

**FOREIGN POLICY OF INDIA TOWARDS NEPAL: A STUDY OF ECONOMIC  
SANCTIONS**

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## LETTER OF RECOMMENDATION

I certify that this dissertation entitled “**Foreign Policy of India towards Nepal: A study of Economic Sanctions**” was prepared by **Khushbhoo Basnet** under my supervision. I hereby recommend this dissertation for final examination by the Research Committee, Department of International Relations and Diplomacy, Tribhuvan University, in fulfillment of the requirements for MASTER OF ARTS IN INTERNATIONAL RELATIONS AND DIPLOMACY.

.....  
**Assistant. Prof. Apekchya Shah**  
**Dissertation Supervisor**  
**Date: 2 August, 2019**

## **DECLARATION**

I hereby declare that this dissertation is my own work and that it contains no materials previously published. I have not used its materials for the award of any kind and any other degree. Where other author's sources of information have been used, they have been acknowledged.

**Signature:**

**Name: Khushbhoo Basnet**

**Date: 2 August, 2019**

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## **ABSTRACT**

The purpose of this study has been to assess to analyze the Indian Foreign Policy towards Nepal. This study has aimed to assess the Indian economic sanctions as coercive statecraft. It has further explored why does India differ in its rhetoric and practice of foreign policy towards Nepal.

The researcher has found a considerable number of research studies conducted Indian foreign policy, Indian foreign policy towards Nepal. There are also a considerable number of studies on economic sanctions of Indian foreign policies towards Nepal. Nevertheless, the researcher has not found any research on the topic of Indian Foreign Policy towards Nepal and the use of economic sanction as a tool of foreign policy in Nepal. This research has attempted to address this research gap.

This research has been done in qualitative research methodology. The sources of data are secondary. The published and unpublished data and information has been analyzed. The explanatory and case study method has been used. The economic sanction on Nepal by India has been used as an area study. The content analysis and process tracing analysis has been the methods of exploring the details of economic sanctions.

The process tracing framework of analysis has been used to show the cause and effect of the economic sanction with the presence and influence of power and domestic variables and their impact in foreign policy. The foreign policy of India and their economic sanctions to Nepal has been analyzed from Realist perspective. Power oriented explanation has been backed with Allison's Models of Foreign Policy analysis: Rational Actor Model; Organizational Behaviour Model; Governmental politics Model has been discussed to analyze the foreign policy of India and economic sanctions with Realism as theoretical tool of analysis.



The findings of this research will redound to the benefit of society in the area of study Indian foreign policy towards Nepal and the use of economic sanction as a tool to implement foreign policy in Nepal. This study will serve as the reference for better understanding of Indian political culture, their way of implementing foreign policies in rhetoric and practice and the way Indian Nepal policy has been shaped from past to present. This study will contribute in the existing literatures of Indian foreign policy and use of economic sanction as their medium to preserve their interest and power in Nepal and opens up new avenues for researcher interested in this topic.

***Key Words:*** *Foreign Policy, Economic Statecraft, Economic Sanction, Realism.*

## **LIST OF ABBREVIATIONS/ACRONYMS**

BPM	Bureaucratic Political Model
MFN	Most Favored Nation
MNC	Multinational Companies
NAM	Non Alignment Movement
NATO	The North Atlantic Treaty Organization
OPM	Organizational Process Model
RAM	Rational Actor Model
SAARC	South Asian Association for Regional Cooperation

## CHAPTER 1

### INTRODUCTION

#### 1.1 Background

In international relations, national interests are the core of nation states. National interest remains the main reason for the countries to involve in international relations and international cooperation (Manan, 2017, p. 178). Foreign policy of a country reflects its national interest. Foreign policy is likely to be formulated in the accordance with national interest (Jackson & Sorenson, 2003, p. 68). The relations between and among states are based on national interest and carried out by different means and apparatus regarding the context and content. State mechanism is always guided and mobilized by the political leader and other actors who influence and direct and redirect the policies of the state. In a global perspective, international system is anarchical i.e. a system with no higher, overarching authority, no world government (Jackson & Sorenson, 2003, p. 66). This means no international government has been able to preserve and defend the weaker nations and weaker power is of secondary importance. The realist point of view has significant effect and continues to have relevant insights to offer analysis of international system and international relations.

The race of power maximization among nations has the implications for the world in general and the Himalayan state Nepal in particular, as it is situated in the lap of the Himalayas forming a barrier between the two great Asian civilization- India and China. Nepal, a small state act as partial geographical buffers between India and China separated by hundred miles and dependant to southern neighbor India for easy access of sea for trade with other countries. Additionally, Nepal remains attraction for external powers and a strategic location since the Cold

War, which is the reason why there is prominent power politics, centered on Nepal. For India, Nepal is a vital neighbor and occupies special significance in its foreign policy because of the geographic, historical, cultural and economic linkages that span centuries. The India –Nepal relationship is determined more by geography and history than any other consideration (Nayak, 2014, p. 64).

Nepal has historical, socio-cultural and economic relations with India since time immemorial and had cordial and friendly political and diplomatic relations since the independence of India in 1947 A. D. (Dahal, 2009, p. 37). The people-to-people relations between the two countries are cordial and unique. Cultural bond, language access, people to people relation defined as 'Roti and Beti' relation, open boarder, sharing religion are the defining features of Nepal-India relations

Despite of the peaceful relations between Nepal and India, the mutual relation of Nepal and India went through crisis in some point of the history. Many scholars in the international relation state that Nepal India relation is shaped by the different actors within both countries. In case of India, India's foreign policy has been dominated by bureaucracy, defense, think-tank and Nepal's foreign policy has been simply defined as reaction toward India's action which has been solely determined by the ruler class; the people in power in particular. ...

Nepal is India's unique neighbor. The two countries are closely bound together in a complex web of linkages and contiguities that span across civilizational, historical, socio-cultural, economic, geostrategic, and political terrain. The people of India and Nepal share commonalities in their attire, food habit, and lifestyle. The two countries are, therefore, said to be lodged into each other's intensities,

each sharing the spillover of turbulence and tenacity from other. (Muni, 2015, p. 398)

This study is an attempt to identify when, where and why Indo-Nepal relations went through crisis in the past and in present and what does that tell us about the India's foreign policy in Nepal. It focuses largely on economic sanction/blockade as a tool of foreign policy implementation by India. This study will exclusively focus on what foreign policy actually India has been adapting and implementing for its immediate neighbor; weak power and small state like Nepal. In the realm of international relations, India defines its foreign policy characteristics as peaceful co-existence, UN Charter, Panchasheel, non-intervention, non-alignment, the motives of idealism glorifying itself as ancient civilization and the pursuit the voice of mutual existential policies. It has been claimed that there was, a 'Neheruvian consensus' on the ends and means of India's foreign policy (Cohen, 2002, p. 37). The ends were 'idealistic', focused on anti-imperialism and world peace, and the means were principled, in the form of non-alignment and non-violence. The principles of India's foreign policy are mutual respect for each other's territorial integrity and sovereignty, non-aggression, non interference in each other's military affairs, equality and mutual benefit, peaceful coexistence, fairness of means and supporting UN in achieving world peace. This research study aims to examine how far India has been practicing their defining features of foreign policy on the implementation level.

In the Peace and Friendship Treaty, 1950 between Nepal and India, it is agreed to acknowledge and respect the complete sovereignty, territorial integrity, and independence of the each other country. On the contrary, India has always wanted Nepal to accept the status of a mere vassal (Ghori, 1964a, p. 370). If we considered the Indo-Nepal relation after the treaty of Peace and Friendship, 1950, Indo-Nepal relation has fallen into crisis. Several clauses in these

treaties were almost identical with those in the British treaty of 1923, which had given Britain so much influence in Nepal. Under the terms of the peace treaty, severe limitations on Nepal's freedom of action in external affairs were imposed (Ghori, 1964 b,p. 375). Nepal faced wrath of India's foreign policy in the history; 1968, 1989, and recently in 2015 with economic sanctions. In these particular dates, India has adapted economic sanction as a tool of foreign policy implementation in Nepal. This research will be the comprehensive study of crisis on Nepal-India relation in the noted dates and how India uses sanctions as economic statecraft, and why two states relations fall into crisis will be the real outcome of this study.

## **1.2 Statement of Problem**

Indian foreign policy has been crafted to ideals of non-alignment, non aggression, peaceful coexistence and promotion of democracy, etc which draws its policy as ideational rationale (Raghavan, 2015). However, the reality is that India is promoting and protecting strategic interest under the veil of idealism and the moralistic foreign policy were to promote their national interest. These moves are primarily based on perceived strategic and material interests of the concerned states and their regimes. The question of ideology versus interests and ethics versus power have been debated between the realist and liberalist in the discourse on international politics for decades, even centuries. However, when one goes under the skin of these ideological arguments and weighs them against concrete policy practices, the enduring reality of power and interest emerge in bold relief (Karmer, 2001, pp. 119). It is visible that New Delhi adopted policies from the British the notions of relation with states in the immediate neighbors. Indian establishment keeps Nepal under its security umbrella; they get displeased if there is any development, which leads to their insecurities. Therefore, instead of accepting the development, India uses sanctions to punish Nepal as their economic statecraft.

India is in its journey to be a regional power and is very concerned about its security concerns in Nepal due to which Nepal's quest for change and development has disturbed India, which led to many clash and drifts in the relationship between two countries. The foreign policies claimed by India and their actual articulation and implementations vary from rhetoric and reality. India is more coercive due to which there were many sanctions in Nepal, which caused irrevocable effects, and insecurities in Nepal and Nepali people. There are research conducted which deals with India's Foreign policy, Nepal- India relations and economic sanction/ blockade separately. However, there are least number of research conducted which deals with India's neighborhood policy and economic sanction as tool of implementation of foreign policy. Hence, the gap between ideology and implementation in Indian foreign policy and its coercive neighborhood policy and economic sanction will be analyzed in this research.

### **1.3 Research Questions**

India's foreign policy are said to be based on idealism under with principles like non-alignment, peaceful co-existence, benevolent neighborhood policy and democracy, etc. Nevertheless, on the implementation level, the policies with its immediate neighbors and far neighbors are contradictory. India has been harsh towards small power neighbor like Nepal when their foreign policy end does not meet. In such cases, India has implemented sanctions as their statecraft in Nepal in many accounts. This research is primarily concerned with highlighting the nature of Indian foreign policy and its implementation in Nepal.

In this scenario, the research will try to answer the following questions:

- I. What is Indian foreign policy towards Nepal?
- II. Why India uses economic sanction as their coercive statecraft?
- III. Why does India differ in its rhetoric and practice of foreign policy towards Nepal?

## **1.4 Research Objectives**

This study has the objective of comprehensively analyzing the nature of the implementation of Indian foreign policy in Nepal, particularly with regard to economic sanctions. The study has the following specific objectives:

- I.** To analyze the Indian Foreign Policy towards Nepal.
- II.** To assess the Indian Economic Sanctions as coercive statecraft.
- III.** To explore why does India differ in its rhetoric and practice of foreign policy towards Nepal?

## **1.5 Significance of the Study**

The finding of the research will redound to the benefit of society in the field of foreign policy of India towards Nepal and the use of economic sanction as a tool of foreign policy in India's Nepal policy. At the individual level, the researchers, academic scholars, the policy makers, the strategists, the negotiators will be benefitted by the analysis on the content of foreign policy, Indian foreign policy in rhetoric and practice, Economic statecraft and economic sanction as a tool of foreign policy, India's use of economic sanction as a tool of foreign policy in Nepal, the foreign policy analysis with theoretical perspectives. At national level, this study serves as the reference material for understanding of the practice of Indian foreign policy towards Nepal, why and how India used economic sanction to show its disagreement towards the policy taken and implemented by Nepal.

The study will be beneficial to understand that the idealistic aspect of foreign policy of India differs from the actual practice where national security and national interest are core concerns of Indian establishments. The study of India's coercive foreign policies, economic



punishment and the use of power in Nepal from past to present will be useful to the academician and practitioners in the domain of India's Nepal policy. In global level, the study contributes to the understanding of Nepal- India relations, the use of power by India to safeguard its national interest and the details politics of economic sanction towards Nepal.

The study is also significant as the foreign policy of India to Nepal and the episodes of economic sanction are analyzed from the theoretical level. It can be used to make analysis of Indian foreign policy, their aim and motives and the paradox of ethical and ideal principles to practical realist foreign policy. The factors that influencing factors and constant changes in foreign policies to Nepal, their ruthless use of economic power to achieve their security and national interest and aim to maintain sphere of influence are the matter of significance of the study.

At the conceptual level, this study is important in the disciplines of international relations, foreign policy and diplomacy. The realist school of thought in International relations and the decision making, the theoretical analysis of Indian's foreign policy and economic sanctions are analyzed.

The significance of the research is to study the implementation of foreign policies of India towards Nepal with the tools and techniques of foreign policy analysis. The incidents of economic blockade of India in Nepal 1969, 189/90 and 2015 will be examined to analyze the cause and effect, the political reasons and the use of coercive statecraft will be examined. The research will explain the reason why India acts hegemonic in Nepal and the constant insecurities and engagement in internal matters of Nepal.

## 1.6 Limitations of the Research

The researcher will have to assume that study within some incontestable limitations that relatively demarcate the search of the study. Further, the individual researcher has to face so many obstacles while undertaking research work and some of the limiting factors. The study will particularly focus on India's foreign policy in Nepal and tools used as foreign policy implementation. The literatures related to this area of study are limited and scarce. Therefore, limitations of the study are the scope i.e. the foreign policy of India towards Nepal in terms of economic sanctions and the availability of the literature in the research topics.

## 1.7 Definition of Key Terms

- I. **Foreign Policy:** Foreign policies are the objectives that guide the activities and relationship of one state in its interactions with other. The foreign policy is also said to be extension of country's domestic policies and the development is influenced by principles, policies of behavior of states, plans to advance specific geopolitical designs.
- II. **Economic Statecraft:** It is the use of economic tools and relationships to achieve foreign policy objectives. It may be negative, involving the threat or use of sanctions or other forms of economic coercion or punishment, or it may be positive, involving the use of economic relationships as incentive or rewards.
- III. **Economic Sanction:** Sanctions are means to accomplish foreign policy ends which are mostly economic but also political and military penalties introduced to alter political and/or military behavior. Sanctions take the form of arms embargoes, foreign assistance reductions and cut-offs, export and import limitations, asset freezes, tariff increases, revocation of most favored nation (MFN) trade status, negative votes in international

financial institutions, withdrawal of diplomatic relations, visa denials, cancellation of air links, and prohibitions on credit, financing, and investment.

- IV. **Realism:** Realism is the school of thought in international policies. It share core assumption that the international system is anarchic, states are first and foremost guided by national interests defined in terms of power, states are rational and unitary actor, balance of power, egoism and power centrism.

## CHAPTER 2: REVIEW OF LITERATURE

### 2.1. The Concept of Foreign Policy

With the end of Treaty of Westphalia and the of two world wars, the development of nation state increased rapidly in international system and the result of this development was the creation of interaction between the nation states. Additionally, the establishment of the United Nations and decolonization many sovereign states got momentum to interrelationship among states. This process resulted into formation of foreign policy with the aim of determining and identifying the decisions, strategies, and ends of interaction of a state with another (Ozkececi, 2017). Moreover, globalization and deepening and increasing interconnectedness resulted in exchanges and interrelationship among states. Hence, there is agreement upon necessity of a foreign policy for each state as no state can function in isolation. This made scholars like Feliks Gross, to say that even a decision to have no relations with a particular state is also a foreign policy (Gross, 1945). Hence, foreign policy directs a state to achieve its national interest among comity of nations.

Foreign policy is concerned with the behavior of a state towards another states and this term has been defined by scholars in various ways. George Modelski, defines it as “the system of activities evolved by communities for changing the behavior of other states and for adjusting their own activities to the international environment. Foreign policy must throw light on the ways states attempt to change, and succeed in changing the behavior of other states”(Bojang, 2018, p. 1). Modelski stated that the primary objectives of foreign policy are aspects of policy that aim at the change in the existing behavior of states. Foreign policy is not only to change and the status quo as far as they serve the national interest. Huge Gibson defines foreign policy as,

Foreign policy is a well-rounded comprehensive plan based on knowledge and experience for conducting the business of government with rest of the world. It is aim at promoting and protecting the interests of the nations. This calls for a clear understanding of what those interests are and how far we hope to go with the means at our disposal. Anything less than this, falls short of being a foreign policy. (Bojang, 2018, p. 2)

Foreign policy has been described as the course of action adopted by a nation in the interest of the welfare of its people. Foreign policy involves goals, strategies, measures, methods, guidelines, directives, understandings, agreements, and so on, by which national government conducts international relations with each other and with international organization and non- governmental actors. It consists of aims and measures that are intended to guide government decisions and actions with regards to external affairs, particularly relation with foreign country. Managing foreign calls for carefully considered plans of action that are adapted to foreign interest and concern i.e. goals of the government. Government officials in leading position – presidents, prime minister, foreign minister, defense minister along with advisors are the ones who frame the policy.

