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## Searching For Security: India's Role in the Post-War Federal Democratic Republic of Nepal

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# Searching for Security: India's Role in the Post-War Federal Democratic Republic of Nepal

Liam Anderson

This article aims to analyse New Delhi's role in post-war Nepal, understood as part of its search for security in its periphery. India has been deeply involved in Nepali affairs since Independence, holding an influential position which has often engendered resentment, but which was nevertheless important in negotiating an end to the Maoists' People's War in 2006. Since engaging the Maoists, with whom New Delhi had a historically hostile relationship, India has appeared inclined to be seen as a supportive larger neighbour rather than an imposing regional hegemon. This, as an attempt to improve regional relations, can still be understood as an approach heavily defined by security concerns, supporting actors and strategies considered most conducive to stability; indeed Indian actors have a multitude of interests in Nepal, from border security to hydropower.

In the post-war period Nepal faces many challenges, chief among which are the ever inconclusive constitution and peace process; these are essential to forging a Nepali state that is balanced between the many diverse political groups and inclusive of ethno-regional minorities, in order to ensure stability in Nepal and India's sensitive Himalayan border region. It can thus be considered in India's interests to support and engage the often divergent Nepali political groups, while avoiding appearing intrusive, to overcome the protracted and tumultuous political impasse and form a durable government.

**Keywords:** Hindustan-Tibet Road, Northwestern Himalaya, British, environment, frontier, security.

## Introduction

As India gained independence, while its leaders spoke of anti-imperial unity and regional cooperation, it faced various external and domestic dangers. The Indian state has encountered numerous threats to its population and territory, notably in clashes with Pakistan and China. Its regional policy has consequently been heavily shaped by these concerns, and as India has progressively emerged as a regional power the preoccupation with regional security and stability has been evident. Delhi's sometimes heavy-handed pursuit of these objectives has often been badly received by neighbouring governments, particularly Kathmandu.

Located in the geostrategically sensitive Himalayan region bordering Tibet/ China, Nepal is a key part of India's periphery and well within Delhi's influence. The shared open border, interconnected populations, and common waterways leave India very sensitive to domestic Nepali political and socioeconomic changes.

The 2006 peace agreement which ended the decade-long Maoist "People's War" culminated in the new secular Republic of Nepal, to become both democratic and federal. This upheaval was approached by Delhi in a sometimes apparently ambiguous manner, but it is evident that security-oriented concerns, rather than democratisation or other ideological motivations, have consistently guided Indian involvement in Nepal.

To explore India's current approach to Nepal, the paper first characterises the history of Indo-Nepali relations since Independence, before looking at India's evolving approach to its neighbours. Subsequently, Delhi's existing priorities regarding Nepal will be considered, before moving on to India's role in the conclusion of the conflict and the post-conflict period. The following section will discuss the volatile Nepali political situation and the factors which are likely to inform Delhi's future approach; this is shaped by multiple Indian interests, the positions of the "establishment" and hardliner Maoist parties and other influential actors, and the progress of the peace process and the constitution.

## Indo-Nepali Relations since Independence

Nepal shares India's only open border, running mostly along the more densely populated lowland Tarai plains, adjacent to the Indian states of Uttarakhand, Uttar Pradesh, Bihar, West Bengal and Sikkim. It is frequently crossed by Nepalis and Indians for work and family reasons, and indeed Nepalis may find employment in India without

a work permit, even within the military. Beyond close interstate relations, their close proximity has given them important and sometimes evocative cultural and historical connections, particularly for lowland Nepalis and northern Indians. Symptomatic of this was the positive perception, among many Indians, of Nepal's status as a Hindu kingdom.

India has been deeply involved in Nepali affairs ever since independence in 1947, encountering support and resistance from different quarters. This stems from landlocked Nepal's longstanding economic dependence on India, for trade, significant aid, diplomatic support, essential supplies, and investment. Education and media links have also consolidated close sociocultural connections. Of its two increasingly powerful neighbours, only India can provide reasonable access to land and sea trade and transit routes; the high-altitude mountainous Himalayan terrain of the Chinese border offers few substantial, usable routes, which has significantly limited economic, and other, Sino-Nepali relations.

Delhi has long maintained a profound involvement in Nepal; following power struggles between the Rana prime minister and King Tribhuvan (Mishra 2004), the Indian government even drafted Nepal's 1950 constitution, implemented despite a lack of Nepali consultation. Following the deterioration of Sino-Indian relations soon after Indian Independence, the Himalayan border region became extremely tense. Prime Minister Nehru's government viewed Nepal, with Bhutan and Sikkim, as a "buffer region" where India would tolerate no foreign aggression. With the 1950 Chinese annexation of Tibet, Nehru quickly made defence treaties with these states, even offering Indian military assistance in the event of foreign attack. The 1950 Peace and Friendship Treaty is often regarded in Nepal as an example of unequal bilateral relations (Adhikary 2011). Delhi has held heavy influence in Nepal's military, especially before the treaty's redrafting in the 1960s, and the requirement for mutual consultation before reacting to foreign security threats has been Indian-biased in practice.

The 1962 Sino-Indian border war only served to reinforce Indian concerns in the strategic Himalayan region, and deepened Delhi's engagement with Nepali affairs. This security-oriented perception has since heavily characterised Indian regional policy, and Delhi has sought deep relations with Himalayan governments, to build influence and security arrangements. This has been achieved comprehensively with Bhutan, and Sikkim was fully absorbed into the Indian federation in 1975, heightening Nepali concerns for their own independence.

Contemporaneous diplomatic exchanges indeed indicate that Delhi's thorough involvement in Sikkim was used partly as a message to Kathmandu and Thimphu to induce cooperation (*India Today* 2013), and Birendra's scepticism met warnings that Nepal could not expect a "privileged relationship" if insensitive to India's "vital interests" (USDS 1974).

