

Public Opinion and Implications of Nepal's Involvement in Hydropower Cooperation with India

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Abstract

As two neighboring but power-divided countries, Nepal and India not only have deep historical ties but also have experienced many fluctuations in the development of bilateral relations. The water issue has always been one of the sensitive factors affecting the bilateral relationship between Nepal and India. In recent years, with the increase in Nepal's power generation capacity and India's focus on energy issues, hydropower has gradually become an important and controversial area of cooperation between the two countries. India's use of Nepal's hydropower as a tool for strategic competition with China and its attempts to increase its control over Nepal's hydropower has also sparked multiple discussions in Nepal.

Keywords: Nepal, India, hydropower cooperation

1. Introduction

Hydropower has long been considered a priority sector for Nepal's economic and social transformation. However, on the one hand, Nepal's hydropower sector has been slow to develop due to historical, political, and economic factors, while on the other hand, India has been playing an important role in Nepal's hydropower sector. Even though hydropower cooperation has become an important element of bilateral cooperation between Nepal and India, there is still a lot of controversy in it. The issue of hydropower, and indeed water, has developed into a central yet sensitive topic for both countries. In recent years, Nepal's domestic interest in hydropower development has been growing daily as its hydropower development capacity has increased and its domestic demand has grown. At the same time, India's attempt to increase its control over Nepal's hydropower by using it as a tool for strategic competition with China has triggered multiple discussions within the country.

Based on this, this paper focuses on the comments of Nepalese mainstream media and think tanks on hydropower cooperation with India in recent years, describes their main views, and analyses the reasons for the formation of their main views and their impacts, to gain an in-depth understanding of the issue of Nepal-India hydropower cooperation, which will, in turn, inspire the construction of a framework for China-Nepal hydropower cooperation.

2. Public Opinion in Nepal on the Issue of Hydropower Cooperation with India

In recent years, there has been a growing discussion in Nepal on the issue of Nepal-India hydropower cooperation. The topic has expanded from the initial economic benefits to many levels such as politics and development. The commentators of Nepalese think tanks and mainstream media are mainly composed of former officials and policy academics, whose comments are not only typical and to a certain extent represent the future direction of Nepal's national policy, but also often become a tool for Nepalese parties to attack each other. It is of great significance in grasping the dynamics of Nepal's internal affairs, and then observing the trend of its internal affairs' influence on diplomacy. Regarding the Nepal-India hydropower cooperation, Nepalese mainstream

media and think tanks mainly hold the following five views.

2.1 Emphasising Economic Benefits and Questioning Indian Motives

Economic benefits have long been a central concern of Nepal in the hydropower sector. Whether hydropower cooperation with India is truly beneficial to Nepal's economy has been a key area of discussion among Nepalese academics. In this regard, some Nepali experts are of the view that hydropower cooperation with India will not only help increase Nepal's foreign exchange savings but also help reduce Nepal's trade deficit with India. According to Sunil KC, founder of Nepal's Asian Institute of Diplomacy and International Affairs (AIDIA), 'In terms of complementary regional advantages, joint hydropower development, and power trade, by exporting power to India, Nepal will reduce the widening trade deficit between Nepal and India.' He also emphasized that Nepal-India hydropower cooperation 'will strengthen Nepal's economic partnership with India and faster realization of Nepal's development aspirations by earning Indian rupees from hydropower trade.'¹

However, more Nepali scholars believe that Nepal-India hydropower cooperation has done little to advance Nepal's economic development. On the one hand, some Nepali scholars have questioned India's motives and refuted, in the light of history and reality, that power cooperation with India often fails to achieve the desired economic results. According to Sirish Paudel, a scholar of Nepal's international relations, 'There is a general perception among the Nepali public that India's real interest lies in utilizing Nepal's water sources to ensure water supply, rather than Nepal's hydropower resources'². Dipak Gyawali, Senior Visiting Fellow at the Nepal Academy of Science and Technology (NAST) and former Minister of Water Resources, on the other hand, said that the signing of hydropower agreements between India and Nepal does not ensure that the projects will be developed. This has been going on for years.³ On the other hand, some experts have pointed out that although Nepal and India have agreed on a power deal, there are multiple 'loopholes' in the deal, which prevent Nepal from enhancing its hydropower competitiveness. Energy expert Dipendra Bhattarai, a researcher at the South Asian Network for Development and Environmental Economics (SANDEE), a think tank in Nepal, has said that even if Nepal and India reach a power cooperation agreement, Nepal's hydropower is 'unattractive' to the regional market. This is because the cost of power generation in Nepal is higher than in India, and 'the future of regional power and regulatory mechanisms is not clear.'⁴ In his opinion piece, 'Behind the Big Nepal-India Power Deal,' economist Bishal Thapa, former vice president of Nepal's Energy Development Board, points out that the provisions on hydropower pricing in the recent Nepal-India Long Term Power Trade Agreement⁵.

