation for Youth Affairs, Signing of PDA for the 900 MW Arun-III Hydropower project by SJVN and GoN, MoU on Emergency and Trauma Centre, supply of one Dhruv Advanced Light Helicopter (ALH) Mark III to the Nepal Army, gifting of one mobile soil testing van/lab, gifting of a sapling from the Bodhi Tree at the Mahabodhi temple in Bodh Gaya and augmentation of power supply to Nepal by 70 MW, prior to SAARC Summit.

---

17 SD Muni, “A Disappointing SAARC.”
18 Bagla, “SAARC Satellite, PM Modi’s Gift Pak Said No To, Set to Take Off: 10 Facts.”
19 Harris, “Nepal Enthralled by Visit of India’s Prime Minister.”
In essence, India’s implementation of the NFP in Nepal showcased a strong emphasis on increased investment in the country, which can be assessed as a direct response to China’s growing presence in infrastructure projects in Nepal, including the upgrade of the Ring Road in Kathmandu21 and the construction of several hydroelectricity projects.22 Nevertheless, India’s extensive commitment in an array of sectors showcases Nepal’s important strategic role for India and its Neighbourhood First Policy.

The China Factor in Indo-Nepalese Relations

Since the border war between India and China in 1962, relations between the two Asian giants have been tumultuous, a fact exacerbated by China’s tacit support for India’s arch-rival Pakistan. Border tensions have been one of the major sources of this rivalrous relationship; India lays claim to Chinese administered Aksai Chin while China lays claim to Indian administered Arunachal Pradesh.23 Additionally, during the two conflicts between India and Pakistan in 1965 and 1971, China repeatedly threatened to open a second front against India; China also extended support for the development of Pakistan’s nuclear weapons program.24 In essence, China and India showcase a conflictual relationship, further exacerbated by their geographic proximity and strategic competition in Asia.

Even before the initiation of India’s NFP, China had gradually made inroads into South Asia, a region that was traditionally considered to be under India’s security umbrella – a strategic safe space for India in Asia. India was, by default, the regional power in South Asia due to its territorial, geographic, economic, and military posture in the region compared to its smaller neighbors.25 Despite India’s preponderance in the region, China’s increasing strategic ventures into South Asia are rather explicit. From the CPEC with Pakistan to concessional provisions for Bangladesh under the Asia Pacific Trade Agreement,26 and development of port infrastructure in Sri Lanka,27 Chinese presence in India’s neighboring South Asian states focus on infrastructure development but one cannot ignore the fact that most of these investments are taking place in the backdrop of China’s One Belt, One Road Initiative. The NFP could be interpreted to be a bulwark against increasing Chinese investments in South Asia. India’s shortcoming in investing in regional linkage with its South Asian neighbors had long left strategic space for China to fill that gap.

---

24 Ibid., 476.
As with almost all the other South Asian states, Nepal too has witnessed increasing Chinese interests in the country. Its interests in Nepal stem primarily from its geographic contiguity with the restive region of the Tibetan Autonomous Region. The 2008 riots in the TAR months before the Beijing Olympics triggered extensive efforts by the PRC administration to curb the activities of Tibetan refugees in Nepal. While traditionally maintaining strong ties with India, Nepal’s relations with its much larger neighbor has long been fraught with contentions. As such, Nepal has time and again sought to balance India’s preponderance by forging closer ties with Beijing. Modi’s government sought to mend ties, as China’s inroads into the country had strategic concerns in New Delhi. PM Modi became the first PM from India in 17 years to visit Nepal—a feat that was perceived as a major mending of ties between the two culturally close neighboring states. Nevertheless, the Nepal earthquakes in 2015, the promulgation of Nepal’s new constitution and Nepal’s signing up of the OBOR initiative all showcase apprehensions towards India, particularly since all of these events showcase intensive Chinese concern and involvement. The three contentious events are analyzed next, within the context of India’s aims as represented by the NFP and China’s increasing involvement with Nepal.

