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Institute of South Asian Studies
National University of Singapore
29 Heng Mui Keng Terrace
#08-06 (Block B)
Singapore 119620
Tel: (65) 6516 4239 Fax: (65) 6776 7505
www.isas.nus.edu.sg
<http://southasiandiaspora.org>



Nepali Prime Minister's Visit to China: Pushing Ahead with the 2016 Agreements

Nepali Prime Minister K P Oli travelled to China in June 2018 to primarily revisit and re-emphasise the implementation of the agreements concluded by Nepal and China during his first visit to China as Nepal's prime minister in 2016. However, recent issues of political uncertainties in Nepal have resulted in the Chinese adopting a cautious approach towards the South Asian country. As such, Oli's visit did not yield any significant breakthrough between the two countries.

Srikanth Thaliyakkattil¹

Nepali Prime Minister K P Oli visited China from 19 to 24 June 2018. The six-day long visit reflected the importance Nepal places on its relationship with China.² The 54-member entourage to China comprised many key ministers in the Nepali cabinet.³ They included Minister for Home Affairs Ram Bahadur Thapa; Minister for Foreign Affairs Pradeep Kumar Gyawali; Minister for Energy, Water Resources and Irrigation Barsha Man Pun; Minister for

¹ Dr Srikanth Thaliyakkattil is Visiting Research Fellow at the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore (NUS). He can be contacted at isasst@nus.edu.sg. The author bears full responsibility for the facts cited and opinions expressed in this paper.

² In contrast, Oli spent only three days during his visit to India, his first foreign visit after becoming prime minister of Nepal for the second time.

³ "Press Release on the Official Visit of the Prime Minister of Nepal Rt. Hon'ble K.P. Sharma Oli to the People's Republic of China", Ministry of Foreign Affairs, Nepal, 23 June 2018. <https://mofa.gov.np/press-release-on-the-official-visit-of-the-prime-minister-of-nepal-rt-honble-k-p-sharma-oli-to-the-peoples-republic-of-china/>. Accessed on 24 June 2018.

Physical Infrastructure and Transport Raghur Mahaseth; Chief Advisor to the Prime Minister Bishnu Rimal, as well as members of parliament, high-ranking government officials, representatives from the private sector and media representatives. The duration of the visit and the nature of his delegation clearly pointed to Oli's intention of wanting to engage China in a comprehensive manner. It was also high in political symbolism which, according to the Nepali media, was one of the focus areas of the Oli's visit.

During his visit several memoranda of understanding (MoUs) and agreements were signed between the Chinese and Nepali sides. These focus mainly on infrastructure development and cross-border connectivity.

A comparative analysis of the joint statements issued during Oli's visit to China in 2016 and the recent visit point to the fact that the latter was aimed at operationalising the agreements on trade and transit signed by Nepal and China during the earlier visit. In their joint statements in 2016 and 2018, Nepal and China expressed their commitment to "ensure the sound operation of (the) Araniko Highway; and carry out the repair, maintenance and improvement of (the) Syaphrubesi-Rasuwadadhi Highway and push forward the construction of a bridge over Karnali River at Hilsa of Pulan/Yari port at an early date."⁴ Nepal and China also agreed to expedite negotiations on the protocol for an early implementation of the Agreement on Transit Transport signed between the two countries in 2016. However, in the two years between the visits, there has been no implementation of any specific projects in this respect.

In the agreement between Nepal and China in 2016, "the Chinese side agreed to build oil storage facilities for Nepal, and will send experts to Nepal to carry out feasibility study on oil and gas resources research". The wordings were however different in the 2018 agreement, as a somewhat loose commitment was made: "Both sides agreed to study through different ways on the possibility of building oil storage facilities in the sites identified by Nepal. The Chinese side will support the feasibility study on oil and gas resources research in Nepal." However, this time around, China only agreed to study the possibility of building oil storage

⁴ "Joint Press Statement between the People's Republic of China and Nepal", Ministry Of Foreign Affairs, Nepal, 23 March 2016. <https://mofa.gov.np/joint-press-statement/>. Accessed on 24 June 2018; "Joint Statement between Nepal and the People's Republic of China", Ministry Of Foreign Affairs, Nepal, 21 June 2018, <https://mofa.gov.np/joint-statement-between-nepal-and-the-peoples-republic-of-china/>. Accessed on 24 June 2018; some of the wordings of the 2018 joint statement are different from 2016 joint statement.

facilities rather than agreeing to build them, which is essentially reducing the emphasis on this project.

Political Uncertainty in Nepal

What led to the non-implementation of the agreements reached during Oli's first visit to China in 2016? Political uncertainty and policy shifts of the governments in Nepal stalled the implementation of these agreements. Between October 2015 and February 2018, Nepal's prime ministership changed hands four times. These changes meant shifting political alliances within the Nepal political system, thereby creating uncertainties in Nepal's relationship with China.