While Delhi inconsistently supported insurgency operations against the undemocratic Nepali government in the 1950s, the 1962 Sino-Indian border war changed this (Destradi 2011). Delhi then pragmatically, if somewhat wearily, supported Nepal's monarchy on the understanding that it cooperated with Indian interests, even restricting anti-monarchy activity by exiled Nepalis in India. This support safeguarded the absolute monarchy against domestic reformist pressures.

King Mahendra's reign from 1955, a few years after the Rana dynasty lost power, was barely a democratic improvement, ruling through the Panchayat system after dissolving parliament in 1960 (Kraemer 1999). This autocratic and exclusionary government repeatedly met dissent, setting the scene for the turbulent 1990s. National development did, though, become a priority (Croes 2006), bringing land reform and the East-West highway, an important project in which India was significantly involved (GoI 1966). Mahendra's nationalism, imposing a Hindu Nepali identity, was notably anti-Indian and has influenced modern attitudes. As India and China began to establish themselves as regional powers, Nepali preoccupation with maintaining independence deepened.

With Nepal's dependence and relative international isolation under the Ranas, Mahendra looked to increase the Nepali military's independence from India, expand Nepal's international presence, and increase diplomatic relations with others, including China. Royal visits abroad noted economic changes made elsewhere, and this outward orientation caused lasting tension with Delhi.

Kathmandu's interest in reducing its dependence on India grew under King Birendra's reign, from 1972 until 2001, and Nepali governments have certainly looked to Beijing, to Delhi's unease. Beijing has consistently expressed interest in strengthening ties with Kathmandu, its strategic Himalayan neighbour. Indeed, Beijing has given Nepal substantial assistance for infrastructure, including transport development grants; domestic Chinese projects include developing railway links to their border, and even into Nepal. Nepali interest in Chinese options has, though, previously sparked dramatic tensions (Garver 1991). Birendra's government unprecedentedly planned

to impose visas on Indian workers; this, along with Nepal's diplomatically neutralising "zone of peace" declaration, was perceived by Delhi as retreating from their special relationship. The 1989 purchase of Chinese weapons was especially contentious; Delhi refused to sell Kathmandu anti-aircraft weapons, consequently pushing Kathmandu towards Chinese suppliers. Frustrated by Delhi's perceived controlling approach, Kathmandu disputed the Indian argument that this was contradictory to their 1950 security treaty, contending that the treaty specified consultation was required only when arms purchases implicated Indian territory. Over the 1980s Indo-Nepali relations were thus severely strained, where Delhi became seriously concerned by Kathmandu potentially shifting towards Beijing.

In this context, a rather minor disagreement over trade and transit treaties escalated into a serious dispute. Landlocked Kathmandu essentially wished to keep Indian trade separate from other trade via Indian transit. Rajiv Gandhi's government's hard-line reaction effectively placed economic sanctions on Nepal. At the previous treaties' expiration the border ports, with few exceptions for essential goods (Mishra 2004), were closed on the basis that Indo-Nepali trade was no longer legally coded. This blockade completely disrupted Nepali economic life, and the resulting nationwide "Jan Andolan" protests put massive pressure on the monarchy. The security forces' violent handling of demonstrations only escalated protests, mounting pressure such that Birendra was left little choice but to relinquish significant power and accept multiparty democracy.

This confrontation illustrates well the nature of bilateral relations. Delhi has been able and prepared to use its economic power, and monopoly on Nepali trade ports, to maintain security relations. Here, Delhi's economic pressure enforced its rigid stance that with the special economic relationship came the special security relationship, triggering governmental change. It is also evident that China has been unable to provide sufficient alternatives to India, or have a similarly deep influence; indeed, Beijing advised Birendra to engage with Indian demands. Beijing is, though, able to offer certain non-Indian alternatives, including military equipment, affording Nepali actors the "China card" to play against Delhi.

Indo-Nepali relations have thus been characterised by this power imbalance. Low development and heavy economic dependence on India, and other foreign aid (Luitel 2009), has consolidated Delhi's position in Nepali affairs, leading to repeated Nepali interest in alternatives. However,

the alternative is, effectively, China, and has thus been heavily discouraged by Delhi. This situation has inevitably engendered resentment, and the reaffirmation of a distinct Nepali identity. Lastly, it is clear that Nepal's monarchy, which faced repeated domestic calls for democratisation, received India's crucial support insofar as it cooperated with security interests.

### India and its Smaller Neighbours

India's regional policy, while perhaps often reactive and slowed by interparty differences, has nevertheless been consistently heavily shaped by security concerns, both external and internal. In pursuing those interests, its sometimes heavy approach has often been perceived as intrusive and overbearing by smaller neighbours, and, consequently, often backfires by generating non-cooperation. This "big brother" perception has certainly hampered regional relationships, from Bangladesh's controversial border management and the bilateral economic imbalance, to Sri Lanka's civil war and Indian military involvement. The Indo-Nepali relationship is similarly affected, where dependence and Indian involvement have unsurprisingly generated resentment among Nepal's political class; the widening trade deficit is indeed noted with concern in bilateral meetings (GoI 2011b).

Delhi has come to realise the negative implications of this perception, and has consequently become more sensitive to its regional image. Maldivian government change in early 2012 demonstrated this, where the apparently undemocratic removal of pro-India Prime Minister Nasheed met a rather neutral Indian reaction, diplomatically encouraging dialogue (*Economic Times* 2012). It is clear that Delhi's objective, wary of appearing intrusive, was to maintain a stable bilateral relationship rather than promote a particular party or type of governance. Delhi has genuine concerns regarding Maldivian stability and cooperativeness, including limiting external influence (Krishnan 2012) and the potential threat of militant Islam (*Times of India* 2012); this careful manner thus illustrates a more cautious regional policy. Nevertheless, Delhi has been prepared to take action in certain cases. The harsh stance towards pro-democracy Bhutanese groups in Indian territory, contrasted with Nepali Maoists, illustrates that Delhi is prepared to support undemocratic Thimphu while it cooperates closely with its security agenda.

