

Trapped between Dragon and the Elephant: Game Theory and Options for Nepal's Foreign Policy

Key Words: *Pak-China-Nepal, Sri Lanka-China-Myanmar, Pak-China-Myanmar, Pak-Sri Lanka-China, Indo-Nepal Relation*

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Game Theory is essentially a mathematical concept which has been widely used in social sciences to understand the behavior of individuals, companies and social groups. Game Theory is utilized to understand which foreign policy option offers the maximum gain for a particular country in a given situation. The case study of Nepal offers a unique opportunity to study how a smaller country stuck between two giant neighbors can maximize its gains via its foreign policy by using the tools of Game Theory. On the one hand Nepal is strategically, culturally and historically closer to India, on the other China has been making massive investments in the country. India is deeply perturbed by Chinese inroads in Nepal. Realist paradigm of International Relations theory is employed for understanding the compulsions behind the Nepal foreign policy in the historical context. This paper concludes that Political Economy perspective suggests that Nepal should first strive for political and economic stability. Only then Nepal can adopt a creative foreign policy. This paper also makes a suggestion that Nepal should align itself with India while taking full economic advantage of the prosperity of both its neighbors.

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Game Theory and Realist Paradigm in International Relations

Game Theory and Realist paradigm of International Relations essentially share the same assumptions. Game Theory, as a matter of fact, is based upon Realist Theory of International Relations. Instead of getting into various competing and complementing arrays of Realism like Neo-Realism, Offensive Realism and Defensive Realism, the fundamental principles of Realism remain simple. Ganguly and Hagerty (2005)¹ have summarized its core assumptions, emphasizing five principles. First, the state is the main actor in international politics. Second, the pattern of relations among states is the most important determinant of the character of International Relations. Third, the international system is anarchic. Fourth, power is the most important variable in relations between states. Fifth, when forced to choose between power and norms, states tend to choose power.

Game Theory is basically a mathematical concept that has been extensively applied in Economics, Political Science and International Relations, Philosophy, Psychology and even in Biology. Mathematician John von Neumann is credited with espousing fundamental concepts of Game Theory in his paper, published in 1928 and in his famous book *Theory of Games and Economic Behavior*, published in 1944. Game Theorists mostly take the examples of games like chess and poker. Games can be both cooperative and non-cooperative. In Game Theory, states are treated as players in game. There are many similarities in a game and strategic interactions among states. As a player wants to maximize his gains in a game, similarly a state wants to maximize its gains in strategic interaction. In a game, a player's moves do not just depend upon only his cards. He has to play according to the cards held by other players and play in such a way that it increases the chances of his winning the game. In a similar fashion, when two or more states interact, each state wants to win or maximize its gains, but its moves will depend upon the moves of other states. In a game, a player constantly keeps on imagining that what could be the next move of the opponent and simultaneously the player is acutely aware that his opponent is also trying to outguess him in a similar fashion. A state is also aware that its opponent is also trying to guess its moves as it is trying to guess what its opponent will do next. According to Scott and Humes (1997: 8)²,

there are three basic assumptions about a player's preferences: Completeness, fixed preferences, and transitivity. Completeness means that the player prefers one outcome over another or be indifferent to either, fixed preferences assume that the player's preferences over a set of outcomes do not change, and transitivity implies there are coherence and consistency in the player's choice³ (Enze 2004). In other words, Game Theory studies choice of most favorable behavior when costs and benefits of each alternative are not fixed but depend upon the choices of other individuals. In the gist, the Game Theoretic model assumes that each player is trying to maximize his gain or minimize his loss, in the knowledge that other players are doing the same⁴ (Snyder and Diezeng 1977: 37). Both Realism and Game Theory share the assumption of complete rationality. A state or a player is assumed to be completely rational who always plays with the intention of winning and is capable of deciding which move will lead to what outcome. Both theories believe that there are no internal dissensions within the country and a state takes decisions like a unicellular organism with one mind. Both of these assumptions are problematic since a player or state may not always be completely rational.⁵ Off course, meaning of rationality differs from person to person and state to state. The assumption that there are no internal dissensions within the country and a state is free to behave like Leviathan espoused by Hobbes is also wrong in modern democracies. This is the reason that Political Economy perspective is utilized while drawing conclusion in this paper. Apart from that there is a problem of cognitive bias. Players or states do not always take the most judicious decisions. Their biases make them take decisions which appear prudent to them but which actually may be harmful to the country.

