



Revisiting India's Neighborhood First Policy in the Context of Growing US China Engagement in Nepal

Dron Prasad Lamichhane^{1*}

¹*Institute of Foreign Affairs (IFA), Kathmandu, Nepal*

Manuscript Received: 1 December, 2022

Final Revision: 12 June, 2023

Accepted: 9 July, 2023

Abstract

Where does India's Neighborhood First policy stand in the context of U.S.-China's growing strategic engagement in Nepal? It has been realized that Indian Prime Minister Narendra Modi's Neighborhood First Policy was unable to deliver on its economic and developmental promises in a multifaceted manner. Mr. Modi's initial engagements with Nepal were perceived as accommodating policies, and it was believed that they would bring about a "paradigm shift" that would replace the "Nehru Doctrine." However, going against the spirit of the speech delivered by Mr. Modi in Nepal's Constituent Assembly, India imposed an unofficial blockade that pulled down Nepal-India relations. Further, Kalapani border disputes and Mr. Modi's unwillingness to receive the EPG report also added to the trust deficit. The EPG report was expected to reactivate the trust. However, this vacuum gives the U.S. and China an opportunity to increase their strong presence in Nepal. China's interest in getting access to South Asia via the BRI project overlaps with the MCC. So, their rivalry to create strategic space in Nepal is going on. On the one hand, India has not joined BRI and believes it String of Pearls strategy. Further, the country perceives any development in the Himalayan region as a security threat. On the other hand, India and the U.S. are global allies since China's takeover of Tibet and they have held similar views on Nepal. Considering the growing bipolar strategic rivalry between China and the U.S., this paper examines where India's Neighborhood First policy stands and what the state of its implementation will be. This study uses qualitative, exploratory research techniques to analyze the geopolitical relation and diplomacy.

Keywords: Eminent Persons Group, Indo-US Partnership, Kalapani-Lipulekh, Neighborhood First Policy, Zone of Peace

*Corresponding author: D. P. Lamichhane (dronlamichhane33@gmail.com)

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1. Introduction

The Indian Prime Minister enunciated the Neighborhood First policy when he assumed office in 2014. There are three significant dimensions of this policy: security, economics, and culture, with an emphasis on people-to-people contact (Gambhir, 2020). The election manifesto of Bharatiya Janata Party (BJP), 2014 articulates that political stability, progress, and peace in the region are essential for South Asia's growth and development (Khobragade, 2016). Thus, also emphasizing the Neighborhood First policy, Prime Minister Modi invited the heads of state and government of all South Asian countries to his swearing-in ceremony. Further, he had chosen to make his first foreign visits to India's neighboring countries (Lok Saba Secretariat, 2022). As part of his Neighborhood First policy, Mr. Modi visited Nepal in August 2014 as the Indian prime minister to visit the country during 17 years (Wani, 2015). He was warmly welcomed by the Nepali people and had huge media coverage. While addressing Nepal's parliament, Mr. Modi stated that since the day he entered the Prime Minister's Office, strengthening relationships with Nepal had been one of the top priorities of his government (Bhattarai, 2018).

However, India failed to welcome Nepal's constitution promulgated in September 2015, and Nepal-India ties suffered a blow after an unofficial blockade of Nepal in the immediate aftermath of the promulgation of the Constitution. On top of that, Indian authorities constructed a road in Kalapani, a disputed region between Nepal and India triggering "unprecedented defiance" by Nepal. Later on, the country's parliament unanimously passed an upgraded map that included Kalapani as Nepali territory (Yhome, 2019). On the other hand, Indian Prime Minister Modi seems reluctant to receive the Eminent Persons' Group (EPG) report. The formation of the EPG was one of several damage-control measures after the backlash created by the blockade of Nepal in 2015, which severely damaged India's image in Nepal. The EPG members from Nepal view that the report is important for Nepal because it "not only reviews the previous status of relations but also perceives the new dynamics of the future" (Maharjan, 2023).

In the meantime, the U.S. and China have been competing to create strategic space in Nepal. Their rivalry became more visible due to the efforts of the U.S. to have the The Millennium Challenge Corporation (MCC) Compact Agreement ratified by Nepal's parliament compounded with the China's overall response to the efforts (Sapkota, 2020). There has been an increasingly high-level exchange from U.S. and China concerning the Belt and Road Initiative (BRI), Indo-Pacific Strategy, MCC, State Partnership Program (SPP), and different aid programs. Thus, India's engagement with Nepal has overlapped with the growing U.S.-China strategic

competition in its backyard, traditionally considered its sphere of influence (Faisal & Khan, 2022). In this situation, the question arises: where does India's policy stand in the context of the U.S. strategic entry into Nepal and the intense bipolar rivalry over the MCC and BRI projects?

The objective of this study is firstly to identify where India's Neighborhood First policy stands while the U.S. and China are increasingly engaged in Nepal. Secondly, it analyzes the way India's Neighborhood First policy perceives Nepal-China connectivity in the Himalaya region under the BRI framework. Thirdly, the study discusses whether or not India's Neighborhood First policy and the changing Nepal policy of the U.S. have any strategic convergence as the global allies.

2. Methods

This study has used qualitative method to analyze the secondary data, which were gathered from reliable books, journal articles, and some authentic websites. Furthermore, deductive methods and explorative research techniques have been used. The major variables are Indian Prime Minister Modi's Neighborhood First policy, the India-China rivalry, the U.S.-India strategic alliance, MCC and BRI. The data and phenomena are analyzed best from a realist perspective, with a particular focus on geopolitical theory. The paper is organized into five sub-topics besides the abstract, introduction, and conclusion.