Democratic India could be expected to hold a pro-democracy foreign policy, particularly regionally, as friendly relations could be expected between similar

states; additionally, India has great power aspirations and wishes to be seen internationally as an example. However, this has been overshadowed by concerns for security and image, and it thus wishes to avoid intrusiveness associated with Western interventionism (Mohan 2007). Furthermore, while India's democracy is functioning, Delhi would be reluctant to have it internationally scrutinised. Consequently, democracy is carefully publicly supported, insofar as it does not undermine security. India's regional policy can thus be understood as pro-democracy, but reluctant to be pro-democracy-promotion.

Delhi now wishes to be seen regionally as a "benevolent hegemon" (Destradi 2011), conducting supportive and friendly neighbourly relations. While India has struggled to play a fully hegemonic regional role, notably against challenges from Pakistan and China, it is undoubtedly the most powerful South Asian actor. It is keen to promote an integrated region, interconnected for common prosperity and development via organisations such as the South Asian Association for Regional Cooperation (SAARC). India would thus benefit from being seen by neighbours as a partner rather than a threat; despite positive rhetoric, however, SAARC, its initiatives, and regional cooperation generally have thus far particularly suffered from protracted interstate disputes and weak cooperation (Chaturvedy and Malone 2009). While South Asia has seen several high national growth rates, poverty remains widespread and Nepal particularly has lagged behind. India's size and location make it a crucial actor, and for SAARC to become more effective it would require, and benefit, Delhi to take a leading and cooperative role, in turn building its desired benevolent image.

Given its increasingly cautious tendency, Delhi may be less inclined than previously to bluntly use economic power to pressure neighbours. It is the desired positive image that Delhi balances with politico-economic security interests in formulating Indian regional policy, and thus Delhi's involvement in Nepal seeks to appear non-interfering, while simultaneously addressing numerous Indian interests.

### Delhi's Nepali Priorities

Indian actors have multiple interests in Nepal, which are all potentially affected by political change.

Delhi's traditional "buffer region" perception of the Himalayan region persists, and limiting external influence remains a key objective, particularly of rival neighbours but also of other states and international agencies perceived as Western-biased. As Sino-Indian ties have generally improved with economic growth, this can be

considered less crucial than before, although China's relative economic power and the significant bilateral trade deficit, of \$17 billion in 2010, engenders Indian preoccupation, as explicitly noted in government strategy (GoI 2011b). Similarly, China's recently markedly increased economic presence in Nepal is of Indian concern, including as competition for hydropower exploitation (ORF 2012). China's ambassador to Nepal (*Hindustan Times* 2012) has in fact stated that Beijing and Delhi should cooperate for Nepal's development, which could certainly involve trilateral infrastructure and transport improvement. Kathmandu has, though, cooperated in recent years with Beijing in controlling Nepal's 20,000-strong Tibetan population, including restrictions on demonstrations for the Dalai Lama's birthday and the 2008 uprisings' anniversary. Nepali security forces have also returned a number of fleeing Tibetans to Chinese authorities, and have received some Chinese training, particularly for border control. However, Delhi's deep engagement in Nepali affairs would likely at least limit future Chinese involvement in population control. This is an incendiary issue in India but, not representing a direct threat, would be unlikely to cause serious dispute; it is, though, liable to evoke traditional public sympathy and negative perceptions of China.

Under the monarchy, and subsequent governments, Beijing has shown interest in expanding economic links with Nepal, for trade and potential access to South Asian economies for its "Go West" strategy to develop poorer western regions (Mathou 2005). Developing Sino-Nepali economic links would benefit from amicable relations with influential India, and Beijing will thus balance this with the provocative Tibetan issue, liable to strain Sino-Indian relations. Kathmandu would undoubtedly be willing to expand trade relations, as an opportunity for non-Indian alternatives and to reaffirm friendly Sino-Nepali relations. The sheer difficulty of the Himalayan landscape, though, remains a hindrance to trade expansion, even with increased efforts to improve transport links.

The Naxalite insurgency has been described by Prime Minister Manmohan Singh as India's biggest internal security threat (*Hindu* 2010), and there have previously been suspected Nepali Maoist-Indian Naxalite links. Indian security agencies have previously feared a "compact revolutionary zone" (Mishra 2004), where Maoists and Naxalites would coordinate activities from Nepal to as far south as Tamil Nadu. Indeed, the Naxalite insurrection's birthplace in Darjeeling District, West Bengal state, is close to the Nepali border, and lies in the narrow corridor to India's politically sensitive north-eastern states (Chakravarti 2008). This possibility, however, appears

to have faded, particularly with the Maoists entering mainstream politics and improving relations with Delhi.

The porous Indo-Nepali border remains a security concern, particularly regarding cross-border criminal networks and militants in poorer northern Indian states, which have an already strained capacity to fight high crime levels; indeed, following bomb attacks in early 2013 attempts were made to tighten border security (*Economic Times* 2013). There are fears that India's improved international flight connections have attracted drug traffickers, consequently drawing them to Nepal and their open border (Ethirajan 2013). Furthermore, Delhi's external intelligence agency, the Research and Analysis Wing (RAW), is troubled that Pakistani intelligence services are able to exploit the easy crossing to send agents, and fake Indian currency, into India; the delegitimisation of large banknotes has, however, hindered Nepali remittances and prompted Kathmandu to request its reconsideration (GoI 2011b). There is, lastly, disquiet over increased numbers of madrasas in the bordering Tarai region (ICG 2007) and a potential link to radical Islam. Border management is difficult due to its length, the extensive cross-border communal connections, and low policing capacity; furthermore, agreements made on the border's demarcation remain in question by those who argue Nepal lost territory. However, the peace process and the, albeit slow, formation of a peacetime government should allow improvement in Nepal's policing capacity and intergovernmental operations.

