Chapter 4
Erosion Under King Birendra - 1972 Till Present

The year 1972 witnessed King Birendra’s accession to the throne. Unlike his predecessors Birendra had western education in India, Tokyo and the U.S. which gave him enough opportunity to get acquainted with the modern world. After assuming power he preferred highly educated Nepalis as his consultants and advisors rather than Mahendra’s administrators. Birendra emphasized on political discipline, efficient administration and economic development.\(^1\) However in foreign policy, he retained the basic tenets of Mahendra’s policy of ‘equidistance’ between India and China.

King Birendra considered non-alignment and friendship towards all the countries as the cornerstone of Nepal’s foreign policy on the basis of equality, sovereignty and peaceful co-existence.\(^2\) Spelling out clearly the foreign policy of Nepal, King Birendra said that it depended on not only country’s ‘ideals and standards’ but was also dictated by its security and survival. And for this, he accepted the policy of yam between two boulders, India and China, as

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\(^2\) Refer King Birendra’s address to the Rashtriya Panchayat on 26 June 1972 in His Majesty King Birendra, Proclamations, Speeches and Messages 1972-1981, Department of Information, Ministry of Communication, Kathmandu, August 1982, p.10.
propounded by Prithvi Narayan Shah. However, he did not accept the traditional concept of Nepal as a 'buffer state' between India and China and considered it as 'outmoded'. Redefining the geo-strategic location of Nepal, King Birendra said that: "Nepal is not a part of the sub-continent. It is really that part of Asia which touches both China and India. Our historical experience is that we maintain friendly relations with both these countries". In an attempt to maintain relation with the countries outside the region he overlooked the geo-strategic importance of the Himalayas for India's security interests. Its implications for India's security amounts to a shift in focus from Indo-Tibet boundary to the sensitive Indo-Nepal border which is open and near its heartland. On sensing New Delhi's displeasure over neglect and disregard of its security interests, statements reinterpreting the geo-political location of Nepal were not repeated.

Birendra's policy pronouncements were influenced by the external and domestic compulsions. In the early seventies, India had emerged as a regional power following its success over Pakistan in the armed conflict and in creating a new state of Bangladesh, out of former East Pakistan, in the

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4 See King Birendra’s interview to Newsweek, 10 September 1973 cited in Ibid., p.5.

5 Rose, n.1, p.130.
subcontinent. Though Nepal had accepted Bangladesh as a new state in the region it had also sent the message home of India's support to the democratic forces against the military regime. However, wrong signals were also sent home when Nepal misinterpreted the rebel Nepali Congress leader, B.P. Koirala's open support to the emergence of Bangladesh. In September 1971 B.P. Koirala threatened to revive armed insurrection against the Panchayat regime. This was interpreted as an Indian support to the Nepali Congress against the regime's interest. "One of the characteristic features of most small states is their extreme suspicion of any possibility of an external influence adversely impinging on their independence or sovereignty". Small state Nepal zealously guarded its sovereignty and independence from the internal political instability and any possible outside interference. Nepal feared India's support to the democratic forces in Nepal in order to destabilize Panchayat regime. Certain incidents made Nepal suspect India's involvement in supporting rebel Nepali Congressmen.

In August 1972, armed Nepali Congressmen from the Indian territory attacked a police sub-station in Haripur, Nepal. In June 1973, a Royal Nepal Airlines plane carrying 3 million Indian Rupees belonging to Nepal's

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State Bank was hijacked by Nepali Congress workers. In December 1974, the Royal Nepal Army had an armed encounter in Okhaldhunga with the Nepali Congress workers who were reported to have worked in close collaboration with the Nepali Congress leaders in India. In all these incidents the Nepali Congress workers in India were alleged to be involved.

The Government of India assured Nepal that it would in no way support the Nepali Congressmen in exile in India. In a goodwill visit to Nepal on 7 February 1973 Prime Minister Indira Gandhi emphasized on India’s non-interference in the domestic affairs of Nepal and extended India’s support to prevent any anti-Nepal activities in its territory.

The talks on the rebel Congressmen in India continued between the two countries during King Birendra’s visit to India in October 1973. Just a month before his visit to India in September 1973, Birendra had spoken in the NAM summit in Algiers about the necessity of safeguards against outside interference and aggression towards the non-aligned countries. The anti-monarchical activities from the Indian soil and the alleged Indian indifference to prevent them was the source of insecurity to Nepal such as India’s failure to capture persons responsible for the hijack

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10 King Birendra’s address to the fourth summit of the non-aligned countries in Algiers on 8 September 1973, in Birendra Speaks on Foreign Policy, n.3, p.11.
of Royal Nepal Airlines was attributed to the support rendered to the dissidents by the grassroot level administrators from Bihar.\textsuperscript{11} Dispelling the Nepalese fears India assured them of support in preventing any activity against the Panchayat System through the Joint Communique signed on the occasion of King's visit which reaffirmed "their faith in the policies and principles of peaceful coexistence, respect for territorial integrity of states, non-interference in their internal affairs and non-use of force or threat of force in international relations".\textsuperscript{12} Despite this, the Nepalese fear was exacerbated and the Indo-Nepal relations were strained over the integration of Sikkim into the Indian Union.

The Sikkim Episode

India's support to the democratic forces in Sikkim and consequently Sikkim's merger with the Indian Union in 1974 strengthened the Nepalese fear of Indian support to pro-democratic forces in Nepal. The democratic wind which had uprooted monarchy in Sikkim could influence the prodemocracy movement in Nepal and threaten the monarchy. The Nepali Congress supported the Sikkim Congress in their popular revolt against the

\textsuperscript{11} \textit{Times of India}, 10 October 1973.

Chogyal whereas the King was in favour of monarchy in Sikkim.\textsuperscript{13}

Nepal strongly reacted against the integration of Sikkim with the Indian Union. There were protests in the forms of strikes in educational institutions and anti-India demonstrations were held in front of the Indian Embassy.\textsuperscript{14} Demonstrators stoned the Indian Cooperation Mission and Indian Culture Mission in Kathmandu and destroyed the private property of Indians in Nepal.\textsuperscript{15}

"Recalling the Nepalese reaction towards Sikkim's integration into the Indian Union, M.K Rasgotra the former Indian Ambassador to Nepal said that India had kept the Nepalese officials informed about their involvement in Sikkim and had desired no interference from any quarter. However when the anti-India demonstrations continued in Nepal and the protestors surrounded the Embassy, then the Indian Ambassador rang up Nepal’s Foreign office and informed them about his intention to talk to the agitating students in order to give them a true picture of the internal situation in Sikkim and India’s involvement in it."


\textsuperscript{14} "Nepal: the ongoing impasse", \textit{Indian Defence Review} (New Delhi), January 1990, p.141.

\textsuperscript{15} Refer Tribhuvan Nath, \textit{The Nepalese Dilemma 1960-74} (New Delhi, 1975), p.476.
requested him not to speak about Sikkim’s political situation as Nepal was also ruled by a Monarch and it could inflame the anti-Monarchical elements. The Indian Ambassador informed the King about India’s displeasure over Nepal’s reaction and submitted a Protest Note. The Protest Note asked Nepal to either render public apology for anti-India demonstrations or publicly accept Sikkim as a part of India and give repairation for the damage done to the property of Indians in Nepal”.16 India considered Nepal’s behaviour as intolerable and unacceptable especially over the circulation of the propaganda material ‘Concerning Sikkim’s merger with India as issued by the Chinese Embassy in Kathmandu.17

According to Tribhuvan Nath, the Foreign Office in Nepal paid little attention to the Indian protest notes. The situation grew so tense that India recalled the Indian Embassy Officials who stayed in Delhi for a month.18

India was unhappy over the furore created in Nepal. Sikkim was part of the Indian Union and Nepal’s protest was a direct interference in the internal affairs of India. The connivance of other powers in instigating Nepal was apprehended by India. The possibility of the anti-India demonstrators being backed by the Nepali authorities and the Chinese Embassy cannot be

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16 Interview held on 20 March 1994, in New Delhi with M.K.Rasgotra, the former Indian Ambassador to Nepal.

17 Tribhuvan Nath, n.15.

18 Ibid.
ruled out.\textsuperscript{19} China and Pakistan have always exploited Nepal's fear towards India by encouraging it to lessen its dependence upon the latter.\textsuperscript{20} Sikkim's integration in the Indian Union and its peaceful nuclear explosion at Pokharan on 18 May 1974 demonstrated India's pre-eminence in the region beyond doubt. Nepal's willingness to assert its identity and independence by converting itself into a Zone of Peace and the immediate support from China and Pakistan can be seen as a tactic to counter India's pre-eminence.