3. Literature Review

This paper has examined key literature on the evolving nature of India's Nepal policy to comprehend Neighborhood First policy. As New Delhi aspires to be a great power, it has always considered itself a "hegemon" in the immediate neighborhood (Sahoo, 2016). Thus, India doesn't tolerate the presence of other powers in its backyard. India's foreign policy began with Nehru's Himalayan frontier security concept, then the Indira Doctrine, the Gujral Doctrine, and Modi's Neighborhood First policy (Kumar, 2011). The existing literature has indicated that India's policy in Nepal appears inconsistent, but its objective has remained the same, i.e., securitization. Indira Gandhi, Nehru's successor, focused on political realism and her son, Rajiv Gandhi, continued to use coercive action against Nepal in 1989 through an "economic blockade" (Bhattarai, 2022).

The Inder Kumar Gujral government pursued an accommodative policy towards Nepal (Muni, 2009). Except that, almost all governments have given the Himalayas a central place in India's foreign policy. Because they want to keep the neighborhood

free from external influence, particularly the increasing Chinese presence (Mishra, 2020), New Delhi has securitized its relations with the Himalayan countries in South Asia (Bhattarai, 2022). India inherited such a disposition from its colonial legacy. The Sugauli Treaty, signed in 1816 between Nepal and the British East India Company, was used in colonial India. Thus, existing literature also hints that, in today's context, too, India's perception of Nepal-China relations is largely shaped by the Himalayan frontier security concept (*ibid.*, 2022). During King Tribhuvan's regime, India treated Nepal-India relations as special. This was intended to portray Nepal-China ties as not as important and indispensable in comparison to Nepal-India relations.

When Nepal and India signed the Treaty of Peace and Friendship in July 1950, Indian Prime Minister Nehru presented this treaty as evidence of the "special relationship" between Nepal and India (Karki & Paudel, 2015). As a result, India not only proposed coordinating Nepal's foreign policy, but also took steps to modernize Nepal's defense capabilities and protect the country's northern border. The rise of communist China in Nepal's neighborhood, particularly with China's annexation of Tibet in 1951 and Mao Zedong's remark that Tibet is China's palm, with Nepal, Ladakh, Bhutan, Sikkim, and the North-East Frontier Agency (NEFA) as its five fingers (Rowland, 1967; Schram, 1963). Thus, post-colonial and independent India reinvigorated its security concerns in Nepal by resurrecting the colonial policy on the Himalayan frontiers. However, King Mahendra concurrently diversified its foreign relations, and Kathmandu couldn't circumscribe its foreign policy behavior to the attribute of "special relations" with India. Following the withdrawal of Indian military missions from Nepal, the Mahendra government reiterated the principle of "relationships on the basis of sovereign equality" over the Indian interest in preserving the component of "special relations" (Baral, 2018).

During the reign of King Mahendra (1955–1972), diplomatic relations with China quickly gained new significance (Rose, 1971). Nepal and China signed a historic peace and friendship agreement in 1960. Similarly, both countries signed the border agreement. Furthermore, they agreed to construct the Kodari Road, the first road linking Nepal to China (Rose & Scholz, 1980). Jawaharlal Nehru, in his statement delivered in the Indian parliament on December 6, 1950, viewed that from time immemorial the Himalayas provided India with magnificent frontiers therefore India cannot allow the barrier to be penetrated (Sing, 2004). Mr. Nehru also stated that, India appreciates the independence of Nepal, India cannot allow anything to go wrong in Nepal or permit that barrier to be crossed or weakened, because that would be a risk to Indian security (Rose, 1971). For New Delhi, consolidating ties

with Kathmandu would prevent China's influence in the Himalayan region, which India has traditionally perceived as its sphere of influence (Feer, 1953).

After the deaths of King Mahendra in 1972, King Birendra continued to diversify Nepal's foreign policy, particularly his proposal to establish Nepal as a Zone of Peace, was interpreted by New Delhi as Kathmandu's next step toward reducing its reliance on India for security. The proposal by King Birendra was supported by 116 nations around the world (Dharamdasani, 1979). However, India refused to accept it. This eventually led to a declaration of non-alignment in the Sino-Indian dispute—that is, the “formal neutralization” of Nepal (Rose, 1971). Although King Birendra continued Mahendra's policy of “equidistance” between India and China, he didn't accept the traditional lens of perceiving Nepal as a “buffer state.” Considering the concept of a buffer as “outmoded,” he redefined the geostrategic situation of Nepal. Birendra stated, “Nepal is not a part of the subcontinent. It is really that part of Asia that touches both China and India” (Shah, 1973). King Birendra's policy options were widely influenced by external and domestic obligations (Bhattarai, 2022).

The emergence of Bangladesh as an independent state and Sikkim's merger with the India altered the regional security dynamics. Kathmandu feared that India's support for the rebel Nepali Congress may destabilize the Panchayat regime (Ganguly & Shoup, 2005). One of such examples was the hijack of a Royal Nepal Airlines plane by the Nepali Congress, ferrying three million Indian rupees from the Nepal State Bank, which was reported to have been done in close collaboration with the Nepali Congress leaders in India. This was interpreted as a major example of insecurity in Nepal (Gyawali, 1989). Kathmandu was looking for ways to assert its strategic autonomy by converting itself into a Zone of Peace (Bhattarai, 2022). The proposal became Nepal's major foreign policy objective, when it was accommodated in Nepal's constitution through the third amendment on December 15, 1980. India was irritated when King Birendra decided to purchase anti-aircraft guns from China, which spurred India to impose an economic blockade on Nepal, accusing Kathmandu of violating the 1950 Treaty of Peace and Friendship between India and Nepal (Garver, 1991). After the restoration of multiparty democracy in Nepal in 1990, New Delhi adopted the “Twin Pillar” policy (engaging with the constitutional monarchy and democratic parties) until the fall of the monarchy in Nepal in 2008.