Hydropower is of great interest to Delhi and it could certainly benefit both countries, although it is hindered by Nepal's poor infrastructure and political instability. There is huge potential in Nepali hydropower estimated at over 40,000 megawatts annually. However, in 2011 output was less than 1000 megawatts (Zhou 2011), showing massive underproduction of this renewable resource; indeed despite this abundance many Nepalis lack adequate access to power and water (McMahon 2006). The construction of hydropower plants, with much Indian investment, has been impeded by insecurity, but as Nepal stabilises both governments would likely look to develop hydropower for domestic use and export to India. Developing a Himalayan energy pool would be an initiative with potential for both long-term development and regional integration. Within Nepal, however, some may prefer the development of smaller-scale projects to simply meet local water needs, rather than potentially disruptive large-scale plants necessary to export energy. To encourage Nepali energy production for export, Delhi could certainly assuage resentment of previous Indian-biased water treaties with a more open approach to reviewing them, as well as

providing guarantees on Nepali energy needs; the bilateral agreement on Gandak irrigation and power project, for instance, has long been viewed as favouring Delhi, effectively giving it control and ownership of the works within Nepali territory (GoI 1959).

Interconnected waterways make water-sharing an important regional issue. Indeed, much of the Ganges' water originates in or transits through Nepal, making cooperation indispensable to managing Indian flooding risks and dry periods. Over time, interstate agreement has been sought on how to manage these common water resources and routes (Dikshit 2012), but it is a sensitive issue, with early bilateral treaties widely viewed as Indian-biased, and the unpredictable Nepali political situation further hinders negotiations.

Economically, Nepal's reliance consolidates Delhi's influential position. The interconnectedness of border-region communities, though, is such that it would also benefit Indian localities to further develop economic links. Developing India's poorer north-eastern states is an important domestic objective to address regional inequalities, and numerous initiatives, including transport subsidies to encourage industrialisation and trade, are articulated in government strategies (GoI 2012, 2013); this would certainly benefit from regional development. Furthermore, Nepali economic decline, with already high unemployment, would likely further increase economic migration across the border (Hangen 2011). Nepali migration could also exacerbate tensions which have flared up over recent decades in north-eastern India, between Indian Nepalis and ethnically-based militants who view them, among others, as "foreigners" (Nath 2005). This concern, and existing Indian investments, could be well served by improved regional transport links; indeed, infrastructure is seen as the "single most important constraint" to increasing Indian exports (GoI 2011a: 9), and projects such as the Indo-Nepali border road (Shah 2013) are thus important.

Delhi would undoubtedly favour a functioning Nepali democracy, but its wariness of intrusive democracy promotion makes it likely to support democratic processes according to where other Indian interests permit. Primarily, Indian actors would favour a cooperative government which is sensitive to the aforementioned concerns. Political stability in neighbouring states is, consequently, an important Indian objective, as unpredictable neighbours present a risk to regional and domestic security, particularly true for geostrategically important Nepal. A coherent, cohesive and durable Nepali political system, democratic insofar as possible, would thus

be a relief for India's Himalayan interests, and a primary objective of Delhi's regional policy.

With this plurality of interests, Delhi responded in a sometimes ambiguous manner to Nepal's civil war, which ended the 240 year-old monarchy and established the Federal Democratic Republic of Nepal, with the often hostile Maoists emerging as a leading force. Delhi's involvement during and after the war illustrates both Indian regional priorities and the particular bilateral relationship.

### **The Civil War and Peace Process – India's Role**

Amidst the frustrated democratic movement, in 1996 the Communist Party of Nepal-Maoist (CPN-M) launched the People's War against the Hindu monarchy (Hutt 2004), with the promise of change gradually garnering support particularly among marginalised communities and poorer regions (Whelpton 2005). Primary objectives included: land reform, so important to many Nepalis dependent on agriculture; ending neo-feudalist structures; reforming unequal water agreements with India; and establishing a secular people's republic. The war, which claimed an estimated 17,800 lives (*Nepal News* 2012b) and displaced many more, escalated into full-scale military engagement between the rurally-based Maoists and the Royal Nepali Army (RNA) by 2001, before reaching a stalemate.

For most of the war Delhi publicly supported Nepal's monarchy, condemning Maoist "terrorism" (GoI 2002). Delhi considered that the best option for political stability was backing the "twin pillars" (Destradi 2011) of monarchy and parliament. The Indian Armed Forces, along with others including the USA, thus provided effectively continuous support to the RNA, including training and equipment. Delhi criticised the increasingly undemocratic behaviour of King Gyanendra, but without taking significant action; India halted support once, but briefly, due to fears that the monarchy would turn to other options. Apart from the threat to a friendly government, suspected Naxalite links also motivated Delhi's staunch anti-Maoist stance.

Gyanendra's reign, following Birendra's death in the 2001 palace massacre, seriously eroded democracy. As the authoritarian monarchy's control wavered, Delhi looked to politically include the Maoists and quietly facilitated talks between rebels and parliamentary parties as early as 2002, while publicly supporting the monarchy; indeed Indian diplomats continued to engage the monarchy throughout the conflict. Importantly, Maoist figures, such as leader Pushpa "Prachanda" Kamal Dahal, were accorded safe-haven in Indian territory (Baral 2012), and India's

crucial covert-operations RAW developed substantial relations with the Maoists. Notably, during negotiations in 2005, future prime minister Baburam Bhattarai was an important Maoist contact (Adhikary 2011). These parallel approaches to the conflict allowed the Indian government to provide neutral, private platforms for Nepali actors to negotiate. Indian officials are careful not to describe this as “mediation,” which could imply excessive involvement. However, these talks ultimately facilitated the agreement to end Gyanendra’s rule, leading to the Comprehensive Peace Agreement (CPA 2006); Delhi thus played a crucial role in peace negotiations.