**Zone of Peace**

The concept of the Zone of Peace was first proposed in the speech to be delivered at the Non-aligned summit in Algiers in September 1973 which declared that "Nepal, situated between two of the most populous countries in the world, wishes within her frontiers, to be enveloped in a Zone of Peace".\textsuperscript{21} However in the final speech the declaration was deleted and the King commented that "Nepal welcomes the ideas of creation of Peace Zones

\textsuperscript{19} \textit{Refer} n.16. also \textit{The Motherland} (New Delhi), 19 April 1975.


\textsuperscript{21} For the text of the speech refer \textit{Rising Nepal} (Kathmandu), 9 September 1973.
The official pronouncement of the proposal was made at the farewell reception hosted on the occasion of the King's coronation on 25 February 1975. Reiterating Nepal's faith in non-alignment the King declared that:

"We adhere to the policy of non-alignment because we believe that it brightens the prospects of peace. We need peace for our security, we need peace for our independence, and we need peace for development. As a matter of fact, Nepal in the past had signed formal peace and friendship treaties with both our friendly neighbours. And if today, peace is an overriding concern with us, it is only because our people genuinely desire peace in our country, in our region and everywhere in the world. It is with this earnest desire to institutionalise peace that I stand to make a proposition - a proposition that my country, Nepal, be declared a Zone of Peace".

The proposal became the major foreign policy objective when on 15 December 1980 through the third amendment it was incorporated in Nepal's Constitution. Article 19 (6) of the amended Constitution declared that "The Foreign Policy of the Panchayat system shall be striven for making Nepal a Zone of Peace in pursuance of the basic purpose of the UNO and the principles of non-alignment." For the first time Nepal came out officially with the definite objectives of the proposal on 21 February 1982 when Prime Minister Surya Bahadur Thapa declared seven provisions of the Peace Zone.

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22 For the text of King Birendra's speech in Algiers refer Proclamations, n.2, p.42.

23 For the text of the speech refer Birendra speaks on Foreign Policy, n.3, p.21, Rising Nepal, 26 February 1975.

Proposal.\textsuperscript{25} (For the Text of the Proposal See Appendix IX) Thus the identity of Nepal was being solemnised as the Peace Zone between its two neighbours.

Nepal was careful in not directing the proposal against any of its neighbours and adhered to strict non-alignment. As in the coronation ceremony the King made it clear that "Nepal harbours no ill-will or any unfriendly feeling towards any country in the world. We take pride in the fact that we have close and cordial ties of understanding with our neighbours".\textsuperscript{26}

Placed in such a geo-political situation, he desired peace and assurance that no hostile activity would take place in any country against Nepal nor any country would carry out hostile activities against another from Nepal's soil.\textsuperscript{27} The Nepalese Prime Minister Tulsi Giri reiterated that "since Nepal's territory lies both to the North as well as to the South of the Himalayas, there is no reason to suppose that Nepal's geo-political importance in India is greater than it is to China".\textsuperscript{28}


\textsuperscript{26} For details of King's speech refer n.23.

\textsuperscript{27} Birendra's attempt to internationalise the Peace Proposal at the banquet by President Podgorny, U.S.S.R on 17 November 1976 in Proclamations, n.2, p.148.

\textsuperscript{28} \textit{Rising Nepal}, 23 February 1976.
However, the geo-political importance of Nepal to India cannot be equated with that of China. Nepal does not share an easily accessible border with China as it does with India. In fact taking the open border into consideration both the countries had entered into the Treaty of Peace and Friendship which allows the citizens of both the countries to avail job opportunities and to settle in each other's territory.

Moreover, Nepal's proposal was particularly distasteful on account of the growing presence of extra-regional powers in the subcontinent. Due to the Soviet military presence in Afghanistan in 1979, the U.S. altered its policy towards Pakistan whose status was elevated as the frontline state in order to contain the Soviet presence in the region. As a result, the arms embargo on military aid to Pakistan was lifted and it received sophisticated weapons from the U.S. including F-16 aircrafts. For India F-16 aircrafts did not represent weapons of legitimate self defence but a renewal of commitment by the U.S. to supply sophisticated hardware. India considered the U.S. military assistance to Pakistan as directed against her.\(^{29}\) And felt the overflow of military aid to Pakistan from the U.S. and China could upset the military balance in the region and lead to arms race. Similarly, Pakistan's appeal to declare the region as a Nuclear Free Zone was seen as

an attempt to counter India's power profile.\textsuperscript{30}

In such a situation Nepal's attempt to internationalise the peace zone proposal perturbed India. By the Zone of Peace Nepal did not desire to be a neutral state.\textsuperscript{31} Rather Nepal wanted to be an active member in international politics with friendly relations with all including Pakistan and China who were amongst the first few to support the Zone of Peace Proposal.

**The International Response to Peace Zone Proposal**

King Birendra tried to secure the international support for Zone of Peace Proposal through his diplomatic efforts. It was discussed with the UN General secretary Kurt Waldheim on 13 February 1981,\textsuperscript{32} who asked Nepal to get international support especially from neighbouring countries as is the usual procedure for endorsement by the world body.\textsuperscript{33}

The Chinese Premier Hua Guofeng extended his support to the proposal at a banquet hosted in honour of the visiting Pakistani Prime Minister Zulfikar Ali Bhutto in May 1976 wherein he declared "we firmly support the just stand taken by His Majesty the King of Nepal in declaring Nepal a

\begin{itemize}
  \item \textsuperscript{30} R.R. Subramanian, 'The Nuclear Factor in South Asian Security', *Strategic Analysis*, vol.8, no.9, November 1984, p.829.
  \item \textsuperscript{32} Refer *UN Monthly Chronicle* (New York), vol.18, no.4, April 1981, p.19.
  \item \textsuperscript{33} Rana, n.25, p.6.
\end{itemize}
Zone of Peace. We are ready to assume appropriate commitments arising therefrom." \(^{34}\) In a Joint Communique both China and Pakistan extended their 'firm support' to Nepal in its endeavour to become a Peace Zone.\(^{35}\)

The response from the U.S. and the former U.S.S.R was non-committal as they neither rejected the proposal outright nor supported it openly. The Deputy Chairman of the Supreme Soviet Tura Bai Kulatov was the first foreign dignitary to endorse the Nepali proposal.\(^{36}\) However, when the anti-India connotation of the proposal became clear, the Soviet Union withdrew its support. Making his country's stand clear the Soviet Ambassador said that the Soviet Union supports Nepal's policy of non-alignment. In the same fashion France also gave support to Nepal in May 1983 but the French Ambassador clarified that legal and political advisors would be consulted before any commitment is made on the proposal.\(^{37}\)

The American stand was made public by President Reagan, during King Birendra's visit to the U.S. in 1983, when he declared that "We Americans support the objective of Your Majesty's Zone of Peace Proposal and we endorse it.--- In the meantime, we encourage you to continue to work

\(^{34}\) Ibid., p.12.

\(^{35}\) Ibid.

\(^{36}\) Refer Rising Nepal, 27 February 1975.

\(^{37}\) Muni, n.13, p.74.
closely with your neighbours to make Nepal’s Zone of Peace Proposal a reality". Indirectly the U.S. hinted at its inability to support the proposal till India does so. Thus, Nepal could not utilise the international support to pressurise India to endorse the proposal.

The Indian Response

Expressing his views on the Indian response to the Zone of Peace Proposal, M.K. Rasgotra says that Nepal felt ‘small, humiliated’ after the Sikkim Episode. In fact before the proposal could be formally declared, a Nepalese official vaguely indicated about the possible change in the direction of the Nepalese policy pronouncements. And it later turned out to be the Zone of Peace Proposal.

In the beginning India considered the proposal as ambiguous and lacking in clarity. Indian Embassy in Kathmandu had sought Nepalese clarification on the motives and objectives achieved through the proposal on the basis of which India could formulate its response.

Prime Minister Morarji Desai visited Nepal in December 1977, who declared in the Joint Communique that "peace must prevail in the entire

38 Reagan's speech made in the State Dining Room of the White House during Dinner Toast for King Birendra, refer Department of State Bulletin (New York), February 1984, p.39.