Foreign policy consists of end, ways and the means where ends consists of vision of a desired outcome or set of interest in interacting with other state, the ways are the strategies like diplomatic tactics and coercion and means are the available resources at a state's disposal like economic and military. Thus, foreign policy is a vision of a desired outcome or set of interests in interacting with another actor/state, the ideas and strategies used in achieving these goals, and the available resources at a state's disposable, in guiding her interaction with other states.

## **2.2 Foreign Policy of India**

A nation's orientation to the rest of the world is always reflected by its foreign policy. Foreign policy is formulated by significant factors like approaches, goals, attitudes and means used by a nation. In 1947, India achieved the status of sovereign state and until then India's foreign policy were designed to serve British Raj where they were cautious of guarding the land frontiers, maintaining relations with immediate neighborhood and states on the Indian Ocean Rim, and association with international bodies. The most important feature of the Government of India's Foreign policy until 1947 was that, being a colony of the British, its policy was decided in the interest of the British. A colony or a colonial state is a regime through which a colonial power, i.e. an external entity, governs with a view to deriving maximum benefit from the resources and labor within the country. The grand strategy adopted by the British aimed at ensuring full security to the Indian Empire, protecting all routes between Britain and ensuring that India's trade and commerce were carried and political needs of the British were different from, and occasionally in conflict with, those of India and the Government of India enjoyed considerable liberty of action especially in determining relations with other states in Asia. (Mahajan, 2015, p.52)

In India, in 1947, Nehru established the Ministry of External Affairs to steer his vision of a new, independent foreign policy. He proclaimed a policy of friendship towards all nations, of non-alignment with the major power blocks of the time, a special affinity with newly decolonized countries. The ministry was designed to implement a foreign policy, which arose from scratch, reflect the governments of India's vision and status as an independent state. The foreign policy was engraved with a policy of non-alignment and broader pursuit of moral ascendancy. Nehru emphasized non-alignment in broader terms implied on the idea that India does not belong to

either power block and pursues its independent foreign policy. The issue of moral ascendancy in foreign policy and diplomacy may be attributed to the overarching influence of Gandhi and pluralistic socio religious culture of centuries (Sinha, 2017, p. 37).

This ministry was under the control of Nehru, serve as the instrument for establishing friendly contact with the capitals around the world, and send emissaries to set up partnership which could potentially be of economic, political or military benefit to India. The foreign policy of India was largely influenced by the international development after Second World War, the fading of imperialism and development of and wide spreading of democracy and progress. Nehru proclaimed policy of friendship towards all nations, of non alignment with the major power blocs of the time, and a special affinity with newly decolonized nations. He declared,

We wish for peace. We do not want to fight any nations if we can help it. The only possible real objective is that we, in common with other nations, can cooperate in building up some kind of world structure, call it One World, call it what you will.(Raghavan, 2015, p. 80)

Basically, the foreign policy has been claimed that there was, at independence, a 'Nehruvian consensus' on the ends and means of foreign policy (Cohen, 2001. pp 35). The ends of India's foreign policy were idealistic and focused on anti-imperialism and world peace and the means were in form of nonalignment and non violence. These provision were driven from idealism followed by Mahatma Gandhi for which the Constituent Assembly put in a nutshell the practice of foreign policy in following ways,

The mission of India is the mission of peace. Right from Ram Tirth and Vivekanada down to Tagore, and Gandhiji, if he has done anything, has very much strengthened it. Throughout the history, it is not because we have been

weak but because it has been in our blood that we have been carrying on this mission of peace. Non- violence is in the soil and in the heart of every Indians.  
(CAD, 1948, p. 601)

The provisions of India's foreign policy are widely viewed as homage to Gandhi. The foreign policy of India was addressed by The Constituent Assembly (CAD, 1984, p. 599) as:

The state shall endeavor to:

- I. Promote international peace and security;
- II. Maintain just and honorable relations between nations;
- III. Foster respect for international law and treaty and obligation in the dealing of organized people's one another; and
- IV. Encourage of settlement of international disputes by arbitration.

B.H. Khardekar and Biswanath Das commented that these provisions were encapsulating India's 'spiritual heritage' (Sagar, 2015, p. 74). They have addressed that India has a mission to contribute to world peace which is carried on from Ram Tirth and Vivekananda to Tagore and Gandhi. The idea that it has been in the blood and Indians should carry on the mission to pace with nonviolence in soil and heart were illustrated by them.

India is also involved in multilateral forums through prism of the United Nations and got involved into vast organization, multiple bureaucratic arm where international matters runs through its network of deliberation, decisions, agencies and programs that weave a broad trends in India's relationship with other states and institutions in international relations. Manu Bhagavan writes,

India played a key role in the conceptualization of the United Nations, helping at the moment of its birth and soon after to mold the organization into one of



universal character and appeal. Guided by an intricate plan developed by Mahatma Gandhi and Jawaharlal Nehru, India leveraged its moral authority to great effect, proactively using the UN chamber and authority to bridge the rift between the world's superpowers, and to serve a leading light for reforming global state structure to reduce violence and conflict. (Bhagavan, p. 596)

Bhagavan addresses the idea on how India and its foreign policy has been influenced and inspired from the U.N. India was committed since the inception of the U.N. and hopeful to change the dynamics of international relations and set a new, global standard for proper conduct.

The approach of Indian foreign policy had remarkable features and characteristics like tolerance of differing views and attitudes and moderation. The affiliation and membership of International Organization gave platform to have a view and accept diverse ideologies and interest. The ideas of peaceful coexistence among nations were result of these affiliations. The makers of Indian foreign policy gave it an ethical and idealistic approach and operated a moral plane in world's affairs to promote and protect India's national interest with a broader framework of mutual interests as well as overall needs of progressive world society. It so happened that many of the policies and actions of the Indian Government and the aspiration of people were in harmony with the needs of world society and the general moral values prevailing in word at large. (Rajan, 1964, p.39).

### **2.3 Principles of India's Foreign Policy**

The fundamental principles and objectives of India's foreign policy were promotion of peace and security, with other states, respect international law and international organizations, finding peaceful settlement of international disputes. Nehru passion for peace, traditions laid by

Buddha, Ashoka and Mahatma Gandhi were embedded in the foreign policy. Peace came to be sheet anchor and major principle which can be discussed

### **I. Panchasheel**

After the destruction of two world wars, Indian policy makers understood value of peace and development for nation's progress. The policy makers realized that global peace and social and economic come together so they gave utmost importance to world peace in policy making. Nehru gave value and desired peaceful and friendly relations with all countries, particularly the big powers and neighboring nations. The foreign policy of India gave value to the peaceful coexistence and cooperation. The multipolar existence of thoughts, principles and countries is the inspirations behind it 'Panchasheel' mean 'Five Principles' which are incorporated in an agreement between India and China (Kamble, 2017). The five principles are:

- a) Peaceful co-existence.
- b) Mutual respect for each other's territorial integrity and sovereignty.
- c) Equality and mutual benefit.
- d) Non-aggression against each other.
- e) Non- interference in each other's internal affairs.

These principles of Panchasheel were included in the Bandung Declaration, signed in the Afro-Asian Conference held in 1955 in Indonesia. They are the core principles of Nonalignment and still guide the conduct of India's foreign policy. ( Kamble, 2017,p 7)

### **II. Policy of Non-Alignment**

India was first upholder of principle of non alignment and adopted it for the sake of global peace. It basically was aloofness from military alliances from two power blocks and a trust in solving problems of conflict through co-operation and discussion. Nehru was a

determined supporter of the principle of non-alignment. His stance about alignment was “By aligning ourselves with any other power, you surrender your opinion, give up the policy you would normally pursue because somebody else wants you to pursue another policy. I do not think that it would be a right policy for us to adopt. We will neither be following the policy based on our ideals inherited from our past or the one neither indicated by our present nor will be able easily to adopt ourselves to the new policy consequent on such alignment.” (Kamble, 2017, p 5)

Non alignment was neither isolationism, neutrality nor non involvement in international affairs. It was a positive concept which assumes to take an independent stands on international issues and not coming under any military blocs of USA and Soviet Union. India's principle of nonalignment is not a policy of neutrality because India has been vocal about various international issues. Shreesh Pathak writes,

India’s policy of nonalignment got many supporters in the development countries of Asia, Africa and Latin America as it provided them opportunity for protecting their foreign policy independence amidst the cold war pressures and tensions. India played a lead role in popularizing and consolidating the Nonalignment movement. India under leadership of Nehru convened the Asian Relations Conference in New Delhi in 1947 to forge the idea of solidarity. A larger conference known as Bandung Conference in 1955 to forge Afro Asian Unit. The conference laid down ten fundamental principles of the international relations, which included the principles of Panchasheel. (Pathak, 2006, p 4)

Thus, non- alignment was an acceptable and dynamic foreign policy which made India an important actor on the international stage and helped India in process of integration and state building. Non alignment policy in India’s foreign policy was indicated by the realities of India’s

g geography, economy, development, ideological and political transition, domestic and international environment.

### **III. Opposition to Colonialism and Imperialism and Racism**

This was major aspect of India's foreign policy as India constantly stood against the colonial and imperial powers and protected exploited nations. At UN General Assembly delivered speech which reflects his stance about it in which he says,

We in Asia who have ourselves suffered all these evils of colonialism and of imperial domination, have committed ourselves inevitably to the freedom of every other colonial country. There are neighboring countries of ours in Asia with whom we are intimately allied. We look them with sympathy: we look at their struggle with sympathy. Any power great or small, which in that way prevents the attainment of the freedom of these peoples, does an ill than to world peace. Great countries like India who have passed out of that colonial stage do not conceive it possible that other countries should remain under the yoke of colonial rule. (Kamble, 2017, pp10)

India has been victim of colonialism and racism for about 200 years and opposed the practice of racism, imperialism and colonialization of any form. India considered these practices as a threat to international peace and security. India brought the issues of Apartheid in the UN, voiced for independence and made efforts through NAM for the liberation of African countries. This aspect of foreign policy and line of thinking of India played a major role and helped in the liberation of newly independent countries of Asia and Africa.

### **IV. Support to UN, International Law and a Just and Equal World Order**

Nehru saw UN as a 'force for peace' in this world, he argued the world's newly independent countries would need peace in order to develop and wish to avoid war. His broader belief that the UN could serve as new progressive world and this continued to shape India's foreign policy (Kennedy, 2015;p.118). India is one of the founding members of the United Nations and supports International Law, principles of sovereign equality of nations, non interference in the internal affairs of other nations and peaceful settlement of disputes as promoted by the UN. India promoted world peace valued the initiations by the UN in keeping it and supplied necessary personnel to the UN peacekeeping activities. India supported the disarmament and proposed a program of disarmament before UN. India remained committed to the cause of Universal disarmament. India has opted peaceful foreign policy and cooperation, friendly relations with other states

#### **2.4 Foreign Policy of India towards Nepal**

Since the inception of Ministry of External Relations in India, the foreign policy notions were believed to be in cooperation, non interference and maintain healthy relationship with neighboring countries. Under the principles and guidelines of its foreign policy, India claims to have a cordial political and diplomatic relation with Nepal. India and Nepal signed Peace and Friendship Treaty and confirmed that the border between the two countries would remain open and of great advantage of the people of the two countries. S.D. Muni in *India's Nepal Policy* writes,

In 1950 New Delhi and Kathmandu introduced their intertwined relationship with the Treaty of Peace and Friendship and accompanying secret letters that defined security relations between the two countries, and an agreement governing both bilateral trade and trade transiting Indian land. According to the 1950 treaty and

letters, "neither government shall tolerate any threat to the security of the other by a foreign aggressor" and obligated both sides "to inform each other of any serious friction or misunderstanding with any neighboring state likely to cause any breach in the friendly relations subsisting between the two governments", and also granted the Indian and Nepali people's right to get involved in any economic activity such as work and business related activity in each other's region. Such treaties solidified relationship between India and Nepal that granted Nepalese in India the same economic and educational opportunities as Indian inhabitants. (Muni, p. 15)

India used the treaties as medium to accommodate their security threats. Nehru who personally glorified NAM and non violence, had clear idea on what policies were to be implemented o Nepal and most of the policies were coercive and this legacy was continued by the Prime Ministers after Nehru. Articulating India's strategic interest in Nepal, Jawaharlal Nehru has stated in the Parliament of in December 1950: "From the time immemorial, the Himalayas have provided us with a magnificent frontier.... We cannot allow the barrier to be penetrated because it is also the barrier to India." India's Nepal policies loom around the question of ideology versus interest, ethics versus power (Nayer, p. 25).

Likewise, the neighborhood policy from the time of Nehru to neighborhood first policy of Modi is claimed to be a medium to flourish connectivity, cooperation and friendship with Nepal and other countries. But, this rhetoric of foreign policy of India to Nepal contradicts with the practice. India exerts pressure on Nepal to safeguard its security as well as geographical interest. This has been common tendency from the time of Nehru to Modi where India has kept keen interest in domestic issues of Nepal and participated in order to keep a safe hand and safeguard

their interest. India acts like a big brother and due to its coercive policies and the blockades, the neighborhood policy is neglected under India's foreign policy in Nepal. In this research, the detail study of India's foreign policy in Nepal will be dealt in chapter 4.

## **2.5 Economic Statecraft and Economic Sanction**

The strategy, deception, manipulation used by the rulers to obtain power, maintain power and manage the country's affairs is Statecraft. Statecraft can be defined as the use of instruments at the disposal of central political authorities to serve foreign policy purposes. The instruments of statecraft fall commonly into main categories, diplomatic, military and economic (Smith, 2012; p.323) It encompasses all actions that contribute to governing a nation and conducting diplomatic affairs. Stating the definition given by the Harold D. Lasswell, "Statecraft embraces all the activities by which states strive to protect cherished values and to attain desired objective vis-à-vis other nations and or international organization (Baldwin, 1985). There are many instruments available for a state to implement its foreign policy to direct and redirect the behavior of targeted state in the international politics. Propaganda, diplomacy, Economic statecraft and military statecraft can summarize the all means of state choice of instruments for foreign policy implementation. He argues that economic statecraft is not an end, it a means which has many dimensions within it.

Economic Statecraft is the use of economic tools and relationships to achieve foreign policy objectives. Economic Statecraft may be negative, involving the threat or any use of sanctions or other forms of economic coercion or punishment, or it may be positive, involving the use of economic relationship as incentive or rewards. Encyclopedia Britannica describes

economic statecraft as any use of economic means to pursue foreign policy goals, including both positive and negative approaches.

Economic Statecraft has long been an important feature of international relations (Baldwin, 1985). The Megarian decree (432 BC), banning all trade between Megara and the Athenian Empire was one of the earliest examples of the alternative to use economic tools for political ends. We can define instruments of economic statecraft as all of the economic means by which foreign policy makers might try to influence other international actors. This definition of foreign policy focus is on the implementation of state's foreign policy, so consequently, the international dimension of economic statecraft could be also called 'economic instruments of foreign policy'. Economic statecraft is usually deployed to exercise power. It is used to threaten or damage the wealth of the target, leading to compliance by making the objectionable policy more expensive and/or provoking political disintegration. The economic statecraft has three components, (1) type of policy instrument used to influence attempt, i.e., economic; (2) Domain of the influence attempt, i.e., other international actors; (3) scope of the influence attempt, i.e., some dimensions of target like behavior including belief, attitudes, opinions, expectations, emotions and other propensities.

The concept of 'economic coercion' is also one of the aspects of economic statecraft where coercion is high degree of constraints on the alternative courses of action available to the perceived of an influence by the target of an influence attempt. To be more precise, coercion usually refers to a situation in which one actor 'A' is able to manipulate the cost/benefit ratios of the alternatives perceived by another actor 'B' so that the latter would be thoughtless to choose any alternative other than for A to X, where X represents either a single alternative or a category. There are essentially five ways for A to do this: (1) by threats of punishment; (2) by promised



rewards; (3) by actual punishment;(4) by actual rewards; and (5) by conveying correct or incorrect information to B with respect to the cost/ benefit ratios of his alternatives. Here, coercion refers to only situation in which B's choice is affected by A's threat and explicitly rules out the use of punishment to coerce (Baldwin, 1985; p. 39).

The use of economic statecraft may be unilateral, involving efforts by one government, or multilateral, involving attempts by multiple governments to coordinate their economic resources or policies to influence the behavior of a target country or government. Economic statecraft is parts of the wider array of foreign policy instruments that state have at their disposal, economic measures are used in conjunction with diplomatic and military ones as a part of government's over all approach to address foreign policy problem and opportunities. There is wide range of instruments that powerful states those with strong economies and many economic instruments at their disposal are more likely than weaker states to initiate economic statecraft as a key measure of foreign policy. The economic instruments used by government are trade restrictions, financial sanctions, investment restrictions and monetary sanctions. The policymakers use economic policy instruments 'to exercise noneconomic forms of power' through other relational bases of influence.

Baldwin in *Economic Statecraft* identifies four instruments of foreign policy, derived from Lasswell's taxonomy of techniques of statecraft. These are used by policy makers to obtain foreign policy goals; information, diplomacy, economics and force. Baldwin's main objective in his book is to use social power analysis to aid policymakers in choosing among these alternatives. In the context of statecraft, these categories translate into the following means of conducting foreign policy:

- I. Propaganda refers to influence attempts that rely primarily on the deliberate manipulation of verbal symbols.
- II. Diplomacy refers to influence attempts that rely primarily on negotiation.
- III. Economic statecraft refers to influence attempts that rely primarily on responses that have a reasonable semblance of a market price in terms of money.
- IV. Military statecraft refers to influence attempts that rely primarily on violence, weapons, or force.