Equally important, Nepal was going through the implementation of its newly promulgated constitution of September 2015, which was marred with violence, strikes and shifting political alliances in Nepali politics. Adding to the political uncertainty, as stipulated in the new constitution, in 2017 Nepal went through three different levels of elections – local body elections, provincial elections and legislative elections. The elections saw Oli's party - the Communist Party of Nepal [CPN] (Unified Marxist–Leninist) - with its coalition partner, the CPN (Maoist Centre), gaining a majority and Oli becoming Nepal's prime minister for the second time in February 2018.⁵

The uncertainty of the interregnum period between Oli's first term and second term was reflected in the implementation of the Budhigandaki Hydro Power Project. In May 2017, the Nepal government, under Prime Minister Pushpa Kamal Dahal, head of the CPN (Maoist Centre), awarded the contract to build the project to Chinese Gezhouba Water and Power (Group) Co Ltd. The project was also designated as a Belt and Road Initiative (BRI) project. However, Dahal stepped down in June 2017. During the prime ministership of Sher Bahadur Deuba of the Nepali Congress (Democratic), the Dahal government's decision to directly award the contract to the Chinese firm, by sidestepping a competitive bidding process, was severely criticised. "Stressing that the assignment of contract to Chinese firm lacks

⁵ Akhilesh Tripathi, Three Elections by December 2017? Good Luck!, *My Republica*, 25 August 2016. <http://myrepublica.nagariknetwork.com/news/three-elections-by-december-2017-good-luck/>. Accessed on 24 June 2018.

transparency, breaches the legal procedure and Public Procurement Act, the Nepal parliament's Agriculture and Water Resources Committee and Finance Committee had ordered the government to scrap the MoU and focus on building the national pride project through national investment".⁶ As a result, on 12 November 2017, Nepal's government cancelled the project. According to Shailendra Guragain, President of Independent Power Producers Association of Nepal, "the contract was scrapped in the form of political revenge which clearly exhibits the short sightedness and lack of seriousness in political leadership."⁷

The Chinese also sensed that, after Oli's first term, successive Nepal governments were not too enthusiastic about the BRI. Expressing this sentiment, Professor Jiang Yuechun, a senior fellow at the China Institute of International Studies, said: "Despite Nepal signing the BRI, it only sent a delegation led by then deputy prime minister Krishna Bahadur Mahara at the Belt and Road Forum in May 2017 in Beijing".⁸

Chinese leaders were also not keen to push for the implementation of agreements during the period of political uncertainty in Nepal. During his talks with Nepali leaders in 2016, Chinese Prime Minister Li Keqiang stated: "We [China] are committed to executing all the agreements and treaties inked during the visits of Nepali prime ministers at various times. Political stability is essential for the smooth execution of all the agreements", indicating that the agreements cannot be implemented efficiently without political stability in the country.⁹

Prospects for Political Stability

Currently, there are medium to long-term prospects for political stability in Nepal because of the unification of the CPN (Unified Marxist–Leninist) with the CPN (Maoist Centre), led by Dahal, in May 2018. The newly formed Nepal Communist Party (NCP) has an overwhelming

⁶ Saurav Bashyal, Un-interrupt the flow, *Himalayan Times*, 26 November 2017. <https://thehimalayantimes.com/perspectives/un-interrupt-flow/>. Accessed on 24 June 2018.

⁷ Ibid.

⁸ Subhash Ghimire, "Chinese experts skeptical of Nepal's commitment to BRI", *My Republica*, 4 September 2017. <http://myrepublica.nagariknetwork.com/news/chinese-experts-skeptical-of-nepals-commitment-to-bri/>. Accessed on 24 June 2018.

⁹ "Bilateral treaties cannot function fully without stability in Nepal: Li", *My Republica*, 18 August 2016. <http://myrepublica.nagariknetwork.com/news/bilateral-treaties-cannot-function-fully-without-stability-in-nepal-li/>. Accessed on 24 June 2018.

majority in both houses of Nepal's parliament - 174 members in the 275-member House of Representatives (Lower House) and 42 members in the 59-member National Assembly (Upper House). The NCP formed governments in six out of seven provinces and it remains a formidable opposition in one province.¹⁰ This gives a strong platform for the NCP government to provide Nepal the much-needed political stability for, at least, the next five years.

The prospects of political stability was emphasised by Oli during his visit to reassure Chinese businessman and the Chinese government that their investment will be safe in Nepal. For instance, during his visit, in an address to the Nepal-China Business Forum in Beijing, Oli used the phrase “political stability” four times and “policy stability” two times.¹¹

Focus on Railway Connectivity

Several government-to-government and industry-to-industry MoUs were signed during Oli's visit to China. Among these agreements, the “Protocol on the Utilization of Highways in Tibet Autonomous Region, China by Nepal for Cargo Transport” can be considered a major step towards establishing connectivity between Nepal and Tibet region of China.¹²

During his visit, Oli raised the issue of railway connectivity between Nepal and China. Both China and Nepal had agreed to pursue this when Oli visited China in 2016. This time, Oli repeatedly emphasised it, reflecting Nepal's eagerness to implement this proposal, “...railway connectivity, in particular, is of vital importance to a landlocked country in order to reduce transaction and transport transit costs, diversify international trade and transit, and promote tourism and service sectors of the economy. Therefore, with a view to improving connectivity and trade, Nepal and China agreed in principle to develop railway network, across the

¹⁰ Dinesh Bhattarai, “Disregard for democracy”, *My Republica*, 31 May 2018. <http://myrepublica.nagariknetwork.com/news/disregard-for-democracy/>. Accessed on 24 June 2018.

