



**DIALOGUE**

# **EXPERT SPEAK**

**05 MARCH 2020**

## **“COMPARING CHINESE AND INDIAN INVESTMENTS”**

### **ABSTRACT**

Asian Institute of Diplomacy and International Affairs conducted its first EXPERT SPEAK interview with Mr. Ganesh Shah, mainly focusing on the Nepal's foreign Policy with India and China and the prospects for future. Also, the interview extensively dwelled into the questions regarding Chinese and Indian Investments flowing in the region.

## **EXPERT**



**Hon'ble Mr. Ganesh Shah**  
**Former Minister and Standing Committee Member, Nepal Communist Party**

### **About the Expert :**

Mr. Ganesh Shah is a Standing Committee Member of Nepal Communist Party and Former Minister for Environment, Science and Technology. He is mechanical engineer by profession and received his M-Tech (Technical Engineering) from Patrice Lumumba People's Friendship University in 1973. Primarily, Mr. Shah is a big advocate of the climate change issue and water resource management. He also has a very keen interest and frequently comments in various national and regional issues.

## **TRANSCRIPT OF THE TALK**

### **Q1. What is public diplomacy and what importance does it hold for Nepal's foreign policy? Do you see it as an important tool for diplomacy?**

Nepal's track 2 diplomacy has a history of more than 200 years. Since those times, public diplomacy has been taking place not just with India but China as well through trade, marriages, food and culture. The northern Nepal has a long history of public diplomacy with China while the central and the southern part of Nepal is more inclined towards India, when it comes to public diplomacy.

There has often been a lopsided understanding of the Indo-Nepal relationship and Nepal-China relationship. Nepal can be seen as a destination for cultural conversion. You have Hinduism attracting a lot of Indians while you also have Buddhism in Nepal attracting people from Tibet and Mongolia from China.

### **Q2. What are some decisive factors for Nepal's Foreign Policy?**

India and China are two most decisive factors for Nepal's Foreign Policy. However, the major decision makers of Nepal see India with a very suspicious eyes. On the other hand, China has been engaging with Nepali's private sector. Chinese equipment's, contract trilateral or and experts are coming in. Whereas in India are only engaging with big sectors or government sectors.

### **Q3. Is Nepal tilting towards China? Or does India's influence still bind us towards Nepal?**

Nepal's Northern part and southern part can be seen tilting towards China and India respectively. Whereas, Kathmandu and Pokhara has been trying to balance the two. Tilting is

a process which has to do a lot with economy, transports and communication. So if you have the transport facility then only you can travel or communicate.

In last 20 years, Nepal has seen a surge of roads and highways from Kathmandu to other parts of Nepal also to the Chinese border. This has further led to widening of the trade deficit of Nepal with China. In Nepal, 90% electronics come from China, along with other goods like clothes, medicines etc. With China, Nepal is planning multiple levels of connectivity models with China. These models of connectivity are not limited to road, rather expands to the internet connectivity, electrical connectivity etc.

However, there is another aspect to the process of tilting. In Nepal-India relations, the suspicion has grown due to past two blockades. One blockade was 30 years back under the Rajiv Gandhi government and the other in 2015. Although, Rajiv Gandhi blockade was not as huge as 2015 blockade. Due to this, mostly the northern part of Nepal was suspicious of Indian intentions and was afraid of more blockades in future. That is when Nepal decided to keep other options available. The second thing is now that there is a lot of Chinese who are getting with the private sectors, especially hydropower development, investments in private companies etc. Chinese private sector has been largely supported by the Chinese government which has enabled easier flow of investments from China to India.

#### **Q4. As concluded with the recent Xi Jinping's visit to Nepal, what kind of Strategic Partnership is China looking for with Nepal?**

Nepal looks China as a business partner. They consider Chinese 'biggest traders'. When Xi came to visit Nepal, he was largely looking for economic engagements. In fact, I feel Xi has forgotten some basics of the Communist Ideology. Now the world is heading towards technological trade. There is scope for more than electronic trade. Chinese has been developing various technologies. Chinese wants to penetrate in the infrastructure building of Nepal. Chinese have constructed two major airports.