2.2 Focusing on Self-Construction and Prioritizing 'Domestic' Development

Nepal's official media and serving government officials have largely prioritized 'outreach to India', i.e., hydropower cooperation with India, as a priority for Nepal's hydropower development. In this context. The advantages of adhering to the 'outreach type of development' are nothing more than market development, foreign exchange earnings, use of surplus power, and so on. It is worth noting that, with the improvement of Nepal's power generation capacity and the enhancement of the sense of strategic autonomy, the priority to meet domestic demand and pay attention to their construction of the domestic type of hydropower development path also triggered a heated discussion in Nepal. At the same time, rising oil prices caused by the Russian-Ukrainian conflict have posed a real challenge to Nepal's original energy mix, while also forcing the country to accelerate its development of alternative sources of energy, such as hydropower.

Regarding the 'domestic demand' approach to hydropower development, Bishal Silwal, Professor of Engineering at Kathmandu University, emphasizes that the focus of hydropower development in Nepal is not on trade with India, but on reducing losses by improving power infrastructure. 'At the current rate, if Nepal does not lay transmission lines in time, Nepal will lose Rs 120 million and Rs 170 million of electricity per day in winter and monsoon seasons, respectively, in 2025,' he warned⁶. Ramesh Bhushal, a veteran Nepali journalist and commentator, says that constrained by its dependence on India for fossil fuel supplies, Nepal 'needs to prioritize

¹ Sunil KC, (2023). Nepal-India Energy Cooperation-on the Eve of PM Dahal's India Visit. <https://www.vifindia.org/2023/april/19/nepal-india-energy-cooperation-on-the-eve-of-pm-dahals-india-visit>.

² Sirish Paudel, (2023). Geopolitics of Nepal's Hydropower: Has India Outmaneuvered China? <https://moderndiplomacy.eu/2023/12/10/geopolitics-of-nepals-hydropower-has-india-outmaneuvered-china/>

³ Dipak Gyawali, Ramesh Bhushal, (2022). Indian developers replace Chinese on some of Nepal's largest hydro projects. <https://www.thethirdpole.net/en/regional-cooperation/indian-developers-replace-chinese-some-of-nepals-largest-hydropower-projects/>

⁴ Dipendra Bhattarai, (2019). Who will buy Nepal's hydropower? <https://english.onlinekhabar.com/who-will-buy-nepals-hydropower.html>.

⁵ Bishal Thapa, (2024). Behind the mega electricity deal; the agreement does not change the fact that Nepalese hydropower will find it difficult to compete in the Indian power market. <https://kathmandupost.com/columns/2024/01/25/behind-the-mega-electricity-deal>.

⁶ Bishal Silwal, Dwarika Nath Dhungel, Sonia Awale, (2023). Balance of Power. <https://nepalitimes.com/news/balance-of-power>.

domestic power consumption more than exports and use power as an alternative to oil for transport, industry, and household electrification as a way of enriching the energy mix and reducing'.¹ Dwarika Nath Dhungel, a senior political economist and former energy minister of Nepal, analyses the Nepal-India hydropower issue from the perspective of power surpluses, stating that 'exporting power should be the "end of the line" in Nepal's power list'. 'The demand for electricity in Nepal is grossly underestimated'. Nepal's power demand is grossly underestimated, and during the winter season, Nepal needs to first try to replace its power imports from India with its own power surpluses². In addition, Surya Nath Upadhyay, Visiting Professor at Pokhara University in Nepal, Secretary General of the NGO Initiative for Water Development in Nepal (JVS), and former Chairperson of the Commission for Investigation of Abuse of Authority (CIAA), looks at the significance of a strong and vibrant domestic power market in Nepal for the cooperation of Nepal-India hydropower and argues that 'Nepal's biggest problem is that it lacks a specific perspective on hydropower, and if Nepal makes full use of its domestic resources and has a strong domestic market, its bargaining power in dealing with India on water utilization is bound to be greatly enhanced'³.