It is also to be noted that the use of economic sanction doesn't only imply to negative or coercive uses, but can be positive use too. The government using sanctions have 'carrot' as well as 'sticks' at their disposal (Mastanduno, 2011a; p. 208). Government can promise to increase foreign aid, encourage foreign investments, or support a country's currency in exchange for desirable changes in that country's behavior. One of the cases is the positive and successful economic statecraft was the Marshall Plan 1948- 1953. The US government transferred significant resources from the USA to Western Europe and managed to strengthen the economic capacity and political stability in Cold war. The EU used economic rewards to lock its desirable changes in domestic and foreign policies of its European neighbors ((Mastanduno, 2011b; p. 208).

## **2.6 Economic Sanction**

Economic sanctions have many names as blockade, embargo, boycotts and also quarantine or economic coercion. These are several terms used to describe same concept. Under such headings, the issue of sanctions has been very much popular in 20<sup>th</sup> century. Earlier, the Megarian decree (432 BC), banning all trade between Megara and the Athenian Empire, offers

one of the earliest example of the resort economic tools for political ends (Chan and Drury, p.14).

In the early years, the tariff wars were the agendas of the states. The First World War saw application of sanctions against the allied countries of the continent. After the end of First World War, International diplomats searched an alternative to war for the settlement of international disputes to mitigate aggression. After, II World War, and with emergence of liberal economy, economic instruments especially economic sanctions were used as substitute of war. The UN Charter which was crafted after the end of the Second World War mentioned about important role for economic sanctions as a collective response to international aggression. In 1945, Albert Hirschman published a classic on the relationship between foreign trade and national power. He showed how states could try to minimize their vulnerability to the interruption of strategic imports while maximizing other's need to trade with them (Chan and Drury, p.14).

More recently, the United States and its Western European allies restricted the export of strategic goods to their rivals in their Cold war (Mastanduno, 1992). Likewise, the UN sanctions directed against Iraq following the 1990-1991 Persian Gulf war was with an aim to prevent Iraq from earning hard currency by selling its oil on world markets. The US adopted measure of cutting off economic or military aid to pressure Chile in 1970-1973 and blocking access to multilateral lending institutions such as the World Bank or Inter American Development Bank. The US froze Iranian assets held in the US banks in 1979-1980 in an attempt to compel Iran to release American hostages. During 1980s, western governments and private lobbying groups pressured MNCs to impede a variety of investments in South Africa as a measure of pressuring the white minority governments to initiate reforms and share power with Black minority population.

The above are the instances to show that economic sanctions can be used for a variety of purposes by state unilaterally or multilaterally. Different measures have been adopted by the coercive state to the target to accomplish the goal they desire. Economic embargoes on exporting or supplying arms and associate technical assistance, training and financing, a ban on exporting equipment that might be used for international repression, financial sanction on individuals in the government, government bodies and associated companies or terrorist groups and individuals associated with those groups, travel bans on named individuals and their immediate families or bans on imports of raw materials or goods from the sanctions target are come common measure have been used in economic sanction (Danda, 2013; p. 21). Thus, sanction can be defined as threat for the withdrawal of economic resources to effect a policy change in a target country. These are the economic measures that measurement to just inflict punishment, to obtain general leverage or to undermine or destroy an opponent's capabilities to wage war. Economic sanctions are attempts taken to manipulate the extension or withdrawal of economic resources in order to achieve some specific policy change by the target. The intent is to influence the target's intentions specially, its calculations of costs and benefits and not its capabilities (Chan and Drury, p.15). After realizing the effectiveness of economic sanction many states and international organization choose economic sanction as tools for foreign policy implementation on ground that economic sanctions are more humane the use of force.

Even in the case where economic sanction is fully successful to achieve desire outcome by the coercer state that might be different with another case of successful economic sanction. It differs in case to case. But one thing might be summarized that economic sanction can be effective on resolving the minor issue concerning economic policy and trade dispute but

achieving major international political goals, economic sanction are not effective enough therefore are not useful anymore.

One thing can be said not about the implementation of economic sanction but about the effectiveness of economic sanction. Whatever the goals economics sanction set multilateral cooperation is pre-condition for its effectiveness. Without the cooperation among the international political actor economic sanction would not be more effective. In case of multilateral sanctions, it is often argued that the economic punishment should be more effective, since more countries are involved in a co-operative and coercive behavior. Whenever sanctions are unilaterally imposed, the impact could be questionable. On one hand, third countries agents, both public and private, may capture the gains of diverted trade. On the other hand, the expected negative effects of sanctions could spill over to third countries (Caruso, 2003;p. 13).

Economic statecraft and its instrument i.e. economic sanctions is an instrument of foreign policy implementation of the state as policy options. In this thesis, the researcher will explore and explain how these instruments of foreign policy are used by Indian foreign in Nepal. The incident and instances on how technique of economic statecraft has been mostly been used will be main focus of this thesis. Economic sanction is the mostly used technique of economic statecraft, which India as a powerful nation has used as a tool to exercise power through the foreign policy.

## **2.7 The Motives Behind Economic Sanctions**

The use of economic sanctions by governments is to satisfy wide ranges of foreign policy objectives. First is an attempt to alter the domestic politics of a target state, secondly, it is often used to influence the foreign policy behavior of the target government; some sanctions are intended to influence the domestic and international behavior of the target state and also the

economic and military capabilities; some sanctions are intended to affect the behavior or capabilities of a regime and more to bring about regime change- the undermining of the very existence of the regime itself.

- I. The instances of first type of sanctions are: Russia imposed sanction against Latvia, Estonia and Turkmenistan in greater to gain greater political protection for the ethnic Russian minorities living within those countries. Russia use its control over natural resources, especially oil and gas, to coerce its neighbors such as Georgia, Moldova, and Ukraine to adopt policies more accommodating to Russia. Likewise, West European governments employed sanctions against Algeria, Malawi, and Togo to promote and protect democratization. While, the sanctioning against Rwanda by UN in 1994 were intended to make governing authorities to end genocide and Civil war.
- II. The instances of second type of sanctions are: UN and US sanctions against Libya and Iran during the 1990s were intended to discourage those countries from supporting international terrorism, the US sanctioned India and Pakistan in 1993 to protest against their nuclear weapon program.
- III. The instances of third type of sanctions are NATO's trade embargo against the Soviet Union and Warsaw Pact countries during Cold war to slow their military capabilities, The UN sanction against Saddam Hussein's Iraq during 1990s were a mean of economic confrontation, by restricting regime's access to oil revenues, the UN coalition wanted to limit the growth of the Iraq's military capacity.
- IV. The instances of Fourth type are US sanctions against Cuba were an effort to oust Fidel Castro and his communist regime from power, US sanctions against North Korea during the 2000s were intended to hasten the collapse of that country's communist governments.

## **2.8 Have Sanctions been successful? Why? Why not?**

The success and failure of economic sanction is determined by many factors. The density of the sanction, the economic ability of the targeted state, the geographical situation of targeted country, the nature of sanction unilateral-bilateral- multilateral determined the effectiveness of economic sanction. In very rare cases economic sanction has been successful whereas in most of the economic sanction, sanction came to be very ineffective and cost bearing. Most scholar argue that economic sanctions are more humane then use of military means but the incidence suggests that as many as 567,000 Iraqi children may have died since the end of the Persian Gulf War because of economic sanctions imposed by the UN Security Council. This figure is considerably higher than the reported 40,000 military and 5,000 civilian deaths during the war itself. So it may not be as liberal an alternative to use of force as their advocates support (Pape,1997; pp 90-136). If we take in to account the case of Iraq then, there is no sense to say that economic sanctions are more human than the use of force.

The key evidence that economic sanction can achieve ambition foreign policy is the study by Gary Hufbauer, Jeffrey Schott, and Kimberly Ann Elliot (HSE) a reconsideration of the empirical record in the first large N study of sanctions episodes which was first published in 1985 and updated in 1990. Where they have reviewed the universal sanction from 1916 to 1990, 115 identified cases in all. Where report shows sanction success in 40 cases, which was counted 34% of total. This study had played significant role on U.S. foreign policy debate whether to relay on economic sanction instead of use of force in 1991. This study shows that from 1914-1990 many state economic sanction as the tools of foreign policy implementation to achieve economic and political goals.

Robert Pape challenged the emerging optimism about the effectiveness of economic sanction. Sanction can be more effective on international economic dispute but not on the arena of International political goal. He studied the database presented by HSE and claim that the study is flawed. Out of 40 successful cases that claimed to be successful by HSE, Pape claimed in the study, 18 were settled by use of force, 8 cases has no evidence that the target state made the demanded concessions, 6 do not qualify as instance of economic sanction, three are Indeterminate. Out of his 115 cases 5 are appropriately considered successful (Pape, 1997; pp 90-136). The success of economic sanction depends on international support that is why major power uses international forum for economic sanction on the basis of international law. The political and economic isolation of the target country is a prerequisite for the changes of success (Wallenstein, p.33).

Economic sanction concluded by use of military force was (Allies-German 1939, India-Hyderabad, Nigeria-Biafra, UK/US-Uganda, US-Nicaragua, and UK-Argentina) where no concession made prior to military defeat. Indian troops conquered Hyderabad in for days in September 1948.

Likewise, seven target states (UK-German 1914, the League of Nation-Yugoslavia, The League of Nation-Greece, US-UK/France, US-Dominican Republic, UK/UN-Rhodesia, and US/Netherland-Surinam) were successfully coerced by the threat of superior military force. Other five cases (UK/US-Iran 1951, US-Laos, US-Brazil 1962, US-South Vietnam and US-Chile 1970) the target government was overthrown in a foreign-sponsored military coup. Eight cases targeted country made no concession, in four countries (UK/France/Us-Egypt 1956, US-Egypt 1963, US-Taiwan, US-Poland) the targeted country made only trivial concession that did not satisfy the coercers' demands. Trade dispute of six cases do not qualify as instances of economic



sanction: commercial dispute (USSR-Finland and US-Chile 1965) four (UK/US-Mexico), US-Ceylon, France-Tunisia, and US-Peru) were concern as expropriation commercial dispute. Indeterminate three cases: US-Netherlands, South Africa-Lesotho) over-determined (Canada-the European community (EC)/Japan) indeterminate because of insufficient data to prove that whether sanction success or failure.

The most success five cases of Pape's study are (UK-USSR 1933, US/Canada-South Korea, the Arab League-Canada 1979, US-Salvador 1987, and India-Nepal 1989). If we minutely analyze these five successful cases where economic sanction claimed to be completely successful then, there had been no vital international political goals set by the coercer. Simply a hey of demands were conceded by the targeted state. The USSR agreed to release six British national who were imprisoned by accusing them being involved in spying, Canada was agreed not to move its embassy in Israel from Tel Aviv to Jerusalem, El Salvador agreed not to release three prisoners convicted of murdering U.S. Citizen, U.S. and Canada pressured South Korea to abandon its plans to purchase a nuclear fuel reprocessing plants from France, the determinant of outcome are quite unclear. Pape was not even clear about the success of economic sanction on South Korean compliance of US/Canada demands. Finally, Indian economic sanction on Nepal was considered as major success among 115 cases of economic sanction. King Birendra did not surrendered with India, instead of that he shared his power with political parties in domestic sphere. The unpopular Panchayat regime ended not by the external influence but by the popular democratic uprising in Nepal. The people aspiration of freedom and democracy was the primary reason behind the removable of Panchayat system in Nepal. In this respect there is problem to clearly say that economic sanction was totally successful in 1990. For instance whatever the covert goal of the government of India, overt reason was to pressure the government of Nepal to

sign single Unified treaty on trade and transit. But document shows that in April 1991, the government of Nepal and government of India had signed two treaties; treaty on trade and treaty on transit respectively.

Even after analyzing the history of economic sanctions, which were used as tools for foreign policy implementation by the state and international community or international forum, in different period of time, it is easily visible that economic sanction are not effective tool of foreign policy. Even in the case where economic sanction is fully successful to achieve desire outcome by the coercer state that might be different with another case of successful economic sanction. It differs from case to case. But it can be summarized that economic sanction can be effective on resolving the minor issue concerning economic policy and trade dispute but achieving major international political goals, economic sanction are not effective enough therefore are not useful anymore.

Whatever the goals economics sanction set multilateral cooperation is pre-condition for its effectiveness. Without the cooperation among the international political actor economic sanction would not be more effective. In case of multilateral sanctions, it is often argued that the economic punishment should be more effective, since more countries are involved in a cooperative and coercive behavior. Whenever sanctions are unilaterally imposed, the impact could be questionable. On one hand, third countries agents, both public and private, may capture the gains of diverted trade. On the other hand, the expected negative effects of sanctions could spill over to third countries (Caruso,2003;p.43).

In the age of business and trade, economy should be used to create opportunities for countries in international arena other than creating the barrier for economic and trade

development. The damage on the economy of targeted country should be the matter of focus for study. We have just confined the study on examining the effectiveness of economic sanction. Overall, most existing studies tend to identify whether or not sanction initiators achieve their foreign policy goals, but they rarely provide evidence for how much damage has been incurred in the sanctioned economies (Geiguen, 2006;pp.22-24).

After realizing the effectiveness of economic sanction many states and international organization choose economic sanction as tools for foreign policy implementation on ground that economic sanctions are more humane the use of force. The interdependency created by Liberal international economic order contributed negatively in the effectiveness of economic sanction. Economic sanctions are very much harmful for the economy of targeted country. The globalization has posed serious threat to optimism of economic sanction as tool for foreign policy implementation to achieve intended goal form targeted country. Economic sanctions are less effective after the globalization. Many writers focus their study on creating the condition for imposed sanction to work. They advocate that sanction should be imposed when the threat of sanctions fails. There are two conditions under which the success of economic sanction is high: the target initially must miscalculate the sender's deamination to implement sanctions, underestimate the impact of sanctions; second, the target's misperception of these factors must be corrected only after sanction imposed (Hovi & Huseby, 2005;p.99).

## **2.9 Weaknesses of Economic Sanctions**

Sanctions are to harm the government they are aimed at but instead it is people who suffer as supplies and resources they depended upon run out and the average and poor people are the main victims. Sanctions are often called worst and cruel foreign policy tool as they hurt the people and rarely those in charge. Even if the sanctions are primarily to affect luxury goods and

services some of these goods will get through, and when they do class distinctions and characteristics will be more obvious and organized crime will have a natural life support system. It's even worse when medical goods or basic foods are what is sanctioned, they poor and unconnected will be most hurt, not the people who have the power to change policy.

The sanction is often proved to be double-edged sword. The business of the country applying hurt own trade and investment in the target country. US companies have had to stay away from Iran, German machine-builders have had to reduce their exports to Russia, and French shipyards have suffered through the freezing and potential cancellation of the sale of Mistral ships to Russia. Sanctions can also provoke counter-sanctions. In 2014, Russia retaliated against Western measures by banning food imports from the countries that had joined sanctions against Moscow (Mastanduno, 2011;p 201). The result of sanction often includes changes in traditional foreign trade patterns in line with new geopolitical alignments. Faced in 2006 with the Russian wine embargo, Georgia had to look for new markets in the West, where it was headed politically. When in 2014 Russia faced Western sanctions, it accelerated its rapprochement with China, the one major power that refused to condemn its actions and shared Moscow's opposition to US global dominance.

Politically sanctions are most affective against friends and allies, in the cases of adversaries; they can suffer their resolve at least for the short term. The sanctions imposed on Russia in 2014 during the crisis over Ukraine have contributed not just to a surge in Vladimir Putin's popularity but also to the growth of Russian patriotism and nationalism. Also, the Kremlin also hopes that a long period of sanction can help to guarantee political stability in the country for longer time.

## **2.10 Economic Sanctions of India to Nepal**

Foreign policy is an instrument to conduct relations of country with another. It is a reflection of wishes of the political decision makers, but a complex social, economic, process. It aims at safeguarding and advancing national interest of the country. In context and Nepal there are many issues that are either sources of intimacy or irritants. These to suspicion and conflict and also encourage cooperation and partnership between the two neighbors (Sukhla, pp. 5). Nepal has faced the economic coercion from India at different times in history and present where India has used sanctions as an instrument of foreign policy instruments. It is a fact that Nepal and India share civilizational ties from time immemorial and connected through history, culture, religion, geography, etc. This multifaceted ties has witnessed many ups and down where India had shown displeasure by exercising power through economic sanctions when India doubted its security in Nepal.

India's attitude towards Nepal is also determined by its economic interests in Nepal such as the utilization of water resources, promotion of private capital investments, development of joint venture etc. Nepal's excessive economic dependence on India its impact on India- Nepal relations, since Nepal is a landlocked country, India provides outlet for its overseas trade (Sukhla, pp. 3). Likewise, Nepal appears crucial importance from the point of view of India's security. The strategic significance of Nepal in India's security was realized by Nehru, so, India wants Nepal to fully accommodate their security interest. Whenever, India could not be sure about safeguard of their interest in Nepal or if things didn't work as per their interest, they used economic statecraft like blockade/ sanction as a tool to implement their foreign policy.