Ignoring diplomatic advice, in February 2005 Gyanendra enforced direct royal rule and the resulting loose ex-parliamentary coalition, the Seven Party Alliance (SPA), agitated against this takeover, demanding an all-party government and peace negotiations. Gyanendra’s coup thus inadvertently drove, with Indian assistance, a rapprochement between Maoists and parliamentary parties (Destradi 2011).

In 2006 Gyanendra’s unpopular direct rule became increasingly untenable, culminating in nationwide demonstrations, “Jan Andolan II.” This lost the monarchy, and the RNA, India’s official support, and Delhi publicly endorsed establishing an inclusive democratic government to negotiate peace. Indeed, diplomatic cables indicate that this became quietly considered just shortly after Gyanendra’s takeover (Narayan 2011). Delhi came to regard this as the best option to stabilise Nepal, which, between the untenable monarchy, excluded parliamentary parties, mass public mobilisation, the RNA, and entrenched Maoist rebels, was on the brink of institutional disintegration. India’s “twin pillars” approach became unworkable as the pillars had stopped supporting each other. In April 2006 Gyanendra was thus forced to reinstate parliament.

This apparent shift in Delhi’s approach can be understood as a “forward-looking attempt to stabilise Nepal” (Destradi 2011: 16). This followed from the realisation that the Maoists had to enter the political mainstream, and that the faltering monarchy must be allowed to fall to avoid further violence. It does not, then, represent a significant change in Indian foreign policy, but that Delhi supported a more democratic solution to the conflict when it became perceived as the safest option. The attitude towards the Maoists may also have been influenced by the then Indian government’s composition. In the ruling United Progressive Alliance were a number of far-left groups which were likely more prepared to engage the Maoists, contrasting with Hindu-based parties sympathetic to Nepal’s Hindu monarchy.

Following the Nepali parliament’s reinstatement, the monarchy was disempowered by an overwhelming vote, the CPA signed in November 2006, and a Maoist-led interim government formed. The United Nations Mission in Nepal (UNMIN) was established in January 2007 with a rather limited mandate to monitor the peace process and support elections (Suhrke 2009), achieving some success in encouraging peaceful interparty dialogue. Delhi’s rather ambivalent position towards UNMIN and other international actors drew criticism of a controlling attitude towards the peace process. In April 2008 the CPN-M won an unexpected plurality of seats at the first, contentious, Constituent Assembly (CA) elections, disappointing Delhi’s hopes of a weak Maoist electoral performance. The lack of a decisive majority, however, prevented the Maoists from solely dominating the government which, with the historic first session of 28 May 2008 proclaiming a republic, began the protracted peace process, with compromise on central issues seemingly impossible between turbulent coalitions. An official visit of Prime Minister Prachanda to India, though, publicly reaffirmed friendly relations, even yielding a commitment to reviewing the resented 1950 Treaty of Peace and Friendship (GoI 2008). The CPN-M reunified with the Communist Party of Nepal (Unity Centre-Masal) in 2009, creating the current Unified Communist Party of Nepal-Maoist (UCPN-M) and adding to the party more mainstream-minded members, undoubtedly more amenable to international actors, including Delhi.

Over 2009 and 2010, Indian-Maoist relations were difficult, however, particularly due to perceived Maoist interest in Beijing. Prachanda, likely influenced by Maoist hardliners, was seen as antagonistic by Delhi and other parties. Following his attempt to demission the head of the military and the subsequent clash with President Ram Baran Yadav, Prachanda resigned as prime minister in May 2009. India supported opposition parties and the military against the Maoists’ strong parliamentary position. By this point, Nepali actors were unlikely to readily return to conflict, as even in the stalemate most realised they had more to gain in mainstream politics (ICG 2010). As such, interparty disagreement became a less immediate threat to the Nepali state, and it can be interpreted that Delhi found more room to pressure the Maoists without risking serious instability.

Deadlock continued after the eventual appointment of Maoist Bhattarai, a broadly acceptable option for both Delhi and Maoists, as prime minister in late 2011; the Maoists’ relations with India and their alliance with Madhesi parties improved, though, leaving the Nepali

Congress (NC), traditionally supported by both, feeling somewhat insecure. Indeed, an official prime ministerial visit to India in 2011 allowed a reaffirmation of strong bilateral relations and an implicit acceptance of the Maoist-led government, and several memorandums of understanding were signed to facilitate trade and assistance (GoI 2011c). UNMIN withdrew in January 2011, passing ex-combatant cantonments to government administration, and in the more cooperative atmosphere the peace process finally appeared promising (ICG 2011b). The November 2011 deal on contentious ex-combatant integration showed the Maoist leadership's willingness to relinquish the People's Liberation Army (PLA) and participate fully in civilian politics.

While often more reactive than pre-emptive, Delhi's policy did consistently focus principally on attempting to stabilise conflict-stricken Nepal, and its support primarily followed the groups, actors and political structures which it considered most conducive to this. By supporting or opposing certain actors, Delhi may be perceived, particularly within Nepal, as having had a destabilising effect. Delhi, however, is constrained to making calculations based on its perception of what is most likely to make Nepal more predictable and safeguard its interests.

Delhi's engagement with insurgent Maoists during the conflict may be regarded as resulting from an interest in asserting influence over less stable, and consequently more dependent, neighbours. However, Nepal's seemingly inextricable economic dependence on India already provides huge leverage, and it would appear that a search for stability would be more strategically beneficial than instability; important Indian investments, especially in hydropower, would not benefit from violent unrest; instability also only further complicates border management and minimising external influence. The Maoists' inclusion was also driven by the hope that Naxalite links would fade, and to lessen their propensity to look towards Chinese alternatives. After the CPA, however, Delhi remained wary of the Maoists gaining too much power, especially under Prachanda.