2.3 Avoidance of Key Issues and Vaguely Worded Solutions

The development of hydropower in Nepal is not only an important concern of China's 'Belt and Road' initiative but also a key issue in India's strategy towards Nepal for a long time. With India stepping up its strategic game against China in South Asia, India sees Nepal's hydropower as a strategic product, and the tendency to use Nepal's hydropower to counter China in its hydropower cooperation with Nepal is becoming more and more prominent. In 2021, India set up restrictive clauses in the 'Norms for Approval of Specified Entities and Facilitation of Export and Import of Electricity,' stipulating that 'India prohibits investment from power generation projects in neighboring countries that have a land border with India.'⁴ Although the clause does not explicitly name specific countries, it is widely believed by national strategists that it is intended to put pressure on Nepal and curb Sino-Nepalese power cooperation. Public opinion in Nepal is generally critical of India's move, but its response strategy is often vague and evasive.

On one hand, there exists a sober perception among experts and scholars in Nepal about India's restrictive power import and export clauses. Sisir Bhandari, a researcher at the Nepal Institute of Policy Research (NIPoRe), has argued that India's restrictive clauses in Nepal-India hydropower cooperation are indicative of the geopolitical 'great power rivalry' that has engulfed the countries of South Asia in terms of regional co-operation, stabilization, and investment. 'Given China's rising influence in South Asia, India's political considerations in decision-making on energy co-operation and power deals are increasing'⁵. A Nepali policy expert writing in Nepali Times said, 'India's policy of importing hydropower from Nepal will not only hamper India's strategic objective, i.e., China's future investment in Nepal, but also other investors. It will also unbalance Nepal's policy of 'balanced diplomacy' between India and China'.

On the other hand, Nepalese think-tank experts still deliberately avoid the restrictive clauses set by India against China and compromise with India. There is a certain ambiguity in the lack of a concrete strategy to solve the problem, even looking to India. Ganesh Karki, chairman of the Independent Power Producers Association of Nepal (IPPAN), said, 'Nepal has to make it clear that it will be difficult to get Chinese investment in Nepal's hydropower projects because of India's position'. The Nepalese government should lobby India to remove this obstacle⁶. Puspaa Sharma, director of research at the South Asia Watch on Trade, Economics, and Environment (SAWTEE), a Nepalese think tank, argues that while India is reluctant to import electricity from Nepal produced by Chinese investments or hydropower projects constructed by Chinese companies, India may ease its restrictive measures against China to some extent. 'Whether such 'relaxation' is implemented may be the key factor in the

¹ Dinesh Bhattarai, Dipak Gyawali, Ramesh Bhushal, (2022). The geopolitics of Nepal's water and electricity. <https://nepalitimes.com/here-now/the-geopolitics-of-nepal-s-water-and-electricity>.

² Bishal Silwal, Dwarika Nath Dhungel, Sonia Awale, (2023). Balance of Power. <https://nepalitimes.com/news/balance-of-power>.

³ Surya Nath Upadhyay, Prithvi Man Shrestha, (2023). Can Nepal harness its huge hydropower potential? <https://asianews.network/can-nepal-harness-its-huge-hydropower-potential/>

⁴ Ministry of Power, Govt. of India, (2021). Procedure for Approval and Facilitating Import/Export (Cross Border) of Electricity by Designed Authority. https://cea.nic.in/wp-content/uploads/2021/02/Final_DA_Procedure_26022021.pdf.

⁵ Sisir Bhandari, (2023). South Asia, hydropower and regional integration. <https://kathmandupost.com/columns/2023/12/31/south-asia-hydropower-and-regional-integration>.