39 Information from M.K.Rasgotra in an interview., n.16.

40 Refer The Patriot, (New Delhi), 26 May 1975; Times of India, 26 May 1975.
area to which India and Nepal belong.41

Atal Behari Vajpayee, the External Affairs Minister in the Janata government declared that "we have an open mind on the issue" and have neither rejected it nor accepted it".42 Instead of declaring only Nepal as a Zone of Peace India desired the entire region to become one.

In 1981 the External Affairs Minister P.V.Narasimha Rao reiterated India's stand that Peace initiatives could be successful through 'harmony and amity' at the global and regional level.43 Implicitly, the Indian response tantamounted to rejection of the Proposal. Nepal had not spelled out from whom it felt threatened. Because of the geographical cohesiveness of the region any threat to Nepal would have spillover effect on the entire region, especially to India. And if the region was secure then would all the countries in the region.44 However following the Nepalese declarations of seven point definition of the proposal in 1982, Narasimha Rao declared in the Lok Sabha that the "Government of India are (is) studying the

43 Rao on his visit to Kathmandu cautioned it against big powers. The Statesman, 28 November 1981.

The Indian reluctance to endorse the proposal was mainly due to Nepal’s insistence on equi-distance between India and China. Acceptance of the proposal would have been at the cost of neglecting the geo-political reality and justifying the Nepalese claim that there was no similarity in the security perception of the two countries.\footnote{Ravi Nanda, \textit{Evolution of National Strategy of India} (New Delhi, 1987), p.142.}

The Fifth provision of the proposal says that the activities hostile to those states accepting the proposal would not be tolerated in Nepal and in return it expects the states to restrain any hostile activity against Nepal on their soil. The Provision was silent on the meaning of hostile activity, which has wider scope and connotation. In international law, it is understood as war, or conditions which create war against a state.\footnote{Refer Bishwa Pradhan, \textit{Nepal: A Peace Zone} (New Delhi, 1982), pp.28-29.} Peaceful demonstrations, agitation or propaganda against a regime which create political instability is also hostile activity. And any unfriendly act like dacoity, murder, drug trafficking, smuggling could be considered hostile.

It was the hostile political activity which bothered Monarchy in Nepal. Though not facing any direct threat of war, Nepal was afraid of the
unfriendly, anti-establishment activities in its soil and alleged support which it received from other states.

As discussed in the Previous chapter, the anti-Panchayat Nepali congress leaders had taken refuge in India since the dissolution of the Parliamentary Government in 1960. The developments in Bangladesh (1971) and Sikkim (1974) had given a psychological boost to the Nepali Congress workers to restart their agitation with added vigour and determination. However to express its support to the regime in power, India sent prompt help to curb the hostile anti-establishment activities. For instance, Arms were sent to Nepal in order to maintain law and order situation after the Haripur incident (1972) and the state governments bordering Nepal were asked to maintain vigilance on the border.\textsuperscript{48} The entry of B.P. Koirala and his supporters was also prohibited within 50 miles distance of the Indo-Nepal border.\textsuperscript{49}

Not withstanding these measures taken by India, insecurity of the Panchayat regime increased by the return of the Nepali congress leader B.P. Koirala to Nepal in 1976, following the state of emergency in India. Koirala was arrested from the airport on the charges of illegal import of arms, instigating people for armed revolution against the regime and to overthrow Nepal's Partyless Panchayat system and advocating the formation

\textsuperscript{48} Refer \textit{Times of India}, 29 August 1972, 30 August 1972.

\textsuperscript{49} Refer S.K.Jha, \textit{Indo-Nepal Relations} (New Delhi, 1989), pp.41-42.
of a democratic, socialistic setup in the northern districts of Nuwakot, Dhadhing and Rasuwa and creating unrest in the regions of Everest foothills and Okhaldunga in eastern Nepal. Criticising Koirala for anti-state activities, the then Nepalese Prime Minister Tulsi Giri said 'Nepal is situated between the two big nations and its national interest can never be safeguarded by those who depend on others for the fulfillment of their interests'. The statement made an obvious reference to India for its alleged support to the Nepali Congress.

The Nepalese apprehension was further strengthened by the supporters of B.P. Koirala in India who appealed to the King for the release of the leader. Jay Prakash Narayan made a plea for Koirala's release and introduction of the process of democratisation in Nepal. The emotional outbursts of Koirala's supporters in India gave an indication of the external complicity with the internal threat to the regime. Tulsi Giri considered it as an intervention in the internal affairs of a state which could not be tolerated by any self-respecting country. Reacting to Tulsi Giri's

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50 See *Times of India* 2 February 1977.

51 While inaugurating a Panchayat Convention in Pokhara Tulsi Giri said that the Panchayat System should counteract the activities of Koirala and alikes. *Rising Nepal*, 4 January 1977.

52 See *Indian Express*, 12 April 1977, also refer *Indian Express*, 28 April 1977; 1 May 1977.

53 At a Press Conference in the Singh Durbar, Tulsi Giri called the outburst of the Koirala supporters in India as the Hate-Nepal campaign. *Hindustan Times*, 25 May 1977.
statement India expressed "regret and unhappiness " and reiterated its stand on non-interference in Nepal's domestic concerns and dissociated with the appeals made by Koirala's sympathizers in India.54

However, Nepal maintained in the Proposal, that it would develop friendly relations with all the countries on " the basis of equality and respect for each others independence and sovereignty" particularly with the neighbours (Point 1). Nepal wanted to settle all the contentious issues with other states in a peaceful manner (point 3) and would neither harm the peace and security of other countries by 'threat of force' (point 2) nor would 'interfere in the internal affairs' of other states (point 4). These commitments reiterate Nepal's adherence to the principles of UN charter, Non-alignment and peaceful co-existence which were included in the constitution through its third amendment.55 These 'open, unilateral and irrevocable commitments' were the constitutional obligations of Nepal.56 However, India reacted on the last three provisions of the seven point explanation which were based on the principle of reciprocity.

The Sixth Provision of the Proposal incorporated Nepal's readiness

55 Pradhan, n. 47, p. 28.
56 Surya Bahadur Thapa clarifying the ambiguities on the nature and purpose of the Proposal in the Nepal Council of World Affairs on February 1982 in Rana, n. 25, p.4.
"to honour the obligations of all the existing treaties which it has concluded with other countries so long as they remain valid". The Provision took into account only the treaties and not agreements. In the Treaty of Peace and Friendship (1950) signed between India and Nepal, the entire gamut of relationship is covered, ranging from security concerns to socio-cultural and economic concerns which are inherent in the geographical reality of their relationship. However, Nepal does not have either such linkages or such comprehensive Treaty with any other country. For example, if Nepal buys arms from other countries without the consent of India then it goes contrary to the letter and spirit of the 1950 Treaty. It is evident that Nepal could honour the treaties and relationship with other countries at the expense of discriminating its treaty commitment with India. And if it respects its historical ties and traditional relationship with India then it cannot do justice to its commitment to develop relations with other countries on the basis of equality.\footnote{Muni, n. 13, p. 78.}

In its pursuit to be a Peace Zone, Nepal decided not to enter into "military alliance" nor "allow the establishment of any foreign military base on its soil". It expected the signatories supporting the proposal "will not enter into military alliance nor will they allow establishment of military base on their soil directed against Nepal". (Point 7) However, Nepal cannot refrain signatories from entering into military alliances with other countries. And
the concept sounds presumptuous since no country declares that its bases are directed against another country. For instance, Pakistan remains a member of non-aligned movement while retaining strategic ties with China because as long as the military alliances are not disturbing the balance of 'great power conflict' a country remains non-aligned.58

The Zone of Peace Proposal remained the foreign policy postulate till the restoration of multi-party system in Nepal. In 1990, the Interim Government's Prime Minister K.P. Bhattarai, declared the need to change the policy of playing India against China and considered the Zone of Peace irrelevant and out of context.59 The then Nepal Congress General Secretary G.P.Koirala ridiculed the King's attempt to make Nepal a Zone of Peace but simultaneously buying arms from China.60 Hence, the democratic Government dropped the Zone of Peace Proposal and it was not incorporated in the new constitution which came into effect in 1990.