The 2015 Nepal Earthquake

India’s NFP sought to bolster its standing with its neighboring states. The 2015 Nepal Earthquakes on April 25 and May 12 presented that opportunity. The earthquake on April 25 was the largest to hit Nepal in over 80 years measuring 7.8 on the Richter Scale and leading to over 9,000 deaths. It was the worst humanitarian disaster to hit Nepal. The Indian reaction to the earthquakes was unprecedented. Within four hours of the April 25 earthquake, India initiated what was termed “Operation Maitri.” This operation led by the Indian Army included the mobilization of Indian Air Force aircrafts such as one Il-76, one C-130J Hercules and two C-17 Globemaster transport aircraft; Mi-17 Helicopters were also deployed. Immediate relief also included 46.5 tons of relief materials and 295 members of the National Disaster Response Force (NDRF). Additionally, India committed an immediate amount of $67 million for disaster relief. Additionally, India pledged $1 billion in line of credit for long term reconstruction. The rhetoric

from PM Modi also highlighted the strong emphasis on the importance of the neighborhood. During monthly radio program called “Mann Ki Baat” on April 27, 2015, he said, “My dear brothers and sisters of Nepal, India is with you in this hour of grief. For 125 crore Indians, Nepal is their own country and India will make all efforts to wipe the tears of every person in Nepal, hold their hands and stand with them.” In essence, the rhetoric showcased empathy and an appeal of a shared civilizational heritage. As argued by Comfort, disasters can be used to reset ties.35 These earthquakes provided India with just that: an opportunity to showcase its willingness to constructively pursue its strategic interests in Nepal, under the wider approach espoused by the NFP.

China too sent a large disaster relief team in the aftermath of the earthquakes. The immediate rescue team included 40 rescuers, 10 medical workers, and 12 seismic experts; an emergency relief fund of $3.3 million was also promised along with 55 PLA soldiers and 186 tons of emergency supplies.36 Beijing also promised $483 million in long term reconstruction in Nepal.37 While smaller than India’s response, China’s relief effort in Nepal was one of its largest ones overseas. The earthquake relief efforts also presented the Chinese administration to further strengthen the “One Belt, One Road” initiative espoused by President Xi Jinping, which seeks to utilize Chinese companies to build transportation and energy infrastructure as a part of its larger strategy to integrate itself with Asia and beyond.38 While prestige did play a role in the relief efforts emanating from Beijing, it has a larger strategic utility – keeping a check on the Tibetan population in Nepal while also challenging India’s presence in the country.

Overall, the Nepal earthquakes presented both China and India with the opportunity to showcase their capability and prestige in the international system. Additionally, it also opened up avenues for both to further influence Nepal. Nevertheless, India’s deployment of the relief efforts showcase a strong commitment to the ethos of the NFP – a bid to woo Nepal. If NFP is to be perceived to be a strategic effort by India to counter Chinese influence, India’s reaction in the aftermath of the earthquakes do showcase extensive rise in Chinese interest in Nepal as it was one of China’s most extensive relief efforts abroad. Since India is considered the traditional and preponderant power in South Asia, its response was the largest of any state in the aftermath of the earthquakes. This was largely in line with the NFP. Nevertheless, the strategic and security context of China’s increased interests in Nepal cannot be discounted.

The Promulgation of Nepal’s Constitution 2015

Since the abolishment of the monarchy in 2008, Nepal’s ruling elites have sought to forge a new constitution that highlights the changed political context in the country. Not only did the Jana Andolan II\(^3\) depose the monarchy; it opened up avenues for the 80 plus ethnic groups in Nepal to assert their place in the changed political space. The first Constituent Assembly elections in 2008 witnessed the victory of the newly democratized party of the Maoists, who had launched a civil war to topple the country’s monarch; the first Constituent Assembly was a failure.\(^4\) The Maoists had long brought the agenda of federalism, including the notion of ethnic federalism, a highly contentious issue given the high heterogeneity of Nepal’s populace.\(^5\) One of the most prominent issues was regarding the Madhesis – southern Nepalis who share common cultural and societal ties with the populace of northern India. The Madhesis’ demand was to have a single federal unit in the south, which is Nepal’s most fertile region which also has all of the border points from which Nepal receives an overwhelming majority of its energy resources from India. Given the strategic location of the Terai i.e. Nepal’s southern flatlands that are home to the majority of Nepal’s Madhesi populace, there was reluctance in the Kathmandu elites to meet their demands.\(^6\)