Similarly, “The Delhi agreement, which is known as the 12-point agreement between Nepal's Seven Party Alliance (SPA) and the warring Maoists, was signed in New Delhi on November 22, 2005.” The 12 point agreement is understood as having replaced the first Delhi agreement. At that time, India was even engaged in the micromanagement of domestic politics (Destradi, 2012; Ghimire 2007). The

available literature shows that during Mr. Narendra Modi's tenure, the initial engagements with neighboring countries were perceived by Kathmandu as an accommodating policy. However, following the blockade of Nepal in 2015, Mr. Modi's policy was compared with Rajiv Gandhi's. Furthermore, in 2019, India published a new map that allegedly included Nepali territory (Bhattarai, 2022). At that time, although Kathmandu sought a diplomatic resolution, New Delhi paid no attention to Nepal's diplomatic moves. Rather, New Delhi went on to construct and inaugurate the road to China through Lipulekh. Indian army chief General MM Naravane directly stated that Nepal was acting at "the behest of someone else" when Nepal objected to India's action, a clear allusion to China (Pathak & Bastola, 2022). Thus, the policy of securitization still finds expression in Mr. Modi's foreign policy when China's rise and its increasing presence in the Himalayas regions. However, such securitization dismisses an accommodative approach towards the neighbors.

3.1 Mr. Modi's Nepal Visits: Revisiting the Neighborhood First Policy

The Indian of Prime Minister Narendra Modi introduces "Neighborhood First Policy". The main objectives of this policy was to address the evolving regional dynamics and balance China's increased financial and political engagement with India's neighbors, especially under the Belt and Road Initiative (BRI) (Aryal, 2022). The neighborhood has been central to Prime Minister Modi's foreign policy since his first term, and he has continued it in his second term. Thus, India-Nepal relations have gotten a new thrust under PM Modi, and there have been regular high-level exchanges between the two countries. Mr. Modi visited Kathmandu on August 3–4, 2014, the first Indian prime minister to visit in 17 years. Since then, he has visited Nepal five times on different occasions, which has expanded the areas of cooperation and led to an improvement in bilateral ties (Lamichhane, 2023).

Mr. Modi chose Nepal as one of the first few countries to visit since he assumed office, which signifies the importance of Nepal in India's overall neighborhood policy. He is the first foreign leader to address the Constituent Assembly of Nepal (Karki, 2022). Where he pledged a USD 1 billion line of credit to Nepal to support the infrastructure projects and said, "Nepal can free India's darkness from its electricity." "Just by selling electricity to India, Nepal can find a place in the developed countries of the world" (Roychoudhury et al., 2015). He also stated that borders must be bridges rather than barriers, as they are ultimately the gateways to free trade and commerce. He also participated in *puja* at the Pashupatinath temple and offered 2,500 kg of white Indian sandalwood to the Pashupatinath temple. Similarly, to attend his first SAARC summit, Modi visited Nepal for the second time in 2014, where he inaugurated an India funded high tech trauma care center as

part of a goodwill measure and also flagged off the Kathmandu-Delhi bus service (Pyakuryal & Chaturvedi, 2016). In order to deepen ties Mr. Modi presented a HAL Dhruv advanced helicopter to the Nepali armed forces (Jain, 2014). During that visit, Mr. Modi also urged Nepali lawmakers to meet the January 2015 deadline for writing a constitution based on consensus in order to accommodate the views of all sections (Bhattarai, 2018).

In the same way, Indian Prime Minister Modi paid a state visit to Nepal from May 11 to 12, 2018, at the invitation of Prime Minister KP Sharma Oli. That was his third visit to Nepal Mr. Modi came to Nepal a month after he rolled out the red carpet for his Nepali counterpart, Mr. Oli, in New Delhi from April 6 to 8, 2018. The main purpose of Modi's visit was to restore his image and goodwill, which had dwindled in Nepal mainly after the unofficial Indian economic blockade in 2015 (Dahal, 2017). During this time, he also visited Janakpur and Muktinath and attended civic receptions in Kathmandu and Janakpur (Kaura & Rani, 2020). With a view to further strengthening the close religious and cultural ties between the two countries and peoples, the two Prime Ministers launched the Nepal-India Ramayana Circuit, connecting Janakpur, the birthplace of Sita, with Ayodhya and other sites associated with the epic Ramayana. In Janakpur, the two Prime Ministers flagged off the inaugural of direct bus service between Janakpur and Ayodhya (Chaturvedi, 2019). They laid the groundwork for the 900 MW Arun-III hydroelectric project in Nepal. Further, they emphasized the need for regular convening of bilateral mechanisms, including the Nepal-India Joint Commission at the level of Foreign and External Affairs Ministers, to review the overall state of bilateral relations and for the expeditious implementation of economic and development cooperation projects (Mishra, 2020). They expressed hope that the operationalization of the project would help enhance cooperation in the generation and trade of power between the two countries.