From past to the present days, India has used its economic statecraft whenever Nepal tried to implement policies. India's prejudice and insecurities has been the main reason behind

rift in the relations between these two countries and as the consequence India has imposed economic blockade/sanction in different period of history to present days i.e. in 1970, 1980-1990 and 2015.

### **2.11 Why Economic Sanction?**

Nepal is a landlocked country in between India and China which serves as a buffer state to both huge countries. Nepal is inclined and dependent and inclined to India in its trade, economy, and transit route. India has monopoly on trade transit of Nepal which is the reason why it uses sanctions as a foreign policy tool towards Nepal. India us economic sanction as it cannot start war with Nepal- first, as Nepal is a strategically vital for them; second, India and Nepal has socio-cultural and traditional relationship; Third, Nepal is a huge market for Indian products which adds to their economy; fourth, India is dependent on Nepal's river water; fifth, Nepal is not so powerful as per military might due to which India choose to impose sanction than to go to war. It is brutal as it causes harm to business, trade and economy and which causes pain to locals and the country both and the result doesn't come up as harsh as the war which saves the image of the sanctioning country.

The geographical position of Nepal between two Asian giants, India and China, not only gives rise to the importance of geopolitics in domestic policy but also in regional and international relations. The compulsion of Nepal is to focus its strategic and foreign policies almost entirely on India and China due to its buffer type geographic location (Laughlin & Anselin, 1991; pp, 29-61). There is strong rivalry between India and China for the regional power status in Asia and competition in Nepal due to the geostrategic location of Nepal. In this scenario, the decision related to foreign policy and internal politics of Nepal has implications on geopolitics of the region. It is hard for Nepal to protect and promote its national interest and

survive as independent state compared to other nations in South Asia. India is vital to Nepal as it is dependent on the seaport of India which is major drawback to Nepal as due to this dependency Nepal faces huge loss and has to tolerate the coercive policies from Nepal. Despite this, Nepal is still dependent on India for its trade due to the landlocked position of Nepal and the geographical closeness and open border with India which provides easy access for the flow of goods and services as compared that is shared with China. China has security interest in Nepal too due to which it is engaged by growing its presence in Nepal. China has helped Nepal in times of crisis especially during times of economic sanctions. Nepal to curb the shortage of fuel, and reduce its dependency with India has signed an agreement with China.

Trade is an important factor for the economic development of a landlocked country like Nepal. The disruption of trade and sanctions affects economy and political system. Despite having close relation socially, culturally and religiously with India, India has shown unfriendly gestures and punished Nepal with economic time and again. In many situations, when their interests were not addressed, India has used economic restrictions like sanctions as a key tool. During all these three sanctions, the unilateral economic dependency was exploited by India to fulfill their interest in Nepal, Whenever Nepal has attempted to conduct policies that represent Nepal's exercise of sovereignty like removing Indian military check posts from within Nepali territories, promulgation of its constitution, international recognition as a 'Zone of Peace', opening up trade relations with China and so on.

## **CHAPTER 3: CONCEPTUAL FRAMEWORK AND RESEARCH METHODOLOGY**

### **3.1 Conceptual Framework**

The researches study of behavior of India towards Nepal in terms of co-economic sanctions. In other words, it is the study of coercive diplomacy of India towards Nepal. Therefore, the theory that will contribute to this research will be the realist and neo-realist school of thought in terms of economic sanctions of India to Nepal. This framework is chosen because it can be the best tool to study the India's domestic variables and their impact in foreign relations of India with Nepal.

References will also be taken from the grand international relations theories like realism and neo- realism to analyze the behavior of India towards its immediate neighbors. The conceptual framework of the study is set as follows:

**Step 1:** Examine India's foreign policy and neighborhood policy.

**Step 2:** Excavate the underlying features of India- Nepal relations.

**Step 3:** Identify the underlying causes of the economic sanction/blockade (1968, 1989 and 2015) imposed by India in Nepal.

**Step 4:** Explain the use of sanctions as tool of economic statecraft/ foreign policy of India.

The research is the study of influence of power in foreign policy implementation of India in Nepal. Therefore, the theory that will contribute to this research will be the realist and neo-realist school of thought in international relations, and the theories of power. Economic sanction of India as a tool/instrument of foreign policy implementation in Nepal will be used as content analysis.



### 3.2 Research Methodology

- I. **Research design:** Qualitative aspect of social science will be basic way of conduction this research. The research is qualitative in nature. The research studies the behavior of India towards Nepal in terms of co- economic sanctions. The research design is descriptive. It describes what exists in the relationship between Nepal and India. It is entirely a library based research. As this study is primarily concerned with the literatures related to economic sanctions, it closely pursued closely books, articles and journals written in this regard for answering the research questions.
- II. **Sources of Data:** Secondary information will be ascertained from different sources. For this research, data will be collected from the library and the internet such as documents, newspapers articles, official reports, journals articles and book related to the topic of research will be thoroughly examined. The study is qualitative in nature. This is a library-based research, so the research collected ample secondary data from books, articles, reports, publication working in a particular area, along with the online materials available on the websites of different online portals.
- III. **Method:** Descriptive and analytical methods will be employed to analyze collected qualitative secondary data and information. To test and prove the hypothesis made by this research process tracing technique has been used to show casual mechanism. Process tracing is used to link case/ episodes of sanctions, set of causes with an outcome.

## CHAPTER 4: FOREIGN POLICY OF INDIA TOWARDS NEPAL

### 4.1 Determinants

Nepal is India's unique neighbor. The two countries are closely bound together in a complex web of linkages and contiguities that span across civilizational, historical, socio-cultural, economic, geo-strategic, and political terrains. These factors have provided platform to adopt close bilateral relationship. The people to people connection, informal closeness and formal diplomatic relations have been important factors determining the relation between two states. Since time immemorial, Nepal has been maintaining an open border system with India, which ensures the free-flow of people from one country to another. The country was India-opened even at a time when it was cut off from the rest of world until the end of the Rana regime in 1951. After India achieved independence from the British in 1947, Nepal and India signed the Treaty of Peace and Friendship in 1950 and confirmed that the border between the two countries would remain open to the great advantage of the peoples of the two countries (Jha, 2007; p. 10). V.P Dutta correctly says that the two countries have been bound together by history, geography, Kinship, religion and faith, cultural legacy and linguistic affinity (Dutt, 1984;p. 185).

The factors determining the Indian foreign policy to Nepal can be discussed in following ways:

**I. Geography:** Nepal's location is one of the key determining factors of India's Nepal policy. Nature has put India and Nepal so much that it has many areas of engagement and a multidimensional and evolved relationship has been formed from centuries. Nepal and India share common environment and landscape. Nepal situated on the southern - slopes of the Himalayas separates Tibetan region of China from the Indian sub-continent. It shares its border with India on three sides. Hence Nepal has strategic importance and occupies a significant

position in relation to India's security and defense system in north. Nepal's northern part includes number of passes that are rugged and snow covered yet the passes were invaded by China in 1889-92 Tibetan Nepal war. Therefore, the possibility of invasion on the Indian subcontinent from the north through these passes cannot be totally ruled out and this makes Nepal all the important for India. (Sukla, pp.3)

II. **Economic Interest:** India's relation with Nepal is also determined by its economic interest in Nepal such as the utilization of water resources, trade promotion, promotion of private capital investment, development of joint ventures etc. Nepal is excessively economically dependent on India and this has impact on India- Nepal relations. Nepal is a land locked country which has posed serious limitations to its efforts economic, mobilization and development. India alone provides sea route for overseas trade to Nepal. India has given twenty two transit points to Nepal apart from port facilities at Kolkata, Kandala and Mumbai. India sees forward to promote better trade relations in Nepal as it provides market for Indian products. It has enhanced Nepal's economic dependence on its neighbor to a very considerable extent. In fact, Nepal's economy is inextricably attached to Indian economy. In the past ten years, bilateral trade grew over six times from INR 5585 crores in 2006-07 to INR 39564 crores (US\$ 5.89 billion) in 2016-17. During the same period, exports from Nepal to India more than doubled from INR 1384 crores in 2006-07 to INR 2985 crores (US\$ 445 million) in 2016-17. Similarly, India's exports to Nepal grew over eight times from INR 4201 crores in 2006-07 to INR 36579 crores (US\$ 5.45 billion) in 2016-17. Nepal's main imports from India are petroleum products (13.7%); motor vehicles and spare parts (13.1%); M. S. billet(4.7%); rice & paddy (4.5%); other machinery & parts (4%); medicine (4%); hot-rolled sheet in coil (2.8%); electrical equipment(2.5%); cement (2.4%); agricultural

equipment & parts(1.9%);coal (1.9%); m.s. wires, rods, coils, bars (1.6%); vegetables (1.6%); cold rolled sheet in coil(1.4%); thread (1.3%), etc (Lama, 2010;p.4).

III. **River Water:** Additionally, river water development is another field in which India is concerned and has interest in Nepal. What initially started as the harnessing of water resources for the mutual benefit of the two countries has now been extended to protecting and promoting India's trade and investment interest in Nepal. India's first water harnessing projects in Nepal were on river Koshi (1954) and Gandak (1959). Nepal possesses enormous potential for hydropower development and India always has an interest in it. Cooperation in water is the main area of bilateral relations. Many large and small rivers flow from India to Nepal and constitute important part of the Ganges river basins. These rivers provide main source of irrigation and power in India.

IV. **Socio- culture:** Socio culture is another determinant that connects India and Nepal. The rituals, custom, religion and behavioral patterns are similar in two countries so much that it is difficult to make any distinction between them. The Hindu religion and culture is age old factor in building connectivity between two countries. Through there are many non- Hindu communities as well, but common cultural ties are further reinforced by migration of lakhs of Indians who have settled down in Nepal and lakhs of Nepalese who have migrated to India. India's concern over Nepal's social set up becomes more prominent considering the fact that the certain communities in the northern draw natural inspiration from neighboring Tibet region. It is not only because of close social cultural links, but also because of negative attitude of the North

Himalayan communities, which could affect India's strategic interest in Nepal (Sukhla, 2006;pp 20-23).

## **4.2 A Historical Background to Present**

### **i) British India**

British India developed their relation on neighbors like Nepal which was primarily based on their interest with aims to protect their empire and expansion of British commerce and economy. British attempts to explain the creation of this vast empire in terms such as desire to civilize the Indians or to spread Christianity, personal ambitions, or the prestige of owning an empire (Mahajan, 2015; p.50). SnehMahajan in *The foreign policy of The Raj and its legacy* writes,

In nineteenth century, when the British established control over India, British was 'top' nation. The British policy makers wanted to maintain Britain's standing as a great power. It is generally held that Britain's great power status was based on three things- its industrial and commercial strength, its naval supremacy and its worldwide empire. However, trade and the navy were merely instruments of power. (Maharjan, 2015; p. 52)

The British with its huge economy and power took control over India's domestic and foreign policies. The relation between British India and Nepal were marked by ambivalence and ambiguities and also they maintained direct relation with Nepal like other neighboring countries. There were still cultural and religious ties as well as traditions of political relationship with India. Nepal was not considered as part of India as princely state or as colonial territory but as a buffer state between India, China and Tibet. The policy towards Nepal was established to securing a

reciprocal friendship with a belief that such relationship would be beneficial to both India and Nepal.

Nepal was under massive territorial expansion due to which the British it as a serious threat as the territorial advancement reached close to border with areas under control of East India Company. Also, British failed to gain commercial rights and foot hold in Nepal many times so war was considered only means to achieve goal in Nepal. The fundamental factor behind the way was the clash between the British imperial policies entire south Asia and Nepal. The war broke out after all peaceful and diplomatic means applied to settle the issues between Nepal and British India Company failed. The Anglo- Nepal war was fought from 1814-1816 and Nepal suffered a heavy loss. After the loss at war, British demanded huge compensation and Treaty of Sugauli was signed in March 4, 1816. The treaty was costly bargain for Nepal because its possession in Sikkim, Kumaon and Garhwal was lost also a large part of landmark in Terai with imposition of some obligation to Nepal. Nepal remained independent country, but received a British resident with status of an ambassador to an independent country rather than the controlling agent of the supreme government in an Indian state. Nepal has to consult British in matters of external and security. Since then, Nepal's foreign policy and diplomacy became totally British centric until the political change in 1951 (Lamsal, 2009; p. 110).

Although Nepal lost the war, a great impact of bravery was left on British. In order to improve diplomatic relation, another signed in 1923 between British India and Nepal in which British formally recognized Nepal as a sovereign country and also facilitated Nepal to freely import goods and arms through the Indian Territory. In *Why did the British not colonize Nepal?*, Mulami writes,

During the war a deep feeling of mutual respect and admiration had developed between the British and their adversaries, the British being much impressed by the fighting and other qualities of the Gurkha soldier. Under the terms of the Peace Treaty large numbers of Gurkhas were permitted to volunteer for service in the East India Company's Army. From these volunteers were formed the first regiments of the Gurkha Brigade, and from this time stems Britain's friendship with Nepal, a country which has proved a staunch ally ever since and has become our 'oldest ally' in Asia. (Mulami, pp.4)

The cordial relation between British India and Nepal was maintained by Rana regime in Nepal. It was basically done to save the regime and stay in power. Rana maintained friendly relationship and always helped British through their Gorkha forces. In return, British gave assurance to preserve its regime and returned its lost territories of terai in the Anglo Nepal war 1815-1816, as a reward. In 1947, India got independence from British and they achieved freedom from democratic movement. Rana regime in Nepal was not comfortable with it and was in fear that that democratic movement could bring aspiration for freedom in Nepal too. Rana regime made cordial relation with the congress government in India for the sake of safeguarding their position in Nepal and gave India a chance to adopt British policy in Nepal. In this order, the two governments concluded a "standstill agreement" under which India as a successor power to the British was recognized and the terms of a relationship between Nepal and India as they existed prior to independence retained (Cohen, 2015, pp. 55-67).

## **ii) Nehruvian Period**

Pandit Jawaharlal Nehru was an architect and preeminent voice of Indian foreign policy post independence or the foreign policy during cold war. Nehru's understanding of the world

went through multiple phases and his eclectic mind struggled to reconcile competing ideas. Nehru's idea of foreign policy were commitment to world peace, anti-colonial struggle, opposition to racism, commitment to democracy, secularism and peaceful coexistence etc. which were certain philosophical values that emerged during the freedom movement. Nehru focused on basic three features regarding foreign policy after independence and conflict with China. First, India actively participated in multilateral and played a significant role especially in UN and peacekeeping operation. Secondly, it emerged as a critical proponent of non alignment movement. Third, India made contribution towards the process of decolonization. Nehru was promoter of non alignment movement, supported the UN and disarmament. SumitGanguly and Manjeet S. Pardeshi in *Explaining Sixty Years of India's Foreign Policy* write,

Not surprisingly, India's post – independence policymakers were acutely sensitive to the sensitive to the significance of this colonial legacy. Accordingly, they explicitly sought to forge a pathway that would keep India outside the ambit of the Cold war. Such a strategy was possible because anti imperialism sentiments were widespread within the Indian polity across the political spectrum. The strategy came to be known as non alignment and Indian policymakers were at pain to distinguish it from “neutralism”. (Ganguli&Pardeshi, pp.6)

Scholars often stress that there are factors that can explain Nehru's adoption of non alignment as core of India's foreign policy. First, he was concerned about the opportunity costs of defense spending, he was more dedicated to development of recourses so he was eager to avoid conflict as India needed time to develop and grow. Also, he was intent on maintaining India's hard won independence and didn't want to compromise freedom.



Nehru's foreign policy also included 'neighborhood policy' which also was influenced by his commitment to the process of decolonization in Asia and Africa. S.D. Muni in India's *Foreign policy: The Democracy Dimension*, he writes,

Nehru's perspective on neighborhood was much broader, embracing almost whole of Asia; spanning from Iran to Indonesia. When he took over the rein of India's foreign policy, he set out to build a free, cooperative and peaceful Asia and his focus was on strengthening anti- colonial and anti- imperial strugglesAsian countries. (Muni, pp. 18)

India took initiatives to strengthen neighborhood relations and forge concrete neighborhood policy to benefit the South Asian region. However, India's foreign policy towards Nepal was realistic in comparison to idealistic principles. Nehru played a bigger role towards in the neighborhood including Nepal too. India made different efforts to make small state like Nepal to realize how important India is in the region and constantly made interference in internal political affairs. In Nepal, India's engagement in domestic set up is clearly visible.

Scholars often portray Nehru as an idealistic ideologue and others criticize him as realist who only cared about India's national interest and security interest. Some suggest that Nehru took office as an idealist but he was compelled by mounting threats to Indian security to adopt a more realistic posture. Others argue that while Nehru railed against military action by other states, he was quite willing to use force himself when it suited his purposes. It has also been argued that Nehru quietly and deliberately laid the armament (Kennedy, pp. 93). These views clearly show that Nehru was focused on international competition, power and Indian security. These assertive policies and realistic feature of foreign policy were applied to immediate neighbors like Nepal.