¹¹ “Rt. Hon'ble Prime Minister K.P. Sharma Oli addressed the Nepal-China Business Forum today in Beijing”, Ministry of Foreign Affairs, Nepal, 20 June 2018. <https://mofa.gov.np/address-by-the-right-honourable-k-p-sharma-oli-prime-minister-of-nepal-to-the-nepal-china-business-forum/>. Accessed on 24 June 2018.

¹² “Translation of Press Note issued at TIA, Kathmandu on 24 June 2018 on Official Visit of the Rt. Hon'ble Prime Minister to China”, Ministry of Foreign Affairs, Nepal, 24 June 2018. <https://mofa.gov.np/translation-of-press-note-at-tia-kathmandu-on-24-june-2018-on-official-visit-of-the-rt-honble-prime-minister-to-china/>. Accessed on 25 June 2018.

Himalayas...”¹³ The Chinese side also reassured Oli that China was committed to building railway connectivity between Nepal and China. During the bilateral talks between Nepal and China, Chinese President Xi Jinping assured Oli that: “The train from Shigatse will arrive in Kathmandu”.¹⁴

Currently, the China-Nepal railway project is at the stage of preliminary study and is expected to be completed by August 2018. According to Nepal’s Foreign Minister Pradeep Gyawali, China-Nepal rail connectivity “will be complete in six years to six and a half years once the construction begins”.¹⁵ During Oli’s visit, China and Nepal signed a MoU on rail connectivity, (at the time of writing, the specifics of the MoU is yet to be made public) and it is hailed “...as the most significant initiative in the history of bilateral cooperation”.¹⁶

The emphasis on rail connectivity rather than road connectivity, especially in terms of Nepal accessing Chinese sea ports, is due to the fact that is not cost effective for Nepal to reach Chinese ports via the highways. For Nepal, the nearest Chinese port in Tianjin is almost 3,500 kilometres away from Kathmandu. The other Chinese ports, such as Guangzhou and Shanghai, are even further away from Nepal. Rail routes are considered to be more cost effective than highways. The nearest Chinese rail head from Nepal is Shigatse in Tibet which is only 540 kilometres from Nepal.¹⁷

¹³ “Statement by Prime Minister Rt. Hon. K P Sharma Oli at a Reception held in his honor by Ambassador of Nepal to China”, Ministry of Foreign Affairs, Nepal, 19 June 2018. <https://mofa.gov.np/statement-by-prime-minister-rt-hon-kp-sharma-oli-at-a-reception-held-in-his-honor-by-ambassador-of-nepal-to-china/>. Accessed on 24 June 2018.

¹⁴ Akhilesh Upadhyay, “Oli, Xi strike strong personal rapport”, *Kathmandupost*, 21 June 2018. <http://kathmandupost.ekantipur.com/news/2018-06-21/oli-xi-strike-strong-personal-rapport.html>. Accessed on 23 June 2018.

¹⁵ Ibid.

¹⁶ “Joint Statement between Nepal and the People’s Republic of China”, Ministry of Foreign Affairs, Nepal, 21 June 2018. <https://mofa.gov.np/joint-statement-between-nepal-and-the-peoples-republic-of-china/>. Accessed on 24 June 2018.

¹⁷ Pushpa Raj Acharya, “Transit Transport Agreement should be utilised to enhance economic engagement between Nepal and China”, *Himalayan Times*, 28 March 2016. <https://thehimalayantimes.com/business/transit-transport-agreement-utilised-enhance-economic-engagement-nepal-china/>. Accessed on 23 June 2018.

Conclusion

Oli's visit to China in 2018 witnessed a reiteration of the many commitments made during his earlier visit to China in 2016. A key highlight during the earlier visit was the commitment by both sides to establish railway connectivity between Nepal and China. However, Oli stepped down after his first term as prime minister in August 2016. The change in the Nepali government and political uncertainty led to most of the projects agreed upon between the two countries being stalled.

Oli has now become prime minister for a second time. He is attempting to implement the projects agreed upon by China and Nepal during his first term as prime minister. As a result of the overwhelming majority of the NCP in the parliament and provincial governments, the prospects are bright for Nepal's political stability for, at least, the next five years. While this stability offers the opportunity for the Chinese to carry forward the implementation of the projects, past experiences, such as the cancellation of Budhigandaki Hydro Power Project, may make the Chinese cautious about committing to long term-infrastructure development in the country.

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