A Yam Sandwiched between Two Large Stones-

Nepal is a landlocked country, located in Himalayas. While China is the northern neighbor of Nepal, it is bordered to the south, east and west by India. Nepal's area is 147,181 square kilometers and its population is approximately 30 million. Thus, Nepal is a classic buffer state between India and China.⁶ Nepal has been a monarchy throughout the most of his history. It was only in 2008 when a decade long civil war led by the Maoist and few weeks of intense opposition by all the political parties forced King Gyanendra to abdicate and Nepal was declared a federal, democratic and secular republic. Currently, Nepal is passing through an extreme political instability since in its constituent assembly major political parties have been unable to

agree on the framework of the constitution.

If one undertakes a brief overview of Nepal's history and its relations with India and China, it becomes clear that Game Theory explains most of the Kathmandu's foreign policy decisions. The rules for the great game played by a smaller country with two giant neighbors were set by King Prithvi Narayan Shah. After the unification of small kingdoms and principalities in 1768 into a present-day Nepal, King Prithvi Narayan Shah said in his Divyopadesh (divine Counsel), 'Nepal is a yam sandwiched between two large stones. Maintain friendly relations with the Emperor of China. Great friendship should also be maintained with the Emperor beyond the Southern Seas (i.e. the British), but he is clever. He has kept India suppressed, and is entrenching himself on the plains. One day the army will come. Do not engage in offensive acts. Fighting should be conducted on defensive basis' He was referring to India to the South and China to the North as two large stones, and Nepal as a yam in between them. He left his advice to his future generations to follow the policy of not aligning with only one side - either to the north or to the south in other words to achieve a good balance between them⁷ (Ranjitkar 2006). Off course the King was not thinking in terms of Game Theory, but the principal which he was postulating definitely coincided with modern concept of the Game Theory, developed much later on. He understood the situation in conceptual terms that his smaller and land locked country is stuck between two giants. If a smaller country as a player wants to maximize its gains, it cannot do so by antagonizing either of its large neighbors. Its only option is to achieve clever balance between the two giants, get the guarantee of security from both sides and take maximum help from both large neighbors. Nepal has been doing precisely that. It is argued that without being formally aware of Game Theory, Nepal chose its cost benefit calculus by coolly analyzing how best to maximize its gains by exercising best possible foreign policy options.

Indo-Nepal-China Triangle: A Historical Overview-

Nepal's awkward situation between India and China has led to the phrase 'Nepal's strategy for survival'. This refers to Nepal's delicate balancing act between India and China (Josse 2004).⁸ For over a century and half, the advice of King Prithvi Narayan Shah, based upon the principles of Game Theory, came handy for the rulers of Nepal and they continued to strike a clever and intelligent balance between the conflicting demands of their two big and powerful neighbors. Josse (2004)⁹ observes, 'Notably, Nepal's physical distance from

central China and the succession of weak governments there for centuries before 1949, inclined Nepal in the past to think that India's interference and intervention in Nepal's affairs was a greater probability than China's.'

Nepal fought wars with British India. Anglo-Gurkha war of 1814-1816 resulted in the Treaty of Sagauli. Under the terms of this treaty, Nepal had to cede the territories it had earlier conquered but in exchange East India Company promised the recruitment of Gurkhas in its forces. Even to this date Gurkhas work in Indian Army. Jang Bahadur Rana became the de facto ruler of Nepal from 1846. He took the Game Theory's principle of maximizing ones gains by choosing the best course among various options, even further than espoused by King Prithvi Narain Shah. He adopted a pro-British policy and traveled to England to meet Queen Victoria. In 1857, during India's first war of independence, Nepal openly sided with Britain and Jang Bahadur personally led troops and earned British gratitude. Prior to his mission, Rana gave a speech in which he specified the reasons behind his decision. This speech should be considered as the cornerstone of modern Game Theory. Rana said:

I have three motives for acting as I am now acting. First, to show that the Gorkhas profess fidelity and will pour out their blood in defence of those who treat them with honour and repose confidence in them. Secondly, that I knew the power of the British Government and were I to take part against, although I might have temporary success for a time, my country would afterwards have been ruined and the Gorkha dynasty annihilated. Thirdly, that I knew that on the success of British arms and re-establishment of British power in India, his Government would be stronger than ever, and that I and my brothers and my country would all then benefit with our alliance with you as your remembrance of our past sacrifices will render our present friendship lasting and will prevent you from ever molesting us¹⁰ (Tyagi 1974: 80).