If the Maoists had eventually seized state control it would be an even more worrying precedent for regional governments, as an inspiration to other insurgent groups, than their being drawn into the political mainstream, albeit following sustained insurrection. This end-result can be appropriated to demonstrate the need for dissident groups to peacefully participate in national politics rather than to fight their way to power, and is thus useful to Delhi regarding India's own dissidents.

The deep level of involvement, from military support to facilitating SPA-Maoist talks, illustrates Delhi's particular position in Nepali affairs, and readiness to use it. Its involvement demonstrates that Delhi's perception of Nepal has consistently been heavily informed by security interests and the desire for a stable, cooperative Himalayan neighbour, rather than by democratisation or ideological motivations.

### **Moving to the Future: Negotiating the Peace Process**

The CA's demise and the ongoing political impasse have varying implications for Indian interests, but valuable compromises and the peace process' general progression were certainly positive from Delhi's perspective. Due to traditional opposition to perceived excessive Indian influence, any Nepali government would not like to be seen as overly dependent, especially regarding domestic matters. However, any government would be unlikely to openly discriminate against Indian interests, as major political parties are conscious of the inevitably close relationship and the strategic importance of Indian support, both to strengthen their own political positions and deliver long-term economic development to Nepal.

### **Indian Interests**

India's biggest investments in Nepal are in hydropower, particularly from companies such as Reliance Industries and GMR. While projects with Indian companies have been slow-starting, a fact pointedly noted in bilateral meetings (GoI 2011b: 10), even the Maoist leadership has come to view India as central to economic development. Despite Delhi's concerns, however, Chinese investment is considered important, and Prachanda has stated (Jha 2012b) the importance of finding an appropriate balance between their neighbours. The Maoist leadership's interest in expanding international engagements has caused friction before and could well again, especially with increasing Chinese presence in Nepal; indeed, Prachanda's April 2013 visit to China, seeking investment and "equal ties" with India and China (Adhikari 2013b), was unlikely to be welcomed in Delhi.

Nevertheless, Delhi will likely pressure Kathmandu to refrain from awarding contracts to Chinese companies, particularly in areas close to the Indo-Nepali border such as Lumbini. Lumbini, known as Gautama Buddha's birthplace, is of great cultural importance to many Nepalis and Indians. It became a UNESCO world heritage site in 1997, and plans to increase accessibility for pilgrims and tourists have included an airport (Ekantipur 2011). The Beijing-backed NGO "Asia Pacific Exchange and

Cooperation Foundation” (APECF), supported by then prime minister Prachanda, proposed the development of Lumbini into a “special development zone”. After controversy over a lack of transparency and inter-agency communication (Krishnan 2011), a Memorandum of Understanding between APECF and the Lumbini Development National Directive Committee was signed in 2012 (Bhattarai 2012). Importantly, later proposals to connect Lumbini to Buddhist pilgrimage sites in India (*Himalayan Times* 2012) may assuage Delhi’s concerns of Chinese influence so close to its border.

Potential terrorism, or strike action able to paralyse Nepal’s limited infrastructure, could threaten Indian interests. Hydropower plants are typically away from urban areas or infrastructure used by other industries; however, strikes could affect the plants’ staffing and production. Strikes may be triggered by events ranging from rising fuel prices to political protest. Nepal’s hilly terrain makes the few highways vulnerable as targets, as traffic disruption is an effective strategy. Indeed, over 2011 there were several large strikes, and they can affect external trade. Similarly, any sabotage attacks against Indian or government projects could damage costly installations. Such attacks by Maoist supporters, though, have declined with their move into mainstream politics (*Republica* 2013).

Equally, increasingly mobilised ethno-regional groups, dissatisfied with the progression of federalism, may conduct small-scale attacks. Indeed, on 27 February 2012 a bomb exploded near offices of the state-owned Nepal Oil Corporation, killing at least three people (WSJ 2012); this attack is uncharacteristically large in the post-war period, and was claimed by the “United Ethnic Liberation Front.” On 30 April 2012 a bomb killed 5 people (*France24* 2012), targeting a strike claiming a Maithili federal province. Various other attacks occurred over 2012 (SATP 2012), especially as the CA neared expiration and interparty negotiations accelerated; while fewer than in previous years, they demonstrate the potential for violence, notably by ethnically-based groups such as the Janatantrik Tarai Madhes Mukti Morcha. Madhesi parties and identity-based groups have threatened public mobilisation if the federal agenda is not sufficiently pursued (Jha 2012c). Stark ethno-regional inequality is a major cause of tension in Nepal, and these divisions have translated clearly into political allegiances. Initiatives to promote more even, pro-poor development and inclusive government, such as land reform, literacy campaigns, and improved local councils, would be important measures for Nepal’s long-term stability, and should thus be supported by international actors, particularly India.

Federalism is certainly an explosive issue. While there is a level of Indian sympathy for Madhesi regional claims, it would be practically easier for Delhi to work with a unitary Nepali state, rather than various regional authorities, particularly in water-sharing and hydropower. However, a stable state is of primary importance, for which a condition is safeguarding the peace process and various federalist ambitions, especially in the border region. There are undoubtedly practical difficulties, including boundaries and state-naming, to resolve for durable and peaceful federalism, but neglecting federalist ambitions could worsen communal tensions.

Another security concern is the possible destabilisation of the Tarai region, which is comparatively developed and important as the traditional base for mainstream Nepali parties (ICG 2010). There is a potential risk from both a resurgence of kidnappings (Pokharel 2012), or mobilisation of ethno-regional groups, in particular Madhesi who have cultural, economic, and familial links in bordering Indian states. As such, Delhi has a direct security interest in backing Nepali federalism which is acceptable for both central political parties and regional groups.