⁶ Ganesh Karki, Ramesh Bhushal, (2022). The geopolitics of Nepal's water and electricity. <https://nepalitimes.com/here-now/the-geopolitics-of-nepal-s-water-and-electricity>.

success or failure of the Nepal-India LTA'¹. Dinesh Ghimire, a former member of the Nepal Council of the SAARC Energy Centre and Nepal's former Minister of Water Resources, Energy, and Irrigation, was also positive about the change in India's power policy, stating that at the moment, India is not ready to buy hydropower from Nepal with Chinese participation but the country may reconsider its position in the future. He also politely stated that 'Nepal should not follow India's example of "power deals" with other countries, let alone blocking investment from China, South Korea or any country'.²

2.4 Coexistence of Passivity and Autonomy, and Wavering Strategic Orientation

Some scholars insist on the 'strategic reluctance theory' of the impact of Nepal-India power cooperation on Nepal's strategic autonomy. According to these scholars, Nepal's acquiescence to India's geopolitical gamesmanship through restrictive clauses in the hydropower sector is a form of helplessness. According to Rabindra Ghimire, a senior business journalist, and commentator on Nepalese economics, Nepal and China have yet to complete a cross-border international transmission line, even though Nepalese Prime Minister Prachanda mentioned several times during his visit to China in September 2023 that he hoped to sign a long-term power deal with China. Meanwhile, although Nepal and Bangladesh have agreed on power cooperation, the Nepal-Bangladesh power cooperation has to be agreed by India as Nepal has to transmit power to Bangladesh through India. Thus, even if India sees Nepal's electricity as a geopolitical product, India remains 'the only convenient market'³ for Nepal to trade in electricity. Hari Bansh Jha, Executive Director of the Centre for Economic and Technological Studies (CETS), Kathmandu, Nepal, said, 'Nepal is fully aware that it is difficult for Nepal to adequately develop its hydropower sector on its own without India's support'.⁴

In contrast, some discussants in Nepal are inclined to the 'strategic bargaining chip theory', affirming that Nepal should give full play to its strategic initiative and seek more opportunities to 'bargain' with India and China in areas of cooperation such as hydropower, on the basis of fully exploring the strategic needs of its neighbors. The first is to seek more opportunities to 'bargain' with India and China in areas of cooperation such as hydropower. Dwarika Nath Dhungel, a senior political economist and former energy minister of Nepal, points out that while it is not possible to change one's neighbors, 'Nepal can better understand the aspirations of its neighbors so that it has more leverage in dealing with them'. Nihar R. Nayak, a researcher at the Nepal Institute for International Cooperation and Engagement (NIICE), highlights that in the long run, Nepal-India energy cooperation has gradually shifted from Nepal's one-way dependence on India to interdependence. Nepal's hydropower is critical for India to realize its climate change commitments and green development vision. 'Nepal-India hydropower co-operation will be forward-looking and mutually beneficial if both countries are willing to address their respective sensitivities in bilateral matters without being influenced by regional issues and third countries'⁵.

2.5 Linking Domestic and Foreign Affairs to Accuse the Government of Governance

Comments on the governance of the ruling party in Nepal are often interspersed with comments on Nepal's hydropower cooperation with India. These comments often link the diplomatic issue of hydropower cooperation with the domestic issue, accusing the Nepalese authorities of using hydropower cooperation as a tool to show favoritism to India in disregard of national interest and law and order. For one thing, Dinesh Bhattarai, a foreign affairs expert, and researcher at the Institute of Crisis Management Studies (ICMS) at Tribhuvan University in Kathmandu, cites the repeated changes of contractors for hydropower projects, such as the Siseti project, among the different governments in Nepal, as an example of the discontinuity of Nepal's approach to governance and its impact on the Indo-Nepal hydropower co-operation. He has publicly stated that 'it is diplomatically immature for Nepal's rulers to repeatedly undo the decisions of the previous government every time there is a change of power'⁶. Chandra Kishore, a columnist for The Nepali Times, argues that even if there is a change of

¹ Puspa Sharma, (2024). Long-term Power Purchase Agreement: A Win-win Deal for Nepal and India. <https://www.isas.nus.edu.sg/papers/long-term-power-purchase-agreement-a-win-win-deal-for-nepal-and-india/>

² Dinesh Ghimire, (2024). Nepal's hydroelectricity is vital for India's energy mix. <https://kathmandupost.com/interviews/2024/01/08/nepal-s-hydroelectricity-is-vital-for-india-s-energy-mix>.

