

Examining the ‘Contextual Intelligence’ in Chinese Leadership’s Strategic Behaviour towards Nepal

Dr. Arundhati Sharma¹ and Jitendra Kumar Yadav²

¹Assistant Professor, Department of Political Science and International Relations, Central University of Himachal Pradesh, Dharamshala (HP), India. & Visiting Professor, Kautz Gyula Faculty of Economics, Szechenyi Istvan University of Gyor, Hungary.

²PhD Candidate, Department of Political and International Relations, Central University of Himachal Pradesh, Dharamshala (HP), India.

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ABSTRACT

The present paper assesses China’s strategic behaviour towards Nepal following the end of (Nepal’s) civil war in 2006, focusing on safeguarding security, advancing development projects, and expanding its political and social influence. Using the concept of ‘contextual intelligence,’ the paper examines how Chinese leadership has adapted its strategic behaviour in response to Nepal’s shifting political contexts to create a favourable environment for its interests. Drawing on both primary and secondary sources, the paper argues that Chinese political leadership has strategically leveraged contexts to promote its interests in Nepal.

Keywords: Contextual Intelligence, Strategic Behaviour, Political Environment, Co-optive Behaviour, Command Behaviour

Introduction

As the political context in international politics evolves, political leaders consistently endeavour to establish a ‘favourable’ (political) environment for their respective states by employing diverse strategic behaviours toward other states.ⁱ The Chinese leadership has practiced the identical phenomenon in its strategic behaviour towards Nepal. Because Nepal holds a considerable strategic significance for China, owing to its extensive 1,400-kilometer shared border, its role as a buffer state between China and India, and its vulnerability to activities associated with Tibetan dissidents opposing China. Distinguishing these complex factors, the Chinese leadership pursued a diplomatic engagement with Nepal, culminating in the

establishment of bilateral diplomatic relations in 1955. This strategy was aimed at creating a favourable political environment to safeguard China's security interests (Bhatt, 2012, p. 40).

China's strategy to establish diplomatic relations with Nepal was shaped by three fundamental developments in the prevailing context in the region; First, following the establishment of the People's Republic of China (PRC), Chinese forces moved to annex Tibet in 1950, justifying the intervention based on historical claims and asserting its sovereignty to ensure security and territorial integrity. Tibet was subsequently brought under Chinese control through the signing of the Seventeen Point Agreement in May 1951. Notwithstanding the provisions of the agreement, which stipulated that the political status of Tibet would remain unchanged, the Chinese government gradually consolidated its influence over Tibet's political affairs, contravening the terms of the accord. This breach of the agreement led to heightened tensions with the Tibetan people, inciting widespread dissent and protests against Chinese authority, which extended into Nepal. Consequently, this evolving context created a precarious security environment for China. The Chinese leadership, therefore, recognized that safeguarding their strategic interests necessitated the establishment and maintenance of amicable relations with Nepal (Shah, 2022). Second, China, emerging from years of political instability, was setting the agenda on consolidating its national security and positioning itself as a legitimate actor in international politics. The pursuit of cordial relations with other states was deemed a pivotal strategy in realizing this objective. In this context, the establishment of diplomatic ties with Nepal became a significant component of China's broader foreign policy agenda. Third, in the prevailing context, King Mahendra of Nepal sought to counterbalance India's influence by diversifying Nepal's diplomatic engagements, particularly by forging relations with China. This created a strategic opportunity for the Chinese leadership to formalize diplomatic relations with Nepal, thereby enhancing its regional presence (Bhatt, 2012, pp. 41-42).

After the establishment of diplomatic relations, China's primary objective was to prevent any conflict with Nepal and foster a favourable environment to safeguard its strategic interests. Hence, China co-opted Nepal by signing the "China-Nepal Agreement to Maintain Friendly Relations on Trade and Intercourse between the Tibet Region of China and Nepal" in September 1956. Through this agreement, China pledged a substantial investment of USD .72 million for development projects in Nepal. In exchange, Nepal agreed to withdraw its military escorts from Lhasa and other regions in Tibet. This military withdrawal represented a significant strategic achievement for the Chinese leadership, as it effectively solidified China's influence over Tibet and minimized external military presence in the region (Bhatt, 2012, pp. 124-125). Further, the Chinese leadership adeptly preserved a favourable diplomatic environment even following the establishment of a democratic government in Nepal under the leadership of B.P. Koirala. Given the conducive situation, China co-opted Nepal by formalising the China-Nepal Boundary

Agreement in March 1960, which facilitated the delineation and demarcation of the border between the two states. Subsequently, in April 1960, Chinese Premier Chou En-Lai signed the Treaty of Peace and Friendship during his visit to Nepal. This treaty further consolidated bilateral relations, establishing a foundation for enduring peaceful and cooperative engagement between the two countries.