Similarly, the Indian Prime Minister was in Nepal to attend the 4th BIMSTEC Summit; this is his fourth visit to Nepal since he assumed office. He met Prime Minister Oli on the sidelines, and they held a detailed review of all aspects of the bilateral relationship, including ways to further deepen economic and trade ties (Nga & Thuong, 2021). Nepal and India signed an agreement to study the feasibility of a rail line linking Raxaul (Bihar) with Kathmandu. Therefore the joint statement issued by the two governments in April 2013 on expanding rail linkages, the pact comes hot on the heels of an agreement with China (Subedi, 1994). On June 22, Nepal and China signed a memorandum of understanding (MoU) on cooperation for railway connectivity. It paves the way to extend the Chinese railway network that is expected to reach Kerung soon and reach Kathmandu via Rasuwagadhi

(Chand, 2020). Prime Minister Narendra Modi and his Nepalese counterpart K P Sharma Oli jointly inaugurated a 400-bed Nepal-Bharat Maitri Pashupati Dharamshala—a rest house for pilgrims—built with Indian assistance in Kathmandu. Prime Minister Modi concluded his visit after prayers at the Pashupatinath temple (Times Now Digital, 2018).

After his re-election in 2019, Indian Prime Minister Modi made his fifth visit to Nepal on the occasion of Buddha Purnima, the celebration of the birth of Gautam Buddha, on May 16, 2022 (Oxford Analytica, 2022). It can be inferred that New Delhi has recognized the need for better bilateral ties with Nepal, which in the recent past had soured due to border disputes induced by territorial claims and counterclaims, resulting in months of diplomatic non-communication (Ghimire, & Pathak, 2022). During this visit, Mr. Modi also laid the foundation stone of the India International Centre for Buddhist Culture and Heritage in the Lumbini Monastic Zone. Further, six memorandums of understanding were signed by Indian and Nepali counterparts (My Republica, 2022). Interestingly, earlier on the same morning of Mr. Modi's visit, Nepal's Prime Minister Mr. Sher Bahadur Deuba inaugurated the Gautam Buddha International Airport in Bhairahawa, the second international airport in Nepal, built with Chinese assistance just 18 kilometers away from Lumbini. However, Modi's choice to land via helicopter on a helipad in Lumbini and not at the newly constructed airport signaled India's hesitance to endorse China's infrastructural development in Nepal (Ghimire & Pathak, 2022). It is clear that India is not happy with the Chinese infrastructure and development presence in the Terai region of Nepal (ibid., 2022). Though, Modi's religio-cultural diplomacy attracts the Hindu religious forces in Nepal.

3.2 India's Response to Nepal's New Constitutions, EPG Report and Kalapani Border

India played a crucial role in the aftermath of the 2015 Nepal earthquake by helping Nepal in rescue and relief operations as well as reconstruction activities. However, perhaps the biggest highlight of India-Nepal relations in recent years has been the unofficial blockade of 2015. Possibly, it was because Nepal could not address the issue of Madhesi political representation and rights in the new constitution (Vindegg, 2022). The blockade had a significantly adverse impact on India's image in Nepal and South Asia at large. Nepal-India ties suffered a blow after India failed to welcome Nepal's constitution. During that time, Indian opposition parties criticized Mr. Modi's foreign policy, claiming that China was increasing its influence in Nepal as a result of its failure. When Mr. Modi visited Nepal in August 2014 first time he was warmly welcomed by the Nepali people. While addressing Nepal's parliament,

Modi stated that, since the day he entered the Prime Minister's office, strengthening relationships with Nepal had been one of the top priorities of his government (Bhattarai, 2018). However, the blockade period saw several large scale protests in Nepal against India as the masses were impacted by critical shortages of medicines, fuel, and other necessities (Gambhir, 2020). The blockade of 2015 was believed to be primarily a result of Nepal's growing proximity to China and new constitution was promulgated without consulting New Delhi (Gurung, 2017). Because of Indian blockade Nepal turned to China to build cross-border rail, upgrade the nine road links between Nepal and Tibet, and build a dry port at Timure to facilitate trade (Murton, 2020). Not only this, in 2018, Nepal and China held their first joint military exercise, and in the same year, Nepal decided to skip the Bay of Bengal Initiative for Multi-Sectoral and Technical Cooperation (BIMSTEC) military drill that was to be held in India (Gambhir, 2020).

The next important issue in Nepal-India relations is the EPG report. The EPG, which was formed in January 2016, had the mandate to review various aspects of bilateral relations, including the Nepal-India Friendship Treaty of 1950. There were four members each from the Nepali and the Indian sides in the group (Timalsina, 2019). The report of the eight-member Eminent Persons' Group on Nepal-India Relations (EPG-NIR) was finalized in mid-2018, at the end of its two-year term in June. According to an EPG member from Nepal, the EPG has done a notable and meticulous job of analyzing each aspect of the bilateral relationship, including the treaty of 1950 (Suwedy, 2022). The report is confidential until it is presented to the prime ministers of both countries. However, Indian Prime Minister Modi seems reluctant to receive the report. The delay in receiving the report has raised suspicion and concern over India's intentions to implement it. Prime Minister of Nepal will receive the report only after it is presented to the Indian Prime Minister (Sharma, 2023). The formation of the EPG was not in the interest of India, the strong opposition in Nepal regarding the Treaty of Peace and Friendship of 1950 was a reason for its formation.

