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## China's belt and road initiative: Grand strategy concerning Nepal and its challenges to India

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### Abstract

Belt and Road Initiative (BRI) is an ambitious project of China, engaging more attention from South Asia and World. The Belt and Road Initiative, formerly known as One Belt One Road or OBOR for short, is a world-level policy initiative the Chinese Government came in 2013. The OBOR gives a strategic focus to the Chinese government's "go out" initiative, which encourages Chinese ventures into economic space and investment opportunities abroad. The present of China Mr. Xi Jinping described it as a "project of the 21st century" which would stretch to enormous landmasses of Eurasia and Africa. The initiative is the revival of the Old Silk Road, which had a significant influence on the integration of a large population of the world in the ancient era. China is influencing South Asia through BRI therefore China signed MOUs with Pakistan, Bangladesh, Sri Lanka, Maldives, Afghanistan, and Nepal. In May 2017, China and Nepal agreed on Bilateral Cooperation under the agency of the Belt & Road Initiative (BRI). For the last few years, China is heavily investing in Nepal to increase connectivity and infrastructure after the approval of the BRI project. Nepal also expressed its desire "to work in close cooperation with China towards enhancing between them and boots their infrastructure, trade, energy sector, and tourism sector. This would ultimately contribute to regional harmony, peace, and development."

This paper attempts to highlight China's BRI and its strategic implications on Nepal, and it would focus on China's interests in Nepal. It analyses Belt and Road Initiative from Nepal's perspective along with its interest in this initiative. It will engage in India's foreign policy strategy to South Asia, especially in Nepal, and their bilateral relations to meet the Chinese challenges. Methodologically, this paper is descriptive, and analytical and uses primary and secondary materials. It will explain multiple dimensions as well as challenges of BRI to India.

**Keywords:** BRI, infrastructure, India, China, and Nepal

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### Introduction

The Belt and Road Initiative (BRI) was proposed by China's Government (PRC) in 2013. China under President Xi Jinping, the head of PRC (Peoples' Republic of China) announced it on his official tour to Indonesia and Kazakhstan. This is a very ambitious project which aims to connect mainland China with the rest of Asia, Africa, and Europe (Choudhury, 2021, p. 65). At present, BRI emerged most significant factor in global politics and it is playing a significant role in regional and global politics. This project covers about 65 percent of people in the world and one-third of the world's GDP. The main idea is to create viable economic belts: (1) "a land belt that includes neighbouring countries surrounding China, especially those countries on the original 'Silk Road' through West and Central Asia, the Middle East, and Europe; and (2) a maritime belt that links China's port facilities the Mediterranean." The OBOR seems to revive the ancient Silk Routes with a twenty-first-century twist (Xing, 2019, p. 30). China's BRI has been presented as an open agreement in which any country can participate. There is currently no official list of participating countries or, to be more precise, on that is constantly changing. World Bank has identified countries that are linked with BRI based on their proximity to China and agreements or Memorandums of Understanding (MOUs) with China.

BRI is signature policy of Xi Jinping's government, and it is part of his Chinese Dream of restoring China's prosperity and greatness. That's why China is improving regional cooperation and connectivity among participating nations. This consists of land-based connections between the Silk route and Sea connecting regions (BRI corridors). According to the Foreign Ministry of China, BRI "helps to usher in a new era of globalisation that is open, inclusive and beneficial to all." [1] The government of China (PRC), said that "BRI is a bid to advance regional connect and embrace a brighter future." Some other experts also said that BRI accounts for the largest development project in modern history. It is best described by the President of China that "China will progressively advance international cooperation by BRI. Performing so, China hopes to achieve policy, infrastructure, trade and commerce and masses connectivity to build a shared platform to development." [2]

President Xi Jinping focused on "policy, infrastructure, trade, financial, and people-to-people connectivity." Further includes education, cultural and scientific exchanges to participating nations to experience their

development. Xi Jinping announced the opening of the Centre for International Knowledge on Development and his national agenda for the implementation of the sustainable development goal of 2030. <sup>[3]</sup> The entire BRI project is expected to be completed by 2049, the PRC's 100th anniversary. BRI has five major goals: Policy Coordination, Cultural Exchange, Financial Integration, Trade, Investment, and Facilities Connectivity. Through BRI, China is taking its major "agenda for strategic expansion on the global agenda." BRI is an advanced project to meet the symbiotic necessities of the participating and host country interest along the Belt and Road. It supports the idea of a multipolar world through its agenda and activities along with balanced regional economic cooperation and mutual benefits for all (Wolff, 2016, p. 4).