However, China faced an unfavourable context in Nepal following a military action in Mustang in June 1960. The Chinese troops entered Nepal's territory, resulting in the death of a Nepal Royal Army subedar and the detention of ten Nepalese personnel. This incident was perceived by Nepali leadership as a threat to their national security and a violation of the Nepal-China border agreement. Realising the unfavourable situation, the Chinese leadership sought to mitigate tensions by offering compensatory payments of USD 602 for the losses incurred. Also, the Chinese Premier, Chou En-Lai set the agenda to prevent further deterioration in bilateral relations between the two states by characterising the incident as an unfortunate incident during an operation against 'rebel forces' and emphasising China's commitment to upholding the border agreement. This behaviour yielded the anticipated outcome, as Nepalese Prime Minister B.P. Koirala expressed satisfaction with China's response, viewing the acceptance of responsibility and the accompanying compensation as adequate in addressing the situation (Cowan, 2016) (Bhatt, 2012, pp. 146-152).

To further consolidate its favourable environment in Nepal, the Chinese leadership strategically utilised the opportunities to subtly shape public perceptions among the ordinary Nepali people. Notably, despite strained relations with India following the 1962 conflict, Chinese Foreign Minister Chen Yi, during the first anniversary of the China and Nepal Peace and Friendship Treaty, delivered a pivotal speech at Nepal's embassy in Beijing, emphasizing the importance of national independence and Nepal's struggle against foreign interference, especially highlighted India. This speech aligned closely with the aspirations of the Nepali people, who sought equitable and amicable relations with other states. Also, the Nepali leadership perceived China as a potential ally in the incident of external aggression. Moreover, through its policy of 'non-interference' in Nepal's internal affairs, China garnered the support of both Nepal's political leaders and segments the ordinary people, especially those hailing from the Hill regions (Shreekrishna Gautam, Personal Communication, 12 May 2023) (Bhatt, 2012, p. 89).

Noteworthy, since the establishment of diplomatic relations, the Chinese leadership has consistently prioritised creating a favourable environment in Nepal at both the political and people's levels. However, the primary objective has been to maintain amicable relations at the political level in order to advance its strategic interests. This is the fundamental reason that China has shown its support for the decisions and policies of the Nepali state. Notably, China's endorsement of King Gyanendra's 'Zone of Peace' proposal in 1975, its backing of the

Panchayat system, and its assistance to the Nepali government during the civil war period (1996-2006) exemplify its approach (Shreekrishna Gautam, Personal Communication, 12 May 2023) (Ranjit Rae, Personal Communication, 14 April 2023).

However, following the end of the civil war in November 2006, significant political developments ensued in Nepal including a shift in political structureⁱⁱ, the emergence of new political leaders from both of the regions- Hill and Madhes, robustness in Nepali nationalism, and, more importantly, change in its strategic behaviour in international politics, especially towards China. Such developments in Nepal have created a ‘favourable’ and ‘unfavourable’ environment for China in varying (political) contexts. In the light of these developments, the paper assesses China’s strategic behaviour towards Nepal following the end of civil war in 2006. Using the concept of 'contextual intelligence,' the paper examines how Chinese leadership has adapted its strategic behaviour in response to Nepal’s shifting political contexts to create a favourable environment for its interests. Drawing on both primary and secondary sources, the paper argues that Chinese political leadership has strategically leveraged contexts to promote its interests in Nepal. The Chinese leadership’s strategy has been analysed on the basis of a defined parameter of ‘contextual intelligence’ (*see below table no.1*).

Table no. 1: Analytical framework on strategic behavioural aspects of Contextual Intelligence

	Strategic Behavioural Aspects			
	Command Behaviour (Ability to shape what others do)		Co-Optive Behaviour (Ability to shape others preferences)	
	Coercion/Threat	Inducement	Agenda Setting	Attraction
Primary Currencies	Use of economic power	<ul style="list-style-type: none"> • Payments • Bribe 	<ul style="list-style-type: none"> • Institutions • Media/ Social Media Networks 	<ul style="list-style-type: none"> • Culture • Education/Academia • Political

				Values
Government Policy	Economic Sanctions/ Blockade	<ul style="list-style-type: none"> • Aid • Investment 	<ul style="list-style-type: none"> • Bilateral Diplomacy and Multilateral Diplomacy 	<ul style="list-style-type: none"> • Foreign Policies • Public Diplomacy

Source: Nye, Jr., Joseph S. *Soft Power: Means to Success in World Politics. Public Affairs, 2004.* Nye, Jr., Joseph S. *The Powers to Lead. Oxford University Press, 2008*