Nepal's Prime Minister, Man Mohan Adhikary, during his New Delhi visit in April 1995, insisted on a major review of the 1950 peace and friendship treaty. Nepal has big concerns over some articles of the 1950 treaty with India, such as the unregulated open border, the provision regarding the import of ammunitions from/through India, and equal national treatment for people of both countries (Shah, 2017). Neither the 1950 treaty nor any other treaty between the two countries has any measures for the regulation of the Nepal-India border. Citizens of both countries have been freely moving into each other's territory from any point. If Indians come to Nepal in droves, the country could find itself inundated by Indian immigrants (Sagar, 2020). Thus,

the EPG report is very important for Nepal because “it not only reviews the previous status of bilateral relations, but also perceives the new dynamics of the future.” Further, the report has called for widening the scope of a replacement treaty, so there are probably many suggestions that will be acceptable to both sides (Mitra, 2019).

Similarly, the Nepal-India border dispute in the Kalapani region has been another significant issue of Nepal-India relations in recent days. India and China agreed on a trade and transit route via Lipu Lekh, as revealed on May 15, 2015, during the official visit of the Indian Prime Minister to China (Aryal & Pulami, 2023). Nepal immediately protested to this agreement by sending diplomatic notes to China and India. This incident makes the Kalapani border dispute quite complicated (ibid, 2023). Furthermore, in November 2019, India unilaterally issued a new political map that included the Kalapani area, and on May 8, the Indian Defense Minister inaugurated an 80-kilometer link road from Pithoragath district to Kailash Mansarovar, near the India-Nepal-China tri-junction, ignoring Nepal’s diplomatic notes (Bhusal, 2020).

These all-unilateral actions by India forced Nepal to issue a diplomatic note to the Indian government and summon the Indian ambassador to Nepal. However, India adopted a strategy of ‘avoidance’ (MoFA, 2020). This is why, on May 18, 2020, the cabinet approved a new political map showing Limpiadhura, Kalapani, and Lipulek as parts of Nepal’s territory (Sagar, 2020). In June 1952, 18 Indian military check posts were installed on the Nepal-China border during the premiership of Matrika Prasad Koirala. However, Prime Minister Kirti Nidhi Bista got 17 of the 18 checkpoints removed on April 20, 1969, but the one in Kalapani remained (Aryal & Pulami, 2023). The Kalapani area had been controlled by the Indian forces since the 1962 Indo-China War, which Nepal was not able to remove. Since then, India has controlled these areas and prevented Nepal’s access (Cowan, 2015). The region has strategic importance, and the new road is now one of the quickest links between Delhi and the Tibetan plateau. This is also an important route for thousands of Hindus who trek across the border with China every year to visit the sacred Mount Kailash and the Mansarovar (Chakrabarty & Sadhukhan, 2020). Nepal has consistently requested that this dispute be settled through diplomatic dialogue between the two countries. Diplomatic dialogue is the only way to resolve boundary issues, in the global history of border disputes shows that they are settled through mutual negotiation based on evidence and pragmatism.

3.3 US-China Growing Engagement with Nepal and India’s Position

The offensive realist John J. Mearsheimer presents a theory of offensive realism; he uses theory to predict the future of great power politics in the 21st century. The

theory shows pessimistic scenario emerging with China's rise and the likelihood of an inevitable clash between the U.S. and China (Khan, 2023). Similarly, according to the power transition theory, the rise of great powers is often violent, leading to cold wars, major wars, or even world wars (Yang, 2013). AFK Organski, in his 1958 book, *World Politics*, predicted the potential rise of China and its impact on the international security order. Thus, the rise of China has become a popular topic of discourse in scholarship about whether this development means that China is on a collision course with the United States. Thus, western powers find that the most serious threat to their supremacy comes from China (Tammen, 2008).

In this scenario, over the last few years, the rivalry between the U.S. and China has become more visible in Nepal. The two countries' growing competition in world politics is reflected in Nepal too. Their rivalry became more visible while the U.S. tried to get the MCC Compact Agreement ratified through Nepal's parliament and China's overall response. These expressions amply reflect the attempts at "geopolitical maneuvering and counter-maneuvering." The United States' increasing active engagement can be seen through different policy programs, economic assistance, and high-level visits. Nepal was added to the Indo-Pacific Strategy report in June 2019 by the United States Department of Defense. U.S. officials believe that due to Nepal's presence in SAARC and BIMSTEC, it has connected itself to the Indian Ocean (Sapkota, 2020). On the other hand, a Nepal-US agreement on MCC, the Nepal Compact, also contributes to enhancing U.S. engagement with Nepal by building a 400 KV high-voltage transmission line and upgrading roads. On September 14, 2017, at the completion of four months of signing BRI, Nepal signed an agreement on the U.S' MCC project. However, the MCC-funded project in Nepal had created a great political divide during that time those who were in favor of the MCC used to say an economic grant, while those were opposing it used to say as a part of the "Indo-Pacific Strategy" to counter China's economic and strategic influence (Ranjan & Gurung, 2021).

Thus, on September 3, 2021, to seek further clarifications from Nepal, a letter with questions regarding the MCC Nepal Compact was sent by the Nepal's Ministry of Finance to the MCC's headquarters. The MCC sent an 11-page response. In its response to the questions and queries, the MCC dismissed Nepal's' doubts (Ranjan & Gurung, 2021). Further, to convince the Nepali political leadership, the MCC's Vice President, Fatema Z. Sumar, arrived in Kathmandu on September 9, 2021, and held meetings with leaders from both the ruling coalition and the opposition. Similarly, United States Assistant Secretary of State for South and Central Asian Affairs Donald Lu was visiting on November 17, 2021. Finally, the MCC Nepal

Compact was approved by parliament after the introduction of the 12-point interpretative declaration (Pathak, 2022).