³ Rabindra Ghimire, (2022). Foreigners hold more than 6,000 megawatts of hydropower hostage, and Nepal is clueless about the project completion. <https://english.onlinekhabar.com/nepal-hydropower-hostage-foreigners.html>.

⁴ Hari Bansh Jha, (2023). Nepal: An emerging power centre in South Asia. <https://www.orfonline.org/expert-speak/nepal-an-emerging-power-centre-in-south-asia?>.

⁵ Nihar R. Nayak, (2023). India-Nepal Hydro-energy Collaboration: Contemporary Challenges and Negotiations. <https://niice.org.np/archives/8877>.

⁶ Dinesh Bhattarai, Dipak Gyawali, Ramesh Bhushal, (2022). The geopolitics of Nepal's water and electricity. <https://nepalitimes.com/here-now/the-geopolitics-of-nepal-s-water-and-electricity>.

government, the Nepalese government needs to consider the other implications of hydropower cooperation with India. Instead, it should be 'busy dealing with India and discussing how to stay in power'¹. In addition to this, Nepal's perception of India has remained stagnant for five decades, according to Jagdish Pokharel, former vice-chairman of Nepal's National Planning Commission (NPC), speaking at a seminar jointly organized by Nepali think tanks the Institute of Strategic and Socio-Economic Research (ISSR) and the South Asia Watch on Trade, Economy and Environment (SAWTEE). The 'outdated paradigm' of Nepal's international administration has prevented any substantial policy shift in the Nepal-India economic sector, including hydropower cooperation².

Besides, on the legality and transparency of hydropower cooperation with India, Dipak Gyawali, Senior Visiting Fellow at the Nepal Academy of Science and Technology (NAST) and former Minister of Water Resources, has stated that 'Nepal is using hydropower for geopolitical games, in defiance of the Constitution and existing laws'³. Some Nepali water experts have emphasized that Nepal should consider the importance of competition and water efficiency in handing over hydropower projects to Indian companies. They argued that handing over the project without competition could lead to India using legal loopholes to circumvent Nepal's Public Private Partnership Act and Investment Act and eventually monopolize Nepal's power and water resources. According to Prithvi Man Shrestha, a senior journalist and political commentator for Nepal's Kathmandu Post, 'there are legal challenges to the recently signed long-term power trade agreement between Nepal and India, which goes against Nepal's national interest and enables India to exploit Nepal's water resources in an unreasonable manner'⁴.

3. Characteristics and Causes of Nepalese Public Opinion on Hydropower Cooperation with India

In contrast to the positive narrative of the official Nepalese media in its foreign propaganda coverage, Nepalese domestic experts, scholars, and current affairs commentators have been more objective in their approach to Nepal-India hydropower cooperation. They focus on revealing the shortcomings of Nepal-India cooperation in their relevant commentaries, as well as considering their own economic development and the need to balance China and India politically. Not only does it have a distinctive feature, but behind it lies historical, political, economic, cultural, and other multiple incentives.

3.1 Characteristics of Nepalese Public Opinion on Hydropower Cooperation with India

In the first place, cooperation is viewed in a dialectical manner, critical but not 'tough'. From the comments of think tanks, media, and former officials in Nepal, it is clear that its skepticism towards India on hydropower issues has increased rather than decreased. In the context in which it is written, Nepal tends to argue that hydropower cooperation with India, while ostensibly having a 'positive impact' on both countries, is more 'lip service' than reality. In this regard, Nepal has focused on exposing the false narrative of Nepal-India hydropower cooperation from multiple perspectives, both historical and practical. On the one hand, historically, India's commitments to Nepal's hydropower projects have often been difficult to fulfill. Cases abound where India's failure to invest additional funds in a timely manner has led to stalled projects and compromised labor rights. On the other hand, from a practical point of view, Nepal believes that India is not only using hydropower cooperation to hide its real intention of ensuring water supply but also that the strategic benefits of Nepal-India hydropower cooperation are higher than the economic benefits for India. The actual implementation of hydropower trade, such as the Nepal-India 10,000 MW power deal agreement, is fraught with uncertainty due to economic, legal, and strategic considerations. However, these revelations tend to be limited to criticism, and there are some concerns about the lack of tough solutions to the issues.