Conceptual Framework

International politics is complex, characterised by a dynamic and multifaceted nature that varies across different contexts. States are confronted with substantial challenges due to this complexity, which makes political leadership an increasingly demanding and challenging role in the contemporary arena of international politics. Political leaders bear the responsibility of leading their states through the intricacies of international politics by creating a favourable political environment. In varying contexts, political leadership employs both ‘Command’ and ‘Co-optive’ behaviours to cultivate an environment conducive to advancing its strategic interests. Command behaviour is utilised to influence the actions of other states through the exertion of coercion and inducement, effectively compelling them to act in ways that align with the leadership's objectives. Conversely, co-optive behaviour allows political leadership to shape the preferences of other states by setting the agenda and leveraging attraction, thereby guiding their choices through more subtle and persuasive means. The effectiveness of political leadership hinges on its ability to discern the prevailing context and adopt the most ‘appropriate’ strategic behaviour, whether command or co-optive. This ability, known as ‘Contextual Intelligence,’ reflects the leader’s skill in navigating the complexities of international politics by aligning strategy with context demands (Nye, 2008). This phenomenon has also been observed in the strategic behaviour of Chinese leadership towards Nepal during the shifting political contexts following the end of civil war in 2006.

End of Civil War in Nepal: Understanding varying contexts of China’s strategic behaviour

The political developments in Nepal following the conclusion of the civil war generated an unfavourable (political) environment for China, influenced by several crucial factors; first, the

transition of Nepal's political system from a monarchy to a republican democracy was a significant cause of concern for China. The monarchy had historically been regarded by China as a dependable ally in Nepali politics, and its abolition undermined a longstanding relationship that China had deemed favourable to its interests. Second, The Nepali Maoists, who sought to establish a People's Republic of Nepal (alike to the People's Republic of China), eventually integrated into mainstream politics and participated in the interim government under the leadership of G.P. Koirala. This way, the Maoists aligned with other major political parties in Nepal to foster a shared commitment toward the restoration of democracy. The third significant reason was that India played an important role in Nepal's political transition. The Nepali leadership, therefore, had courtesy towards India. Consequently, the Chinese leadership was cautious about its involvement in Nepal and adopted 'wait and watch' strategy in its engagement with Nepal (Ranjit Rae, Personal Communication, 14 April 2023) (Pyakure, 2009) (Nihar R. Nayak, Personal Communication, 13 April 2023).

However, following the 2008 Constituent Assembly elections, Nepali politics underwent a significant transformation. The election results demonstrated substantial public support for the Communist Party of Nepal (Maoist), which secured 220 seats, positioning it as the largest political party in the country. Consequently, the Maoists, under the leadership of Prachanda, formed a coalition government. Coincidentally, China was hosting the 2008 Olympic Games but, simultaneously, it was facing substantial security challenges, notably due to 'anti-China' protests led by Tibetans, many of which took place on Nepali territory. Despite the efforts of Nepal's security forces to suppress the protests, these measures were deemed insufficient to safeguard China's security interests. As a result, China pursued to cultivate a more conducive environment within Nepal to address its growing security concerns (Nihar R. Nayak, Personal Communication, 13 April 2023).

Meanwhile, in August 2008, the closing ceremony of the Olympic Games provided a significant opportunity for China to enhance bilateral relations with Nepal and address critical security concerns. Therefore, the Chinese leadership set the agenda to safeguard its security interests by 'inviting' the Nepali Prime Minister Prachanda, to attend the event (closing ceremony).ⁱⁱⁱ The acceptance of China's invitation by the Nepali Prime Minister provided the much required favourable ground for the Chinese leadership. Therefore, during the 'informal' dialogue with Prime Minister Prachanda, Chinese President Hu Jintao co-opted Nepal by expressing his gratitude for its support during the Beijing Olympics and admired the country's political transformation from monarchy to establish a republican democracy. The Chinese President also restated China's commitment to fostering a friendly and cooperative relationship with Nepal, supported Nepal's endeavours to safeguard its sovereignty and territorial integrity (MFA,China, 2008).

The Chinese President Hu Jintao effectively employed command behaviour by emphasising the potential for economic and social advancement, thereby promoting sustained and stable development within the Sino-Nepalese partnership. This strategic approach yielded the expected outcomes, as Nepali Prime Minister Prachanda highlighted Nepal's recognition of China as a trustworthy ally, underscoring the country's desire for continued Chinese assistance to secure lasting peace and foster economic growth. Additionally, Prachanda reaffirmed Nepal's commitment to the 'one China Policy,' asserting that Nepal would consistently uphold this policy (MFA, China, 2008). Through this behaviour, Prime Minister Prachanda reassured China of the absence of any security risks to its interests, particularly related to Tibet. In this manner, following the abolition of the monarchy, Prime Minister Prachanda solidified his position as a dependable ally of China within changed the political context of Nepal (Kamaldev Bhattarai, Personal Communication, 10 May 2023).