The Zone of Peace was an attempt by landlocked Nepal to maintain equi-distance and non-alignment from its neighbours, due to various reasons as discussed above. Small states utilise this policy to ensure their security from the threat of undue influence and external interference by a big state. Distancing is not a policy of isolation or non-involvement with

58 Ibid, p. 79.
59 Views expressed by the former Nepalese Prime Minister K.P. Bhattarai to the Researcher on 8 May 1994, Kathmandu.
60 See Times of India, 22 April 1990.
other states but of reduced interaction from certain states whose actions are perceived to produce threat to the security of a small state. Nepal’s pursuit to become peace zone was not aimed at non-involvement with other states rather it tried to distance away from India due to fear from its support to the pro-democratic political adversaries of the regime.

To ensure successful implementation of the policy of distancing the small state should acquire widespread support from its population for the policy. However, the Zone of Peace Proposal was identified with the King. On various occasions, the King had mentioned it as "my zone of peace proposal". It was directed against the pro-democratic forces as "anti-national, traitors and foreign stooges". After the popular uprising against the regime in 1990, the multiparty democracy became legitimate. And the first step taken by the coalition government, was to drop the proposal.

The feasibility of the policy of equi-distance or non-alignment advocated by a small landlocked state also depends on the consent of the big neighbours. By 1990 at least 115 countries had extended their support to the Nepalese Proposal. Of its two neighbours, Nepal had solicited support

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62 Ibid.
63 Refer S.D. Muni, Motherland (New Delhi), 6 October 1974.
from China, and not India. Nepal was aware that without Indian support the proposal would not come into effect.\textsuperscript{65} Thus, there are limitations placed on Nepal to follow the policy of equi-distance as adhered in the Zone of Peace proposal due to its geographic compulsions.

**The Permit System**

India introduced Permit system on October 1976 which required permission from the Indian authorities to visit Darjeeling, Sikkim, Meghalaya, Manipur, Nagaland, Arunachal Pradesh, Tripura, parts of North West Bengal and three districts of Uttar Pradesh. These areas were recognised, as 'prohibited' or 'restricted' areas for foreign nationals including Nepalese, due to economic, political and security reasons.\textsuperscript{66}

Nepal considered the restriction on the movement of its citizens as a reaction against the anti-India demonstrations in Nepal opposing Sikkim's integration into the Indian Union\textsuperscript{67} and its demands for separate trade and transit treaties.\textsuperscript{68} It was perceived as an Indian move to intimidate


\textsuperscript{66} Times of India, 13 October 1976.


\textsuperscript{68} It was due to Indian displeasure over the delays by Nepal to review Trade and transit Treaty of 1971 Jha, n. 49, pp. 64-65.
Nepal into submission, as the permit system could affect the social and business connections of its citizens.

India, therefore, agreed that passes valid for six months would be issued by the Nepalese authorities to the people residing within ten kilometers of the border. For Nepalese travellers four transit points on the Western side of the Indo-Nepal border and six points on the East were left open. The Indian stand was made clear by Morarji Desai that the Nepalese need no permit to travel in the restricted areas of India but required them, if they intended to settle down.

**Janata Government-Strengthening Economic Ties**

The Janata Party initiated a policy of mutually beneficial bilateralism in the region. Within this framework India tried to settle down its

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69 While addressing the Bhaktapur district Panchayat Convention, Tulsi Giri described it as a mistaken belief by India to be able to subjugate Nepal under pressure. In *The Commoner* (Kathmandu) 19 October 1976.


72 Shrikant Paranjpe, *India and South Asia Since 1971* (Delhi, 1985), p. 70.
outstanding issues with Nepal especially the Treaty of Trade and Transit which had expired on 14 August 1976, due to the non-compromising attitude of the governments of both the countries.

On 22 June 1976, the Nepalese delegation visited India and pressed for two separate Treaties on Trade and Transit. The demand was made on the assumption that transit was a permanent factor based on geo-economic reality and desired a long term policy than trade which fluctuates according to market demands and needed policy renewal at short intervals. But India considered the trade and transit to be inseparably linked and rejected the Nepalese stand. Thus, with such contradictory stands the talks between the two countries came to an indecisive end.

However, the relations between India and Nepal stabilised after the Janata Party came to power in 1977. Prime Minister Morarji Desai paid a goodwill visit to Nepal from 9 to 11 December 1977. In the Joint Communique signed on the occasion both the sides stressed on economic progress and development through mutual cooperation.

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73 The Nepalese delegation was led by D. R. Upadhyaya, Secretary of Commerce and Industry. On 21 August the Indian delegation led by P.C. Alexander Secretary of the Ministry of Foreign Trade visited Nepal. It was agreed to extend the treaty until a new treaty was signed. Refer the "Nepal-India Treaty on Trade and Transit" in Foreign Affairs Journal, no.2, May-August 1976. pp. 73-77.

74 Ibid.

75 Ibid, p.3. For the Text of the Joint Communique, Also refer Rising Nepal, 2 December 1977.
cooperation in accepting Nepalese demand of Transit Rights. In a Press
Conference Morarji Desai said that "landlocked countries had the right to
free and unrestricted access to and from the sea in order to carry on their
trade." 76

In this atmosphere of cordiality and 'mutual beneficialism' India
and Nepal signed two separate treaties on Trade and Transit and another
agreement for cooperation to control unauthorised trade in New Delhi on 17
March 1978. In the letters exchanged along with the treaty of transit, India
agreed to provide overland transit facilities through Radhikapur to Nepal for
handling her foreign trade from or through Bangladesh. 77

Through various meetings and discussions in the field of economic
cooperation an agreement on joint ventures between Indian and Nepali
firms was signed on 30 July 1978 in Kathmandu. Consequently, Nepal
agreed for 51 per cent participation in equity in the joint ventures for
larger industrial projects such as those relating to cement, pulp and paper
industries which were entrusted to India on a turn key basis for specified
period and job. 78 This provided an opportunity for Indian firms to expand

76 For Desai's Press Conference at the conclusion of his visit to
Kathmandu see Rising Nepal, 12 December 1977.

77 Refer, Indo-Nepal Treaties of Trade and Transit, And Agreement for
cooperation to control unauthorised trade on 17 March 1978.
Department of Commerce, Ministry of Commerce, Civil Supplies and
Cooperation, Government of India, New Delhi.

78 Memorandum of Understanding signed on July 1978 between India
and Nepal on Industrial and Economic Cooperation.
investment in Nepal and contribute towards its industrial and commercial development. India also agreed to help in executing the plans for power projects for Karnali, Pancheshwar, Rapti, Devighat-Hydro Electric projects to harness the potential water resources.\(^79\)

Generally, a country's foreign policy is influenced by its domestic and economic policy. But the domestic and economic compulsions of a small state are not adequate enough to influence the external dimension of its policy. Instead the foreign policy is influenced by the charisma of its leader or moralistic overtones rather by its political or economic compulsions.\(^80\)

In Nepal, also the charisma of the King was a decisive factor in shaping its foreign policy. The proposal of Zone of Peace or the demand for separate trade and transit treaties were more influenced by the King's desire to diversify its diplomatic relations or foreign trade than from its political or economic influences. As discussed earlier, the political regime in Nepal felt insecure from India's involvement in the developments in Bangladesh and Sikkim and apprehended the possibility of Indian support to the pro-democratic Nepali Congress against the Monarchy. Thus to gain political legitimacy at home it gave a nationalistic flavour to its policies and

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79 For the Text of the Joint Communique see Rana, n. 41. Also Refer Memorandum of Understanding signed on 26 September 1978 between India and Nepal on the occasion of Bista's visit to India.

included the zone of peace in the constitution and considered the right of transit as its national interest.

The new Janata government in India increased the Palace apprehensions regarding the pursuance of policy towards the royal regime as the Janata party had old socialist party leaders as its members who had long association with Koirala and other pro-democratic Nepali leaders. However, the Janata government assured Nepal of its non-interference in its internal affairs. On his goodwill visit to Nepal in July 1977, Atal Behari Vajpayee, declared that "India has no intention of interfering in the internal affairs of other country, much less in the internal affairs of a friendly country like Nepal". The Indian assurance was favourably received in Nepal. Appreciating the Indian assurances of friendship and non-involvement in the domestic affairs of neighbouring countries the Nepalese Prime Minister K.N.Bista said that the Indian government was contributing to the "maintenance of peace and stability in the region".

National Referendum in Nepal

In the meantime, the King faced a massive agitation from the students

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81 Refer Rose and Scholz, n.1, p. 133.