In another, the urgent need for 'self-improvement' for 'change' has been emphasized. Nepal is the largest recipient of foreign aid per capita in South Asia.⁵ Since the 1950s, many countries represented by the United States and India have joined the ranks of assistance to Nepal. Among them, hydropower, as a key industry in Nepal's energy sector, naturally became a favored target of foreign aid. However, the increase in foreign aid has

¹ Chandra Kishore, (2023). India, Nepal ignore climate crisis in river talks. <https://nepalitimes.com/here-now/india-nepal-ignore-climate-crisis-in-river-talks>.

² Jagdish Pokharel, Raj Kishore Yadav, Rabi Shankar Sainju R abindra Pandey, (2024). Economic Diplomacy: Call for a Paradigm Shift in Nepal's Perception of India. <https://english.khabarhub.com/2024/07/334356/>

³ Dinesh Bhattarai, Dipak Gyawali, Ramesh Bhushal, (2022). The geopolitics of Nepal's water and electricity'. <https://nepalitimes.com/here-now/the-geopolitics-of-nepal-s-water-and-electricity>.

⁴ Prithvi Man Shrestha, (2024). Electricity trade deal with India divides stakeholders in Nepal. <https://kathmandupost.com/national/2024/02/04/electricity-trade-deal-with-india-divides-stakeholders-in-nepal>.

⁵ Wang Yanfen, (2022). The Adverse Effects of Foreign Aid on Nepalese Society and Its Causes. *Journal of Capital Normal University (Social Science Edition)*, (06), 23-32.

not only exacerbated the vulnerability of Nepal's economy and brought about problems such as corruption and increased debt burden but has also made foreign aid a means of interference in Nepal's internal affairs by donor countries, mainly India, to achieve their political objectives. As a result, Nepalese experts are focusing on 'self-improvement', emphasizing the importance of strengthening the domestic hydropower sector to break its dependence on India. At the economic level, Nepal needs to expand its domestic demand based on improving its energy structure and promoting the hydropower industry to benefit the domestic population rather than exporting to the outside world. At the strategic level, Nepal should make full use of the political space opened up by India's hydropower game with China to gain more bargaining chips. At the domestic level, Nepal needs to reshape its perception of India, develop a coherent strategy for long-term hydropower development, and ensure fair competition and legitimacy in the hydropower sector. At the same time, it should endeavor to avoid any change of government that might hinder hydropower development.

What's more, balancing the ambivalence of China and India. First, Nepal's attitude towards India's hydropower cooperation highlights the 'bias' in its political orientation towards India. Some commentators have been blinded by an obsession with defending India, deliberately avoiding the problems of Nepal-India hydropower cooperation and touting its advantages. Moreover, Nepal's attitude towards India's use of the hydropower cooperation agreement to force Nepal to 'choose sides' between China and India is 'pragmatic'. Observation of Nepal's domestic experts and scholars of the relevant position can be seen, in the hydropower cooperation, Nepal neither want to explicitly 'offend' India, also does not want to be too 'distant' from China. Nepal's former joint secretary of the Ministry of Energy Praveen Raj Aryal (Praveen Raj Aryal) pointed out that the geopolitical influence on Nepal's hydropower industry enhances the reflection of India's increased influence. However, 'Nepal should avoid creating a monopoly situation by balancing China and India for more benefits'¹. At the same time, Nepal's attitude of criticizing India's differential power purchase policy on one side and expecting India to change its strategy to facilitate China-Nepal power cooperation on the other side in its comments also reflects its complex mindset of balancing China and India and having illusions about India.