Following the visit of Nepali Prime Minister Prachanda, Chinese leadership showed eagerness to expand the ties, engaging with multiple sectors in Nepal to foster its favourable environment. For this objective, China's Foreign Minister, Yang Jiechi, made an official visit to Nepal in December 2008. In the context of the visit, the Chinese Foreign Minister co-opted Nepal by emphasising the importance of fostering the cordial relationship and a mutually beneficial partnership between the two states. Therefore, throughout the visit, the Chinese Foreign Minister prioritised various initiatives, including maintaining frequent high-level exchanges, enhancing trade cooperation, expanding collaboration in education, tourism, and civil aviation, promoting regular personnel exchanges, and fostering closer communication and coordination on significant international and regional issues. Additionally, the foreign minister signed an agreement on 'Economic and Technological Cooperation' between the two states, solidifying their commitment to mutual support and regional peace and stability (MFA, China, 2008).

Prachanda's resignation and China's strategic behaviour

As mentioned above, the Chinese leadership, particularly President Hu Jintao, played a pivotal role in fostering a favourable political environment in Nepal following Prachanda's ascension to the position of Prime Minister in 2008. However, this congenial environment underwent a substantial shift after Prachanda's resignation in May 2009, which was caused by a disagreement with the then Nepal's Army Chief, General Rookmangud Katawal. Following Prachanda's resignation, Madhav Kumar Nepal, a senior leader of the Communist Party of Nepal-Unified Marxist Leninist (CPN-UML), assumed the office of Prime Minister and subsequently established a coalition government with the Nepali Congress (NC). Consequently, this political transition was perceived by Chinese leadership as less favourable due to the new government's perceived alignment with 'pro-India' sentiments.^{iv} Nevertheless, Chinese leadership remained co-optive towards Nepal through the projection of bilateral diplomacy. Therefore, China invited

new Prime Minister of Nepal, Madhav Kumar Nepal, for an official visit at a 'convenient' date (Kamaldev Bhattarai, Personal Communication, 10 May 2023).

In contrast to his predecessor, Prachanda, Prime Minister Madhav Kumar Nepal opted to make his inaugural foreign visit to India, followed by a subsequent six-day state visit to China. In the prevailing context, China's primary concern was constant as to safeguard its national security interests, particularly by addressing the 'anti-China' protests organised by Tibetan refugees in Nepal and securing Nepal's support for the 'One China policy.' The Chinese leadership utilised bilateral diplomacy to set the agenda during the visit, with the primary goal of ensuring that Nepal would prevent any anti-China activities within its borders while offering unequivocal support for the 'one China policy' (Kashinath Nuepane, Personal Communication, 25 May 2023). Simultaneously, China sought to deepen its influence in Nepal by extending economic assistance aimed at technological development, military support, and infrastructure projects, particularly in strategically important regions. (Kashinath Nuepane, Personal Communication, 25 May 2023) (Nihar R. Nayak, Personal Communication, 13 April 2023). Therefore, with these objectives in mind, Chinese leaders focused on securing commitments during their bilateral dialogue with the Nepali Prime Minister. This strategy yielded the anticipated outcomes, as Prime Minister Madhav Kumar Nepal not only reaffirmed his firm support for the 'one China policy' but also assured the Chinese leadership that no 'anti-China' activities would be permitted on Nepali territory^v.

China's vigorous projection of command behaviour

In February 2011, Nepal once again experienced a shift in its political leadership. Jhalnath Khanal, a prominent leader in the Communist Party of Nepal (Unified Marxist-Leninist), succeeded Madhav Kumar Nepal as Prime Minister. Although the frequent changes in leadership posed challenges for Nepal to control the on-going 'anti-China' protests within its borders, each successive government consistently upheld a firm commitment to the 'One China policy.' This unwavering behaviour of Nepali leaders proved advantageous for China. In this context, the Chinese leadership actively used its command behaviour by providing a series of aid packages from March 2011 to January 2012. The first aid package was pledged in March 2011 during the visit of Chinese army chief, General Chen Bingde. General Bingde signed a Memorandum of Understanding (MoU) with his Nepali counterpart, General Gurung, which provided an aid package worth USD 19.9 million for the Nepal Army. Additionally, General Bingde committed to delivering medical equipment, logistics for rescue operations, engineering equipment, and heavy construction vehicles (Jha, 2011). The second aid package was pledged in August 2011 during the visit of a senior leader of the Communist Party of China (CPC), Zhou Yongkang. During the visit, Zhou Yongkang signed a USD 50 million agreement for economic and technical cooperation, a USD 24 million soft loan for hydropower transmission line projects, and a USD

2.5 million security project to strengthen Nepal Police. Additionally, the CPC leader proposed a preliminary agreement to provide other concessional loans (Times of India, 2011). The third aid package was pledged by China during the visit of Chinese Premier Wen Jiabao in January 2012. The Chinese premier pledged a grant worth USD 103.5 million for mutually agreed projects under a new bilateral agreement on economic and technical cooperation. Zhou Yongkang also pledged to provide a one-time grant of USD 20 million for rehabilitation efforts (Krishnan, 2016). In that context, China had also undertaken a series of low-level training programs, distributed aid and equipment to Nepal's security forces and local authorities in border districts, and established intelligence-sharing mechanisms to enhance the capacity of Nepali forces. Thus, China's economic assistance in Nepal's diverse sectors showed China's strategic discernment in leveraging the shifting political context in Nepal (Mulmi, 2021, pp. 203-205).