### **BRI and South Asia**

Strategically South Asia, along with Southeast Asia, is the most important fertile territory for BRI's expansion. These regions serve as terrestrial gateways to *Hind Mahasagar* (Indian Ocean) for China, so China increases its presence South Asian region. The geographical location of South Asia provides China with significant strategic opportunities as Beijing seeks to expand its economic presence in the subcontinent by investing in infrastructure development, particularly the construction of seaports since the 1980s <sup>[4]</sup>. China's interest in the region is demonstrated by its investments in ports throughout South Asia, including Gwadar (Pakistan), Hambantota (Sri Lanka), and Chittagong (Bangladesh). China sees BRI as a tool to achieve its long-term geopolitical and geostrategic goals in South Asia, so China collaborated with Pakistan and five smaller countries- especially Nepal, Bangladesh, Sri Lanka, Maldives, Bhutan, and Afghanistan of South Asia. South Asia is fastest- growing economy in the world with an average of 7 percent since 2014. <sup>[5]</sup> BRI is a way for China to gain access to South Asia and a platform to generate multidimensional engagements among the countries. These projects on road infrastructure, energy generation, energy transmission, and tourism are increasing and bringing partner countries together.

China's influence in international politics is growing and it is emerging as a world power. The world has witnessed China's rapid rise and continues to be amazed by its sustained growth. Domestically, China's emphasis on economic integration and development has proven to be the foundation of the country's revival. While China's political and economic role in the world has grown, its position and posture in the Asia-Pacific region are seen as a challenge to regional powers such as Russia, Japan, India, and most importantly, the reigning hegemony of the United States. Now China is the second-largest economy in terms of GDP and the largest economy based on purchasing power parity (PPP). China's economy has opened for economic cooperation to stakeholders in many regional countries.

In recent years, Pakistan and China Government came closer and has shown more positive responses to each other. Pakistan and China signed MoU in 2013 under the BRI flagship project. This is a landmark agreement for the long-term planning and development of China Pakistan Economic Corridor (CPEC). China's main aim through the project is to access the Indian Ocean so it invested in the construction of a 3,000 km pipeline with road infrastructure. The access to Gwadar port will bring China within 400km away from the Strait of Hormuz and would link Xinjiang to the Indian Ocean. Belt and Road Projects in Pakistan are having a significant impact on the whole project of BRI and act as China Gateways to the Indian Ocean much similarly as Kazakhstan acts as a gateway for China to Europe.

The diplomatic relations between "China and Sri Lanka were established in 1957 and a MoU of technical and economic cooperation was established in 1962, following Sri Lankan Prime Minister, Srimavo Bandaranaike's visit to China" (Bukhari, 2020, p. 51). In 1963, both the countries signed an agreement on commercial maritime relations, and the China- Sri Lanka joint trade agreement was 1982, later an economic pact was signed in 1984. Further, both the agreements were merged to form Sri Lanka joint commission in 1991. In 2014, President Xi Jinping signed the "Action Plan for the PRC and the Democratic Socialist Republic of Sri Lanka on Deepening Strategic and Cooperation Partnership," which officially declared Sri Lanka as a major country under the BRI and solidified China's investment in the country. China's initiative focuses on improving trade and transportation facilitation with Sri Lanka by enhancing maritime security and port development. Some of the notable BRI projects in Sri Lanka include Colombo International Financial City (CIFC), Hambantota Port and Adjoining Industrial Estate, Colombo Port Expansion, Mattala Rajapaksa International Airport (MRIA) and Benefits of BRI for Sri Lanka are in Trade, Investment, Hard and Soft infrastructure, Economic hub, Development of Global Value Chains (GVCs), Growth in Tourism, Discovery and Utilization of Maritime Resources, Technology and education and career opportunities, etc.

President of China, Mr. Xi Jinping visited Bangladesh in 2016 and signed MoU on OBOR initiation and some bilateral deals worth \$21.5 billion. A joint statement <sup>[6]</sup> issued on 14 October 2016 by the Foreign Ministry of Dhaka stated:

Bangladesh is appreciative of China's advances of BRI, hoping, this will carry more opportunities to Bangladesh's aim of reaching, a middle-income nation by 2021 and a developed country by 2041. The two sides agreed to enhance the alignment of the development strategies of the two countries, fully tap the potentials of "the Belt and Road Initiative", to realize development and prosperity of the two countries.