In spite of having such clear objectives, Jang Bahadur deliberately tilted strongly towards China whenever Nepal had any difficulty in relations with British India, converting it into a three player game. By doing this, he forced British India to let Nepal maximize its gains. Major success of Nepal's this foreign policy resulted in 1923 when Nepal entered into a formal treaty with Great Britain. By this treaty, Great Britain recognized the sovereign status of Nepal. After this, there was no question of treating Nepal like 536 princely states of India which were absorbed by Indian nation after its independence in 1947. When China annexed

Tibet in 1949, it unleashed a fear psychosis in both India and Nepal. Rana dynasty was clearly becoming unpopular by then. India wanted to Nepal to remain a natural buffer between its territory and China. In this scenario, 1950 Indo-Nepal Treaty of Peace and Friendship was negotiated. This treaty is considered to be an infringement on Nepal's sovereignty by many Nepalese since it had a provision that for importing any arms Nepal was bound to consult India. But opponents of this treaty forget that by using the China Card in the game, Nepal was able to extract a major concession from India. Nepalese have to recognize that the 1950 Treaty gave Nepal what Sikkim¹¹ never had. Article 1 of the Treaty explicitly provided that 'there shall be everlasting peace and friendship between the Government of India and the Government of Nepal. The two Governments agree mutually to acknowledge and respect the complete sovereignty, territorial integrity and independence of each other.' At least in letters and spirit, if not in action, India was bound by the Treaty to maintain peace with Nepal and not play the role of an aggressor. More importantly, India explicitly acknowledged that Nepal is an independent, sovereign country and agreed to respect Nepal's territorial integrity. Unless Nepal attempts to undermine India's territorial integrity on its own or as an abetment to a third country (e.g., China or Pakistan), India cannot dream of invading and annexing Nepal into Indian union¹² (Trend 2008).

In the wake of India's independence and Chinese belligerence, Nepal smartly converted the three player game into a multi player game by involving other countries. Nepal moved to secure the membership of newly established United Nations in as early as 1947. But due to cold war politics Nepal actually got the membership in 1955. Nepal successfully contested the election for non-permanent seat of security council twice. Nepal participated in its first international conference in 1947. In 1955, Nepal actively participated in Afro-Asian conference at Bandung. In 1961, King Mahendra led Nepal's delegation to first Non-Aligned Movement (NAM) conference in Belgrade. Josse (2004)¹³ terms these steps as 'search for the Holy Grail of national security and pursuit to maximize foreign policy gains, including the preservation of political independence.'

Changing the matrix of Great Game, Nepal signed the Treaty of Peace and Friendship with China in 1960. Chinese Embassy was inaugurated in Kathmandu in the same year. Prior to that, in 1956, both nations signed a treaty terminating the Treaty of Thapathali of

1856 and Nepal recognised Tibet as a part of China. Yet another bold step was the 1961 agreement with China to construct a highway connecting Kodari, on the Nepal-Tibet border, to Kathmandu. Till then, Nepal's capital was connected by road only with India. Nepal's strategic stock rose considerably. Nepal even lobbied for China's seat in the United Nations. This was also the beginning of the use of China Card¹⁴ by Nepal to keep India on tenterhooks. In Beijing on October 5, 1962, the Chinese Vice Premier and Foreign Minister Chen Yi declared, 'In case any foreign army makes a foolhardy attempt to attack Nepal...China will side with the Nepalese people'¹⁵ (Josse 2004). By these steps, Nepal successfully forced both its neighbors to recognize it as a sovereign nation. Nepal maintained complete neutrality during India-China war of 1962.