Converting crisis into opportunity: China's strategic leverage during Nepal's earthquake and afterwards

The Chinese leadership has most often utilised the crisis as an opportunity to create a favourable environment in Nepal (Muni, 2023). This behaviour resonated during Nepal's devastating earthquake in April 2015. China assisted Nepal during this crisis by providing its rescue teams. However, as Simon Denyer says, "*Remarkably, this episode underscored China's success in influencing Nepal to align with its 'One China policy,' a critical component of its core interest. The Nepali leadership was avoiding any missteps in its relations with China*" (Denyer, 2015). Therefore, Nepal refused to take Taiwan's assistance during the crisis and justified its behaviour by arguing that it had 'no diplomatic' relations with Taiwan. Nepal also denied an Indian army rescue team access to Chinese airspace and around Nepal-China border areas despite the region being severely affected by the earthquake (Rauhala, 2015). In addition, The Chinese leadership strategically capitalised on the context by prominently displaying identifiable logos on the tents and uniforms of its rescue teams, ensuring their visibility both from a distance and from the air. Through this situation, the Chinese leadership successfully set the agenda to create a positive perception in Nepal for China as the Nepali people could easily identify China's rescue teams and perceived a positive image of China's involvement during the crisis (Rae, 2021, pp. 174-176).

Further, the China co-opted Nepal by welcoming its new constitution of 2015 and also appreciated Nepal's on-going political transition and development. While India, on the other hand, despite playing an important role in Nepal's political transition, exhibited reluctance in accepting the new constitution due to some provisions concerning Madhesi's issues (Baral, 2017). Consequently, China's behaviour in the prevailing context reinforced its image among both the Nepali leadership and the general public, who viewed this as an affirmation of China's respect for Nepal's sovereignty and developmental trajectory. This perception provided new

avenues for China to establish its engagement in multiple sectors of Nepal (S.D. Muni, Personal Communication, 9 April 2023).

The Chinese leadership utilised the positive perception during the state visit of Nepal's Prime Minister K.P. Sharma Oli to China in March 2016. During the visit, the Chinese leadership successfully advanced its agenda to create a conducive environment in Nepal by signing several key agreements and Memorandums of Understanding (MoUs). These agreements underscored the importance of enhancing air and land connectivity, with a focus on improving Nepal's transport infrastructure. For this purpose, it focused on accelerating the feasibility of repairing and maintaining the *Arniko*^{vi} (also known as Kodari highway) and *Syaphrubesi-Rasuwagadhi*^{vii} highways, agreed to accelerate the advancement of the Kathmandu Ring Road, and considered building a cross-border railway network. Additionally, China signed a Free Trade Agreement (FTA) with Nepal, laying the groundwork for a more comprehensive and mutually beneficial trade relationship. Simultaneously, a significant commercial oil agreement was finalised to meet Nepal's energy needs and further consolidate economic ties between the two states (Kumar, 2016). The Chinese leadership also persuaded the Nepali Prime Minister to facilitate trade, tourism, and investment by facilitating the establishment of Chinese-funded banks in Nepal, aligning with the relevant policies and regulations of both countries. This strategic move was designed to provide a reliable financial infrastructure, fostering smoother monetary transactions and reinforcing economic cooperation (The Kathmandu Post, 2016). Thus, in the context of the Nepali Prime Minister's visit, the Chinese leadership found an opportunity to increase its influence over Nepal in diverse sectors. Simultaneously, it set the agenda to diminish Nepali reliance on India, especially in transportation and trade.

Chinese strategy during Prachanda's second tenure

In August 2016, Prachanda became Prime Minister of Nepal for the second time. This time, Prachanda preferred to make his first foreign visit to India. Prime Minister Prachanda's behaviour was perceived by the Chinese leadership as unexpected because it was looking forward to his first foreign visit to China. Therefore, Chinese media reportedly accused the Nepali Prime minister of favouring India for returning to Beijing to reduce reliance on India, and once that objective was fulfilled, the former changed its behaviour towards the latter (The Quint, 2016).

Given the tensed situation, China postponed the visit of Chinese President, Xi Jinping, in October 2016. China expressed its discontent over the lack of preparations for the Chinese President's visit and Nepal's commitment to implementing the signed agreements with the previous K.P. Sharma Oli-led government, particularly those concerning road and rail links connecting Nepal with Tibet. By postponing President Xi Jinping's visit, China exerted

diplomatic pressure on Nepal intending to set its agenda for creating a favourable environment (PTI, 2017). However, In March 2017, Prime Minister Prachanda undertook a visit to China to participate in the annual Boao Forum for Asia (BFA) with the intention to ease China's 'anger'. The Chinese leadership did not treat it as an official visit. It resulted in no substantial agreements or memorandums of understanding between the two states (Bhattarai, 2017).