Besides that, the U.S. is constantly requesting that Nepal participate in SPP programs. In July 2022, U.S. Assistant Secretary of State for South and Central Asia Affairs Donald Lu visited Nepal. This was his second visit to Nepal his visit came at a time when another American program, the State Partnership Program, had become a highly debated issue in Nepal. Due to controversy over the SPP, the government on June 21, 2022, decided not to be part of it, and on July 25, 2022, the Ministry of Foreign Affairs sent a letter to the U.S. government saying that Nepal has decided not to proceed with the SPP (Bhattarai & Pulami, 2022). Further high-level exchanges through U.S. official visits and their statements related to IPS, MCC, and SPP also increased the U.S.-Nepal engagements. The commander of the U.S. Indo-Pacific Command, Admiral Philip Davidson, visited Nepal and reiterated how Nepal has a crucial role to play in “stabilizing the Indo-Pacific region” (My Republica, 2019). Additionally, the U.S. Assistant Secretary of Defense for Indo-Pacific Security Affairs, Randall Schriver, visited Nepal in December 2019 and stated that the U.S. Indo-Pacific Strategy vision is to make Nepal strong, independent, sovereign, and prosperous. Likewise, David J Ranz, a U.S. State Department official, during his visit to Nepal in May 2019, stated that the MCC was a crucial part of the Indo-Pacific Strategy (Sapkota, 2020). On the next high-level visit, held on May 20, Uzra Zeya, the U.S. Under-Secretary for Civilian Security, Democracy, and Human Rights, who is also the Joe Biden administration’s Special Coordinator for Tibetan Issues, visited Nepal. She has been an American official since Nepal’s ratification of the \$500 million Millennium Challenge Compact, in February 2022. She visited two Tibetan refugee camps in Kathmandu, which caught the most media attention. En route to Nepal, Zeya stopped in India, where she met with the Dalai Lama, the spiritual leader of Tibetan Buddhists (My Republica, 2022).

Similarly, Victoria Nuland, the U.S. Undersecretary of State for Political Affairs, arrived in Kathmandu to “engage with the new government”. This visit came at a time when Kathmandu had a new government and the MCC project was just getting started, with more initiatives in the works (The Kathmandu Post, 2023). The key purpose of this visit is to read the mind of the new government regarding its policy toward America. Because, the U.S. still suspects that the project’s development could face hindrances (The Annapurna Express, 2023). The United States also wants a commitment to democracy from the communist-led government. In addition to that, during a press conference, Deputy Minister Nuland delivered three main messages on transitional justice, American economic support, and targeting China (The Kathmandu Post, 2023).

Dean Thompson, the U.S. ambassador to Nepal, also mentioned to the media that the U.S. is interested in transitional justice. Similarly, Deputy Minister Nuland also conveyed the message of Nepal's sovereignty, saying, "Economic cooperation with neighbors, focus on protecting sovereignty," by referring to the issues addressed to China. There should be no corruption in economic cooperation with neighbors, everything should be transparent (The Kathmandu Post, 2023). After the MCC agreement, the United States increased its assistance through the American Aid Project (USAID). Deputy Minister Nuland said that America will continue to support Nepal to make it a strong economic power. She also said that America wants to invest more than one billion dollars in Nepal for the next five years (Foreign Policy, 2023).

On the other hand, five years after the agreement was signed, China has become suspicious that projects under the BRI have not progressed as desired. China believes that the failure of the projects to move forward, even after five years of the agreement, may have had a "geopolitical" effect (Jaiswal, 2023). The Chinese understand that U.S. influence in Nepal has increased with the approval of the MCC agreement. That is why, like the U.S., China is making a series of high-level visits to Nepal. Thus, China wants to convey the message of its strong presence in Nepal and its desire to make the environment conducive to implementing multifaceted BRI projects (Neupane, 2022).

Therefore, Chinese Foreign Minister Wang Yi made a three-day visit to Nepal after the MCC was ratified by the Nepali Parliament on February 27, 2022. During the visit, Mr. Wang stated that China opposed any attempt to undermine Nepal's sovereignty and engage in geopolitical games (The Diplomat, 2022). It can be believed that President Xi Jinping sent Wang Yi to Nepal as an envoy to understand Nepal's attitude toward China after the MCC approval. Similarly, on July 10, 2022, the Foreign Department chief of the Communist Party of China (CPC), Liu Jianchao, arrived in Kathmandu and held talks with all major political stakeholders (Shivamurthy et al., 2022). Likewise, on September 12, 2022, Li Zhanshu, the third-ranking member of the CPC Standing Committee, head of the Standing Committee of the Chinese National People's Congress, arrived in Kathmandu. During this visit, a six-point Memorandum of Understanding on inter-parliamentary cooperation was signed. China gives emphasis to the importance of implementing connectivity under the BRI (My Republica, 2022).

On the other hand, during the visit of Nepal's foreign minister, Narayan Khadka, to China on August 10, 2022, China announced that it would provide 800 million RMB to Nepal for the year 2022. The Chinese side assured the Nepali delegation

that the grant assistance included construction work for the second phase of the Kathmandu Ring Road and a feasibility study for the Keyrung-Kathmandu Railway, as well as support for the pre-feasibility study of the Nepal-China cross-border transmission line (MoFA, 2022). Similarly, China is constantly tying Nepal into the GSI. The Chinese have always been concerned that an Indo-US alliance and the strong diplomatic presence of Western diplomats and aid organizations in Nepal would be perceived as a threat (Ali, 2023). Through the Silk Road Initiative, China seeks to secure its strategic space in the region through increased diplomatic, economic, and political engagement, as well as countering western countries' intentions to "encircle China". China believes its ambitions for global hegemony cannot be realized without first establishing its own regional supremacy (Shah & Karki, 2023). All of this indicates that Nepal's strategic importance has increased. That is why, the U.S. and China want to create a strong strategic space in Nepal through economic and political engagements. However, their intense and growing rivalry makes Nepal's response odd. That's why Nepal has to develop its own set of strategies and policies to manage its increasing strategic implications. Leaders should convey the clear message that Nepal wants to stay away from the U.S.-China geo-strategic rivalry further, Nepal need to be frank and candid about its priorities.

