

# Chinese Economic Assistance to Nepal

Y P Pant

*From the pattern of her assistance to Nepal so far, it is clear that People's China, has chosen to play an important role in the industrialisation of Nepal.*

*The projects covered by the recent Sino-Nepalese Agreement, concluded on September 5, will when complete, make the country self-sufficient in some basic materials like cement, paper, etc.*

*India and the United States have also extended sizeable economic assistance to Nepal, largely directed to agricultural development.*

*[The views expressed are those of the author and have nothing to do with his official position as Secretary to the Ministry of Finance and Economic Affairs, Government of Nepal.]*

THE signing of the Protocol on September 5 between Nepal and China in accordance with the aid pact between the two countries, signed in Peking in March 1960, and the State Visit of His Majesty the King to China, provide the occasion to look into the economic relations between Nepal and China. Foreign relations are conditioned by various factors like geographical and strategic considerations, political obligations economic necessities and historical ties. Lying between the Tibet part of China and India, Nepal is 500 miles from the nearest sea-port. The Himalayas present a great physical and climatic barrier in the north, but cultural contact and trade between Nepal and Tibet have taken place across the Himalayas through several passes. Though only a small volume of purely local trade can pass through these passes, historical bonds have been always there as the Nepal-Tibet border has been crossed in the past by Buddhist and Christian missionaries.

Even to-day people of diverse races and castes live in Nepal, and migration from Tibet appears to have been unrestricted in the past. Indeed, Nepal has been a meeting ground of the cultural streams from the north and the south where Brahmanism and Buddhism have been happily blended, resulting in a distinct culture which finds expression in temples and chaityas, homes and palaces, social ceremonies, religious festivals and fairs, customs and manners, and dancing and singing.

Nepal's relations with China might have dated almost from the beginning of history. Legends and geology have testified that the valley of Khatmandu which was originally a lake was drained of its water by

a traveller named Manjushri from Manchuria, who after having got the place settled returned to China. The relations between India and China in olden times depended on Nepal in view of the latter's geographical position. Nepal has been influenced in the past by Chinese and Tibetan traditions. Historical changes and developments in China have left some mark from time to time on Nepal. Through her long and chequered history as an independent nation of the Himalayas. Nepal has also many a time repulsed invasions from both the south and the north and has thus proved herself, worthy of freedom and independent existence. Among the famous travellers who came from China to Nepal, Fahien (406 AD) and Huen Tsang (635 AD) were full of praise for Nepalese art and culture.

Some historians maintain that from ancient times: Nepal had no relations with China, and that hostilities between the two countries dated from the Chienlung reign or about 1790. Though on the Governmental level relations may not have been established before this, the two countries were known to each other through travellers, cultural exchanges and social and even matrimonial relations from very ancient times.

## Aid Agreement

To trace the relationship between Nepal and China, one should go back to the end of the eighteenth century (1792) when Nepal and China were involved in a war for the first time. The Treaty of 1792 which governed the relations between the two countries provided, among other things, for freedom of trade and commerce for the citizens of both the countries in each other's territories. Nepal's

relations with Tibet were determined till 1955 by the Treaty of 1956.

From 1910 until 1955 when the diplomatic relation between two countries was re-established, contacts between Nepal and China were completely cut off. Nepal's relations with Tibet, of course, remained unaffected. The relations between these two countries could not continue for long after the resumption of normal diplomatic relations on August 1, 1955 to just an exchange of ambassadors. The two countries, being desirous to develop their traditional economic and trade relations on the principles of equality and mutual benefit, concluded the Agreement to maintain friendly relations between the two countries and develop trade and intercourse between Nepal and the Tibet region of China, on September 20, 1956.

After this followed China's offer of economic assistance for Nepal's development, which has further strengthened economic ties between the two countries. On October 7, 1950 the Nepal-China Aid Agreement was signed according to which economic aid was generously offered amounting to 60 million Indian rupees of which one-third was to be given in instalments in foreign exchange, and two-thirds in machinery, equipment, materials and other commodities which Nepal needed and China could supply. The aid was to be utilized for the establishment of a cement factory and a paper factory in Nepal, China handed over to the Government of Nepal 20 million Indian rupees in cash, which was utilized to finance various developmental projects in Nepal. Unfortunately the rest of the aid could not be utilized in time.

On March 21, 1960 another Agreement on economic aid bet-

ween China and Nepal was signed. The amount of aid under this agreement was 100 million Indian rupees. This amount, together with the 40 million Indian rupees unutilised from the earlier loan thus made a total of 140 million Indian rupees. It was envisaged that the aid will be utilized for various construction programmes in Nepal particularly for revenue-yielding projects spread over a period of three years.

### Meeting Local Expenditure

The Protocol concluded on September 5, 1961 in accordance with the Agreement on Economic Aid of March last year and the letters exchanged between the two Governments provide further evidence of the earnestness of Nepal and China to co-operate with each other. The Agreement of Economic Aid of 1960 could not, however, be implemented because of difficulties experienced by Nepal in meeting the local expenses of the projects financed by (Chinese aid. Recognising Nepal's difficulty, the People's Republic of China came forward with an offer of 10 million Indian rupees in cash and 25 million Indian rupee\* in goods to meeting the local expenses. Three construction projects, a cement factory with a capacity of 50,000 tons of cement per annum in Hitaura, a pulp and paper factory with a capacity of 20 tons of paper per day, a power plant in Nepalganj and a smallscale leather and shoe factory, the location and capacity of which are to be decided after proper investigation, have been taken up under this aid. Nepal will not have to depend on imports of cement after the completion of the cement factory in about five years.

Economic ties between Nepal and China were, until recently, limited to the Tibet region of China. Even to-day Nepal does very little trade with China. As per the recent protocol China has agreed to provide 25 million rupees in the form of necessary commodities which are to be utilized for meeting the local expenses of the projects undertaken with Chinese aid. This will also develop her trade with China. Nepal has been planning for diversification of her foreign trade; this is a step in the right direction.

Before the opening of the new trade route *via* Kalimpong in the

wake of the Young Husband Mission in 1904, there used to be brisk trade between Nepal and Tibet. Kuti and Keraung were famous centres of trade where the products of Tibet were exchanged with the goods and merchandise of Nepal. Though the volume and value of trade with Nepal has somewhat dwindled in recent times. Nepalese merchants still have some hold on Tibetan trade. The absence of a modern transport system has been a serious hindrance to the development of trade. Now that Central China has been made accessible to Nepal by road, and that the development of transport and communications in Nepal, is progressing fast, it will be much easier to develop trade between Nepal and China.

No doubt, an agricultural country like Nepal should concentrate first

on the development of agriculture. In the sphere of agriculture, which is the source of subsistence for about 95 per cent of the populace, India and USA have been helping Nepal for the last few years. Both financial and technical aid from these countries has been satisfactorily utilized in agriculture, irrigation and village development. However, after a certain stage agricultural development cannot, proceed without industrialisation. Present trends indicate that China will play an important role in the process of industrialising the country. The projects included in the recent Aid Agreement will, on completion make the country self-sufficient in some basic materials like cement and paper which are now imported and will thus also save foreign exchange.

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