Nepal had already established diplomatic relations with India's arch rival Pakistan in 1960. When East Pakistan became independent as Bangladesh, Nepal showed no hurry to recognize it. Creation of Bangladesh and beginning of Anti Chogyal movement in Sikkim made Nepal feel very insecure. Sikkim was merged with India in 1975. Thus, King Birendra's accession to the throne after the passing away of King Mahendra was fraught with national insecurity and anxiety. Determined not to get stuck between two giant neighbors and to turn the three player game into a multi player exercise, King Birendra put forward the proposal to have Nepal internationally accepted as a Zone of Peace (ZOP). Obviously, China and Pakistan were most enthusiastic supporters of the idea of ZOP. It was a desperate attempt by Nepal to get out the clutches of the Treaty of Peace and Friendship signed with India in 1950. By 1990, 116 nations had endorsed the idea of ZOP. Ultimately, in order to please India, drafters of 1990 constitution banished the idea of ZOP. While it pleased India immensely, many Nepalis considered it rash and a decision taken without its implications for national security. One must remember, prior to that India had shown its economic muscle by virtually enforcing an economic blockade of Nepal in 1989. Nepal had acquired weaponry from China in 1988, which India considered a breach of 1950 India-Nepal Treaty of Peace and Friendship. Trade and transit treaties between India and Nepal expired after two extensions on March 23, 1989. Indian blockade of Nepal lasted till April 1990. Worsening economic conditions in Nepal forced King to initiate a change in political system and a parliamentary democracy was established in the Himalayan Kingdom. New government in Nepal sought quick resolution of all issues in India. Nepal's

Prime Minister Krishna Prasad Bhattarai visited India in 1990. This visit was followed by Nepal's next Prime Minister Girija Prasad Koirala in 1991. During these two visits, India and Nepal signed new trade and transit treaties and many economic agreements designed to benefit Nepal. After facing economic blockade of one year, Nepal was determined to seek maximum benefits from India following the principle of Game Theory. Nepal's political instability continued and Nepal's Prime Minister Manmohan Adhikary visited India in 1995 and demanded a review of 1950 treaty. In exchange for his demands, Adhikary got yet more economic concessions. Simultaneously, Adhikary sought to improve relations with China. One must remember that during the decade of 1990s, it was very difficult for Nepal to play China Card since after Indian Prime Minister Rajiv Gandhi's visit to Beijing in late 1980s, India and China had put their border dispute on backburner and were moving ahead on the front of economic co-operation with full vigor. Thus the decade of 1990s witnessed major improvement between Nepal's both neighbors, making it difficult for Kathmandu to play these giants against each other.

Although in 1991, Bhutanese Refugee crisis could have rocked India-Nepal relations again, but Prime Minister Girija Prasad Koirala gave a statement in New Delhi that ouster of Southern Bhutanese by Thimpu was within Bhutan's jurisdiction. This shocked many people in Nepal. Steps like these bring us to a shortcoming of Game Theory. This theory believes that a state behaves like Leviathan of Thomas Hobbes, thinking with single mind in any situation. Game Theory does not believe that political stability or instability within the country has anything to do with rational decision-making on political front. But from 1990 onwards we observe that political and economic instability within Nepal, influenced its foreign policy decision-making process negatively.

The New Millennium and the Great Game-

First ten and a half years of Nepal's entry into new millennium have been nothing but torturous. Nepal has been stepping from one disaster to another with amazing regularity. New decade began with tragic Royal Massacre that led to the accession of King Gyanandera. A long civil war ruined economy of the country and had adverse affect on the moral of the people. With the end of civil war, monarchy was abolished and Nepal formally became a secular, democratic, republic. But these almost eleven long years of political and economic instability have taken their toll on Nepal's foreign policy. It seems that Yam is no longer playing the game and

has been reduced to a passive player. The game is being dominated by Nepal's two giant neighbors who are jostling for influence in the Himalayan Kingdom. With New Delhi's decision to go nuclear in 1998 and pointing towards Beijing as the cause of nuclear explosions ended the brief India-China honeymoon period of 1990s. Energy and power hungry India and China collided on many world forums and the border dispute flared up again in diplomatic talks. Currently, while China is doing its best to encircle India with its string of pearls strategy, India is also not leaving any stone unturned by investing heavily in its own border infrastructure and in the economy of its smaller neighbors.

As long as, King Gyanendra remained in power, he smartly used age old China Card to keep India on the edge. Nepalese analyst Ranjitkar (2006)¹⁶ remarked, 'Whenever the Nepalese autocrats played the China-card, the first victims were the Tibetans fighting for freedom from the autocratic rule of the Chinese proletarian leaders, and another victim, of course, was the democracy in Nepal. This was true in 1960 when the former king Mahendra played the China-card to kill the infant democracy, and in 2005 when the current king Gyanendra played the China-card to throttle the flourishing democracy.' He further writes that before taking over the executive power on February 1, 2005, King Gyanendra shut down the offices of Representatives of Dalai Lama and of Tibetan Refugees in Nepal. Obviously, this was done to keep the Chinese Government happy. The King was sure that India and the western countries would not support his actions of usurping the power from the elected government. So, he wanted to keep at least one neighbor happy and in his favor. Again, he was shrewdly following the principles of Game Theory by aligning with one player against the other player to maximize his gains in a supposedly very untenable position. India, the US and the UK along with the rest of international community criticized King Gyanendra's grab of power and India immediately suspended the supply of arms and ammunition to the Royal Nepalese Army (RNA). As mentioned earlier, according to the Indo-Nepal treaty of 1950, Nepal could not buy arms from any other country, especially if the consignment passed through Indian Territory. Another sideline player Pakistan badly wanted to supply arms to Nepal but it was not possible because India could always stop the consignment moving from its territory. The Nepali monarch desperately sought arms from China, and received 18 truckloads of arms and ammunition from it. According to media reports, the