However, Prime Minister Prachanda's decision to approve Nepal's participation in the inaugural 10-day joint military exercise with China, known as *Sagarmatha Friendship*, in April 2017, marked a significant development that enhanced China's strategic engagement in Nepal.^{viii} The primary objective of this military exercise was to address the issue of terrorism and strengthen Nepal's capacity for managing disasters. The Nepali leadership emphasised that the exercise would harmoniously align with Nepal's foreign and security policies, symbolising its commitment to cultivating military relationships with other states (Rakesh Meena, Personal Communication, 5 March 2023). Although Nepal engaged in joint military exercises with countries such as India and America, the scenario with China was distinctive for two reasons: first, it marked the first-ever military exercise with Nepal since establishing diplomatic relations, signifying China's steady expansion into Nepal's political, economic, cultural, and now military realms. Second, Nepal provided a gateway into the realm of South Asia, an avenue to project its military diplomacy and establishes a lasting presence. Through joint military exercises, China aimed to create a persuasive perception among other South Asian countries, subtly positioning itself as a better choice compared to India (Nihar R. Nayak, Personal Communication, 13 April 2023).

Furthermore, as mentioned above, the 'unexpected' move of Prachanda's first foreign visit to India during his second term left China displeased. As such, the joint military exercise was viewed as an effort to rebuild cordial relations with Nepal and also created a favourable environment for China's Belt and Road Initiative (BRI) project. Subsequently, China successfully co-opted Nepal to become a signatory in Belt and Road Initiative (BRI) project in May 2017, despite differences (Sharma & Chhetri, 2022).

China's effort to 'micromanage' Nepal's internal politics

China's favourable environment in Nepal, especially in internal politics, became increasingly strong following the 'pre-poll' alliance between two communist political parties- Communist Party of Nepal-Maoist Centre (CPN-MC) (led by Prachanda) and Communist Party of Nepal–Unified Marxist Leninist (CPN-UML) (led by K.P. Sharma Oli), to contest the general elections in 2017. This alliance secured nearly two-thirds of the seats in the parliament. This significant success led K.P. Sharma Oli to assume the role of Prime Minister of Nepal. Furthermore, in May 2018, the two parties (the CPN-MC and CPN-UML) merged into a single political party, called

the Nepal Communist Party (NCP). , Interestingly, it is China persuaded the two party's leader (Prachanda and K.P. Sharma Oli) of the two political parties to forge the 'pre-poll' alliance and thereafter its merger. Therefore, China's behaviour in the given context was driven by its vested interest in uniting the two communist parties, potentially enhancing its ideological influence over these political parties and 'micromanage' Nepal's internal politics (Kashinath Nuepane, Personal Communication, 25 May 2023) (Anurag Acharya, Personal Communication, 29 May 2023).

By doing so, China was able to expand its sphere of favourable environment in Nepal at the multiple levels such as government, people and the political party (ies). In such a favourable context, the Chinese President, Xi Jinping, made an official visit to Nepal in response to the invitation of Nepali President, Bidya Devi Bhandari. In the context of visit, the Chinese president encountered with both ruling (Nepal Communist Party) and opposition party's leaders to set the agenda for supporting Chinese investments in the country's development. Understanding Nepal's aspirations, the Chinese President also announced economic assistance of USD 421.69 million for Nepal over the next two years (2020-2022) to support its development, thereby ensuring the transition of Nepal from a 'landlocked to land-linked' state. Furthermore, he projected public diplomacy by expressing his gratitude for the Nepali people's affection for the Chinese. Therefore, through this behaviour, President Xi Jinping successfully influenced the Nepali political leaders (PTI, 2019). However, in the case of Nepal's ordinary people, the Chinese President's public diplomacy only attracted a section of Nepali people who had tilt towards China.^{ix}

Split in Nepal's ruling party: An obstruction for China's 'favourable' environment

Although Nepali Prime Minister K.P. Sharma Oli was elected with a five-year mandate, his leadership encountered significant challenges within his own party, the Nepal Communist Party (NCP), after only three years. Therefore, the ruling Party (NCP) experienced increasing factionalism between Prime Minister K.P. Sharma Oli and the Party's Co-chair, Prachanda. This conflict emanated after Prime Minister K.P. Sharma Oli endeavour to centralise power in his sown hand by controlling multiple constitutional bodies after becoming Prime Minister and also denial of the Comprehensive Seven Point Agreement which was signed at the time of merger of the two parties (CPN-MC and CPN-UML).^x In response to Prime Minister K.P. Sharma Oli's behaviour, Prachanda formed a separate 'informal' alliance with Madhav Kumar Nepal, a senior leader of the ruling party, to oust Prime Minister Oli from power. Therefore, this context posed a major challenge for China's growing influence in Nepal's internal politics as well as its 'ideological' affinity with Nepali communist leaders. Consequently, the Chinese leadership tried to set the agenda to control this situation through the bilateral diplomacy (Anurag Acharya, Personal Communication, 29 May 2023).