82 For the text of the Statement issued at the conclusion of Vajpayee's visit to Nepal refer A.S. Bhasin, Nepal's Relations with India and China Documents 1947-1992 vol.1 (Delhi, 1994), p. 330 also Rana, n. 41, p.27.

against the ineffective administration and demanded appropriate amendments in the Constitution in 1979. As a result, a royal proclamation was issued asking people to choose by a secret ballot between the panchayat system with reforms or a multiparty system. In the national referendum held on 2 May 1980, 54.7%. Nepalese opted for panchayat system and 45.21% supported multiparty system.

King Birendra considered the outcome of the referendum as the will of the people who preferred partyless panchayat democracy with timely reforms. He declared that "We consider the will of our people to be truly inviolable, and while honouring it, we accept the popular mandate to perpetuate the partyless panchayat system as our own verdict in the belief that the will of the people should constitute the main basis in deciding the polity for Nepal". Hence the pro-democratic political parties like Nepali National Congress opposing the partyless panchayat system did not come within the purview of the 'will of the majority'. Though, the King regarded, the 'attitude of insolence, anarchy or violence' against the basic tenets of democracy and peace, however, he accepted the 'dissent and diversities of opinion' as the

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84 See the text of the proclamation from King Birendra on holding a national referendum in Proclamations, n.2, pp. 224-225.


86 Birendra's proclamation to the nation after the announcement of the result of the national referendum refer Proclamations, n.2, p. 264.
accepted norms of democracy in which the 'ideas of the minority are also treated with respect'. On 14 December 1980 the Constitution was amended for the third time which gave the King absolute powers under article 26 (4d) and article 39 (3e) to dismiss an elected Prime Minister or elected presiding officer of the legislature respectively. Though the King had attained absolute powers in the constitution but the people's discontent against the Panchayat regime continued which finally culminated in a major popular agitation in 1989 and established multiparty system in Nepal.

**Chinese Presence in Terai: Erosion of Strategic Concerns**

The Panchayat regime was threatened by the political instability from the pro-democratic forces within the country and the Indian assurances of non-interference (as discussed earlier) were not helpful in eliminating the regime insecurity. In return Nepal attempted to be uncooperative to Indian security sensitivities by not accepting the security arrangements and gave road construction projects to China in the Terai.

On the occasion of the Chinese President Li-Xiannian's visit to Kathmandu in March 1984, Nepal persuaded him to construct a road linking Pokhara with Baglung in Tibet. Though the Chinese have not yet committed to the project but it shows the maneuvering capacity of Nepal to

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87 Ibid.

88 Muni, n. 13, p.53.
use China against India. The road was not considered crucial for Nepal's trade and development.\textsuperscript{89}

Nepal again tried to involve China in the construction of 204 kilometer long Western sector (Kohalpur-Banbasa) of the East-West highway (Mahendra Rajmarg) in 1985. The road passes through the Terai region of Nepal which is near India's border and ends at Baitadi close to the Pithoragarh district which is a restricted area in India and is near to Tibet.\textsuperscript{90} (See the Map showing Mahendra Raj Marg). The project was being funded by the World Bank and the Saudi Fund for Development and was opened to the global tenders. The Chinese firms were the lowest bidders and were consequently awarded the Project. Possibility of help from the Royal Secretariat to China on manipulation for the lowest bid cannot be ruled out in order to infringe the 1950 Treaty and March 1965 Agreement with India so that in future China could be freely engaged in the Terai based developmental activities.\textsuperscript{91} India considered the low Chinese bidding as politically motivated to challenge the security concerns of India by gaining


\textsuperscript{90} Brief on the Indian Security concerns in Mahendra Rajmarg Western Sector, 1983, from the official sources in India.

\textsuperscript{91} Refer Muni, n. 13, p. 56.
a foothold in the western Terai. The Chinese already established contacts in the Eastern Terai through the World Bank funded Sunsari-Morang Project and in the middle Terai through bilaterally aided paper and sugar mill projects. With their presence in the western Terai China would have covered the whole of the Terai.

It was felt that if Nepal's attempts to flout the Indian security interests in connivance with China was not responded then it could use low Chinese bid as a leverage against India in the future. India discussed the strategic importance of road with Nepal and expressed its non-acceptance of the Chinese projects near its border. Nepal was persuaded not to award the project to China for which India paid Rs.50 crores as grants to it. A compromise formula was utilized to engage in both India and Nepal in the construction work. Out of the four contracts of the Project, contract I and II were granted to the Indian construction agency, Uttar Pradesh State Bridges Corporation and contract III and IV to Nepal Construction Corporation.

Commenting on the entire episode, the former Nepalese Prime Minister

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92 Indian Embassy Kathmandu, to the Ministry of External Affairs, New Delhi on the Mahendra Rajmarg Western Sector on 20 May 1985. Also Telegram no. 34572 from Ministry of External Affairs to Indian Embassy Kathmandu in May 1985.

93 Telegram no. 061115 from Ministry of External Affairs to Indian Embassy, Kathmandu in June 1985. Also refer Minutes of the meeting held by Secretary (ER), Ministry of External Affairs on the Mahendra Raj Marg Highway, Western Sector on 30 August 1985.

94 Brief on 'Rs. 50 crore grant assistance agreement with Nepal' by the Ministry of External Affairs, New Delhi on 30 September 1985.
Lokendra Bahadur Chand said that for Nepal it was a very embarrassing moment to take the project back from China and hand it over to India. So Nepal decided to execute the project on its own but due to certain practical necessities in taking up the entire project it took help from India.\textsuperscript{95}

The Nepalese attempt to offer the road construction project to China was in violation of the 1950 Treaty (article 6) which binds both the countries to give preference to the nationals of other in its territory to participate in industrial and economic development. And in the letter exchanged along with the Treaty (para 4) it was made clear that only international bodies like the UN and its agencies could be given preference over India and the Saudi Development Fund or China did not qualify for it. In the letter exchanged between the two countries in March 1965, it was agreed upon to keep the Chinese aided projects away from the Terai which was close to the Indian borders. However, violating it, Nepal had involved China in the road construction project which passes through the Terai.\textsuperscript{96}

It is said that Nepal roped in China for the road construction in the Terai to 'needle India' as those were the last days of Panchayat.\textsuperscript{97}

\textsuperscript{95} An interview with the former Nepalese Prime Minister Lokendra Bahadur Chand on 20 May 1994.

\textsuperscript{96} Muni, n.13. p. 53.

\textsuperscript{97} An interview with N.N. Jha. on 2 November 1994 in New Delhi.
Domestic Politics in Nepal

The regime’s insecurity had increased following the panchayat election in 1987 in which the Nepali Congress and the leftist groups participated. The defeat of the Nepali Congress was attributed to the rigging and irregularities by the Panchayat regime. The elected members of the Congress deemed it fit to challenge the ruling partyless system by not attending the King Mahendra Memorial and Constitution Day on 16 December 1987. The leftist groups secured 30% of the seats in the Panchayat election and its presence against the partyless panchayat was felt in the National Assembly session when it demanded a multi party system. The opposition to the regime was felt from the close quarters in the assembly itself. For instance, the no-confidence motion, signed by 36 members of the National Panchayat, was tabled against the cabinet headed by Marich Man Singh Shreshtha. The fear of the external influence in instigating the opposition to the regime was exacerbated with the Indian air dropping over Sri Lanka in June 1987 which was interpreted as the Indian expansionism or dominance in the region. A spokesman of the Ministry of Foreign Affairs of Nepal said that "Nepal deplores the violation of Sri Lankan airspace by Indian Military aircraft because Nepal has always and


99 Ibid.
everywhere condemned any violation of the territorial integrity of Sovereign States. To assert its sovereignty and gain political legitimacy at home the political elite in Nepal used China as a leverage vis-a-vis India.

**The Arms Purchase**

The Indo-Nepal security arrangements, namely the 1950 Treaty and the 1965 Agreement were grossly violated in 1988 when Nepal bought arms from China. 450-500 Chinese trucks carried arms of both defensive and offensive capability including anti-aircraft guns and medium range SSM besides AK-49 assault rifles, medium boots etc worth over $20 million. The arms reached Nepal through the Chinese built Kathmandu-Kodari road. The arms deal also included the training by the Chinese Peoples Liberation Army to use, maintain and repair the equipment given to Nepal.