Chinese army escorted eighteen trucks carrying arms and ammunition to Nepal's border where plain-clothes Nepalese troops took over in November 2005. However, by supplying lethal arms, the Chinese government added fuel to the political conflict in Nepal and showed extreme disregard for human blood (Ranjitkar 2006). In spite of ideological affinity with Maoists, China displayed no hesitation in following realist paradigm of International Relations by supplying lethal weapons to Nepal which were obviously going to be used against Communists. China kept on repeating that it is entirely the internal matter of Nepal. Many academics and diplomats felt that actually India forced King Gyanendra to look towards China by suspending arms supply which was badly needed by RNA to fight Maoists. India also jettisoned its own policy of non-interference in the internal affairs of any sovereign nation by successfully lobbying to the US and the UK to push King Gyanendra to restore democracy¹⁷ (Jain 2006).

After the restoration of democracy in Nepal in 2008, foreign policy establishment of the country became even more confused due to extreme political instability and competing agenda of various political parties. In September 2008, Nepal's Prime Minister Pushp Kumar Dahal, better known as Prachanda, visited India and after meeting Indian Prime Minister Man Mohan Singh and Foreign Minister Pranab Mukharjee remarked, 'I am going back to Nepal as a satisfied person. I will tell Nepali citizens back home that a new era has dawned. Time has come to effect a revolutionary change in bilateral relations. On behalf of the new government, I assure you that we are committed to make a fresh start.'

Prime Ministers of both countries agreed that there is a need to review, adjust and update 1950 Treaty of Peace and Friendship. India agreed to provide a credit line of Rs. 150 crores to Nepal for ensuring uninterrupted petroleum supply. India also provided Rs. 20 crore as immediate food relief and lifted ban on export of many food commodities. Water talks between India and Nepal were also resumed after a break of four long years. It was decided to start the reconstruction of breached Kosi Embankment after that the water level went down.

There is no doubt that India and China will remain competitors in near future. As posited earlier, China has adopted a string of pearls strategy to encircle India. In the execution of this strategy China envisages major role for Nepal, Bangladesh, Pakistan and Sri Lanka. Roy (2009)¹⁸ writes that in terms of a loosely constructed Game Theory, the Matrix is as follows:

China (Centre Point) – India (Target)

1. Pak-China-Nepal
2. Sri Lanka-China- Myanmar
3. Pak-China-Myanmar
4. Pak-Sri Lanka-China
5. Bangladesh-in and out as per the government in power

Elaborating this scenario, Roy (2009) wrote, 'In more recent times, even currently, India has been projected as a hegemon in the South Asian context. In the last one year, Chinese ambassadors in Nepal, visiting Chinese officials and advisors to the Chinese government have suo moto assured Nepal of protecting its sovereignty and territorial integrity. This went to the extent that one senior Chinese scholar and advisor to the Chinese government openly stating in a newspaper interview in Kathmandu that China was aware India was planning to 'Sikkimise' Nepal, and China will not stand by.'

Pakistan is also readily towing the line of China. Pakistan's Foreign Secretary Salman Bashir visited Kathmandu in June 2009 to argue that enhanced cordial relations between Nepal, China and Pakistan would help the three countries to safeguard their interests at the regional level. Bashir also advised that Nepal should pursue a policy towards China on the lines of Pakistan – basically become a trusted ally and frontline state of China particularly against India. It appears, therefore, clearly a very serious effort at forming a China – Nepal – Pakistan trilateral is in the offing. This alliance covers India from the North-West to the East at the Eastern sector of the Sino-Indian border¹⁹ (Roy 2009).