Nehru accepted the fact that India's security interest has a priority over Nepal's sovereignty and independence. India's security interest were radically recast soon after independence when in 1949 China emerged as a communist nation and in 1951, military occupied Tibet (Muni, 2015, pp. 399). India recognized the threat to Nepal and forced to strengthen its strategic frontier in Nepal and the Himalayas after rise of communist China. The idea of Nepal being an integral part of sub- Himalaya's strategic space was accepted by Nehru himself. Amid the threat from north, India viewed increasing threat from United States of America in South Asia in general, and Nepal in particular. This increased the fear of cold war reaching out in neighboring country. Political stability was crucial for India as regards its own security consideration so India aimed at developing a close understanding between two countries. Soon, the Treaty of Peace and Friendship and Treaty of Trade and Commerce (1950) between India and Nepal were signed underlining 'the everlasting peace and friendship between the two countries' (Muni, pp.399).

Under the treaty, two governments in matter of respecting each other's sovereignty and independence also agreed to consult mutually on matters relating to security and both agreed not to tolerate any threats to the security of the other foreign aggression and both the governments shall consult with each other and device effective counter measure to deal with foreign threat. The two governments agreed not to employ any foreigners whose activities may be prejudicial to the security system on the Himalayan frontiers. Besides looking after Nepal's needs for the arms, ammunition and such cash subsidy to Nepal. Similarly, posting of Indian Military Liaison Group (IMLG) in Nepal were some other measures that were taken keeping in views of the northern security of the country security of the country (Sukhla, 2006; p. 35) .Thus, under these arrangements Nepal fully accommodated India's security interests.

Pandit Nehru had kept it clear that India's security interest was over Nepal's sovereignty and independence. He addressed in the Parliament on December 6, 1950, he said:

From the time immemorial, the Himalayas have provided us with a magnificent frontier; we cannot allow the barrier to be penetrated because it is also the principal barrier to India. Therefore, such as we appreciate the independence of Nepal, we cannot allow anything to go wrong in Nepal or permit that barrier to be crossed or weakened as that would be risk to our security. (Muni, 2015, p. 399)

When India was suspicious about their hold in Nepal, Nehru voice was more assertive. Nehru once wrote to Ambassador in Kathmandu, "...these people in Nepal who thinks and talk mischief are cowards. They should be made realize, politely but firmly, that there are some things we will not tolerate and we will take necessary action if people misbehave against India" (Muni, 2015 ,p. 400). After Nepal extended her relation with China, the US and other countries, Nehru was infuriated and expressed it on a letter to Ambassador where he wrote,

"I wish to emphasize that, as I once pointed out to you previously, we must reconsider our attitude towards Nepal... They have not only bypassed but practically ignored us, but have done so with discourtesy. This is obviously a deliberate attitude to emphasize their own complete independence from us. According to Chou- En- Lai, Nepalese government has stated him that they have exchanged notes with the USA concerning such matters as Consular representation, treatment of nationals, etc. We seem to know less about Nepalese foreign relations than foreign countries. (Bhasin, 2004, p. 390)

National security was essential factor for Nehru although he celebrated the idea of neighborhood policy, non- alignment and principles of UN. These instances clearly show how

Nehru continued to imply the foreign policy of British Raj in Nepal. Hence, there was sharp distinction between idealism and realism in foreign policy of India also towards Nepal in particular and this characteristic feature was continued by other national leaders in India.

#### **IV. Indira Gandhi**

The regional politics and world politics made strong impact on how India should undertake its security policies in South Asian region. The Sino India war was great trauma for Indian policymakers and Nehru in particular. India made changes and upgraded their security policies and practices post 1962 Sino- Indian war. It committed itself to the creation of a million strong army with ten new mountain divisions equipped and trained for high altitude warfare, a 45-squadron air force with supersonic aircraft and a modest program of naval expansion(Muni, 2009;p. 56). Hence, Nehru's ideological principle and policy of foreign policy were neither fully implied nor abandoned by his successors, it was partially implemented. So, non- alignment remained rhetoric of Indian foreign policy and the behavior and practice was more realistic by Nehru's successors towards neighboring countries in general and Nepal in particular. In *India's Foreign Policy: A Democratic Dimension*, S.D.Muni writes,

Nehru's successor, even if they tried to inherit his grand visions of a peaceful world order and of Asian resurgence and solidarity, did not have the political will and confidence to carry it forward. The vision, in fact, had been shattered in his life time with India's deepening conflicts with China and Pakistan, two of its most critical neighbors. With the security challenges becoming more complicated for India, Nehru's successors had to evolve practical and hard-headed responses to international development, including in immediate neighborhood. India of post

Nehru was a country of fading idealism and principles of non alignment, non violence, democratic commitment and emerging political pragmatism. (Muni, 2009; p. 58)

These changing scenarios made India more sensitive towards Nepal and hence their policies were more assertive which brought some crisis in the relationship between Nepal and India. In India, after the sudden demise of Prime Minister LalBahadurShastri in 1965, Indira Gandhi took over the post of Prime Minister from 1966- 1984 and her rough politics, practice of realpolitik, expedient and ruthless in her pursuit of power largely influenced India's policy towards Nepal.

India was now a growing and powerful country in South Asian region, hegemony was assured in South Asia and Mrs. Gandhi was credited with so called 'Indira Doctrine'. In emulation of the 'Monroe Doctrine' propounded by the United States in the nineteenth century as applicable to the Western hemisphere, the 'Indira Doctrine' opposed the presence of external powers in the Indian Ocean or in South Asia, terming it as inimical to Indian national interest unless acknowledged Indian predominance (Mansingh, 110). The way Mrs. Gandhi handled politics and implemented policies and maintained strategic autonomy justifies the label of 'realist' justified her as pragmatic and focused towards power relationship. Her popularity and large parliamentary majority gave her a free hand to define India's interest and she reserved all important decisions to herself. There were several factors like geopolitical factors, domestic political development, Mrs. Gandhi's style of functioning external relations and her dealings with her neighbors. Under her leadership, Pakistan lost its territory, Bangladesh was formed as an independent and sovereign state, blockade was implied in Nepal, and Sikkim was annexed and was added to the territory of India, and she played a crucial role for these developments.

Under Mrs. Gandhi leadership, India had on and off relationship with Nepal and the relationship was fully dependent on security factor and realpolitik factors. India had anxiety and deep rooted fear regarding growth of relationship of China with Nepal and suspected that land of Nepal will be penetrated and used against India. As she observed in July 1981, 'it is not good for us economically, militarily, or from any other point of view to have weak neighbors. Some of our present problems are because they are so unstable. But we also think there is a deliberate move to keep the subcontinent unstable' (Mansingh, 1984; 262). Hence, smaller neighbor like Nepal was affected by the harsh policies Mrs. Gandhi implied which can be called a 'Raj Complex'.

India, during that time India made huge influence and made hold over was strengthened. Using economic interest and wrath, India tried to exploit Nepal to the utmost level for its own interest, it was during Mrs. Gandhi's leadership when India imposed economic sanction in 1969 towards Nepal. It was possible as Nepalese trade and commerce were totally dependent and controlled on India. New Delhi which imposed stringent measures in which it was impossible for Nepal to be independent and prosper on trade. It was the time when King Mahendra thought the moment propitious to free Nepal from India's stranglehold. King Mahendra who made changes in implementation of foreign policy and internal policies too. In *Nepal and its Neighbors*, Ghori writes,

But the greatest shock to India came in October 1961 when, on the occasion of his State visit to Peking, King Mahendra concluded the historical 'road treaty' with China. Nepal had long been seeking ways in which to break the strong hold India had over its economy as the necessary pre-requisite for political independence.

The Lhasa-Kathmandu highway project offered excellent prospects for Nepal to achieve this aim. (Ghori, 377)

This remarkable step initiated by King Mahendra would end age old dependency of Nepal towards Indian trade and economy. The project was a milestone in Nepal-China relation and the project was fully financed and executed by China. This was the time when India and China were in rough terms due to their border issues and while King Mahendra took those initiatives, India was not happy and full of insecurities and suspicions. The situation worsened when King Mahendra removed Military mission of India who were stationed at the northern border with Tibet and military mission right in front of the central zoo (Jawlakhel) (Ghani, 1964; pp. 334-368). These are the reason which later led to the economic sanction was imposed by India in 1969.

Mrs. Gandhi's government was in fury and anxiety as Nepal started to reach out to other countries like China, Pakistan and United States. India felt like their security frontier being penetrated which was not affordable at the time when India was in process of growing regionally and economically. These factors highly affected the policies implemented by Mrs. Gandhi supported the Nepali congress armed struggle against King Mahendra's coup. Later, Mrs. Gandhi forced the rebels to return to Nepal when her strategic interest and security interest were at risk.

## **V. Rajiv Gandhi**

Rajiv Gandhi was sworn in as Prime minister hours after the assassination of his mother in 31 October 1984 (Raghavan, 2015; p. 117). He made incipient shift in policies both in internal and external politics. The transformation in global politics and economy touched India and resulted to more strategic engagement in Nepal and the policies adopted by the leadership of

India changed as per the need of their security and economic interest. Although, India ideologies during Cold war were non- alignment, Mr. Gandhi made some changes like his mother and sacrificed their principles and had a great engagement with USSR. He made such strategic relationship to deal with the environment around neighborhood, as Soviet was key supplier of military system to India to enhance security and the economic and trading partner of India. For India, China imposed continuous threat and tension and hung around the neck line of India like a strategic albatross (Ragavan, 2015;p. 124). These factors influenced PM Rajiv Gandhi's policies towards Nepal and other neighboring countries. The regional atmosphere was bit turbulent for Mr. Gandhi. In Nepal, India wanted to hold the grip into the internal matters and policies so when Nepal made any attempt to act independently and change policy, India showed displeasure by punishing Nepal.

King Birendra saw how India was engaged and involved in neighborhood and annexed Sikkim, fought with Pakistan and helped to free East Pakistan as Bangladesh and this proved how India was aspirant to become regional superpower. When, King Birendra opted to make new policies and build relation with China, like his mother, PM. Rajiv Gandhi imposed economic sanction towards Nepal after Nepal bought arms and ammunitions from China and proposed "Zone of Peace" proposal.

India was involved during the struggle of democracy in 1989-90, and helped by allowing the resistance to the King by the Nepali Congress from Indian territory and asserting economic pressure to the Royal Palace in Nepal. India played diplomatic good office to the King and the Nepali Congress. Meanwhile, India also helped and supported the Nepali congress to hijack the Royal Nepal Airlines plane in 1973 and in 1975 to capture Nepali district through armed attack. India kept blessings and support to the agitators for the struggle of democracy and the main



policy behind was to pressurize the Palace hence used democracy card as a strategic objective of foreign policy (Muni, 2009; p. 57). After end of Panchayat period, India sent eminent layers Dr. L.M. Sighnvi and A.G. Noorani, to help in drafting of Nepal's new democratic constitution, but only fag end of the drafting process.

India noted the Maoist insurgency during late 1990s and the King Gyanendra's direct take over in 2005 and emergence of 'people's uprising' Jan Andolan II in 2006. Th royal move was described by India as a 'serious setback to the cause of democracy' in Nepal and a matter of 'grave concern to India'. India kept pressuring the King by restraining supply of arms and isolating him in the region and internationally. Prime Minister Man Mohan Singh personally tried to plead with the King to retrace his Feburary 2005 move and to open channel of communication to accommodate the political parties. S.D Muni writes,

India shifted its policy thrust and encouraged the formation of a united front of the mainstream political parties and the Maoist. The culmination of these contacts and the policy shift could be later seen in 12 Points Understanding arrived at between the Maoist and the Nepali mainstream political parties that had joined in a united front under the Seven Party Alliances (SPA), in November 2005. (Muni, 2009; p.92)

India's favor to the political parties including Maoist was a tactical move and India sent MR. Karan Singh , former Maharaja of Jammu and Kashmir to persuade the King to give up resisting the people. The Kind on April 2006 issued Proclamation which implied restoration of pre- February 2005 situation. The agitation were carried on by the people in the street and hence in April 21, 2006 issued another proclamation and gave responsibility of national unity and multiparty democracy to the alliance.

In post 2006 scenario, India's proactive involvement and participation proved to be long time disaster. It was a policy to keep Nepal under its security umbrella. India enjoyed tremendous influence in Nepal and dependency of Nepal with India in sphere of economy and the political sphere increased the degree of engagement of India. The level has reached so high that Nepal doesn't take any significant political decision without India's approval. India offered help with an interest as it doesn't want to hurt its own national interest.

India's growth politically and economically has opened new opportunities for India and given a chance to refurbish its regional image. India has gained confidence and redefined its image globally and regionally. But, India's Nepal policy remains unchanged and still has significant influence in internal affairs. The 2014 government Narendra Modi of Bhartiya Janta Party continues to engage with Nepal's representative forces without being guided by its ideological and religious preference. The developmental orientation of the new Indian political dispensation may provide greater pragmatism and rationale in policies towards Nepal.

Prime Minister Modi visited Nepal in August 2014, and addressed the Parliament cum constituent in Nepal. The most important part about his address was about Nepal's constitution making exercise. He said he believed and has assurance that Nepal will promulgate constitution that will be inclusive, represent the aspirations of people of entire Nepal. Nepal holds a very significant place in India policy from geo-politically and geo-strategically. Bawa Singh in *India's Neighborhood Policy: Geopolitical Fault line of its Nepal Policy in the Post 2015 Constitution* writes,

Modi's vision for Nepal has been articulated in his speech delivered in Constitution Assembly-cum Parliament in which he said, 'we have always

believed that it is not our task to interfere with what you do but to support you in the path you decide to take.’ (Singh, 2016; p. 66)

P.M. Modi made an effort to take bilateral relations between India and Nepal into new height. The growth of China and its influences into South Asian countries made a great threat to India’s sphere of influence to safeguard its national interest. Singh further writes, “So, to make Nepal a reliable partner in neighborhood policy, he introduced ‘HIT’ formula through India wanted to extend its help to Nepal in building its highway (H), information highway (I) and transit way – transmission lines(T).”(Singh, 2016; p. 68) Through this formula, India was been trying to lure and maximize its presence in Nepal. Modi policies to Nepal and other neighboring countries were to spur economic development, bolstering India’s security, enhance global standing and influence of soft power.

The relation between Nepal and India worsened after the promulgation of the Constitution 2015. India didn’t welcome and had hard stand on Nepalese constitution. India asked Nepal to make seven amendments in the constitution. The Madhesi and Tharu in Nepal were protesting asking amendments of new constitution as they believed that the new constitution failed to meet the aspirations of the Indian ethnic people. The issues like federalism, secularism, citizenship, rights of Madhesi, Tharu and Janajati were the main concern of not only ethnic people rather India as well. (Bawa, p. 68). The supplies of essential goods were blocked from Indian side. There was a conviction from Nepal side that it was India helping them and hence the unofficial blockade of 2015 post math of devastating earthquake was a part of foreign policy of India towards Nepal.

### **Neighborhood (First) Policy**

India's neighborhood first policy, which later was revived by PM Narendra Modi, was actually followed since independence towards Himalayan countries Nepal and Bhutan. The neighboring hood policy was present even before the Indian independence. Nehru in his speech at convention of congress party said 'the people of India have no quarrel with their neighbors and desire to live at peace. In *India and the World*, Nehru writes,

Peace can only come when the causes of war are removed. So long as there is the domination of one country over another or the exploitation of one class by another there will always be attempts to subvert the existing order, and no stable equilibrium can endure. Out of imperialism and capitalism peace can never come. (Nehru, p. 24)

Nehru asserted on the role to play in India and abroad to push towards the great human goal of social and economic equality, ending of all exploitation of all nations and class by class to national freedom within international cooperation. Neighborhood policy is based on fundamental principles of Nehruvian foreign policy which is said to be followed by his successors. It was also practiced by V.P Singh, Chandrasekhar, I.K. Gujral. PM Manmohan Singh said 'our priority should be to devote ourselves to building a structure of cooperative and mutually beneficial relatives with our neighbors.' (Singh, 2016;p. 68)

After emerging in global player in international politics, the then Indian foreign Secretary NirupamaRoa, had accepted that 'a peaceful neighborhood is mandatory for the realization of India's vision of economic growth. India has invoked all the neighboring countries to be partners and contribute to the regional growth and prosperity.'" (Singh, 2017, p. 65).

Former Indian Foreign Secretary Shyam Saran put India's renewed focus on India's neighborhood as follows:

Proximity is the most difficult and testing among diplomatic challenges a country faces. We have therefore, committed ourselves to giving the highest priority to closer political, economic and other ties with our neighbors in South Asia. We regard the concept of neighborhood as one of widening concentric circles around a central axis of historical and cultural commonalities pursuing a cooperative architecture are key areas of focus of our foreign policy. (Kumar, p. 7)

After PM Narendra Modi came to the power in 2014, he gave priority to neighboring countries. He took Nepal an important place in neighborhood policy. India's neighborhood policy has evolved within the framework of its overall foreign policy. India's commitment to the ideals of democracy and secularism was loud and clear. Nehru was the foreign policy imprint continues to be visible in its core concerns even today. Nehru perspective on neighborhood was broader, embracing almost whole of Asia. He set out to build a free, cooperative, and peaceful Asia. (Muni, 2009,p.18). Many thinkers and writer wrote about India building a web of dependencies with her neighbors. India wants to build stability in relations, adjust neighborhood policies, and seek mutually rewarding economic and commercial links and prosperity.