The failure of the First Constituent Assembly led to elections in 2013. The Second CA also had the same issue with regards to federalism and the contentious issue of ethnicity. Minority groups, particularly the Madhesis, once again argued that the process of constitution writing marginalized the community.\(^7\) Problems were further exacerbated by the 2015 earthquakes, which delayed the constitution writing process. At the same time, the natural disasters pushed the CA to promulgate a new constitution in 2015. It was perceived to be discriminatory towards the Madhesis, which led to the parties representing them to protest against the new constitution. The protests boiled over into a full-blown blockade of all of the major southern towns that were lifelines of fuel for the rest of the country.\(^8\) While India denied involvement, the political parties in Nepal routinely criticized India for its tacit support of the blockade, just a few months after the earthquakes. In essence, the 2015 blockade undid all of the strategic gains made by India through Modi’s visits to Nepal. The NFP, particularly after the blockade, seemed to have lost its track given

---

\(^3\) The Second Popular Movement that was initiated to protest the increasingly authoritarian rule of the Nepalese monarch King Gyanendra.


that there was tremendous public backlash against the Madhesis and the blockade that was largely
touted as being supported by India.

China, on the other hand, reasserted its commitment to respecting Nepal’s internal politics,
a rhetoric sharply diverging from that of India. While China has warned Kathmandu of the
destabilizing impact of ethnicity based federalism, India’s interests in the Madhesi community
leads it to support a constitution that accords explicit rights to the multitude of ethnicities in
Nepal. The blockade also allowed China to open new routes in the northern bordering region of
Nepal that had long remained in disuse. Additionally, China also sent fuel to Nepal for the first
time, signaling a change in Sino-Nepali relations. The Nepali Prime Minister at the time,
Khagendra Prasad Oli, also showcased a strong desire to forge closer ties with the Chinese. While
China has had long pursued a more “hands-off” approach to Nepal, emphasizing the control of
Tibetans in Nepal, the promulgation of the constitution in 2015 and the blockade signaled a
significant change in Beijing’s relations with Kathmandu. Not only was Beijing willing to extend
material help to Nepal during a crisis of relations between India and Nepal; the PRC went further
to extend its support to Oli’s government, which took a strongly nationalist stand that irked New
Delhi. Additionally, Beijing extended its univocal support for the new constitution, while New
Delhi had merely stated in its official statements that it had ‘noted’ the promulgation of the new
corstitution.

The 2015 promulgation of Nepal’s constitution showcased the undermining of the NFP. The
blockade was perceived in Kathmandu as India’s way of arm twisting Nepal to do its bid. In
a context of a wedge that had been formed between the two states, China emerged as the strategic
winner, further extending its influence in Nepal. Additionally, India’s tacit support for the Madhesi
demands was perceived as a means of undermining Nepali nationalism, a topic that is often
sensitive in bilateral relations between India and Nepal due to the asymmetric nature of the
relations.

Nepal’s Participation in the Road and Belt Initiative (RBI)

The debacle that followed the 2015 crisis due to Nepal’s constitution set the tone for Modi’s
approach towards the country. The positive overtures made by the NDA coalition in the early
months of the Modi administration evaporated with the blockade of 2015. As China’s overtures