#### **Q5. Investments from China?**

China has been investing in Nepal from different levels in different times and in different forms. Especially, these investments came after post-1960s. The first road came in 1967 from Kathmandu to Kodari connecting bordering city of China to Nepal. Another highway from Kathmandu to Pokhara (Prithvi Highway) was also constructed by Chinese grant in year 1973.

There were investments not just through roads but also through industries, education scholarships etc. Only during the Cultural Revolution, for few years there was an interval in the engagement. Now a days, one of the biggest numbers of the Nepalese students are going to China for study while Chinese are now working in Nepal too. First they came to Nepal as World Bank contracts under on under the international level contracts.

The Chinese are penetrating or coming to Nepal in different forms. One is through their investment. Second is through their through the international agencies. Thirdly through students educational scholarships. In fact Pashmina and Cashmere was some of the important imports from Chinese border cities.

### **Q6.Are Chinese trying to revive the old Silk Road?**

Only after the 1970s did the road construction start in Nepal. Before that only one highway; known as Tribhuvan Highway was there which was built by the Indian government under the Indian Cooperation Mission. Then there is another road which was constructed between Bherwa to Pokhara. Then was the East-West Highway, built by different countries Russians, Indian, UK, USA. But after the 1980s and 90s there were investments coming through different borders. Local level trade started and expanded. People's diplomacy with both the countries was very strong and not just India. Especially, these last 10 years when the China has become very strong, Chinese products have also increased. That clearly projects an increase in foreign trade due to investments in infrastructure.

### **Q7.How different is Indian investment from that of Chinese?**

There is a huge suspicion for Indian Investments coming to Nepal. Nepal has three basic development strategies what even though Modi also pointed out in his first address of Nepal's parliament. There is a mindset on the basic top level that we have to be very careful with our association with India. Whereas, Chinese will come only as per the Nepalese want.

India and Nepal relations are needed to be seen from my father's perspective, my perspective and my son's perspective and my grandson's perspective as well. In my father's time, there was easy non-barrier trade between these countries. During my time, the 1950 treaty was signed between Nepal and India. This phase saw protests against the treaty. This was seen as an unequal treaty between the two countries. This EPG was given the task to revise the treaty and suggest changes. It has been two years now, PM Modi has not yet accepted these changes. Due to this reason, intellectuals and policy makers of Nepali's look India with suspicion.

In the hydropower sector, Nepali's argue that, "if we allow Indians to do hydro projects on our land, then our land will submerge. The Indians are not going to pay for any of that. Why should we?"

Second is the Tourism? In Nepal. There are equal number of tourists coming from India and China to Nepal. Indian do come in large numbers but they do not look like tourists to Nepali's. On the other hand, Chinese are also investing in Nepal's tourism sector. They are building hotels, Airlines (Like Himalayan Airlines etc). Chinese are coming in different way even in Tourism sector. Indian tourists are coming as usual, there has been no big change in the type of tourism. Third sector is agriculture and horticulture. Now you can witness so many Chinese agricultural products in Nepali market. Even though the bigger supplies of rice and wheat are coming from India. We do see a surge in Chinese agricultural machineries like tractors.

### **Q8. Is the increase in Nepali engagement with Chinese investors has also to do with Belt and Road Initiative of China?**

No, rather if we go back to history then Chinese and Indian relations with Nepal are as old as 250 years old during the era of Prithvi Narayan Shah. However, the geopolitical situations have changed since then. At that time also, it was said that Nepal is located between two giants and therefore Nepal has to engage in a very balanced way.

In the last 70 years, India has also become independent, Nepal has also become little bit constitutional and democratic and China is also a communist country. In Nepal, philosophically, there is an influence of communist ideology (essentially, a Chinese model of

governance); Nepal is also a constitutional democracy (essentially, an Indian model of governance). Nepal can therefore be seen as a convergence of philosophies.