## CHAPTER 5: ECONOMIC SANCTION OF INDIA TOWARDS NEPAL

This chapter has highlighted the economic sanctions as a foreign policy apparatus.

### 5.1. Economic Sanction as a Foreign Policy Tool

Sanctions are used by government to influence attempts directed at other actors (state and non- state) in the international system. It is a means for the pursuit of foreign policy goals. It is a form of coercion which a state impose an actual or threatened withdrawal of economic resources to effect a policy change in a target state. These are the deliberative actions or an attempt to manipulate with intent to influence the target state not to destroy it. Sanction is a form of coercion where a sender state exhibit pressure to target state without going to war. Sanctions are primarily economic, but also political and military “penalties that target a state or entity, designed to change its behavior in a particular way.” The US now uses sanctions in order to discourage the proliferation of nuclear ballistic missiles, deter and ultimately stop state sponsorship terrorism, promote human rights, and protect the environment, etc (Jonah, 2018;p. 15).

David Baldwin in *Economic Statecraft* argues that economic sanctions are not simply the economic measures, but regular instrument of foreign policy and as such, are political in nature. While some theorist offer concept that sanction are symbolic and political tool, rather than a substantive instrument of foreign policy. The overall purpose of sanction is to deter, coerce, punish, or signal a target state. These sanctions are explicitly supposed to work by imposing some kind of pain or punishment on a country, often times the regime in power, which then alters the target’s policies and behavior in a way that complies with the sender’s demands and interests.

The practical reason is that the incidence of economic sanctions has multiplied since the end of the cold war, without a similar increase in policy analysis. The esoteric reason is that an examination of economic statecraft can illuminate the nature of power in international relations. According to, William Kaempfer and Anton Lowenberg identify three typical arenas, or motivations for the contemporary use of economic sanctions: national security objectives, to achieve moral or ideological goals, or international trade and investment dispute resolution. A state unilaterally uses this form of statecraft to achieve its foreign policy goals and preserve its national security.

As Baldwin noticed in his book *Economic Statecraft*, both types of sanctions constitute means to exercise power and particularly to foster cooperation among countries (Baldwin, 1985, p.20). As a tool of foreign policy, a state by the application of economic statecraft attempts to hamper the target country's economy with an aim to achieve foreign policy goals, national security goals and influence their policies or make the target country do what they wouldn't do otherwise. Michael Mastanduno in *Economic Statecraft* writes,

‘Most of the times a nation impose sanctions on another country, it has few policy options. The target nation usually has committed an unacceptable act and intense domestic pressure, particularly in democratic states, to ‘do something’ can persuade the government in the sanctioning nation to respond by imposing sanction to meet goals other than target compliance’ (Mastanduno, 2012; p. 256).

There are reasons for why economic sanction is popular foreign policy tool and why State uses it. Firstly, it can be designed and implemented quickly. Secondly, the initial results are tangible and instant. Thirdly, the justification of its use as a response to unwanted international actions is easy to explain. Fourth, economic sanctions can be calibrated to respond to a relatively

small or large international incident. Finally, sanction provides invasive yet nonmilitary foreign policy response. In these ways sanctions are designed and deployed to achieve many foreign policy goals (Mastanduno, 2012; p. 258). To achieve their goals, economic sanctions utilize tools such as:

- 1) **Restricting another country's access to resources and financing** that would be used to advance an unwanted policy or practice. A prominent example is the economic sanctions employed against Iran's nuclear weapons development program.
- 2) **Restricting another country's access to financial assets** that could otherwise be used as reparations for actions of the sanctioned countries. The economic sanctions against Iran that froze Iranian assets housed in the United States are one example of this practice (John, 2017; p. 12).

Economic sanctions can attempt to induce compliance with the sanctioning nation's foreign policy goals, enhance that country's prestige or status, or punish or deter target nations. The sanctions imposed can serve one or more than one foreign policy goals and the goals are mostly political than economic. Governments are often willing to accept economic losses when imposing sanctions in expectation of achieving prime political or foreign policy goals. A study mentions about three types of political or foreign policy goals for economic sanctions:

1. **Primary goals:** The sanctioning nation openly reveal its objectives while sanctioning target nations and attempts to make target nation comply with its wishes. For example, sanction was imposed by the United Nations against the white minority-ruled government in Rhodesia in 1966 to compel it to institute a system of majority rule. The primary goal of sanctions is usually the most difficult to achieve.



2. **Secondary goals:** These objectives entail symbolically enhancing the prestige or status of the sanctioning government. Sanctions can increase prestige internationally by making a moral statement against the target's behavior. For example, U.S. import and export sanctions in 1978 against the Idi Amin government in Uganda for violations of human rights satisfied this goal. Sanctions can also increase the standing of the sanctioning government in the eyes of its domestic interest groups. For example, selective sanctions placed against South Africa by the governments of many western industrial nations. These sanctions won the western government's greater support from their own domestic antiapartheid groups.
3. **Tertiary goals:** These are goals that affect the international system. Sanctions, or the threat of them, can punish a nation for the violation of international norms. They also can act as a symbol of resolve by the sanctioning nation to deter the target or other nations from displaying future unacceptable behavior. In the mid- 1980s, the United States placed fairly comprehensive unilateral trade and financial sanctions on Libya to punish it for state-sponsored terrorism and intervention against neighboring states. Also, western nations threatened to impose sanctions against the Soviet Union if it invaded Poland to suppress the Solidarity trade union in 1981.

In recent history, leading nations and the United Nations (UN) have increased the imposition of sanctions. The more recent and well known uses of sanctions include economic sanctions to force Iraq to leave Kuwait, sanctions against Serbia, Haiti, South Africa and, of course, the long standing U S embargo against Cuba', India's sanctions to Nepal. In addition to these examples of Imposed sanctions, there are a number of recent cases where the U S

threatened to impose sanctions (e.g., North Korea, China). In the hope that the mere threat of sanctions would be sufficient to bring about the desired behavior by the target country.

## **5.2 India's Economic Sanctions in Nepal**

Nepal and India has many dimensions and determinants to the age old relationship. The good and cordial relationship has faced lots of problem due to India's India's consistence behavior following the British India and Nepal consistence attempt to come out off that line. India has many times exhibited coercive, more aggressive and punitive policies towards Nepal. The crisis in relationship has common reasons which begin with India's sensitive nature related to its security interest in Nepal, the proximity of China and Nepal relations. Also, Nepal's aspiration of making independence internal and external policy and security policy and India's persistence policy to grab Nepal under their security arena creates the conflict between these two countries.

Pundit Jawaharlal Nehru as a chief architect of Indian foreign policy was vocal and clear that Nepal should consult India in the matter of foreign relations other security issues. He further explained meaning of consultation final approval of India on the international relations of Nepal. Whenever Nepal made its policy decision independently without consultation of India, then India concerned about its strategic security and 'Big Brother' attitude has used economic sanction as tool of foreign policy implementation. Though Nehru is founding father of Indian foreign policy, *Indira doctrine* is dominant in Indian foreign policy towards small and weak state (Pandey, 2015; p. 45). India presented itself in more punitive manner towards Nepal and other South Asian neighbors when the countries took independent policy decision to protect and promote their respective national interests. Pape in *Why Sanctions do not work* writes, "Economic sanctions seek to lower the aggregate economic welfare of a target state by reducing international

trade in order to coerce the target government, this to change its political behaviour.” (Pape, 1997, pp.93-94). The sanctions implied by India towards Nepal in different period of history are discusses in following section.

### **5.2.1 Economic Sanction of 1969**

#### **I. Context**

The bilateral relations between India and Nepal worsened to greater extent during 1960s. King Mahendra tried to bring significant policy changes in domestic and foreign policy of Nepal. King Mahendra, managed to subvert India’s goal of ‘special relations’, of mutual security arrangements and keeping foreign influence out of the kingdom.(Muni, 2009; pp 45) He took over the power and implemented panchayat rule and dismissed to multipart system in December 15, 1960. The coup was analyzed by many analysts as personality clash between King Mahendra and B. P. Koirala while other claim it was done in terms of sharpening Cold war and Sino-Indian regional rivalry. This move by not appreciated by India. India strongly disapproved the King’s action. Nehru, in response to an adjournment motion in Indian Parliament said: “It is not for me to criticize the actions taken there, but obviously, it is a matter for regret for all of us that a democratic experiment or practice that was going on has suffered a setback (Bhasin, 1960;p. 401). India even supported the Nepali Congress’s armed struggle against King Mahendra’s coup.

India’s security interest in Nepal were under suspicion after China’s military occupied Tibet (1950), India was then forced to be more concerned about Nepal and China’s actions. Subsequently, when Dalai Lama sought and obtained political asylum in India, Sino India relation came to breaking point. The territorial disputes at MacMohan line and Askai China which led to Sino India war in 1962 where India was defeated by China. The harsh defeat to

China was the reason why India grew more sensitive towards Nepal and Nepal's engagement with China then was considered breach to India's security interest in Nepal.

## **II. Cause**

With this political dynamics and backdrop, King Mahendra with a fear of annexation dissolved the parliament and took major steps to strengthen Nepal's foreign relation.

India's initially perceived mutual security arrangements, including the modernization of Nepal's defense forces, the guarding of its northern border and assistance with internal security arrangement ceased to be relevant by 1960s. These initiatives were taken as India had domination over Nepal in the areas of external affairs and Nepalese defense too. The check posts on Nepal's Tibetan border were manned by Indian security personals until 1958. Officially, Indians at the post were radio- operators and technicians, but in addition to sending coded radio reports. These technicians also reported directly to the Indian Embassy in Kathmandu, thus giving a private intelligence within Nepal (Ghori, 1964; p. 375).

King Mahendra took an initiative to free Nepal from the Indian monopoly and in October 1961, on a state visit to Peking, King Mahendra concluded the historical road treaty with China. Nepal had long been seeking ways in which to break the strong hold India had over its economy as the necessary pre-requisite for political independence. The Lhasa-Kathmandu highway project offered excellent prospects for Nepal to achieve this aim. The project, fully financed and executed by the Chinese, would end Nepal's age-long dependence on India for an outlet to the outside world. The timing of this agreement coincided with the Indian border dispute with China and resulted in an even greater hate Nepal campaign in India. Whereas the treaty was purely an internal matter of Nepal, designed to boost its economic progress (Ghani, 1964; p. 375). While, India treated it as an issue affecting its defense policies in the north. India termed it as a direct

threat to its security in the Himalayas and accused Nepal of siding with China against India and Nepal playing 'China –Card'.

The Khampas rebellion which broke out in February 1962, in the Mustang area was said to be done with full Indian blessings. Arms were air-dropped by Indian planes, the aim being to free Nepal from the "autocratic" rule of King Mahendra. Hostile expeditions against Nepal were organised, financed and armed in the territory of India and military action was taken against Nepal with the full knowledge of the Indian Government (Ghani, 1961; p. 378). In April 1962 King Mahendra visited Delhi to negotiate with the Indian Government but the talks proved a failure. The two questions of the Lhasa-Kathmandu road, objected to by India and action against Nepalese exiles of political parties living in India, demanded by Nepal, remained undecided. In his peace efforts the King failed to get an assurance from the Indian Government that no political activity, whether violent or peaceful, would be permitted in India.<sup>1</sup> King Mahendra made another attempt to settle differences with India when he sent his Foreign Minister, Rishikesh Shah, to Delhi but it was failure. Rebel activities remained as before and border intrusions, raids into and subversion in Nepalese territories continued unabated.

India even resorted to a virtual economic blockade of Nepal to force it to accept Indian dictates, when in September 1962 goods trains bound for Nepal were detained at the border town of Raxaul (Ghori, 1964; p. 380)

Keeping India's pressure aside, King Mahendra signed trade treaty with Pakistan in 1962. It is assumed that the treaty was timely and gave moral uplift to Nepalese Indian opposition to Nepal's trade relations with Pakistan was instantaneous, for New Delhi resented the fact that Kathmandu wanted to develop trade relations with other countries particularly Pakistan. As a

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<sup>1</sup> The Times of India, Bombay, 23 April, 1962.

sign of its anger India refused to give free transit facilities to trade goods between Pakistan and Nepal.<sup>2</sup>

### **III. Effects**

With this backdrop, After Nepal built Araniko highway that linked Kathmandu and China and Tatopani trade route was opened, India was dissatisfied and obstructed the movement of goods into Nepal. Hence, the economic blockade/sanction was imposed by India as a tool of foreign policy implementation. The first obstruction occurred during 1969 after the expiration of the 1950 trade and transit treaty; where the Indian government imposed quantitative restrictions on cross border transaction. Nepal's economy was affected but the data is unclear as there are no any such quantitative figures of that time. Even though, the economic sanction of 1970 was for the short period of time, it has created problem in smooth supply of some commodities like salt, spices product in the country as Nepal was dependent for these products on India (Subedi, 2016). But, the effect of was not huge as the production of food and net export in agriculture was less, and minimal consumption of petroleum products due to fewer number of means of transport, traditional method of wood –fire cooking and fewer number of institutions like schools, banks, other service companies.

#### **5.2.2 Economic sanction of 1989/90**

##### **i. Context**

Nepal has concluded several treaties with India to accommodate commercial needs of Nepal. Two important trade pacts were signed with pre-independence India. The treaty, which was signed in 1792 with British India established equal tariffs on the commodities imported from either side, which enable British India's desire to come closer to have control over Nepal's

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<sup>2</sup>The Pakistan Times, Lahore, 13 August 1963.

economic policies particularly external trade. The aspiration to control Nepal's external trade continued to remain intact even after signing the Treaty of Friendship in 1923. The treaty provided facility to import commodities through India without paying any tariffs. But the restrictive provision of that treaty made it difficult for Nepal to expand its external trade because duty concession was only given to the commodities for public service. Nepal's desire for duty concession was not addressed by British India.

During the long course of time Nepal was able to persuade India by several round of negotiation that is the major demand of Nepal, to conclude separate trade and transit treaties. Nepal's demand for separate rout to the transit of East Pakistan was not fulfilled by India. Nepal's external trade was mainly dependent upon India's cooperation. Concerned about the long-term damage to its trade and economy, Nepal was compelled to accept "less favorable treaty because negotiation and stalemate were more costly for Nepal then India. Nepal dropped several of its demands and signed the treaty single Trade and Transit Treaty in August 1971. This treaty replaced the idea of "common market" and short out to promote the "Most Favored Nation (MFN) between Nepal and India on reciprocal basis. Another agreement was signed with this treaty was cooperation of controlling unauthorized trade in the border. By this treaty Nepal was grant additional warehouse in Calcutta under Indian supervision. The trade between Nepal and India appear to be improved during the half of 1970s. When Janta Party came to the power in Indian politics, India agreed on Nepal's demands for separate transit treaty. Nepal-India signed two separate treaties on Trade and Transit in 1978 and both government agree to undertake all necessary measure for free and unhampered flow of goods from each other's territories. This treaty granted freedom of transit for their export and import. However the government can put restriction through essential security need.(Muni, 2009,p. 56)

In the eve of 3<sup>rd</sup> SAARC summit some security issue come up, i.e. some restriction placed on Nepalese to get job in some part of India particularly Darjeeling, Meghalaya and Assam. Nepal considered it as internal regulations of India and did not pay attention. But In July 1987, there was violent agitation started by the Khasi Student Association against the people of Nepalese origin made 48000 persons homeless who was living there for more than 150 years. Moreover, 7000 refugee already had entered eastern Nepal (Upadhaya, 1991; 113). This became the serious security matter of concern for government of Nepal. Since 1976, India announced Meghalaya as restricted area for Nepalese. During the SAARC summit issue were discussed by unable to come with resolution on any of them. Social class and other security issue helped to heighten the distance between Nepal and India.

In April 1987, Nepal imposed provision of identity card for the three districts of Kathmandu valley due to the security concern for the SAARC which was going to be held. Indian counterparts showed disagreement and pressurize Nepal arguing that it is the violation of Article VII of Treaty of Peace and Friendship 1950. Nepal tried to clarify the misunderstanding but India claimed it as discriminatory policy towards Indians. The fact was Nepal placed that provision of Identity card for the worker irrespective of their nationality was countering policy toward India's placed restriction on Nepalese in northeastern part of India (Upadhaya, 1991; 115).

## **ii. Cause**

In 1987, India intervened in Srilankha as a peace keeping force but was involved in advance military war for Srilankhs's domestic matter. Nepal was scared with India's behaviors towards weak nations and considered as interventionist behavior and was taken as a threat to Nepal's national security. Rajiv Gandhi showed his aspiration for the regional consent on Indian



military intervention in Sri Lanka during the 3<sup>rd</sup> SAARC summit in Nepal but his aspiration failed and Indian anarchism was strongly challenged during the 3<sup>rd</sup> SAARC summit in Nepal.

In 1987, Rajiv Gandhi with first Lady Sonia Gandhi arrived in Nepal for the participation on 3<sup>rd</sup> SAARC summit which was held on 2-4 November. During their stay in Nepal Sonia Gandhi showed her willingness to enter in to the Pashupatinath Temple, which is forbidden for non-Hindu. To get permission from the authority, Indian Ambassador ArbindraRamchandraDev contact directly to the Royal Palace. Crossing the legal authority of Queen not only reject that proposal but remind her of being non-Hindu in a embarrassing tone and that become a matter of embarrassment which lead to mistrust between Palace and Rajiv Gandhi family (Pandey, 2015) . The mismanagement and provocation of Indian bureaucratic elite has been reflected on this incident.