3.2 Causes of Nepalese Public Opinion on Hydropower Cooperation with India

Firstly, India's historical hegemony over Nepal's water resources has led to a lack of trust factor in Nepal's hydropower cooperation with India. As an upstream country of India, as early as 1920 during the British-Indian colonial period, the British Indian government had already noticed the great value of Nepal's water resources for India's economic and social development. However, at this time, Nepal neither fully recognized the potential benefits of water development nor paid enough attention to it. As a result, Nepal signed the 1920 Sardar Treaty with India and allowed the British Indian government to plan and design several water projects in Nepal around 1930, in 1945, the British government stated in a secret memorandum that it would be profitable for India to build water facilities for hydroelectricity generation in Nepal at no cost to itself.² Nepal's focus on water resource development increased after the 1950s. However, India's hegemony and control over Nepal's water resources continued unabated after it inherited the prerogatives of the British Indian government in Nepal through the Nepal-India Treaty of Peace and Friendship signed in 1950. In this context, Nepal accepted the Koshi River Treaty and the Gandaki River Treaty proposed by India in 1954 and 1959 respectively. India's absolute control over the hydropower development and other functions of the two rivers and the biased distribution of benefits in these treaties not only triggered a debate on the fairness of the treaties but also raised multiple suspicions in Nepal, which were further deepened by the 1960s-80s disputes between Nepal and India over various hydropower development projects and the 1990s dealings between Nepal and India over the Mahakali Treaty. The discontent from the Nepalese side has been loud and clear³. Although in the 21st century, India has gradually put the focus of Nepal-India hydropower cooperation on consolidating its regional 'leadership role' and playing a game with China, historical factors and concerns about India's geopolitical strategy at the expense of Nepal's hydropower development have further fuelled Nepal's skepticism about India-India hydropower co-operation.

Secondly, economic dependence and constraints on India have made Nepal less confident in exploring bilateral power cooperation between Nepal and India. Geographically, India is an important gateway for Nepal's cross-border trade and international transport. As Nepal is landlocked, its third-country trade needs to be routed through India, and trade commodities are mainly transshipped through Indian ports. At the same time, India is also Nepal's expansion of the South Asian power trading market, especially to achieve hydropower cooperation

¹ Praveen Raj Aryal, (2023). With India eyeing hydropower projects in Nepal, it is important for Nepal to set goals and boundaries. <https://english.onlinekhabar.com/hydropower-projects-nepal-india.html>.

² Dipak Gyawali, (2000). *Nepal-Indian Water Resource Relations*. Power and Negotiation, William Zartman & Jeffrey Rubin, eds Michigan: The University of Michigan Press, p. 136.

³ Li Min, (2011). The Origins of Nepal-India Water Dispute and Prospects for Cooperation. *South Asian Studies*, (04), 80-92.

with Bangladesh must pass through. Structurally, India occupies a large proportion of Nepal's economic and trade structure. India is not only Nepal's largest trading partner, the largest tourist arrivals, the largest foreign direct investment, and one of Nepal's five top ODA recipients, but also provides most of Nepal's fuel and household goods.¹ Nepal also relies heavily on Indian imports for oil. In terms of risk, India's habitual use of economic sanctions against Nepal to achieve its political objectives has greatly exacerbated the sensitivity and vulnerability of Nepal's economy. India imposed an economic embargo on Nepal in 1989 and 2015, and the Nepalese economy suffered heavily as a result. Thus, even though Nepal has been taking steps to gain greater autonomy in the Indo-Nepalese water relationship since the 1960s, geographic connectivity, and economic dependence have forced the Nepalese discursive narrative to take into account India's attitudes as it seeks its path of development.