For this objective, the then-Chinese ambassador to Nepal, Hou Yanqi, held a series of meetings in May 2020 with influential NCP's leaders, including Prime Minister K.P. Sharma Oli, Prachanda, and Madhav Kumar Nepal, expressing concerns over the power struggle within the party. In December 2020, Guo Yezhou, the Vice-Minister in International Development of the Chinese Communist Party (CCP), made a four-day state visit to Nepal to resolve this tension within NCP. Guo Yezhou held the bilateral dialogues with President Bidya Devi Bhandari, Prime Minister Oli, Prachanda, and Madhav Kumar Nepal to persuade the leaders.^{xi} Apart from these efforts, Chinese President Xi Jinping also engaged in telephonic conversations with Nepal's leaders to control the situation (Chaudhury, 2020).

Ironically, the strategies projected by Chinese leadership failed to yield the anticipated outcome, essentially due to their inability to manage the internal divisions within the Nepal Communist Party (NCP).^{xii} China's assertive attempts to 'micromanage' Nepal's domestic politics not only proved 'counterproductive' but also reflected an 'inadequate' vision in terms of strengthening relations with Nepal. In the prevailing political context, Nepali people and political leaders increasingly perceived China's behaviour as excessive meddling in their internal affairs, which undermined China's efforts to cultivate a favourable image in Nepal. Additionally, a segment of China's own foreign policymakers and political leadership expressed dissatisfaction with this assertive approach, recognising the potential damage it caused to diplomatic relations (Anurag Acharya, Personal Communication, 29 May 2023) (Gandhi Pandit, Personal Communication, 20 May 2023).

In recent years, Chinese leaders have adopted a restrained behaviour to directly intervening in Nepal's internal political affairs.^{xiii} China has sought to foster a favourable environment in Nepal by balancing command and co-optive strategies. On one hand, China is expanding its influence through various development projects, while on the other; it has established networks to engage with a broad spectrum of Nepali political leaders and ordinary people. Bilateral engagement has been strengthened through an increase in political visits at various levels and active communication efforts, including social media outreach. Additionally, Chinese non-governmental organisations, such as the China Foundation for Rural Development (CFRD), have become more active in Nepal, focussing on areas like health, education, and social development, particularly in the Tarai region (Bhattarai, 2024).

Conclusion

The Chinese leadership has strategically leveraged various 'contexts' to advance its interests in Nepal, employing both 'command' and 'co-optive' approaches. In projecting command-oriented behaviour, economic assistance and investment have served as core instruments. Meanwhile, in enacting co-optive strategies, the Chinese leadership has prioritised agenda-setting through

bilateral diplomacy. Accordingly, Chinese leaders have actively expanded assistance across multiple sectors within Nepal, encompassing areas such as development, technical and training collaboration, culture, and education. Additionally, the Chinese leadership has fostered relationships with various Nepali political leaders, strategically promoting Chinese priorities through diplomatic channels to create favourable conditions across multiple domains, including government, domestic politics, and public opinion. China has also engaged Nepal through cultural and public diplomacy, fostering people-to-people connections by promoting cultural exchanges, language programs, and educational opportunities. Furthermore, Chinese media platforms have emerged as essential tools in cultivating a supportive environment for Chinese interests within Nepal

However, the Chinese leaders possess an inadequate understanding of the complex nuances characterising Nepal's internal political landscape. Consequently, their involvement in Nepal's internal affairs has yielded outcomes that were 'unanticipated'. The Chinese leadership should exercise restraint in engaging with Nepal's political processes, despite ideological commonalities with various Nepali communist parties and leaders. It is important to recognise that Nepal's communist parties operate within a democratic, multi-party framework. Consequently, any strategic engagement with Nepal should carefully consider the distinct nature of its political structure.

The bellow chart shows Chinese leadership's strategic behaviour towards Nepal based on the changing political contexts;

The key political context and projected strategy by China towards Nepal

Political Context	Nature of Existing Political Context	Types of Behaviour		Tool/Tactic of Strategy		Action	Outcome/Produced Environment		
		Command	Co-optive	Command Tool	Co-optive Tool		Favourable	Unfavourable	Neutral (in some cases)
During the interim government (2006-08)	Unfavourable		✓		Bilateral Diplomacy	'Wait and watch' stance			✓
Prachanda's first tenure (2008-09)	Unfavourable		✓		Bilateral Diplomacy	Invited Prachanda on the occasion of the closing ceremony of the Olympic Games. Focused on high-level visits and collaboration in education, tourism, and civil aviation.	Political level		
After Prachanda's resignation (from 2009 to 2011)	Unfavourable	✓	✓	Economic investment	Bilateral Diplomacy	Investment in training program for Nepal's security forces	Political level		
After Nepali President Rambaran Yadav's visit to China(2011-2014)	Favourable	✓	✓	Economic investment and aid	Bilateral Diplomacy, Media networks, Educational diplomacy	Reinforced development projects in Nepal, expressed anticipation for Nepal's political stability, and focused on education and cultural cooperation.	Political and People's level		
During earthquake	Favourable	✓	✓	Economic aid and	Bilateral diplomacy,	Provided aid and investments for reconstruction and promoted interest in	Political and people's level,		