The main cause among these is said to be Nepal's attempt to buy weapons from China. Nepali Monarchy had become more apprehensive of India following its role in the creation of Bangladesh (1971) and its encouragement since 1992, to political forces asking democratization of Sikkim's monarchy (Sukhla,1978, p. 211). Nepalese suspicion on Indian behavior strongly guided by the Indian disapproval for the Zone of Peace (ZoP) proposal which was put forward by King Birendra in 1975 with support of its neighbor China, which was supported by 115 countries all around the world. Meanwhile, Nepal and India came closer and begin to cooperate which was perceived by India as threat to security after initiation of military security relation of Nepal with China. The negotiation for Chinese arms deals was begun in the March 1988. A delegation sent by the government of Nepal to government of China with the Zone of Peace proposal. The first consignment of Chinese arms, five hundreds trucks worth \$20 million began to come in Kathmandu by June 1988 including in the shipment were light arms and ammunitions, uniforms

and boots and sixteen anti-aircraft guns. The total consisted about three thousand truck loaded (Garver, 2001;p. 110) According to John W. Garver, India's minister for external affairs Netwar Singh went to Nepal as a special envoy to Prime Minister Rajiv Gandhi in July 22, 1988 carrying the letter from Rajiv Gandhi asking for the assurance of King Birendra on the Chinese arms. He asked assurance from the King that Nepal would not purchase arms from the Chinese again and those imported arms would not be used against India. King Birendra didn't give such assurance and clarify Nepal purchase the weapons from China essential for its national security. King Birendra assured that Nepal's purchased weapons will be used for its internal security and anti aircraft guns were imported to fight against potential terrorist threat. But Indian government did not satisfied with the argument blaming that Nepal's does not have any threat from terrorism. The weapons that purchased from China later were asked from India in 1972 and 1976 but India declined on the ground that Nepal does not need anti aircraft gun (Garver, 2001; p.115). India argue that Nepalese arm and warlike material purchased from China violate the spirit of Article 5 of treaty of Peace and Friendship of 1950, the ancillary letter exchanged at the time of treaty and letter exchange in 1967 on the arm sale.

According to the Article 5 of treaty of peace and Friendship in 1950 Nepal shall be free to import weapons and warlike material through or from India. India put that provision on the treaty of 1950 because there was no route opened from China to directly to Nepal. later when Nepal and India exchange the letter for security concern it has been written there that Arms or warlike material necessary for the security of Nepal that the government of Nepal may import through the territory of India shall also be imported with the assistance and agreement of the Government of India. This provision of the letter of exchange has been interpreted in the way that Nepal has to ask for the final consent with the government of India to buy any arms or

warlike materials for the security of Nepal. Nepal claims that Nepalese purchase of arms from China did not come through India, which is why it is their regular requirement for the internal security. Again concept of 'control' and willingness of being independence has been reflected in the Nepal's arms purchased deals.

### **iii. Effects**

Negotiation on Arms purchased with China could not come to the resolution of the conflict rather escalate the tension between Nepal and India. Nepalese clarification could not satisfy India and India keep blaming that Nepal did take in to account of India's security interest and the result economic sanction from May 23, 1989 to April 1990. The reasons were dispute on trade and transit, work permit for Indian worker in Nepal and identity card for border cross, Gold seizure in Dumdum airport<sup>3</sup>, Incident in Manebhanjyang<sup>4</sup>. Nepal's desire to formulate independence foreign and security policy and India's unwillingness to do so, Nepal's purchase of arms and warlike materials from China were the series of issues between led lead to the economic sanction in 1989-1990. India choose economic sanction as tool for foreign policy implementation with the intended goal to pressure the government of Nepal to sign single unified treaty on trade and transit and weaken the Nepal-China cooperation on security issue particularly to hampered arms purchased. Nepal suffered huge scarcity of petroleum, aviation, lubricant ad kerosene and the scarcity of goods of daily use made life of people even worst. Nepal government had to ferry petroleum and aviation fuels needed from Singapore and Dhaka at higher price. The plea made by Indian Army Chief General V.N.Sharma to Nehru regarding the

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<sup>3</sup>UpadhyaySailendra Kumar. *Tryst with diplomacy* on 16 November 1987, the Indian custom authorities in Calcutta detained and seized 20 kg of gold from the Gurkha soldiers who had chartered a flight from Hongkong to Kathmandu a RNAC aircraft, which had taken a technical landing only to refuel.

<sup>4</sup>seeUpadhyaySailendra Kumar. *Tryst with diplomacy* Indian CRPF person entered in to Nepalese territory and the lathi and Khukaris Nepalese police personal were seized police personal, searched houses and plundered the property and set fired to six house

problem faced by Indian Army families were ignored by Rajiv Gandhi. The government then started planning ways to end the blockade. Firewood was distributed at a subsidized price, and so were electric rice cookers and electricity. The government made sure that black market didn't thrive. Nepal drew international community attention within 45 days and fuel was brought from Bangladesh and more fuels were planned to be brought from Tibet.

The main goal of Indian economic sanction against Nepal was to put pressure on the government of Nepal to signed single unified treaty on Trade and Transit but India continued to act on the basis existing two treaties on Trade and Transit after the restoration of democracy in Nepal. Two explanations can be made for maintaining similar behavior as before sanction in 1989. First is ineffectiveness of sanction and instrumental change for the implementation for foreign policy implementation and second is discontinuity of regime and shift in policy.

### **5.2.3 Undeclared Economic Sanction of 2015**

#### **I. Context**

In April 2015, Nepal faced a devastating earthquake that left approximately 9,000 people dead and another 22,000 injured. Its effects were to the economy, life of people and buildings and ancient structures. People were not getting proper facilities of fundamental needs like food, clothing and shelter in the earthquake affected areas. Nepal was in the process of reconstruction and constitution making process. Nepal was still in the process of reconstructions and helping its people when Constitution of Nepal was introduced to the sovereign people of Nepal on 3rd Ashoj, 2072 (20th September, 2015). It was during that time of crisis when Nepal face unofficial blockade from India. People in Earthquake affected regions were not getting proper facilities of fundamental needs like food, clothing and shelter when India welcomed the new Nepali

Constitution with a Blockade (Tiwari, *The Rising Nepal*). It is an irony that the country which claims to be the largest democracy in the world has rejected the most democratic process to write a constitution. India, Nepal's southern neighbor, has stopped so low as to effectuate an economic blockade following the promulgation of the New Constitution through the Constituent Assembly (CA) in Nepal. Nowhere in the world has any constitution been promulgated by any CA with such majority. Many world powers, including China, USA, France, Japan and Pakistan, welcomed the new constitution. However, India, the colony of the British Raj till 1947, simply took note of it and took an inhuman measure of an unannounced economic blockade to register its dissatisfaction forgetting that Nepal, a country which safeguarded its sovereignty and independence even at the time when the world was divided among the world empires, is a sovereign, independent country (Tiwari, *The Rising Nepal*).

## **II. Cause**

Prime Minister Narendra visited Nepal and addressed on Constituent Assembly and with his speech won hearts of Nepalese. In his address, he sent a clear message that constitution should be inclusive, representing the aspirations of all regions and people of Nepal. From the geopolitical and geostrategic perspective, Nepal still is vital and with prominent place in India's policy in the region. Modi's vision for Nepal has been well articulated in his speech which he had delivered at Constituent Assembly in which he said 'we have always believed that it is not our task to interfere with what you do but to support you in the path you decide to take' (Bawa, 2016;p.66) . India always considered as their sphere of influence and keenly watched the policy changes and dynamics of politics as it was directly related to their security and national interest imperatives. Likewise, they were watching the process of constitution making ad PM Modi praised the efforts made while making the constitution.

India had significant stakes in the peace and the constitution making process as the new constitution would decide the perspective of bilateral relations. So, when constitution was finally promulgated in September 20, 2015; India showed displeasure and discontent and claimed that the constitution didn't address all concerns of the Madhesi and Tharu. India sent Foreign Secretary S Jaishankar to Nepal with an urge to hold in the promulgation of new constitution until the aspiration of ethnic nationalities was met. It is also claimed that the agitating groups of Madhesi and Tharu at border were supported by India. It was India's use of economy as statecraft to implement their foreign policy goals in Nepal. As an economic wrath, India imposed unofficial blockade and it was not only protestors rather Indian government was responsible for the unofficial blockade. Kanak Mani Dixit said, "This is blockade done through the official connivance of the Indian government, Indian custom official, India border police and India oil Corporation, the monopoly supplier to Nepal, have all worked together to block to border citing orders from New Delhi (Bawa, 2016;p. 69).

### **III. Effect**

The economic sanction by India lasted for four months on the Indo- Nepal border due to which the flow of goods and fuel to Nepal was choked at border check points. This resulted in one of the worst humanitarian and geo-political crisis in the region as fuel, medicines and other essential items of daily life could not reach Nepal from India (SAHR, 2016). This resulted with significant increase of anti-Indian sentiment in Nepal. The blockade was painful punishment that caused harm to the weakest and poorest sections of Nepali society and the victims of the earthquake.

The economic sanction weakened Nepal's economy and when country was suffering from natural disaster, the sanction led to humanitarian crisis. The shortage of food, fuel and other

essential goods made life extremely difficult throughout the nation. This had a multi-faceted impact on the country in the areas like livelihoods, transportation and across sectors particularly agriculture, manufacturing, trade and business, health, education and tourism. The earthquakes resulted as both manmade and natural disaster. Moreover, the route of China was blocked by earthquake and this increased more economic vulnerability. China cleared the path and helped to supply essential commodities through newly opened passage to mitigate the crisis.

### **How successful the economic sanctions have been?**

The explanation of effectiveness of Indian economic sanction can be based on its intended goal that was set before imposed economic sanction. The intention and aims with which India imposed first sanction did not meet as Nepal signed the Road Treaty with China, the impact of sanction to the local was not so much harsh as Nepal had less number of offices and organization and the consumption of fuel was very less and also people used woods as fuel at households. King Mahendra made it sure to help and solve the crisis efficiently.

During the second sanction of 1990, India under the Rajiv Gandhi's regime again used economic sanction as a tool of foreign policy implementation. Another set goal was to pressure the government of Nepal not to purchase weapons and warlike materials from China with its consent. Nepal has successfully purchased three thousand loaded-truck arms and warlike material including sixteen anti-aircraft guns worth \$20 million from China (Garver,2001;p.267)

India's overt goal was to pressure Nepal to sign single unified treaty on trade and transit but India had to solve trade dispute accepting Nepal's demands for two separate treaties on trade and Transit. If economic sanction was believe to be imposed to achieve these foreign policy goals, then, economic sanction as an instrument of Indian foreign policy implementation proved to be

completely failure. The government of Nepal had made no concession as they were set as goal of India foreign policy. Furthermore, India wanted to put pressure on the Monarchy to put down the Panchayat rule and hence supported People's movement. But King has chosen to share his power with political parties respecting the people aspiration for democracy and freedom. Instead of begging external support to prolong his regime, he prefers to share his political power with his people has given monarchy more legitimacy to rule further longer. On the one hand, he secured his crown on the other hand he got popularity by not compromising against foreign pressure. A strong sympathy on his sentiment of nationalism makes him stronger rule the country by even winning the heart and mind of revolutionary political parties as well. Instead of negotiation with India during the economic sanction, the government of Nepal search alternative to mitigate the crisis. Government of Nepal utilized its diplomatic strength to pressure India in international forum. That is what makes economic sanction less effective. Even having the problem in the domestic politics, leadership mobilized their possible strength to provide public good necessary to run daily life.

The third economic sanction of 2015 was regarded as a brutal action by India as Nepal was under humanitarian crisis aftermath of the earthquake. India motif behind sanctioning Nepal was the dissatisfaction after Nepal promugulate its new constitution without India's consent. The sanction imposed by India was covert as many believed India supported the protestors at the borders blocking the trade which caused shortage of food, supplies, fuel and essential items. The motif of hurting the government resulted in hurting the common people who were affected by the earthquake. This was a humanitarian crime which was least expected from immediate neighbors. The formulation of the constitution, the international support and the increase in the anti- India sentiment is marked as the failure of India's economic sanctions towards Nepal.



## **CHAPTER SIX:**

### **ANALYSIS OF INDIA'S FOREIGN POLICY AND ECONOMIC SANCTIONS**

#### **6.1. Conceptual Analysis**

Just as international system can be studied according to various theoretical frameworks, the same theoretical analysis can be used in foreign policy to understand and analyze the behavior of state and the action which they employ to gain stated goals. The theorists outline the relevance IR theories relevant to foreign policy which are: Realism Liberalism and Constructivism which helps to answer the question 'Why state behave the way do in the international system?' and with the use of theory of international relations and theories of foreign policy helps to find fact regarding nature of the state.

##### **6.1.1 Realism**

The basic ideas and assumptions of realism are – a pessimistic view of human nature, a conviction that international relations are necessary conflictual and that the international conflicts are ultimately resolved by war, a high regard for the values of national security and state survival and a basic skepticism that there can be progress in international politics which is comparable to that in domestic political life (Jackson and Sorenson, 66). These persuasive ideas and assumptions guide the thought of most nations in international system. Realism focuses on the acquisition of power and the deployment and use of power, are central preoccupation of political activity. International politics is thus portrayed as 'power politics': an arena of rivalry, conflict, and war between states in which the same basic problem of defending the national

interest and ensuring the survival of the state, and the security of its people, repeat themselves over and over again.

### **6.1.2 Liberalism**

It contributes to the understanding of foreign policy by highlighting how individuals and ideas and ideals like human rights, liberty, and democracy, social forces, and political situation have direct effects on foreign policy. It is a state level theory which argues that there is a lot of cooperation in the world, not just rivalry. States don't just compete or worry about power. Liberalism is based on the moral argument that ensuring the right of an individual person to life, liberty and property is the highest goal of government. Consequently, liberals emphasize the wellbeing of the individual as the fundamental building block of a just political system. A political system characterised by unchecked power, such as a monarchy or a dictatorship, cannot protect the life and liberty of its citizens (Jackson & Sorenson, 119). Liberal policies are known to maintain peaceful relations with each other which tend to focus on respecting and accommodating other countries and negotiate if any disputes escalate.

Unlike realism, liberalism argues that international organization, institution and regime are essential building blocks for international society which are concrete manifestation of the need for and rationality of international cooperation.

### **6.1.3 Constructivism**

This theoretical approach examines state behavior in the context of state characteristics. As the name implies, constructivism see the world around as socially constructed. All states are unique and have a set of defining political, cultural, economic, social, or religious characteristics

that influence its foreign policy. States have identities and those identities define their behavior in the international system. With regard to actors, even though constructivists stand by the primacy of states, it does not necessarily mean that dynamics in the world politics do not emerge as the result of other actors' behavior. Constructivists indicate their openness to considering states are not unitary actors. They acknowledge the role of other actors such as states' agencies, social community, international organizations, think tanks - who under certain circumstances and constraints are able to influence as well as alter international politics (Jackson and Sorenson, 2012;213)

## **6.2 Level of Analysis**

Level of Analysis is a way of analyzing how foreign policy decisions are made at various levels and a way to analyze the complexities of the international system. It useful 'tool' for doing as this is the levels of analysis approach, seeking to divide complex international politics into smaller, bite-sized, 'chunks'. The levels of analysis tell several 'stories' about the way the international system works. For instance, the approach allows us to appreciate the various interactions between and among the individuals and the larger political environment. It also equips us with a framework for analyzing the interplay between domestic- and international factors. The Level of analysis of foreign policy is:

### **6.2.1 State Level Analysis**

The political structure plays vital part in influencing, guiding, and directing policy makers at deciding on their comprehensive knowledge of policy in this level. We have a group of individuals as actors of states, state systems, and political structures that are intertwined and bound together by political forces from state's actors. From the same book, "These types range

along a scale that has absolute authoritarian governments on one end and unfettered democratic governments on the other.”(Carlsnaes,2012; p.117). In a democratic institution, the foreign policy will be widely distributed and available for all citizens to benefit from. In an authoritarian institution, the foreign policy will be highly restricted and homed in a centered and specific segment of the society. There is a myriad of official actors such as bureaucrats, interested groups, ministers, and government officials that play an important part in the political system depending on which level of the system it operates.

In state level of analysis emphasizes the characteristics of states and how they make foreign policy choices and implement them (Raman, 2012; 86 ). What is important from this perspective, then, is how a country’s political structure and the political forces and sub national actors within the country cause its government to decide to adopt one or another foreign policy (Maldonato, 2010; p.19 ). It is important to note that the political structure at the state level also significantly influence all decisions taken or made by policy makers as clearly stated, “ This concept represents society’s widely held, traditional values and its fundamental practice that are slow to change.” (Raman, 2012;p. 88). The country’s own foreign policy reflects directly onward at the political culture of that country.

### **6.2.2 System-Level Analysis**

At this level, most countries around the world are free to make their own foreign policies to achieve distinctive results and successes. The organization of authority and sovereignty are based on the structural organization along with stateactors and interactions among them. It is important to note that international system is known to be anarchic as explained, “As such, the

international system is a state-centric system that is largely anarchic; it has no overarching authority to make rules, settle disputes, and provide protection.” (Roth& Mullen, 2002, p.22).The anarchical structure itself has a significant impact on any issues for national security and its domestic policy process.