3.4 Where Does India's Neighborhood First Policy Stand towards Nepal?

India's engagement with Nepal has overlapped with the United States' and China's growing engagement with Nepal. In this situation, the question arises: where does India's Neighborhood First policy stand in Nepal? How does India perceive the U.S.-China's growing engagement with Nepal and their bipolar rivalry? During the Indian governments led by the Indian National Congress, Nepal affairs used to be handled at the bureaucratic level; the Indian Embassy in Kathmandu and the Ambassador were assigned to look after Nepal, and they used to do micromanagement (Aryal, 2019). Since 1990, there were 18 bilateral visits from Nepal to India, but there were only 6 such visits from New Delhi to Nepal. However, when Mr. Modi became Indian Prime Minister, he visited Nepal to become the first Indian Prime Minister to visit Nepal after Inder Kumar Gujral in 1997.

In the last nine years, the 'Neighborhood First Policy' has been given priority in India's foreign policy (Tandon, 2016). The Prime Minister Modi has been saying that he would emphasize peaceful relations and collective economic development with South Asian neighbors (Hue, 2022). He invited the executive heads of neighboring countries to his swearing-in ceremony and visited his first south Asian country, Bhutan, and then Nepal. Similarly, while addressing the Nepali parliament,

he said that he would continue to work to make Nepal-India relations as high as the Himalayas. He further said he wanted to develop Nepal-India relations with the HIT formula-highways, information technology, and transmission lines for electricity (Bhattarai, 2022). Thus, Mr. Modi's speech in Nepal's parliament won the hearts of Nepali politicians, the general public, and the diplomatic community. It was believed that the announcement of a 'paradigm shift' in neighborhood policy and the replacement of the 'Nehru Doctrine' would bring about a transformation in India's foreign policy (Kaura & Rani, 2020). In the same way, Nepal-India bilateral relations are believed to be pursued at the political level.

Nepal and India have exchanged several bilateral visits and completed several important projects, such as an integrated check post, a cross-border petroleum pipeline, a cross border railway line, and Nepal-India cross-border transmission line, etc. (Sinha, 2021). However, some scholars argue Prime Minister Modi seems more rhetorical than realistic on the statements such as *Nepal-India relations as high as the Himalayas*, *Rotibati ka rista*, and Nepal-India relations as "*Superhit*". In contrast, the reality is different; the Modi administration imposed an unofficial blockade after promulgating the new constitution. Furthermore, India published a new political map that included Nepali territory in the Kalapani region and the construction of the road leading to Kailash Mansarovar by forcibly encroaching Nepali land in Lipulek. The Indian government has not given any reply to repeated letters for negotiations (Nayak, 2020). Additionally, the Modi government refused to accept the report of the EPG, which included experts from both countries. Because of that, trust in Nepal-India relations couldn't improve as expected. Even when Prime Minister Prachanda visited India from May 31 to June 3, 2023, India was indifferent towards most contentious issues such as the EPG report, border problems, *Agnibir*, and Gurkha recruitment.

During the state visit of Prime Minister Pushpa Kamal Dahal to India, Nepal was expected to sign a 25-year agreement for power trade; selling Nepali excess electricity to Bangladesh through Indian land; the further development of the Pancheshwor project; and the Mahakali water distribution and additional air routes. But, India wasn't generous on these issues (The Kathmandu Post, 2023). The long-term energy trade deal was a big mess for Nepal, but India postponed the signing of the agreement. This has affected Nepal's power trade expectation with Bangladesh despite Bangladeshi Prime Minister Sheikh Hasina's request to grant permission for electricity purchase from Nepal during her visit in September 2022 using Indian territory (Colley, 2023). In August 2022, a joint meeting of the Nepal and Bangladesh Energy Ministers reached an agreement to purchase 50 megawatts of electricity (The Center for Bangladesh and Global Affairs, 2023). Similarly, the 26-year-old Mahakali treaty has become uncertain again because there has not been a fresh

endeavor. The DPR of the Pancheshwar project and deciding the investment modality were also discussed during the visit of Sher Bahadur Deuba as PM.

In addition to that, the foreign secretary-level system was given responsibility for resolving the existing border problems between Nepal and India in the Susta and Lipulekh-Kalapani areas but no progress has been made (Aryal, 2022). Additionally, as flights enter into Nepal only via Simara, the route is much more crowded. Thus, Nepal has sought India's agreement to add additional routes to Bhairahwa, Nepalgunj, and Mahendranagar, but the country has failed to achieve this due to India's security concerns. India wants Nepal to fly from Nepalgunj at 15,000 feet (low altitude), which facilitates the flight of small aircrafts. However, Nepal seeks a route above 30,000 feet (high altitude). Though, Mr. Modi had made a verbal announcement to import ten thousand megawatts of electricity from Nepal in 10 years (Giri, 2023). However, the critics argue, how do Nepal-India relations become "*Superhit*" by keeping these agenda pending? They further argue, India couldn't understand the psychology of small neighbors. Thus, there is no essential distinction between the Indian Congress' Nepal policy and Mr. Modi's Neighborhood First Policy. As a result, it cannot be considered natural for an emerging power like India, whose rise needs to be more responsible and accommodative to the legitimate interests and rights of neighboring countries.