India has been the primary supplier of arms to Nepal since 1950s. It is said that in July 1975 and in 1978 Nepal had handed over a list of defence stores and arms and ammunition worth Rs. 7.95 crores and Rs. 2.40 crores for respective years and the demand was accepted by India. However, Nepal did not respond to the Indian decision to supply arms on

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100 For the statement of HMG deploring air dropping of supplies in Sri Lanka, Kathmandu, 5 June 1987, refer Bhasin, n.82, p.434.

grant basis. Nepal made the request for infantry weapons for about a brigade strength to the Chief of Army staff General O.P. Malhotra in 1980 and General K.V. Krishna Rao in 1982 during their visits to Nepal. It was decided to give defence stores worth Rs.2 crores in grants-in-aid and a subsidy of 20% on all the purchases made by Nepal and in 1986 the defence stores were sanctioned to Nepal.102 The delay in the arms supply could have been avoided had Nepal been more responsive in placing its demands clearly whether it wanted in grants-in-aid or payment.103 However, India had also not met the Nepalese expectations of the desired arms. It is said that the request for anti aircraft guns by Nepal in 1972 and later in 1976 were brushed aside by India stating that it was unnecessary. In the end Nepal approached China for arms in March 1988.104

India was perturbed by Nepal's purchase of arms and ammunitions from China. In the eighties, China had emerged as the major arms exporter in the world. It continued to supply arms to Pakistan under the pretext to help counter the Soviet threat to Pakistan's security. In 1978 the Karakoram Highway between Pakistan and China was opened linking China's Sinkiang province with the Pakistan-occupied-Kashmir which opens


103 Ibid.

Kashmir to the Chinese intervention in the time of crisis. Following the Soviet Union's refusal to provide military assistance to Bangladesh after Mujib-ur- Rahman’s assasination China provided military and economic aid. It established an arms and ammunition factory in Dhaka and gave fighter aircraft and tanks for Bangladesh Army. And in this situation Nepal’s arms import from China threatened India’s security especially when the Chinese forces had intruded in the Sumdurung Chu valley in Arunachal Pradesh in 1987.

The outdated arms from China did not pose any challenge to Indian armed forces but in future it could develop into a military relationship between China and Nepal. It could be a beginning of more sophisticated Chinese arms to Nepal. Already, Nepal had started sending Royal Nepal Army officials in the military establishments of China, Pakistan and Bangladesh for military training. The growing Army to Army contact with India’s political adversaries was not conducive to its security interests because it


violates the security arrangements between India and Nepal as the Nepalese officials are given training in the Indian military establishments. Also, the growing contact with the armies of Pakistan and Bangladesh, known for their political ambitions, could create a militarily ambitious state in India's North.

The possibility of the arms entering India through the open border from Nepal could not be ruled out. Already the terrorists in Punjab are known to use Chinese weapons obtained through Pakistan. If NEFA is engulfed in pro-Nepal or anti-India sentiments and the Siliguri corridor is blocked, which is the route of Indian army to reach Sikkim, then India would have to rely only on airlift to ease the tension in the Eastern area and the anti-aircraft guns from Nepal can be used to prevent an airlift.

India tried to restrain Nepal from buying arms from China. It is said that India's Minister of State for Foreign Affairs K. Natwar Singh met King Birendra in Kathmandu on 22 July 1988 carrying a letter from Prime Minister Rajiv Gandhi asking for an assurance that the arms purchase from China was a one time affair and would not be repeated again. In an audience with King Birendra the Indian foreign minister expressed that

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108 Muni, n.13, p.48.


110 Refer Shailendra Kumar Upadhyaya, Tryst with Diplomacy (New Delhi, 1991), p.76.
Nepal's purchase of arms from China was against the spirit of the 1950 Treaty and 1965 Agreement.\textsuperscript{111} King refused the Indian demand to accept the arms purchase as a one time affair and insisted it to be a sovereign and independent right of Nepal to buy arms for its defence against anti-terrorist activities threatening Nepal's internal security.\textsuperscript{112} Though Nepal declared that arms were defensive in nature but it is ludicrous to use anti-aircraft guns against terrorists.

The security arrangements do not restrain Nepal to procure arms from or through the territory of India with its prior consultation. But, as Nepal had limited contact with the outside world and the transit routes were from the south, the possibility of getting arms from the north was not comprehended. However, India was kept in dark about the procurement of arms from China which was against the spirit of the 1950 Treaty. The Treaty was signed with an understanding to look after their common threat arising from the communist China and its control over Tibet in 1950. The purchase of arms from China was against this mutual security concern.

Nepal maintained that the Treaty of Peace and Friendship had not been violated as the arms did not reach via or through India. And India was the first country to whom Nepal had approached for arms and failing to get

\textsuperscript{111} An interview with K. Natwar Singh on 2 January 1995, New Delhi.

\textsuperscript{112} Upadhyaya, n.110.
any response arms were bought from China. However, the 1965 agreement declares the U.S. and U.K. to be approached for arms if India is unable to provide (Para 5). Without approaching the U.S. and U.K, arms were procured from China, the source not mentioned anywhere in the agreement. However, Nepal again reiterated its earlier stand on 1965 Agreement based on the statement of Prime Minister K.N. Bista in 1969 that the agreement was cancelled, thus, the arms purchase from China cannot be countered on that premise. In fact, Nepal criticised India for violating the 1950 Treaty by not informing the former while purchasing arms or while engaged in an armed conflict with China or Pakistan and utilising the Gurkhas against the Hindu Tamils in Sri Lanka in violation of the Tripartite Agreement on Gurkha recruitment. Marich Man Singh Shreshtha, the Prime Minister of Nepal declared in the National Panchyat that "it is the principled stand of Nepal to oppose the presence of foreign troops in any nation, and in conformity with that stand, His Majesty's Government holds the opinion that Indian troops should be withdrawn from Sri Lanka."

Nepal's decision to acquire arms from China was guided more by King's

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113 Refer Rising Nepal, 10 May 1989.
116 Refer The Statesman, 8 July 1989.
117 For the statement of Marich Man Singh on the presence of Indian troops on 9 July 1989 refer Bhasin, n. 82, p. 457.
desire to assert independence and identity against the increasing demands for democracy and less by Nepal's need to improve its defence capabilities. Otherwise the Palace would not have kept the purchase of arms as a closely guarded secret. Giving his impressions on the arms import from China, Shailendra Kumar Upadhyaya, the former Foreign Minister of Nepal, said that the import of arms had taken even the Nepalese Prime Minister and Foreign Minister by surprise. Neither the Prime Minister nor the Foreign Minister knew about the arms deal and it was the Indian Ambassador who broke the news to the Foreign Minister.

The Trade Embargo

King Birendra in an attempt to counter the anti-panchyat supporters and strengthen the Panchayat government at home whipped up Nepali nationalism by challenging not only the security relationship with India but also the socio-economic dimensions of the relationship. In April 1987, Nepal introduced work permit restriction on Indians working in Nepal in 3 out of 75 districts and in 1989 it imposed discriminatory tariffs against Indian goods. In early 1989 it provided 40% duty concession to the Chinese goods and later following the trade impasse withdrew duty concessions from the

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118 Refer Deccan Herald (Bangalore) 10 July 1989.

119 Views expressed by S.K. Upadhyaya, the former Foreign Minister of Nepal in an interview on 2 May 1994.
Indian goods in such a manner that the products for third countries would be cheaper than Indian goods.\textsuperscript{120} This led to the souring of relations between the two countries which had already been strained over the purchase of Chinese arms by Nepal.

The trade relations between both the countries received a set back when India refused to renew two separate treaties on Trade and Transit and insisted on a single treaty for both the issues and Nepal rejected the single treaty proposition. The Indian decision to go back to the pre 1978 arrangement of a single treaty of Trade and Transit (as discussed earlier) was intended to restrain Nepal's diversification of trade with other countries which was more export oriented.\textsuperscript{121} Most of the exported items, especially from China, make their way to India affecting the traditional trading pattern between India and Nepal. Till mid-sixties the Indo-Nepal trade was 98\% which came down to 41\% in 1989.\textsuperscript{122} Also the non-economic issues like work permit for Indians in Nepal, arms purchase from China affected the strategic interests of India. As a result the treaties on Trade and Transit expired on 23 March 1989. Out of 15 transit points 13 were closed and two in Raxaul and Jogbani were left open in Indo-Nepal border and two more transit points were provided for trade with Bhutan

\hspace{1cm}\textsuperscript{120} Cited in Muni, n. 13, p. 130.

\hspace{1cm}\textsuperscript{121} Mahendra P.Lama, "Trick of the Trade: Roots of Indo- Nepalese Crisis" in \textit{The Statesman}, 9 August 1989.