Although countries are free to make own foreign policy and decisions they want but to achieve desired goals they require making choices that are reasonable within the realities of International system. System-level analysis focuses on the external restraints on foreign policy. This is a “top-down” approach to world politics that examines the social-economic-political geographic characteristics of the system and how they influence the actions of countries and other actors (Carlsnaer, 2011). We can roughly divide the restraints on reasonable state behavior into those related to the system’s structural characteristic, its power relationships, its economic realities, and its norms.

### **6.2.3 Individual Level Analysis**

The root of individuality is based on the understanding and clarification at the core of the decision-making process, and what it needs to create a foreign policy initiative either as an individual or group level. The individual-level analysis most clear aspect humans are the core response to the influences on foreign policy-making. There are numerous aspect of psychology that can be added such as cognitive factors, emotional, behavioral, organizational, personality, and mental state of mind. While making policies these aspects of psychology are used to gather all considerable information and facts before acting or enacting an important decision. The analysis can be approached from three different perspectives, to examine fundamental human

nature, to study how people act in organizations, and to examine the motivations and actions of specific persons.

### **Models of Foreign Policy Decision Making**

Foreign Policy decision making is a process by which government analyzes the existing problem, evaluate the policy alternatives and take appropriate actions to overcome the problems and issues and maximize the national interest and gain. It justifies and answers why government takes an action, how decisions are made and what are the outcomes. The nature of decision outcome mostly depends upon varieties of internal and external factors, such as the leadership, the structure of decision making unit, the decision making environment etc. Interestingly, one cannot predict the similar decision out of the same decision making bodies as the surrounding environment changes time to time. In order to understand the complexity, Allison has divided the decision making style into three different models, based on the structure and function of decision making unit. These are The Rational Actor Model (RAM), Organizational Process Model (OPM) and Bureaucratic Politics Model (BPM).

#### **I. The Rational Actor Model (RAM)**

The Rational Actor Model defines foreign policy choices as products of decision taken by the leader and treats foreign policy choices as products of the following idealized sequence. The decisions taken by the leader are without any bias or influence, estimates costs and benefit, determines the priority over others identifies and analyzes various options. Rationality does not mean any connotations of normative behavior or behaving morally or ethically. It is related to the actions and its connection to the achievement of goals. In defining rationality, Allison Graham writes, 'Rationality refers to consistent value maximizing choice within special field

constraints.’(52) Hence, rational actor model of decision making is the process to choose the right options to achieve national goal‘by analyzing all possible alternatives and its consequences.

## **II. Organizational Process Model**

Organizational Process Model explains that policy decisions are not the result of rationality but the outcome of large organizational discourse. This is always involved in formulation of policies by government with the involvement of large number of inter branch organization that linked with each other and under its methods. The whole structure of decision making has been divided into several sub-agencies that are eventually arranged as the top down approach and the leader dismantles the whole problem and assigns the sub part among the small specialized agencies(Carlsnaes, 2011; 125). This model broadly explains how organizations behave and makes decision and how these decisions are implemented. Under this model, foreign policy is outcome of organizational behavior. Model stresses that the less it matters who you are in any organization, the better are the organizations’ decisions and recommends letting the organizations perform reliably.

## **III. Bureaucratic Model (Government Politics Model)**

According to this model, the decision outcome is a product of bureaucratic interactions and elite politics, rather than the result of rational thinking or organizational discourse. The BPM believes that policy decision in general is the product of political bargaining of bureaucrats and government officials. The actors in this model are the bureaucrats and other elite leadership of the government, who selfishly engage in bargaining with the government to maximize their organizational interest using various bureaucratic channels. Under the BPM, the decisions are taken by pulling and hauling, rather than rational choice (Kalfe, 2011; p.12). It includes politics which is more a game where anything is possible and can takes place at any time. It

consists of multiple players with different policy choices, who struggle, compete and bargain over the conduct of policies and decisions are outcome of game played by governmental leaders. In this model of decision making, power has main impact on the output and seeks to answer of who fought with whom, who conspired with whom and who won against whom.

The different theoretical perspective and level of analysis clarifies the reason why countries take up policies like war, treaties and alliances. It also explains how the personalities of individual leaders, value of nation and characteristics of the international system shape the foreign policies of the states.

#### **6.4 Theoretical Analysis of India's Foreign Policy and Economic Sanctions of India towards Nepal**

In realist perspective, the security and survival of state is vital interest in international system which is anarchic. The nation state is in constant effort to protect and promote national interest at expense of others. In International System, the powerful nation tends to exercise hegemony and professed aim of a state is the national interest and doesn't give account to human nature.

While analyzing India's foreign policy in general and India's foreign policy towards Nepal in particular, Indian foreign policy can be seen guided by realism where India has been implementing its foreign policy to maximize its sphere of influence and power, and the use of various forms of power to protect and promote its national interest which helps India as a state to be a regional hegemony. This perspective has become dominant framework for explaining foreign policy of India during and aftermath of the British India. After analyzing facts and figure, it can be stated that the power influence and use during the rule of British is still prevalent in heart and minds of Indian policy makers, so, the 'British Raj psyche' is still relevant in the



policies made and implemented by India towards Nepal. Scholars and experts do believe that Indian foreign policy has

always been realist and pragmatic despite Nehru's idealism and policy of nonalignment.

Andrew B. Kennedy in *Nehru's Foreign Policy* writes, Nehru's idealistic rhetoric was camouflage for an essentially realpolitik approach to world affairs.... Nehru took office as an idealist, but was compelled by the mounting threats to Indian security to adopt more realist posture (Kennedy, 2015; 93). Nehru's foreign policy towards Nepal was guided by idealistic in rhetoric and realist in practice and this is still relevant in his predecessor's policies towards Nepal. The tempt to become regional power, to be economically stable, grow as an independent and global politics were the reason why such policies were opted by India towards Nepal and other immediate neighbors. The most predominant form of realism in International Relations is Waltz's structural realism which explains the outcome of interactions between states trapped within an anarchic system that is immune to the effects of beliefs and ideology (Jackson and Sorenson, p.136). S.D. Muni in *India's Nepal Policy* writes,

India's policy being driven by a strong sense of inherent insecurity, bordering on paranoia. The insecurity arose from two developments; communist China in Tibet and the cold war in the South Asian region. Nehru, who was otherwise respectful and sensitive to India's neighbors, occasionally sounded offensive towards Nepal and India's security interests were ignored. This is borne out in many of his notes and instructions on Nepal. (Muni, 2015; p.405)

India didn't trust Nepal when China was looming around South Asia and the actors of state of India made it clear that Nepal should cooperate and coordinate while making and implementing foreign policies. As Gilpin states, state acts as a selector which 'influences

behavior by rewarding some types of behavior and punishing others' (Gilpin 1981:p.85).

Likewise, India's obsessive preoccupation with Nepal's security and foreign policy coordination and micromanagement of internal affairs of Nepal. This approach of actors in power in India has been encouraged and followed in accordance and this can be visible in India's Nepal Policy.

In international system, state acts as a selector and expand on the rationalist elements that operate within the framework of realism, and examine the logic of choice as a means of bringing realism to a level where it can accurately explain foreign policy decision making (Hansen, 2011;p.101). While studying and understanding the course of relationship between India and Nepal and the foreign policy implemented by actors in different time of history to present day, the policies can be explained as realist and actors took decisions based on their rational choices rather than moral and ethical understanding. The policies were guided with an aim to continue the sphere of influence in Nepal with the use of power overtly and covertly. Furthermore, realist claim that states engage in competition rather than cooperation and focus on conflict. They claim that states benefit the most from conflict in terms of security and power and states compete for a position of influence within system and seek more power. In Nepal, India played a decisive role in resolving Nepal's transformational conflicts; it lacked a clear and categorical stance which could sustain and consolidate the transformation over a long time. There are number of instances of Indian foreign policy makers and diplomats investing considerable efforts and resource on seeking and promoting a friendly, even a pliable, regime in Kathmandu rather than building viable and strong institutions. Such institutions can ensure stability and orderly political transformations; a necessary condition compatible with India's vital and long term national interests. There is a marked consistency in India's preference for weak and pliable individuals in Nepal over leaders that have grassroots support (Muni, 2015; p.407). India was involved in

Nepal whenever Nepal was in political crisis and this was benefit for their national interest.

Indian policy towards Nepal also reflects the pressure and persuasions of its many, diverse, and at times conflicting stakeholders.

India was very much concerned about the presence of other states in Nepal and the insecurities were seen in their policy implementation. When China and USA was engaged in Nepal in different episodes in history and present, India conceived this growth of relationship as a threat to their national interest. The result was always aggressive foreign policy towards Nepal like in economic blockade of 1969, 1989/90 and 2015 where India used power as economic tool to punish Nepal. Realist describes how ruler of the state can and should aggrandize their capacity, justify all actions by reasons of state, and calculate interstate relations on power differentials. They define national Interest in terms of increasing power, and state about security dilemmas, hegemonic stability and behavior of powerful states. When Nepal took independent decisions related to internal and foreign policy, like 'zone of peace' proposal, building of Arniko highway, arm treaties with China, treaties with Pakistan, and promulgation of new constitution in 2015, India was not tolerant and was insecure about its hegemonic sphere of influence in Nepal and as a result enforced coercive foreign policy to weaken and cause pain to small states like Nepal.

The powerful states are many times aggressive and use their economic capabilities to satisfy their ambitions and increase their power. The state uses punitive foreign policy with use of economic statecraft to punish and make the state do what they wouldn't do otherwise.

Realists explain the nature of economic sanctions through the logic of power, interests and Economic sanctions as 'the threat or act by a nation state or coalition of nation states, to disrupt economic exchanges to achieve a political demand. It is government policies that cut or

curtails economic relations in order to coerce the target country into behaving in accordance with the sanctioner's. Economic sanction is a coercive foreign policy actions of a nation in which it intentionally suspends customary economic relations such as trade / fiancé in order to prompt the targeted nation to change its policy or behavior. Economic sanction is the denial of customary interactions that are intended to promote social, political, or economic change in a target state. In this context E. H. Carr notes that "The economic weapon is pre-eminently the weapon of strong powers"(Mastanduno,2012; p.209). Realist scholars of economic sanctions assume that:

- 1) A primary sanctioner in world politics is not a collective international actor as international organization, but state;
- 2) Economic sanctions are not measure of law enforcement but a foreign policy instrument;
- 3) The key role of economic sanctions on the world stage is not to reduce the number of deviant acts but is to coerce the target state to fulfill a sanctioning country wishes;
- 4) Economic sanctions are realized in the anarchical international system which consists of states as the primary actors.

The series of economic sanctions imposed in Nepal by India can be analyzed from the realist perspective. As for India, it is quickly losing its long-held grip on its Nepal, states whose allegiance it has taken for granted due to their dependency. Whenever, a crucial step was taken by Nepal related to foreign policies, its cooperation with China economically or militarily, India used economic power and statecraft as an aggressive way to control, ensure and safeguard its national interest. As, India views Nepal as part of its northern security system. It feels vulnerable in case of external powers presence on Nepalese territory beyond the normal diplomatic

activities. India expects Nepal to remain sensitive to its security concerns. So, when there were steps taken to extend relationship with another country, India found it sensitive to their interest in Nepal and used wrath of economy to achieve its interest and remain hegemonic power in the area.

India used coercive force to achieve a political demand like to when King Mahendra made significant changes in foreign policies and domestic policies; India closed all the entry points where trade and transactions were done was a great economic pain a small state like Nepal. The distrust and I, insecurities were main cause of economic blockade when 'zone of peace' proposal were initiated by King Birendra. Similarly, it was implemented to pressurize the Panchayat rule which India believed had close relation with Communist China which was acceptable to India who was in fear that China would penetrate the Himalayas and violate in their national security. After the destructive earthquake of 2015, when Nepal was having tuff time to manage and promote reconstruction program, India imposed an unofficial economic blockade with an aim to show their dissatisfaction with the new Constitution of 2015. India covertly helped the agitators in terai and supported them when they blocked main borders points which were a great pain for Nepal. Like always, Nepal was concentrated to instability of Nepal and supported weak against strong forces. Hence, the main aim of India was to target Nepal's behavior, cause economic harm, let Nepal suffer economically and bring desired changes as per their interest.

## CHAPTER SEVEN

### SUMMARY AND CONCLUSION

#### 7.1 Summary

Nepal is unilaterally dependent on India for economy, trade, and entirely for transit trade routes to other countries. India contributes around two-thirds of all imports coming into Nepal. Nepal has a huge trade deficit with India. Nepal gets transit route for its international trade through the sea from India. So, when India's needs do not meet and their strategic and security issues are not addressed, India has been constantly willing to impose restrictions on trade as well as Nepal's right to Transit routes, including trade embargo on Nepal. The issues why India attempts to impose economic blockade lies on issues such as trade, economic and most importantly, political in nature.

The political issues are also related to the economic in nature. Hence, the impacts were both economic and political. India responded to Nepal's political decision, primarily domestic policies taken by Nepal which was the reason India's dissatisfaction and as the result economic sanctions were imposed on Nepal. The sanction of 1969 came as a result of bargaining on security and political issues. The sanction was a response to Nepal purposing a review of existing mutual security arrangements and also the withdrawing and closing of Indian security check posts in the northern part of Nepal and liaison groups in Kathmandu. These were all related to both Nepal's sovereignty as well as India's perceived security as India perceived it as threat from China.

The sanction of 1989 and third sanction of 2015 came as a response to Nepal's choice of domestic policy or political decision-making, which made India feel that Nepal is going away from their sphere of influence. The sanctions of 1990 from India came as a response to three key

political disagreements. The first disagreement was Nepal's proposal to declare itself as a 'Zone of Peace', it was a way of protecting Nepal from any outside military and political meddling, after Sikkim was declared as a state of India. Second, the refusal from Nepal to combine the Treaty of Trade and the Treaty of Transit of 1978, made India upset. Third, India was dissatisfied with King Birendra's decision to purchase arms from China. Therefore, the economic sanctions was used to deter the king Birendra's plan in international and domestic politics and maintain India's claim on what it perceives as its' sphere of influence and the best way in Nepal's case was to hurt Nepal's economy.

One of the impacts of the sanction was the change in the political system of Nepal, whereby the King dissolved the party-less Panchayat system and installed multi-party democracy. The third sanction can be seen as India's dissatisfaction with the process of promulgation of the new constitution of Nepal. The unofficial blockade was India's way of signaling to the three major parties of Nepal that it sought some say in the matters of the constitution of Nepal. India's statements and behavior during the economic sanctions reflect that India is insecure with Nepal's independent decisions, strong leadership in Nepal, new internal and foreign policies, its closeness with other nations especially China and wants to maintain their sphere of influence even by imposing wrath of economic sanctions.

## **7.2 Conclusion**

The research questions of the study are related to the statement of problem. Three research questions were prepared for the study. The research questions are the center of the whole study. At the end of this study, following conclusions are made.

1. What is Indian Foreign Policy towards Nepal?

After this research and according to the findings, India's foreign policy of Nepal is coercive in practice. India's foreign policy is guided by principle of NAM and UN which advocates the non aggression and non violence, but when it comes to the security and national interest, India is harsh and uses its power to bring some policy changes, influence and punish Nepal. India celebrates 'Neighborhood Policy' in their foreign policy in accordance to their immediate neighbors, but these are only limited to their principles, in reality the Indian foreign policy towards immediate neighbor is determined by the situation and the security motives of India. Moreover, India is insecure and fear to lose their sphere of influence in Nepal which is vital to their security, so whenever another state tries to penetrate and establish good relation in Nepal, India's disappointment is clearly seen in the policy they imply in Nepal. Indian foreign policies towards Nepal are all guided by influence of power and politics.

2. Why does India use economic sanction as their coercive statecraft?

India is economically, demographically and geographically stronger and larger than Nepal. Nepal is largely dependent in India in terms of trade, business and sea port and Nepal is connected to other part of the world thorough Indian ports for external trade. The dependency of Nepal is larger in the area of trade and commerce. The research has analyzed the episodes of economic sanction to Nepal by India, its cause and effects. The answer to the reason behind India's use of economic sanction as a statecraft under foreign policy is to control Nepal's internal and foreign policy, punish Nepal if any dissatisfaction is felt by India after Nepal implement their domestic and foreign policy, if any threat to their security and national interest is seen and to micro manage Nepal and continue to use power to influence politics and policies in Nepal.

3. Why India push around their neighbors when it claims it wants the neighboring country to prosper as an independent state?



India claims that they want independent, peaceful and prosperous neighbor, but in Nepal, from past to recent history India is seen looming around and kept in hands on internal matter of Nepal. It can be said after the findings of the research that India benefits from internal turmoil in Nepal, and strong and stable Nepal will be a threat for India. When Nepal under King Mahendra and King Birendra took an independent take on domestic and foreign policy, India got involved in different ways to maintain their power and hegemony. When the outcome was not as per their interest, India has used economic might to influence the policies. Moreover, with the rise of China and its involvement in Nepal and other South Asian states is the reason why India fears to lose its place and as the result India's involvement is seen constantly present in Nepal.

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