Thirdly, the dynamic shift in Nepal's internal partisan struggle and its external strategy of 'balanced diplomacy' has shaped Nepal's wavering mentality towards India's hydropower cooperation. For one thing, because of the close linkage between Nepal-India hydropower relations and Nepal's internal affairs, coupled with India's frequent interference in Nepal's internal affairs, the discussion of hydropower cooperation with India has gradually become a tool for Nepal's political parties to seize power and fall out with each other, to a certain extent detached from the essence of safeguarding the interests of the country. Nepal's ruling party sees India's support as an important part of consolidating its ruling base, and for this reason, favors compromise with India on issues such as hydropower. In contrast, Nepal's opposition parties have often targeted the government's hydropower policy, which has led to political turmoil in the country on several occasions. The opposing attitudes of Nepal's domestic political parties to this issue have extended to Nepal's strategic and theoretical circles, resulting in partisan disputes that make it difficult to form a unified response, which in turn hinders the formation of a systematic hydropower development strategy in Nepal. Second, Nepal has only two neighbors, China and India. Balancing China and India has always been regarded as a key point in Nepal's foreign policy for the sake of security and maximizing its interests, and Nepal started to explore the strategy of 'balanced diplomacy' between China and India after establishing diplomatic relations with China in 1955. To date, Nepal has close ties with China and India in many areas, including politics, trade and commerce, and connectivity, and the status of China and India in Nepal's foreign strategy has been increasing. Nonetheless, Nepal's neutrality policy has been characterized by limited neutrality due to the legacy of the historical special relationship between Nepal and India, as well as Nepal's security considerations on the Nepal-India open border². And its policy orientation has sometimes deviated towards India and sometimes moved closer to China. It can be said that Nepal's pursuit of the strategy of 'balanced diplomacy' over the years and the dynamic shift of its policy have laid the political foundation for its ambiguous stance on the issue of hydropower cooperation with India and its wavering strategy.

Fourthly, the common Hindu culture has contributed to Nepal's avoidance of the issue of hydropower cooperation with India. Hinduism is a common religious belief between Nepal and India. The introduction of Hinduism and the arrival of a large number of Hindus around the 8th century B.C. facilitated the spread and prosperity of Hinduism in Nepal, and in 1769, under the impetus of the then King of Nepal, Prithvi Narayan Shah, Hinduism became the national religion of Nepal and was gradually accepted by the Nepalese people. At present, according to statistics, the number of people who believe in Hinduism in Nepal accounts for about 90 percent of the country's total population.³ Under the potential influence of common religious beliefs, Nepal, out of its religious sentiment, has a certain inclination towards India when considering various issues. This also induces some Nepalese experts and scholars to defend India in the process of discussing the Nepal-India hydropower cooperation, trying to avoid the problems and create 'false prosperity'.

4. Conclusion

Shambhu Ram Simkhada, former Permanent Representative of Nepal to the United Nations and Ambassador to Switzerland, in his interpretation of Nepal-India relations, has pointed out that sovereignty, access to resources (water), and security are the three major dilemmas that need to be understood and resolved in Nepal-India relations.⁴ Instead of accepting India's attempts at controlling Nepal's hydropower and its instrumentalizing

¹ Liu Xingjun, (2021). India's Modi Government's Economic Diplomacy and Implications for Nepal. *Journal of Tibet University for Nationalities (Philosophy and Social Science Edition)*, 42(03), 78-85+156.

² Huang Zhengduo, (2019). Nepal's foreign policy and our strategic choice under geopolitical considerations. *South Asian Studies Quarterly*, (03), 25-31+79+4-5.

³ Du Qing, (2021). From 'Followership' to 'Balance': The Causes and Implications of Nepal's Foreign Policy Shift. Peking University.

⁴ Shambhu Ram Simkhada, (2024). Nepal-India Relations: Search for a New Paradigm. <https://myrepublica.nagariknetwork.com/news/nepal-india-relations-search-for-a-new-paradigm/>

tendencies in a passive manner, Nepal is gradually realizing the many problems involved and is addressing them from the perspectives of economic efficiency, strategic objectives, etc. economic benefits, strategic objectives, etc., and condemns them. However, it should be noted that the historical legacy of the 'special relationship' between Nepal and India, security and economic concerns about India, and common religious sentiments have made it difficult for Nepal to forcefully respond to the problems of hydropower cooperation with India, and it is temporarily unable to completely disengage from the corresponding restrictions imposed by India on hydropower, which has had a certain negative impact on Sino-Nepalese hydropower co-operation. This will have a certain negative impact on China-Nepal hydropower cooperation. Therefore, China should, on the one hand, use public opinion as a means to meet Nepal's domestic development needs and show its willingness to cooperate peacefully with Nepal; on the other hand, it should also effectively promote the implementation of existing Sino-Nepalese hydropower co-operation to avoid the problems arising from Nepal-India hydropower co-operation, and at the same time improve the strategic layout in the bilateral and regional contexts, to broaden the space for future development of Sino-Nepalese electricity co-operation and to build up the framework of Sino-Nepalese hydropower co-operation, which will open up a new way.

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