Conclusion: Options for Nepal-

For analyzing the options for Nepal's foreign policy, there is a need to supplement Game Theory and Realist approach with Political Economy perspective which helps in understanding leaders' domestic interests and motivations to understand their foreign policy decisions. The political economy approach's microfoundations separate the interests of leaders from those of the broader populace, or the national interest. This may be its most significant evolutionary step beyond realism's focus on the state as a unitary entity. As many have noted, the policies that leaders adopt to enhance their hold on power often make their subjects worse off. Defeat in war, for instance, is costly for society and therefore for accountable democratic leaders more so than for nonaccountable autocrats, monarchs or junta leaders²⁰ (Mesquita 2006: 640)

Nepal has to realize, in current scenario due to

its domestic political and economic problems, it is no more a player, rather than it is being toyed with. Nepal is one of the poorest countries in the world in spite of being sandwiched between two of the fastest growing economies of the world. The country's economic growth has been held hostage by the protracted political instability. The economic survey of the country said that said Nepal's economic growth will be limited to 3.5 percent in the fiscal year 2010-11, the lowest in the last four years. It said a combination of several factors like labour problems, energy crisis, decline in expansion of banks' lending, slackness in remittance growth rate and the delayed budget, all contributed to the non-agriculture sector's slowdown. Over the last five years, the growth of the industrial sector has remained at just 0.3 percent. This resulted in decreased contribution of the sector-6.5 percent in the FY 2010-11 from the 9 per cent in the FY 2000-01. The slack economic growth was hardly unexpected given the past three year's budget becoming the victim of political hassles. Vice President of Nepalese Chamber of Commerce and Industry Pradip Jain remarked that it was only natural to see sluggish economic growth as there was no business environment in the country²¹ (Jain 2011)

Politically speaking, no country can live in a suspended animation for as long as Nepal has as all major parties struggle to agree upon a constitution for the country. The Himalayan Times wrote that 'The UCPN-Maoist and the Nepali Congress (NC) are so far apart in issues related to integration that no agreement is possible without mediation, either confidentially, through expert peace brokers, or publicly through the media. Unless public debates can generate an acceptable solution, the Constituent Assembly is likely to die a premature death.' In spite of getting many extensions, Constituent Assembly has not been able to come up with a constitution acceptable to all parties to the utmost dissatisfaction of people. Maoists integration in the armed forces seems to be the stumbling block in all possible agreements.

Given the structure of Political Economy of the country, an author of a book on Nepal's foreign and security policy remarked:²²

Today, Nepal has 'no foreign policy' in a sense that it can address the challenges of new time. It has no capacity or any mechanism to protect citizens in the event of crisis or personal injuries who are working abroad and sending remittances which has become the life- blood of the national economy. In terms of policy document, all political parties have expressed to adopt non-aligned foreign policy except CPN (Maoist) who said

that it would like to adopt genuine non-aligned foreign policy but it is yet to be known what is the genuine non-aligned foreign policy²³ (Bhatta 2011).

The crisis in conducting foreign policy and maintaining national security are also posing serious threat to state-building process in Nepal. It is safe to say that both have not gained serious political attention. Lack of clear national vision on foreign policy, other than the traditional values based on the principles of Panchasheel, non-alignment will not be able to address the changing global, regional and national political and economic challenges. If one combines political economy, game theory and realist perspectives, one can clearly understand that, although, a state wants to maximize its gains through its foreign policy but foreign policy per se cannot be isolated from domestic policy. On the contrary to the Leviathan perspective of realist paradigm of International Relations, foreign policy is a reflection of competing political forces in domestic sector. The overarching aim of any foreign policy is to protect the sovereignty and integrity of the country and develop new strategies in the comity of states to preserve national interests. Therefore, for Nepal, in order to have a vibrant foreign policy, will need to have a general consensus on issues of national interest such as geography, economy, political traditions, military, external situations and historical imperatives²⁴ (Bhatta 2011). In such scenario, comments by Gopal Kiranti, a member of UPCN Maoist Central Politburo, come as a surprise as well as shocking rhetoric. In an interview, he remarked, 'by abandoning the renegade definition of Nepal as a yam between two rocks', the People's Republic of Nepal will establish a strong definition of nationality. This definition will be 'dynamite' between the two rocks in 21st century rather than a yam,' grounded on proletarian internationalism (Kiranti 2011).'