At the same time, it can also be seen a convergence of economy. A lot of economy is done by the industrialist and the businessmen, who have terms with both the countries. There are relations between FNCCI and FICCI; CNI (Confederation of Nepalese Industry) has good relations with CII (Confederation of Indian Industry). Also, some of the other industries are the pharmaceutical industry, printing industry. On the other hand, the economic linkages with China are also very strong. There is a famous Shanghai Expo that takes place in Nepal. In Agriculture, before 20 years we used to see Indian tractors monopoly. But now, most of the machineries, electronics etc are Chinese. So even today, some stuff in every household is either Indian or Chinese. Culturally speaking, a lot of language and cultural linkages between the three countries. Students have been getting scholarship from both India and China. Chinese are engaging with Nepali students to teach Chinese. Nepal is a philosophical, economic and cultural convergence point for both India and China.

#### **Q9. How do you see engagement of Nepal with India and China ahead?**

India is not doing good marketing of itself. They are saying way too much then they are doing. India is continuing with traditional trade and engagement with Nepal. The Chinese on the other hand are aggressively marketing themselves and are also accomplishing the tasks taken by them. In the case of India, not just trade but also the transit has become slightly difficult. A Nepali has to undergo harassment at times while transiting through Delhi airport, just because he holds a Nepali passport. Today, people are ready to pay for the flights but they want it comfortable.

#### **Q10. What do you expect these two countries to do for Nepal?**

Firstly, these countries should stop playing the 'Chinese card' or the 'Indian card'. Rather they should now try to invest in the research. Based on that, they should come up with policies for this region. Secondly, these countries should do trade with Nepal based on international standards. Basically, trade and transit should be on fair basis. Thirdly, investments in R&D should be increased. In case of India specifically, if India commits anything then they should deliver it timely, in good quality and of good standards. For instance, India had recently given 100s of ambulances to Nepal. However, these are very much prone to highway accidents. In fact a lot of them have also met an accident. Hence, quality should be maintained. Also, never give false assurance to Nepal. In this year, even the grants for Nepal has been reduced. This shows how India just talks of the Neighbourhood first but they are dealing with Nepal fairly.

#### **Q11. Do you see any scope of trilateral engagement between India – Nepal – China?**

Our former PM, Prachanda Ji, argues for a trilateral engagement between these three countries. In public diplomacy, trust needs to be earned, you cannot buy it. There is huge mistrust between these three countries. Nepal don't trust India, India doesn't trust China and China doesn't trust India; and China is also not trusting Nepal. Chinese feel that Nepal can any day shift its tilt. Track 2 Diplomacy is very important to build trust between these three countries. Now even, Media at times plays a negative role while exaggerating issues between these countries.

One of the major challenge is also that in Nepal we do not have any reliable think tank, research Centre who could discuss on policy matters. Even the government's Institute of Foreign Affairs

is not so strong. In most cases, politicians don't want to work on the research basis rather they largely work for election sake.

*“In public diplomacy, trust needs to be earned, you cannot buy it.”* - Ganesh Shah

**About the Interviewer:**

Ms. Anjali Gupta is a Research Intern in Asian Institute of Diplomacy and International Affairs, located at Kathmandu, Nepal. She has done her Masters in International Relations from Jawaharlal Nehru University, New Delhi. Currently living in Kathmandu, Nepal. Her core areas of interests are Nepal, India and China’s Foreign Policy and Diplomatic Affairs.



## About Expert Speak:



Expert Speak is an initiative by Asian Institute of Diplomacy and International Affairs (AIDIA), Kathmandu. It is one of the ways we are conducting Dialogue between the curious and the expert. These experts are from different fields with different experiences. Similar is the case with the interviewers. Under the project, Expert Speak, we are undertaking a series of interviews, not just in Nepal but from experts worldwide. The project intends to dwell on the key challenges to Nepal's Foreign and Economic Policies. Also, the project intends to understand Nepal's geopolitical challenges opportunities.