46 “China to Supply Fuel to Nepal after Protestors Block Deliveries from India,” DW, accessed May 12,
18805016.
48 Prashant Jha, “Chinese Advice Behind Prachanda’s U-Turn on Support to Nepal Government?”
prachanda-s-u-turn-on-support-to-nepal-govt/story-4sdNKzXzTu3QRMDDfcnjJN.html.
49 “China Assures Support to Nepal in Constitution Implementation,” The Himalayan Times, accessed May
50 “China to Supply Fuel to Nepal after Protestors Block Deliveries from India,” DW.
into Nepal became more pronounced, Nepal too initiated its own endeavors of lessening dependence on India. One of the most prominent strategies put forth by Xi Jinping’s administration, the One Belt One Road Initiative or simply, the Road and Belt Initiative, had captured the attention of almost all of the states in the Eurasian landmass. The recently held Belt and Road Forum (BARF) brought together heads of states and high level dignitaries from 68 states. The aim of the OBOR initiative is to integrate Eurasia as a trading area. While the OBOR includes investment projections of over $150 billion, India’s NFP is not as properly shaped or funded.

The 2015 crisis in Nepal had opened avenues in Sino-Nepali relations. There was an overwhelming sense of overdependence on India, which needed to be balanced with stronger links with the other power in the region, China. Nepal recently became the latest country to join the Belt and Road Initiative, signaling to Beijing that it is willing to engage with it more extensively. While India has refused to sign the BRI, Nepal’s underdeveloped economy has potential to benefit from participating in Beijing’s regional economic integration efforts. Of particular interest to Kathmandu is the Trans-Himalayan Economic Corridor, which could connect Nepal with China’s highways and railroads, allowing further economic interactions between India and China; at the same time, it would allow Nepal an alternative economic corridor to India, which its has long sought to check its over reliance on New Delhi.

Right after signing up for the BRI, Nepal initiated talks with China to build a cross-border rail link; the estimated cost is projected to be up to $8 billion. The goal of the railway is to ferry more Chinese tourists into Nepal and for China to garner a bigger market access into Nepal, and possibly, further into India.

In essence, Nepal has initiated new endeavors in its relations with China. Although Nepal’s participation in the RBI has not led to any official statements from New Delhi, India’s reluctance to join it showcases its unwillingness to become a part of an initiative that could hamper its strategic interests in the long run. The RBI’s circumventing of the Indo-Pacific showcases China’s own interests in creating an economic corridor that is continues to garner preponderance in. In essence, Nepal’s joining of the RBI is a major setback for India’s NFP. Although Nepal continues to be heavily reliant on imports from India, the rhetorical cues from its recent interactions with China tend to highlight its attempts at re-orienting its dependence on New Delhi. Thus, the NFP faces significant challenges in Nepal, particularly since the 2015 constitutional crisis and the recent Nepalese overtures in joining Chinese led economic integration efforts.

---

53 Ibid.
Future Trajectories

Assessing the future trajectories of the Neighbourhood First Policy requires a detailed analysis of China’s role in South Asia. Additionally, it must also be noted whether India wants to continue to pursue bilateral approaches with its South Asian neighbors or a regional strategic framework of interacting with them. While India’s relations with Bangladesh and Sri Lanka have markedly improved under the Modi administration, its relations with Nepal, the Maldives, and Pakistan have been contentious.\(^55\) Despite these positive developments, China’s interests in South Asia are far from muddled by the NFP. It continues to forge stronger economic ties with almost all of India’s South Asian neighbors.

The future trajectories of NFP, particularly within the context of Nepal, looks dismal. The wider South Asian region, too, showcases a strong lack of consistent regional policy emanating from India.\(^56\) The summation of India’s South Asian policy still showcases a strong emphasis on bilateralism and as such, the NFP faces significant challenges in long-term implementation. Nepal’s joining of the BRI has propelled Chinese interests in the county. But, Chinese interests in Nepal are far from limited to economics. While Chinese investment continues to rise in Nepal, both states have ventured into areas that were traditionally off-limits due to India’s concerns. Right before Nepal joining the BRI, both Nepal and China held a military exercise for the first time.\(^57\) Both states have initiated stronger military ties, a topic that had long been considered taboo due to India’s concerns. In early 2017, the Major General Zhao Jinsong of the western command of the PLA and Chinese defense minister Chang Wanquan visited Nepal; during the latter’s trip, an announcement of 300 million Yuan military aid to the Nepali Army was made.\(^58\) In essence, China’s interactions in Nepal have broken the mold of limitations in economic development. Sensitive issue areas such as the military and hydroelectricity have witnessed increased Chinese interests.