From Afghanistan's side, BRI is a welcome project and has shown interest and confirmed its participation. <sup>[7]</sup> The orientation of BRI and recent developments of new politics in Afghanistan with the advent of the Taliban in power changed the contour of its international relations and diplomacy. Here Taliban have declared China to be Afghanistan's "main partner." In the wake of the violent return to the power of the Taliban, international leaders

have made much of China's potential role in Afghanistan. Most statements emphasize the possible dividends of growing levels of Chinese investment in Afghanistan under BRI- China's central foreign policy scheme that seeks to create land and sea infrastructural links to facilitate economic activities within and beyond Asia <sup>[8]</sup>.

**BRI and Nepal** Nepal and China established their formal diplomatic relation in 1955 and the first MoU "China and Nepal on Economic Aid" was established in October 1956. Chinese aid to Nepal is divided into three categories: grants (free aid), interest-free loans, and concessional loans. Chinese financial and technical support aided Nepal's development efforts in infrastructure development, industrialization, human resource development, and health. Education, water resources, sports, and other areas. Both countries formed Inter-Governmental Economic and Trade Committee (IGETC) in 1982. The IGETC has developed a platform for discussion on Nepal- China bilateral economic and technical cooperation. They also signed some other agreements in various sectors. China invests in hydropower, airport, roads, tunnel, railways, the metro, mining, and financial institution. But due to political instability, a lack of resources, a difficult landscape, and poor infrastructure, Nepal's development efforts have been slow and ineffective. Because of its landlocked location and limited access to transit points, the country has had to deal with trade and supply disruptions from time to time. In this context, Nepal hopes to benefit significantly from BRI, as it may help improve transportation infrastructure and provide access to multiple transit points. (Shrestha, 2017, p. 36)

The relationship between both nations came closer after they signed the memorandum of understanding on BRI on 12 May 2017. Before joining BRI, they already signed a MoU in 2016 that allows Nepal to join BRI. Nepal is a founding member of the China-led Asian AII Bank, which is a funding body for BRI. Both China and Nepal restated their commitment to previous agreements on developing cross-border economic transport links and focused on establishing multi-dimensional connectivity for country's benefit. The Memorandum of Understanding aims to promote policy exchanges, infrastructure connectivity, trade connectivity, financial integration, and human connectivity. MoU has also promoted mutually beneficial cooperation between Nepal and China in a variety of areas, such as the economy, environment, technology, and culture.

BRI serves as a blueprint for linking Nepal to Eurasia's transportation corridors. The feasibility study of railways from Keyrung to Kathmandu, Pokhara, and Lumbini, as well as viability studies of railways lines in other parts of Nepal, are known to be top priorities. For a long time, China has wanted to build important infrastructure in Nepal, including establishing a new trade route from Tibet to Kathmandu via Mustang <sup>[9]</sup> Various infrastructure development projects are currently underway, such as the Nautalle Darbar. BRI may include projects to connect Hill to Kathmandu, where a trading post will connect it to Sigatse and Lhasa, which are 300 km away. The progress on the road agenda dispels concerns about the reconstruction, Darbar High School rebuilding project, Rasuwagadhi-Syaphrubesi road upgrade project, and Pokhara Regional International Airport. The comprehensive engagement with BRI, which includes trade, finance, policy coordination, connectivity, and people's relations are likely to broaden cooperation and improve relations. Under the BRI agreement, China agrees to build a trans- Himalayan connectivity network costing \$2.75 billion, the Koshi economic corridor, the Gandaki economic corridor, and Madan Bhandari University for Science and Technology, plus other agreements of cultural and social relevance <sup>[10]</sup>

Nepal and China issued a joint statement in 2019 about BRI and said that "Nepal and China take the BRI as an important opportunity to deepen mutually beneficial cooperation in all fields, jointly pursue common prosperity, and devote themselves to maintaining peace, stability, and development in the region." President Bidhya Devi Bhandari has expressed Nepal's unwavering support for BRI (Dahal, 2022, p. 71). Dr. R K Jha, professor at Xi'an Medical University and the director of the institute stated that "the door of the prosperity of Nepal has opened as it has become a member of OBOR.