\hspace{1cm}\textsuperscript{122} Ibid.
and Bangladesh.\footnote{123}

As a consequence of the expiry of Trade and Transit Treaties, India was under no obligation to provide any transit point because it is neither a signatory of international convention on trade and transit of landlocked countries (1965) nor the United Nations convention on law of sea which provides transit rights to the landlocked countries.\footnote{124} In fact, the international convention on landlocked countries provides only one transit point to them but considering the traditional socio-cultural linkages between the two countries India had left two transit points open for essential items like medicine, baby food and cement for the Nepalese people.\footnote{125} India also allowed the Gurkha soldiers going home on leave to carry an additional five kilogram of sugar, kerosene etc.\footnote{126} This welfare measure was taken with the purpose of removing any hardship for the families of serving and ex-servicemen Gurkhas and earning their goodwill in return. It is said that even in the Terai border area Nepalese were allowed to buy essential items from across the border and because of the traditional socio-cultural relationship and people to people contact, the Terrains did not face the brunt of

\footnote{123} The Telegraph (Calcutta), 2 April 1989.
\footnote{124} Garver, n. 104, p. 959.
\footnote{125} Ibid.
\footnote{126} Based upon interviews with Indian Defence officials from Gurkha Regiments.
the impasse. 127

However, the lapse of Trade and Transit treaty had affected the common man in Nepal due to restriction on supply of petrol, aviation fuel, kerosene and basic consumer goods. Most of the industries in Nepal came to a standstill because of their dependence on India for resources, trade and transit. 128 The crisis was due to the admixture of politico-strategic concerns. 129 The personality clash between King Birendra and Prime Minister Rajiv Gandhi is also considered as the root cause of the economic blockade. 130

Nepal tried to overcome the economic crisis through generous economic aid from the U.S., U.K., Australia and China and projecting itself as a small nation fighting the hardship caused by the economic blockade from the

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127 An interview with Rajendra Mahto, the Sadhavana party Spokesman on 19 June 1994.


130 An interview with Gopal Shreshtha, Editor, The Commoner on 23 May 1994. In the SAARC Summit in Islamabad Rajiv Gandhi invited the heads of states for Breakfast. The King expressed his inability to join for the breakfast because he doesnot give appointments before 10 a.m. to anyone. The message could not reach the Indian Prime Minister who felt insulted.
However, the Nepal government's strategy to deal with the crisis was unable to get mandate and support from the people. The price rise of the essential commodities and the regime's dependence on foreign aid rather than finding a solution with India had a negative impact on the people. Lack of seriousness was detected over the regime's efforts for crisis management and solving the country's problem.

Kathmandu's efforts to depend on China for alleviating their economic hardship back-fired. China expressed geographical and financial constraint in delivering goods to Nepal and suggested the latter to improve relations with India. The normalisation of Sino-India relations weakened Nepal's maneuvering capacity to effectively play the neighbours against each other. This proved the limited capability of the policy of equidistance and non-alignment of Nepal because the geographical compulsions forced Nepal to depend for transit and trade with India rather than use China as an alternative. "Nepal should accept this hard reality that they are

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landlocked and have no other option open to them".  

Economic Pressures are a source of threat to the small states whose repercussion are felt by the governed rather than the government."By impoverishing them or making their private lives difficult or starving them or reducing their comforts or their fortunes it may alter their attitude to their rulers or to their policies or both and so upset the political arrangement within the state". Though India had not imposed any economic pressure on Nepal but followed the legalities of international law, in the event of the expiry of the treaties of trade and transit, its ramifications were felt by the people and the regime. The hardship faced by the Nepalese had created fissure between them and the ineffective regime to handle the crisis and it accelerated the pace of development of the pro-democratic movement.

During his visit to India in 1990, the Nepalese Prime Minister Krishna Prasad Bhattarai had opined that though the expiry of trade and transit treaty had caused difficulties to the people nevertheless the "negative benefit for the same was derived".

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136 An interview with the former Indian Ambassador to Nepal who desires to remain anonymous, New Delhi.


138 Bhattarai expressed his views on a joint press conference with V.P. Singh in New Delhi on 10 June 1990, refer Bhasin, n. 82, p.483.
Popular Agitation in Nepal

Taking advantage of the discontentment of the people against the regime and the souring of Indo-Nepal relations, the Nepali Congress and the Communist blamed the regime for perpetuating the situation and not taking any recourse to solve the crisis. The people were up in arms against the Panchayat regime. The popular agitation lasted for seven weeks from 18 February till 9 April 1990. Reflecting on the last days of Panchayati Raj Lokendra Bahadur Chand, Ex-Prime Minister of Nepal, said that the King had decided to form a government under his leadership and discussed the issue with the prominent leaders, Ex-Prime Ministers, Ex-Speakers of the Rashtriya Panchayat. The final outcome of the discussion was to form the government under a new Panchayat Prime Minister with a maximum tenure of three months with the purpose of negotiating with the leaders of the movement. And if the government failed then the king could act as a final authority.

Accordingly, the Nepalese Prime Minister Marich Man Singh's government was dismissed and Lokendra Bahadur Chand became the Prime Minister on 6 April 1990. The agitating mob was not pacified by the change.


140 The former Prime Minister of Nepal Lokendra Bahadur Chand recounted his experiences in an interview to the researcher on 20 May 1994.
in government and became violent in which a few people were killed in an encounter with the Army.\textsuperscript{141} Prime Minister Chand resigned on 15 April and the Royal proclamation was issued, the next day, which dissolved the National Panchayat, the Panchayat Policy and Evaluation Committee and the Class Organisations. The Proclamation declared "functioning of the political parties" and maintained that "all political parties will always keep the national interest uppermost in organising themselves according to their political ideology".\textsuperscript{142}

Krishna Prasad Bhattarai became the Prime Minister of an Interim government consisting of members from Nepali Congress and the Nepal Communist Party (UML). Bhattarai declared that his main priority would be to solve the trade dispute with India and to hold elections.\textsuperscript{143} This was responded favourably by India which had also witnessed a change of government at the center. Rajiv Gandhi was defeated in November 1989 election and Janata Dal headed by V.P. Singh as the Prime Minister assumed power. An Indian delegation led by foreign Secretary S.K.Singh visited Kathmandu in March 1990 and held talks with the Nepalese counterpart in a cordial and friendly atmosphere. The Indian delegation had presented a


\textsuperscript{142} Text of the Royal Proclamation in \textit{Rising Nepal}, 17 April 1990.

\textsuperscript{143} Raeper, n. 141, p. 71.
draft treaty to Nepal which was discussed by the two sides.\textsuperscript{144}

\textbf{India's Secret Draft Proposal}

Article 1 of the draft treaty states that the signatories would not through law, rules and regulations restrict the citizens of other country to move, reside, own property, seek employment, and participate in trade and commerce.\textsuperscript{145} The article was in conformity with 1950 Treaty (article 7) and letters exchanged along with the Treaty. And wanted to revoke the restrictions imposed by Nepal on Indian citizens to acquire property, employment through permit system violating the 1950 Treaty.

Part II dealing with defence cooperation says that India will provide arms, ammunition, military training and assistance in raising of additional units of the RNA. (article II). Nepal has to consult India before entering into any military alliance with a third country on import of arms, ammunitions or military training. (article IV). The article was a restriction on Nepal not to entertain military alliance with other countries without India's consent.

The draft proposal was sent to Nepal in succession of arms import from

\textsuperscript{144} Refer the press statement issued by the Ministry of External Affairs on Indo-Nepal official talks in New Delhi on 3 April 1990 in Bhasin, n. 82, p. 469.

\textsuperscript{145} See the text of the Treaty in Bhasin, n.82, pp.545-549 also refer the Appendix of Dhruba Kumar, ed., Nepal's India Policy (Kathmandu, 1992).
China. Probably, India desired to curb and curtail the presence of other countries in Nepal in wake of providing military assistance. The draft treaty was in conformity with 1950 Treaty and 1965 Agreement on Arms Assistance which made India the primary supplier of arms to Nepal. The Indian concern towards its security due to the open border from the north was manifested in the draft treaty.

Part VI of the draft treaty deals with cooperation in Economic, Industrial and Water resources. According to article II, first priority should be granted to India and Indian citizens in case of awarding any contract concerning Economy, Industries and Water resources.