In the meantime, the U.S. and China are increasing their engagements with Nepal through MCC and BRI. Similarly, their strategic rivalry has been demonstrated in many ways. However, the India-U.S. relationship has been characterized as a global strategic partnership. The India-US strategic partnership is based on shared values, a commitment to democracy, and a rules-based international order (Duggal, 2023). Thus, India views the U.S. as a counterbalancing force towards China; therefore, Delhi is letting the U.S. keep the pressure on China (Yhome, 2019). In addition, India has always considered itself a "hegemon" in this region and believes that the entire subcontinent is one entity. As a result, India perceives any development in the region as impacting its security interests (Sahoo, 2016). Further, India believes that the rise of China will change the status quo in the Himalayan regions. So, when the Nepali government signed the Trade and Transit Agreement (TTA) with China as a result, India immediately signed an agreement with Nepal for the feasibility study of a rail line linking Raxaul, Bihar, to Kathmandu (Subedi, 1994). Thus, India seems not happy with China's presence in the Himalayan and Terai regions of Nepal (Ghimire & Pathak, 2022).

As a consequence, in today's context, too, India perceives Nepal-China's strong relations and any development in Himalaya region as problems. In conclusion, to

make Nepal-India relations "*Superhit*" as Modi said during Dahal's visit both sides should take past weaknesses as a lesson and past successes as a foundation and move forward. Further, they should create effective mechanisms to implement pending issues, which helps to build Nepal-India relations with mutual trust.

4. Conclusion

Over the past year, the U.S. and China have been competing to create strategic space in Nepal through different aid programs, security cooperation, and regular high-level visits. Thus, strategic bipolarity over America's MCC compact and China's BRI initiative overlaps India's engagement with Nepal, traditionally called a sphere of influence. During this time, India's Neighborhood First policy was unable to deliver on its economic and developmental promises in a multifaceted manner. Initially, Indian Prime Minister Modi initiated his neighborhood policy by engaging with neighboring countries and making numerous economic and developmental promises. As a result, Nepal had expected Mr. Modi's Neighborhood First policy to be accommodating. The neighborhood's first policy is a commitment to South Asia for common prosperity. But no proper mechanism was put in place to adequately respond to the region's political and security concerns. In his first tenure, Prime Minister Modi largely failed to accommodate the permissible interests of neighboring states. During his second term, his swearing-in was attended mostly by Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) leaders in 2019, which swiftly sent the message that India's priority was BIMSTEC over SAARC. As a result, the expectations and aspirations, particularly of the small South Asian countries in SAARC, have been clearly shattered. In such an unfavorable situation, India's South Asian neighbors are also lured by China's Belt and Road Initiatives. Thus, China and the U.S. have taken advantage of the deteriorating relations between India and its neighbors.

In the case of Nepal, most of the Indian governments follow the Nehru Doctrine; however, the Gujral Doctrine displays an accommodating policy. The same expectation was from Mr. Modi's Neighborhood First policy. At the beginning, Indian Prime Minister Modi was able to send a positive message towards Nepal; however, during the promulgation of the new constitution, Modi expressed his displeasure and even imposed an unofficial blockade. Because of his coercive policy, Nepal-India relations went down and are still suffering from a lack of trust. On the other hand, sensitive issues such as the unequal treaty of 1950, Gurkha recruitment, the Eminent Persons' Group (EPG) report, the Kalapani border dispute, and the mural of an unbroken India with some parts of Nepal painted in India's new parliament are still unresolved issues. The EPG was formed for damage control

after its unofficial blockade severely damaged India's image. Thus, over the last nine years, the Neighborhoods First policy not only failed to attract Nepal, but also allowed China and the U.S. strategic space in its backyard. India is the largest and most populous country in South Asia; it should inspire South Asian countries to walk together and share prosperity in order to achieve their goal of becoming global powers. Instead of securitizing its neighbors, it is best to build a web of "dense interdependencies." Thus, mutual trust and cooperation are the only ways to improve relations. To make the Neighborhood First Policy effective, the spirit of Prime Minister Narendra Modi's speech to Nepal's Constituent Assembly and his predecessor Atal Bihari Vajpayee's popular statement that "relations between Nepal and India are higher than the Himalayas and deeper than the ocean," should be realised.

Acknowledgment

I would like to acknowledge Mr. Rajendra Pandey and Mr. Madhavji Shrestha from Institute of Foreign Affairs, Prof. Dr. Khadga K.C. and Asst. Prof. Gaurav Bhattarai from Tribhuvan University for their constructive comments and suggestion to improve the quality of this manuscript.

Conflict of Interest

The author's declared no conflict of interest.

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Author's Bio

Dron Prasad Lamichhane is currently pursuing his PhD at the Department of International Relations and Diplomacy, Tribhuvan University, Kirtipur. He is associated with the Institute of Foreign Affairs (IFA), Kathmandu. He has been serving as a lecturer at different colleges in Kathmandu. Along with that, he had worked as a media person. Similarly, he has been writing on contemporary issues of domestic politics, international relations, foreign policy, and global issues as well. His areas of interest in research included geo-strategy, global power transitions, neighborhood policy, US-Nepal relations and US-China rivalry, etc.