

# CHAPTER I

## INTRODUCTION

### **1.1 Background**

Despite a century old cultural contacts and half a century of close political relations and expanding economic cooperation, no study has so far been done on the sociocultural, political and economic dimensions of Nepal-Japan relations. This study focuses on these dimensions of bilateral relations, and proposes strategic partnership and cooperation between the two ancient civilizations. Close and friendly cooperation between the two countries offers a unique opportunity to launch political dialogue aimed at establishing strategic partnership and cooperation. Post-conflict Nepal may not have the right leadership and an appropriate environment for such a dialogue at present. However, for a country standing today at crossroads, this assumes even more significance because such a partnership would help safeguard Nepal's national interest defined in terms of not just sovereign independence but also stability, well-being and prosperity of the Nepali people. It would also at the same time contribute to the mutual interest of peace, stability and prosperity of both Nepal and Japan.

It would be unrealistic to dismiss the proposed strategic partnership and cooperation between Nepal and Japan as farfetched. In September 2006, when Nepal and Japan celebrated the golden jubilee of the establishment of formal diplomatic relations, government leaders of both the countries pledged to take the bilateral relations to a new height. Sociocultural contacts between the two ancient civilizations in Asia date back to over a century. Political relations between the two countries are excellent and have been steadily growing. Economic cooperation between Nepal, one of the least developed and landlocked countries, and the "sea-locked prosperous archipelago of Japan, the world's second largest industrial power after the United States, has also been growing as has been trade, foreign direct investment and tourism. Japan is Nepal's major development partner today and plays a significant role in its economic modernization. The strategic partnership and cooperation will only add substance to their friendship and cooperation.

## 1.2 Statement of Problem

Despite the expanding friendly relations, there is an absence of a long term strategic perspective on promoting and deepening Nepal's bilateral ties with Japan to meet the challenges of the Twenty-First Century. Half a century of formal diplomatic relations and a century old sociocultural contacts between two of the oldest civilizations offers a unique opportunity to review Nepal's foreign policy in general and the bilateral relations with Japan in particular with a view to launch a political dialogue aimed at establishing strategic partnership and cooperation in order to build bilateral relations on a more sound footing.

The research deals with the following problems:

a. Both Nepal and Japan have rich social cultural moorings based on the Asian value system. Yet the two societies are vastly different in terms of sociocultural modernization. The research seeks to probe basic sociocultural similarities and differences between the two countries and how has Japan's sociocultural cooperation contributed in the modernization, if any, of the Nepali society.

b. Political understanding between Nepal and Japan – both with a history of self-imposed isolation – has been enhanced, with greater awareness and appreciation of each other's aspirations. The study seeks to explore its implications for the future of Nepal-Japan political relationship in the light of Japan's pro-active profile in global diplomacy and Nepal's own challenges of state restructuring in the new century.

c. Nepal is a subsistence agricultural economy whereas Japan is an industrialized country with a highly modernized agricultural sector. The study looks into key determinants of bilateral trade and economic cooperation between the landlocked kingdom and the prosperous archipelago, and whether the Japanese official development assistance helped modernize the Nepali economy and contributed to conflict mitigation and peacebuilding.

d. The prospects of strategic partnership and cooperation could be strong between Nepal and Japan in view of Japan's expanding interest in South Asia in general and her ever growing sociocultural, political and economic cooperation with geo-strategically located Nepal. The research examines what such a strategic partnership could mean to Nepal, which is keen on

diversifying and strengthening her foreign policy options in the light of the challenges of her modernization in the Twenty-First Century, and the basic content of such a partnership provided there is consensus among different political actors.

### **1.3 Objectives**

“Nepal-Japan Relations: Strategic Partnership and Cooperation” critically examines the sociocultural, political, and economic relations between the two countries and explores the prospects of strategic partnership and cooperation between Nepal and Japan in the broad context of their foreign policy and strategic objectives and goals.

The general objective of the research is to study bilateral relations between Nepal and Japan in its various dimensions.