This kind of rhetoric is hardly likely to solve Nepal's foreign policy problems. Providing a prescription for Nepal's foreign policy is not an easy task at all. But few things are literally written on the wall and Nepalese would do themselves a great disservice by ignoring them. First and foremost need of the Nepal is the political stability. Just framing a new constitution will not solve this problem. Like any healthy democracy, Nepal's political parties need to realize that differences are the part of political process. And political differences do not necessarily mean that political parties cannot agree on a broad agenda for country's development. Economic recovery has to be the second most important priority of Nepal. In some

ways, Nepal is a very lucky country. As it is the days of political colonialism are over in the world. Apart from that both of its neighbors, India and China, have not only promised but also proved in the past that they will respect Nepal's sovereignty. Nepal does not have any significant boundary dispute with either of its neighbors. As long as, Nepal remains politically and economically instable, it will not have the strength to play India and China against each other. Luckily, it does not have any perceived threat from outside also. In most likely scenario, Nepal's both neighbors, India and China, are likely to dominate the world economically as well as politically. In an ideal world, Nepal should be able to put its own house in order by attaining basic political and economic stability and take the advantage of the economic boom in India and China by maintaining good relations with both the countries. Fortunately, there is a broader consensus in Nepal on the question of equi-proximity relations between India and China.

But one must remember, it is not an ideal world. In spite of Political Economy compulsions, Leviathans as propounded by Thomas Hobbes still dominate the anarchical world. In such a scenario, in case if Nepal has to choose between India and China, which is a better choice? If we were to go by Democratic Peace theory, we are perfectly aware that two democracies rarely fight with each other. Most of the dyadic conflicts in the world have been between non-democracies or between a democracy and a non-democracy. Democratic Peace theory is as close to an iron-clad law in international relations as possible. Even apart from theoretical paradigms, due to historical roots, open borders, free movement without passport and visa, access even to the highest government jobs, India is a natural ally of Nepal. There is no doubt that there are problems between India and Nepal. Nepal does not like the big brotherly attitude of India and there may be genuine resentment in Nepalese regarding India's economic domination and about 1950 Treaty of Peace and Friendship. But all of these problems are, if not easily, at least solvable with commitment to resolve all bilateral issues. In exchange, Nepal can extract even more economic concessions from India. A booming Indian economy makes it possible for India to offer unilateral concessions to its neighbors. This should hardly mean that Nepal should not have friendly relations with China. There is absolutely no harm in taking help from China for various infrastructural projects which is the sovereign right of Nepal. But Nepal should be sensitive to India's concern on these

of human rights and development assistance. At the political level, Modi's visit should be seen as contending the Chinese influence in Nepal and restricting Nepal from further leaning towards China. However, Modi and his government should not use only Hinduism as an instrument of cultural diplomacy but also see the potentials of other religions' cultural traits and links with other countries. For example, Buddhism too has a strong linkage with other immediate neighbours like Bhutan, Myanmar and Sri Lanka. In fact, with the legacy of Buddhism and the Hindu civilisation, India can connect with countries other than South Asia—particularly, in the South East Asian region namely, Indonesia, Malaysia, Thailand and the Indo-China region of Laos, Cambodia and Vietnam. Culturally, linguistically, and ethnically these countries are more akin to Hinduism and Buddhism than their newly embraced respective religions. Politically, it will also help India to maintain and counterbalance the power equations not only in South Asia but also in the whole of Asia.

On the contentious issue of revision of 1950 Treaty between India and Nepal, Modi government took a leap forward from the earlier government. Foreign Minister Sushma Swaraj during her visit in July 2014 promised to address each other's concerns and interest with regard to political stability and economic prosperity of Nepal. In continuation, during Mod's visit India proposed Information and Technology connectivity between the two countries. Concessional loans worth \$ 1 billion to build power plants and roads were given to Nepal. India also gave a grant of NRs 69 million grants to Nepal to supply iodated salt to control iodine deficiency diseases in Nepal. In addition to this, knowing Nepal's rich water resources both the countries signed a Memorandum of Understanding amending the ToR (Terms of References) on the Pancheshwor Multiple Project to carry forward the work on the Pancheshwar Development Authority in Nepal. Another agreement was signed on cooperation between Nepal Television and Doordarshan, the state-owned television stations of both the countries. It will help both India and Nepal to establish the right perceptions and create conducive atmosphere for healthy relations.

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issues. By choosing India as its best friend and making China a trusted ally, it is possible for Nepal to maximize its gains and redefine the principles of Game Theory at the same time.

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