**India's concern over BRI**

The Indian perception of BRI could be understood in the broader context of India- the China relationship. India's view of BRI from the beginning - represented in both academic and strategic communities along with the government - was that the BRI was less about economic development and more about larger geopolitical goals. India opposes BRI because it believes it is not what China claims. India-China relation is complicated, and many Indian scholars define them in terms of the 4C's: conflict, cooperation, competition, and containment. India's position regarding the BRI best fits in the latter two categories of competition and containment and India has been competing and containing with BRI since 2014. Through the BRI, China does not only want to increase its dominance in the South Asian region but also desires a unipolar Asia. China's increased economic and financial capacity in South Asia is considered in the creation of a regional order that is conducive to its security, and economic ideological interest- a key feature of hegemonic ordering. However, India has mostly remained silent over BRI and has neither really accepted nor rejected it. Later responses of India view BRI (CPEC) as its flagship initiative) goes against India's sovereignty and integrity' <sup>[11]</sup>.

Historically, India has had strong political, economic, and cultural-religious ties with all the South Asian countries; however, in recent years, there have been some ups and downs in India's relationship with its South Asian neighbors. China's involvement in South Asia may be termed as a factor in the disruption of India's relations with its neighbours. China's growing presence in South Asia over the last decade has also been a cause of concern. Chinese activities in the Sri Lankan port of Hambantota, the Bangladeshi port of Chittagong, Djibouti in the horn of Africa, the South China sea, and Gwadar are part of an encirclement strategy that is dictated by geopolitics rather than economics.

### How BRI has been affecting India-Nepal relations

India- Nepal relations are historical, social, ethical, political, and cultural embodied since the primitive era. India and Nepal relations are not only based government to government but also on a people-to-people level. Both the countries share a unique relationship of friendship and cooperation characterized by an open border. There have been various modes and aspects of bilateral relationships between India-Nepal countries throughout history. India and Nepal signed several treaties and agreements. Since the 1950's India-Nepal relations are flourishing. But in recent years, many hurdles may have been seen between India- Nepal relations. China is showing much more interest in Nepal to fulfil its South Asian Policy; China looking toward Nepal as the entry point for China into the South Asia region <sup>[12]</sup>.

However, China has developed a close relationship with Nepal over the years. By providing economic assistance, aid, and infrastructure development China has come very close to Nepal. China will maintain "economic diplomacy as the foundation of its foreign policy" following the 19th Party Congress. Indeed, Sino-Nepal relations have been moving forward in a rather organic and irreversible manner. China's active outreach to Nepal in recent years has been prompted in part by India's increased force posture along its border in response to China's border activities. However, Nepal is a participant in China's BRI projects, putting India in a difficult position. India has claimed that Nepal has violated the principles of the Sugauli Treaty of 1816 about the ongoing border disputes at the Kalapani and the Lipulekh territories. India also vehemently condemned Nepalese Prime Minister K P Sharma Oli's recent statement, in which he claimed that Indians are spreading the coronavirus in Nepal.<sup>13</sup> As a result, Indo-Nepal relations are currently experiencing a difficult diplomatic period. China's influence rises in Nepal, at least indirectly, it has urged Ex-Prime Minister K P Sharma Oli to take a more assertive position against India. The growing Chinese influence across the Himalayas, particularly after the BRI, compelled India to rethink its strategy toward Nepal. China is winning hearts and minds in Nepal through generous strategic charity, India would be to move away from its solely traditional security perspective and be proactive with pioneering strategies and policies. India must determine where it stands with Nepal and how to move forward in future terms. China's BRI agenda and India's growing concerns over the developing relations between Nepal and China need to be properly balanced <sup>[14]</sup>.

### Conclusion

Through the BRI, China has collaborated with many countries in the world and plays a significant role in world politics. China is continuously trying to build economic partnerships in South Asia to fulfill its geo-strategic ambitions. Chinese authorities developed mechanisms to create cultural and economic links, boosting China's aims and image. China has increased its presence in Nepal by BRI and looking toward Nepal as a gateway to enter South Asia. China has adopted a unique approach toward Nepal for reducing India's impact. China has offered Nepal access to four of its major ports to reduce Nepal's disproportionate dependency on India. In 2019, Chinese President Xi Jinping paid a state visit to Nepal and promised billions of dollars in investments. India's economic interest and International Relations are getting hampered both actively and passively. In the South Asian region, India is the main country bigger country with a large economy where BRI covers and carving out the economic share. India must secure its economy and geopolitical stand in South Asia.

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