### ***The CA: Demise and Deadlock***

Despite tortuously slow negotiations, the peace process substantially progressed in early 2012, and Indian diplomatic staff were important to facilitating more sincere inter-party discussions. After the peace process’ formal end (*Times of India* 2013), however, points of tension remain which may threaten stability and must be accounted for by Delhi. Over 2012 the cantonments closed and the remaining ex-combatants finally received military integration (Pun 2012). However, many cadres were discontented by the Maoist leadership’s compromises and corruption allegations (*Republica* 2012c). Furthermore, the failure to prosecute war-time crimes (Adhikari 2013a), largely due to the major parties’ fear of investigation, undoubtedly engenders resentment of injustice which could spark future tension.

The CA’s failure to meet the Supreme Court’s constitutional deadline in May 2012, and its subsequent controversial dissolution, led Nepal into another impasse (Sharma 2012). The PLA’s effective end overcame a major constitutional obstacle, now replaced with identity-based federalism. This is such a volatile, polarising issue as Nepal’s diverse minorities now vocally reject their longstanding marginalisation by a unitary state imposing a Hindu, hill, upper-caste, Nepali identity; indeed, this segment of society remains disproportionately represented in post-war political elites. More inclusive government is

needed to address structural inequalities and underlying causes of tension.

The Maoists have derived significant support from ethno-regional groups in backing identity-based federalism (ICG 2011), and the NC and the Communist Party of Nepal–Unified Marxist-Leninist (UML) also reluctantly accepted federalism accounting for minority representation. Scepticism persists, regarding group interests or national unity, but its inclusion in the peace process and interim constitution, its widespread support, and the potential unrest should it be abandoned, make federalism dangerous to neglect. Indeed, losing ethnically-based support would significantly weaken the main parties.

The major parties' continued failure to promulgate a constitution, along with unclear policy, threatens to undermine their credibility and legitimacy for the tired Nepali public. Parties, and politicians, have been heavily distracted from constitutional matters with power-play (Taggart 2012; Hindu 2012). Smaller ethno-regional groups have proliferated and the fractured political landscape has worsened communal polarisation. Shifting alliances have continued to shift, and major parties have all suffered factionalism and division (Republica 2012b). Following the CA's dissolution, the Maoists split and the Madhesi Morcha front fragmented, weakening the ruling Federal Democratic Republican Alliance. The UML's stance towards India has remained more amiable than originally (Hachhethu 1999), although their leadership's apparent interest in Chinese economic involvement may cause friction (Himalayan Times 2013). The NC and UML have lost members, largely due to their underlying hostility to ethnic federalism. Delhi may prefer a more stable, unified Madhesi political force to balance Maoist electoral power but, while holding similar federal aims, Madhesi parties' propensity to split may weaken their bargaining power. This volatility, rendering comprehensive engagement with important actors difficult, will certainly be watched with concern from India.

The long-threatened separation of the hardliner Maoist faction from mainstream "revisionists" finally came in the aftermath of the CA's demise, led by dogmatic war-time leader Mohan Baidya "Kiran" to form the new Communist Party of Nepal–Maoist, which should simplify negotiations with the two parties not having to balance divergent factional differences. However, the division of members, support bases, and the affiliation of trade unions and ex-combatants can only diminish mainstream Maoist bargaining power, and factionalism continues. Several points of tension could spark dispute, including the ex-combatants' fate and use of infrastructure, representing a

risk for Indian interests. Formally dividing assets would be important to avoid clashes.

Kiran's party, yet another actor, adheres uncompromisingly to original Maoist objectives, and is prone to anti-India rhetoric, fearing Nepal's "Sikkimisation." Kiran has consistently criticised Indian "expansionism" and "interference," including water resource agreements, and suspected Chief Justice Regmi's election government of being "designed" by India (Nepal News 2012a; IDSA 2013). This faction felt side-lined from decisions on Maoist party policy, the constitution and the PLA (ICG 2012b); Kiran, and others, were detained in India while the CPA was adopted. The Prachanda faction is seen as having gained most from the peace process, and Kiran's perception of Delhi as key in undermining its position has undoubtedly deepened mistrust. This was evident following the split, when Indian states bordering Nepal were alerted to perceived security risks (Kumar 2012). Kiran's party has previously threatened armed insurrection (Republica 2012a), although it is now likely to focus on its strength and anti-government agitation. While relatively small, and Kiran's sceptical view of identity claims over class may eventually undermine certain tactical connections, many members are recognisable war-time Maoist leaders, and it could capitalise on general dissatisfaction and resentment of ex-combatants' fates. Despite difficulties, Delhi and other parties must effectively politically include it. Expressing willingness to review bilateral agreements, including border demarcation and bilateral trade, could help to allay Nepali fears of Indian imperialism and soften Delhi's relations with important actors.

India's political elite is very different to Nepal's Maoists, sharing more historical commonalities with the NC. However, it would be impractical not to engage those who have catalysed change, even with a weakened electoral performance in November 2013" (BBC 2013); importantly, in the mainstream the Maoists' propensity to large-scale dissent has lessened. Furthermore, a hostile "big brother" attitude could well engender anti-India sentiment within Nepal and regionally. Prachanda has noted Delhi's importance, both past and future, to advancing the peace process; it was even stated that India should change the perception of the Maoists as "distant" (Jha 2012b). This certainly indicates that Delhi's pragmatic engagement yielded improved relations with Maoist leaders, and is thus likely to be strategically maintained.