in 2015				investment	Media Network	Nepal by putting the logo on the jerseys of rescue teams.	became reliable friend in need		
Promulgation of new constitution in 2015	Favourable		✓		Bilateral diplomacy	Welcomed Nepal's new constitution.	Strengthened image at Political and people's level.		
During Oli's visit in 2016	Favourable	✓	✓	Economic aid and investment	Bilateral diplomacy	Promised to invest in several sectors, such as road, transport, and trade. Signed agreements and MOUs to improve trade and transport, enhance financial cooperation, and develop an international airport in Pokhara. In addition, Nepal signed the Free Trade Agreement and promised to promote Nepal's multilateral platforms like SCO to increase coordination and cooperation.	China became more influential at Political and people's level.		
Prachanda's second tenure (2016)	Unfavourable		✓		Media, bilateral diplomacy	Criticised Prachanda's visit to India, cancelled President Xi Jinping's Nepal visit, and considered Prachanda's visit during the Boago summit as 'unofficial.'			✓
Joint military exercise (2017)	Unfavourable		✓		Bilateral diplomacy	China conducted first-ever joint military exercise with Nepal.	Political level		
Merger of CPN-MC and CPN-UML (2018)	Favourable		✓		Bilateral diplomacy	Welcomed and appreciated the Merger.	Political level (Started micromanaging internal affairs of Nepal)		

President Xi Jinping's Nepal visit (2019)	Favourable	✓	✓	Economic aid.	Bilateral diplomacy, Public Diplomacy	Provided economic assistance of 6 billion rupees to support Nepal's development. Met with political leaders of different parties. Emphasised on China-Nepal people-to-people relations.	Best ever relations at political and people's level		
Internal dispute in ruling party-NCP(2020)	Favourable		✓		Bilateral diplomacy	Meeting with NCP and other parties' leaders to control the damage and safeguard Oli's government in Nepal.		'Unanticipated outcomes for China, Nepali political leaders and people perceived China's behavior as micromanaging Nepal's internal affairs.	
Post-2020 contexts	Unfavourable	✓	✓	Economic investment	Bilateral diplomacy	China has sought to foster a favourable environment in Nepal by balancing command and co-opive strategies. On one hand, China is expanding its influence through various development projects, while on the other; it has established networks to engage with a broad spectrum of Nepali political leaders and ordinary people.			✓

Endnotes

ⁱ Through this behaviour, the political leaders attempt to create ‘favourable’ (political) environment to fulfill respective national interests/ objective.

ⁱⁱ Nepal’s government abolished monarchy and adopted republican democracy.

ⁱⁱⁱ Nepali Prime Minister Prachanda considered this visit as an ‘unofficial’

^{iv} The coalition partner, Nepali Congress, had good relations with India. Therefore, the Chinese leadership perceived that Nepali Congress would maintain ‘pro-Indian’ tilt.

^v This objective continued to remain a priority during twelve high-level delegations’ visits to Nepal, throughout the year (from 2008 to 2009). In addition, after 2008, China initiated Track-II diplomacy with Nepal and invited Nepali scholars to undertake visits to Chinese think tanks. Amish Raj Mulmi (2021), *All Road Lead North: Nepal Turn to China*. Noida, Westland Publications, p. 182.

^{vi} The Arniko Highway was constructed in the mid-1960s to provide the shortest link between Kathmandu and the border point at Kodari.

^{vii} This 82-km highway is a strategic road connecting Nepal and China.

^{viii} This exercise took place in Kathmandu.

^{ix} Majority of Nepali population lacked any idea of leaders in China, including Chinese President Xi Jinping. Based on Personal communication with Kamal Dev Bhattarai, in May 2023.

^x The agreement provisioned that, as mentioned earlier, Oli and Prachanda would take turns being prime ministers, each serving for two and a half years.

^{xi} Guo Yezhou had played a pivotal role in uniting the CPN-MC and CPN-UML in 2018.

^{xii} Meanwhile, the Supreme Court of Nepal invalidated the merger between CPN-MC and CPN-UML, return the parties back to their pre-merger status. Tika R Pradhan (8 March 2021) in *The (NCP) party’s over*, The Kathmandu Post. <https://kathmandupost.com/politics/2021/03/08/the-ncp-party-s-over>

^{xiii} However, the Chinese leaders are still more comfortable dealing with Nepali Communist leaders. This resulted in relatively fewer visits by leaders from the Nepali Congress (NC) in comparison to those from communist parties. Personal communication with Shreekrishna Gautam 12 May 2023.

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