The Nepalese accepted the draft proposal and asked for time to allow them to brief the new foreign minister and consider the Indian draft.\footnote{Refer Bhasin, n. 144.}

The draft treaty was made public by K.P.Bhattarai as a mid-term election slogan in January 1994 by disclosing that "on the eve of People's movement the Indian government had sent a memorandum of 60 or 70 pages to Nepal asking for certain concessions. This was a plan to make Nepal another Bhutan".\footnote{Report on Militant Activity in Nepal against India, Report no.01/94 covering the period from 01 January to 15 March 1994.}

The draft treaty was critised by Nepal for undermining its sovereignty. India's primacy to its security interests was evident in its domineering
attitude in not only defence cooperation but also in trade, transit, economic, industrial and water resources. India desired the continuation of its relations with Nepal on the basis of the Treaty of Peace and Friendship, which was reemphasized in the draft treaty. India’s foreign minister I.K. Gujral declared India’s readiness to "accommodate the economic aspirations of the people". 148

The Indian security concerns once again figured in talks between India and Nepal when Bhattarai, the Prime Minister in the Interim government of Nepal, visited India from 8 to 10 June 1990. In the Joint Communique signed, both the countries agreed to respect each other’s security concerns and pledged not to allow any activities in its soil directed against the other. They agreed to have "prior consultations with a view to reaching mutual agreement on such defence related matters which in view of either country could pose a threat to its security". 149 These assurances on security concerns were within the framework of 1950 treaty and 1965 agreement. By accepting the security concerns of India an implicit assurance was elicited from Nepal that it would not use policy of equi-distance violating Indian security interests and this included not granting Chinese projects in the Terai and importing arms from China. Bhattarai had said that Nepal would take care of the security concerns of India and "we shall

148 Rising Nepal, 8 June 1990.


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not allow Nepal to be a base for anything." 150 In fact delivery of the last consignment of Chinese armaments was deferred as a goodwill gesture on account of Bhattarai's visit to India. 151

By accepting 'prior consultations' before any defence related agreement both the signatories accepted their security interests to be inter-twined and enmeshed with each other. When asked about Nepal's arms purchase from China, Bhattarai said that the Indian price for arms were five times more than what the Chinese had given. 152 He also accepted that the Panchayat government had played on China against India and there was a need to revoke it by developing good will and friendship. 153

The Joint Communique agreed to restore status quo ante to April 1990. Hence, Indo-Nepal relations were restored to their relations prevailing prior to 1 April 1990. The importance of the date is in removing the work permit system introduced by Nepal on discriminating Indian nationals to enjoy benefit of job opportunities in Nepal. 154 Consequently, the trade was restored and all the 15 transit points were opened.

150 Refer Bhasin, n. 82, p. 482.
151 *The Tribune* (Chandigarh), 19 June 1990.
154 Muni, n. 13, p. 169.
The two Prime Ministers also declared to cooperate on 'Industrial and human resource development, for harnessing of waters of the common rivers for the benefit of the two peoples and for the protection and management of the environment'. These issues of bilateral economic cooperation were meant to improve the relations between the two countries. But the term 'common river' used in the communique came under criticism in Nepal. It was considered as a surrender of Nepal's rights on water resources.

It is said that Bhattarai was hesitant to sign the Joint Communique because of the provision removing work permit in Nepal or Common Rivers between India and Nepal. He was explained by his own associates that the term common rivers had no meaning in international law and those were actually transborder rivers.\textsuperscript{155} Bhattarai was shown the draft treaty again at the breakfast with the Indian Prime Minister where he signed the Proposal. Later on the Joint Communique was signed officially on 10 June 1990.\textsuperscript{156}

The visit of K.P.Bhattarai was reciprocated by the Indian Prime Minister Chandra Shekhar in February 1991. Accepting the Indo-Nepal Joint

\textsuperscript{155} An interview with Rishikesh Shaha who though not a part of official delegation to India, accompanied K.P.Bhattarai to India along with Sahana Pradhan and D.R.Pandey.

\textsuperscript{156} Lt. Gen. S.K. Sinha (Retd.), former Indian Ambassador to Nepal expressed his views to the Researcher.
Communique of 10 June 1990 as the framework for close and harmonious relationship, Chandra Shekhar stressed on inter-dependence in economic relationship between India and Nepal. India offered economic assistance to Nepal in expanding the capacity of Bir Hospital, restoration of Jayanagar-Janakpur-Bizalpur railway under Indian aid programme and agreed to provide three more entry points at Nepalganj, Gauriphaula and Banbasa for third country nationals on the Indo-Nepal border. Discussions were held on harnessing of common rivers and protection of environment and setting up of a high level task force in promoting Indo-Nepal economic cooperation.\(^{157}\) Reiterating India's stand that there has never been an attempt to undermine Nepal's internal affairs,\(^{158}\) Chandra Shekhar reminded them about geo-strategic reality of the open border within the purview of which Nepal can import arms from any source it likes.\(^{159}\)

Bhattarai's major contribution to the people was the drafting and acceptance of the constitution in 1990 which rests the sovereignty of Nepal on the people and declares King as a constitutional monarch deriving his power and authority from the people. It provided a multiparty democracy with the executive power vested in the elected government headed by the

\(^{157}\) A Brief on the "visit of Prime Minister Chandra Shekhar" to Nepal from 13-15 February 1991, HLTF on Economic Cooperation.

\(^{158}\) Ibid.

\(^{159}\) Muni, n. 13, p.172.
Prime Minister and the legislative functions to the parliament. Accordingly the elections for parliament was held on 12 May 1991 which brought Nepali Congress headed by G.P. Koirala to power. The elections held after twenty years in Nepal brought the Congress in power.

**Conclusion**

King Birendra desired Nepal to participate in world affairs rather than get bogged down to the region. Consequently, taking Mahendra's policy of equi-distance further, the king desired Nepal to be declared as a Zone of Peace. The proposal undermines the regime's insecurity that became co-terminus with the external policy. The socio-political factors were the major contributors of regime's insecurity which was aggravated by the possibility of external influence to its Sovereignty.

The regime felt threatened with the possibility of the political instability by the pro-democracy supporters in Nepal. Though India repeatedly assured Nepal of its non-interference in its internal affairs, the Monarchy was apprehensive of the intentions of its powerful southern neighbour who did not deal severely with the anti-panchayats in its soil.

India's 'middle way' approach towards Nepal advocated by Nehru, to accept the ancient order of Monarchy and also to introduce democracy in

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160 *The Constitution of the Kingdom of Nepal (1990), Ministry of Law, Justice and Parliamentary Affairs, HMG (Kathmandu, 1992).*
Nepal, did not pay much dividends. The integration of Sikkim with India had an adverse impact in Nepal which got worried of India's support to the democrats rather than the Chogyal. Thus, the regime in Nepal attempted to broaden its foreign relations in order to lessen its dependence on India and desired to be declared as a Zone of Peace.

Though the international response was favourable to Nepal and nearly 115 countries had endorsed the proposal by 1990, India refrained to endorse the proposal as it undermined the geo-political reality of the region and insisted on equi-distance between India and China.

The panchayat regime in Nepal tried to undermine the strategic interests of India and gave road construction projects to China in Terai. Nepal's deliberate attempt to flout Indian security interests could emanate from the logic that if India cannot be sensitive to its security interests in dealing with anti-panchayat regime then Nepal need not be sensitive to Indian security needs. Nepal again tried to undermine the Indian security interests by importing arms from China.

The Indo-Nepal relations worsened with the closure of trade and transit points in 1989. The Indian refusal to ratify the Trade and Transit treaty sent home the message of India's need in Nepal's subsistence and the extent to which it could effectively play China against India. There is a limit to which a small landlocked state can move away from the transit state. Geo-politics played its role as China found it difficult to provide basic
essentials due to geographical hurdles.

Though India maintains that the closure of the trade and transit points was due to the expiry of the treaty on Trade and Transit and was in accordance with the international law, when similar situation had arisen in 1971, India had continued supply of basic commodities to Nepal.

The hardship caused to people in Nepal due to closure of trade and transit points led them hold King responsible for their miseries which culminated in a mass movement for democracy and multiparty system.

The Interim government of the pro-democratic elite in 1990 recognised the need to respect the mutual security concerns with India. The Panchayat regime's insistence to declare Nepal as a Peace Zone was discarded and it reiterated its commitment to respect each other's strategic needs. India also responded favourably to the change in the political order in Nepal but without compromising on its security needs.