Various smaller actors, often ethnically-based, must be engaged to avoid radicalisation or non-cooperation with parliamentary processes. While of marginal strength,

rightist groups, particularly the monarchist Rastriya Prajatantra Party (Nepal), have become more visible. The monarchy has little public support, but certain features of the old system may represent to some an attractive stability amid volatility. Far-right actors, and Kiran's party, may cause anti-Indian displays to exploit nationalist fears. Indeed, the prolonged uncertainty leaves more space for political fragmentation and pressure from regressive or extremist forces undermining post-CPA gains. Delhi would thus benefit from reducing this space by working to improve political dialogue and encourage major parties to better accommodate minority concerns, including by ensuring partial proportional representation.

To safeguard previous achievements the constitutional process must be restarted and the legislative vacuum resolved. Disagreement among the political plethora has been profound, especially on how and when to hold elections. Parties were apprehensive of unpredictable, fragmented results and risks of violence are genuine, but, despite seemingly inescapable power-play (*Radio Australia* 2012), CA elections were finally held in November 2013. Further political fragmentation would complicate Indo-Nepali relations, and the prospect of adequate settlements for the constitution and state structure may drift even further away; the successful elections thus provide some hope for rejuvenated interparty discussion.

Despite Delhi's cautious inclination, Indian pressure has the potential, more than perhaps any other factor, to push parties towards power-sharing (Jha 2012a) and collectively promulgating the constitution; indeed, Delhi's role was crucial to the 2008 CA elections. At the CA's end, at least parts of the Indian government were amenable to elections to determine a fresh inter-party balance, partly due to frustration with the NC and UML's ineffectiveness in negotiations and inability to manage their parties. Delhi has not strongly pushed a particular path, and continued to support Bhattarai prior to elections, but increased Chinese involvement undoubtedly makes a solution more urgent. Bhattarai's appointment of Lila Mani Poudel as chief secretary of government, perceived as pro-China (ICG 2012a), was not welcomed.

An indefinite constitutional impasse risks further political fragmentation and unrest, which was evident following the CA's dissolution. Negotiations, and the state structure, must thus be seen as inclusive and not hijacked by any one group. It is in Delhi's interests to encourage dialogue to avoid an elusive settlement rendering Nepal's political class, and consequently their state, less stable.

## Conclusions

In line with its typically security-oriented regional policy, Delhi has consistently chosen to support political actors which it calculated likely to have a stabilising effect within Nepal, be cooperative with Indian strategic interests, and minimise external involvement. This played out during the war, where the parallel approaches of informally engaging the Maoists while publicly supporting the monarchy afforded Delhi important options. The Maoists' inclusion came with the realisation that they needed to enter the political mainstream, and the monarchy's fate passed to public pressure, to avoid national destabilisation. The improved Indian-Maoist relations illustrate Delhi's increased inclination to be seen to act carefully and non-intrusively in neighbouring states, insofar as Indian security interests permit.

While policy may appear reactive, there has been a significant continuity in Indian interests in Nepal. Limiting instability from cross-border and domestic threats, via management of the porous Indo-Nepali border, is of primary importance. The "buffer region" perception of the Himalayan region persists, and Delhi particularly wishes to avoid increased Chinese presence. Hydropower investments and water-sharing are issues which have developed over recent years and will be important to bilateral relations. Additionally, Nepal's economic and hydropower development could increase trade with northern Indian states, assist regional integration, and address energy needs. These interests would all be best served by a stable Nepali state. A fully democratic state would be preferred, and appears feasible; nevertheless, while Delhi supports democracy in principle, it is willing to accept governments which at least cooperate with national interests, rather than risk instability by pressing for democratic reform. Such pragmatism is likely to continue, and indeed a softer, longer-term approach to Nepal's socioeconomic development, state-building, and bilateral relations is more likely to yield durable institutions.

The Nepali political class is unstable, rendering it slow to act or consistently form policy (ICG 2010). Along with Nepal's economic dependence and close cross-border ties, Delhi's influence is likely to remain profound. Ongoing unpredictable volatility in Nepal, and increased Chinese presence, make India's approach likely to remain cautious and security-biased; however, if parliamentary and constitutional processes improve, providing stability, and Chinese influence is not perceived as threatening, other motivations such as democratisation or regional integration may become more prevalent in Indian policy.

Delhi's pragmatic approach afforded a more cooperative relationship with the mainstream Maoists since 2011, vital for Kathmandu's future stability and Indian interests. This should allow a more distanced stance, which would indeed be preferred to strengthen a "supportive neighbour" image. However, the anti-Indian Kiran party's split, a weaker mainstream Maoist party, and the pluralisation of smaller groups only complicates Delhi's engagements, and mainstream Maoist leaders' interest in China may undermine friendly relations. Indian pressure, though, may be indispensable to push Nepali parties towards cooperation and indeed Delhi's interests would benefit from improved dialogue, thus reducing space for regressive forces; it must be employed tactically and sensitively to create a positive relationship, with diplomatic support rather than economic threats. Reviewing past bilateral agreements would be important for Delhi to allay longstanding fears of imperialism and soften relations with Nepali actors.

Within Nepal, factionalism is rife and alliances remain dependent on constitutional progression, including the Maoist-Madhese collaboration. If the federal aspirations of vocal ethno-regional groups are insufficiently addressed, destabilising dissent and a withdrawal of ethnically-based support for major parties could cause further political fragmentation. The promulgation of a constitution could well reshape party alliances, in turn affecting Indian interests, but a widely accepted settlement would nevertheless improve stability.

The nascent atmosphere of improved cooperation may have been seriously threatened by the CA's demise in May 2012, but all parties must revive it to safeguard post-CPA gains and avoid a resolution, for the constitution and governmental system, being elusive indefinitely. Indeed, the fragile post-war Nepali state may not be strong enough to resist fragmentation if mainstream Maoists, Kiran's party, other Nepali groups, or Delhi employ more heavy-handed methods used before, which would ultimately undermine the security of Nepal, India's northern states, and the multitude of groups therein.

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