The success of NFP requires a concerted effort from India to formulate a consistent foreign policy approach to the region. China’s increasing economic engagement and strengthening of ties with South Asian states does raise concerns for New Delhi and offers the smaller underdeveloped states in the region an alternative route for economic development. For a long-term stable strategic engagement with its neighbors, India requires a well-structured and consistent NFP that is not just limited to vague appeals to fostering a friendly neighborhood but that will incorporate benefits for those who participate in it. In essence, Chinese overtures in South Asia will continue as it rises in


\(^{56}\) Ibid.


\(^{58}\) Ibid.
the international system. The Indian administration needs to acknowledge the resentment in the neighborhood that stems out of asymmetry and address the concerns through a concerted and consistent neighborhood policy.

**Conclusion**

The Modi Administration’s enthusiasm and rhetoric in its first few months were touted to usher in a new era of South Asian neighborhood policy. Termed the Neighbourhood First Policy, the Indian administration sought to bolster ties with its neighbors after a lull that was characterized during Congress rule in India. Of specific concern was the increasing overtures of China in South Asia, which India had long considered to be its strategic backyard. The commitment to NFP was symbolically represented by the invitation of all SAARC heads of state to the inauguration of PM Modi. It was followed by his trips to almost all the SAARC member states. It seemed that India was committed to forging stronger ties with its smaller neighbors, including Nepal. The country’s geopolitically sensitive nature and open borders between India and Nepal were of major concerns for India, especially since China had been investing heavily in the Nepali economy.

The initial enthusiasm regarding NFP was further bolstered by India’s extensive commitments in Nepal. Modi’s visits to the country in 2015 was touted to be the turning point in the rather lackluster bilateral ties. India’s response in the aftermath of the 2015 Nepal earthquakes further consolidated the idea that Indo-Nepalese relations were indeed being mended. Yet, domestic political turmoil in Nepal due to the concerns over Nepal’s constitution and India’s tacit support for the Madhesi protests led to a crisis in Indo-Nepalese relations, the biggest one since the 1989 economic blockade under the Indian PM Rajiv Gandhi. The Nepalese elites and populace (outside of the Madhesi community) interpreted this as India’s involvement in Nepal’s domestic affairs; it was further exacerbated by a blockade by the Madhesi political parties that led to stoppage of essentials such as fuel and grain to areas of Nepal that were still reeling from the 2015 earthquakes. The crisis not only increased China’s interactions with Nepal but it motivated the Nepali elites to seek viable economic alternatives to India in a bit to curb its overdependence on the latter. Thus, Nepal joining the BRI was rather predictable; in fact, Nepal has sought Beijing’s aid in developing its infrastructure for more linkage with China.

In essence, the NFP has largely failed to manifest itself a successful neighborhood policy, particularly in the case of Nepal. While it initially garnered praise, the Modi administration has had a difficult time in streamlining its neighborhood policy as bilateralism still trumps regional approaches. In actuality, the NFP was largely ignored in the case of Nepal, which developed into a diplomatic crisis in 2015. Additionally, India’s unwillingness or perhaps, inability to develop a consistent regional policy is failing to anchor the region’s smaller states into an India-led framework. Thus, India’s attempts at regional policy will continue to become an uphill task, particularly since China has moved forward with forging institutional frameworks such as the RBI and the Asian Infrastructure Investment Bank, both joined by Nepal and almost all other South Asian states.
References


Kaphle, Anup. “Nepal Election puts Maoists, and a Nation’s Disillusion, in Spotlight.” The


“Outcomes during the Visit of Prime Minister to Nepal (November 25-27, 2014)” Narendra


Wagner, Christian. “The Role of India and China in South Asia.” Strategic Analysis 40, no.4