The specific objectives are to study:

- (a) Sociocultural relations
- (b) Political relations
- (c) Economic relations, and
- (d) Prospects of Nepal and Japan strategic partnership and cooperation.

### **1.4 Justification**

The study is the first ever attempt to critically look at Nepal-Japan relations in all its dimensions, including sociocultural, political, economic and strategic. The perspective it provides on Nepal’s foreign policy in general and the bilateral relations between Nepal and Japan in particular will benefit scholars, diplomats, policy planners and students of international relations both in Nepal, Japan and beyond.

### **1.5 Methodology**

The research is based on (a) primary and (b) secondary sources of data.

### **1.5.1 Primary Sources**

The primary source data was derived by developing interview guide to interview former foreign ministers, former foreign secretaries, senior officials of the Ministry of Foreign Affairs, diplomats, scholars, businessmen, among others, who were directly or indirectly involved in shaping Nepal-Japan relations in its various facets. The individuals were personally interviewed after fixing an appointment. The list of persons contacted for interview is included in Annex I. The selection of individuals for the interview was made on the basis of information on such persons involved in various aspects of Nepal-Japan relations from the Ministry of Foreign Affairs as well as the researcher's own contacts. Selection was based on the willingness of the persons to be interviewed.

The interviews were conducted in an informal manner. An interview guide was used for conducting the interview. The interview guide is included in Annex II. During the interview, mainly two methods were used. First, the interview guide was used to steer the discussion on the main themes concerning the socio-cultural, political, economic and strategic dimensions of Nepal-Japan relations. And second, based on the response to a particular question, cross questions were asked to derive further information. Such cross questions were also used to cross check the information and data derived from secondary sources. In the course of the interview, only questions relevant to the person's experience and area of work and interest were posed.

### **1.5.2 Secondary Sources**

The secondary sources of data consist of books, scholarly articles in professional journals, government publications, documents, treaties and agreements, official communiqués, press statements, news reports, etc. A substantial portion of information on Nepal-Japan is available on the Internet. These include the websites of the Japanese Ministry of Foreign Affairs in Tokyo, the Japanese Embassy in Kathmandu and the Ministry of Foreign Affairs of Nepal. Most newspapers in Japan are also available on the Internet in the English language. The Japanese Resource Center at the Japanese Embassy in Kathmandu has been as useful as the Social Science Baha Library at Patan with a high-speed Internet service with the facility to download scholarly articles on compact disks (CDs). The Tribhuvan University Central Library has also a large collection of books on Japan, and in fact has recently added a new Japan section. The secondary sources of data have been used to confirm statements in the text.

## 1.6 Review of Literature

In the light of the above definition of the strategic partnership, an attempt has been made below to review available literature on the strategic aspects of Nepal's foreign policy in general and Nepal-Japan relations in particular. Works on Nepal's foreign policy deal mainly with its two immediate neighbors – China and India – and even the expansion of Nepal's diplomatic relations with other countries including Japan is seen largely in the context of Nepal's strategy for survival between military and industrial rivals China and India. There is dearth of research works on the socio-cultural, political and economic aspects of Nepal-Japan relations, and no study the strategic dimension of this relationship has been undertaken so far.

Rose's classic work analyzes the main tenets of Nepal's foreign policy and her strategy for survival between two major powers by a Western scholar at a time when such scholarship virtually focused only on global powers (Rose, 1973). He critically examines the evolution of Nepal's relations with her two immediate neighbors mainly because the kingdom's modern worldview is primarily a reflection and extension of its perception of its enormous neighbors, and the "Nepali comprehension of these two great powers has been strongly conditioned by the history of Kathmandu's relations with them." (Rose, 1973: 15).

The Nepali rulers have usually perceived India as the more dangerous of its neighbors, whereas China has been considered as physically and culturally too distant to threaten Nepal's independence but close enough to serve as a potential source of support. "Nepal's foreign policy," Rose writes, "therefore, is based ultimately on the assumption that China will not militarily challenge New Delhi's dominant position to the south of the Himalayan crest on anything but a short-term basis, such as the 1962 border war, at least so long as India is functioning politically and is capable of concerted and effective responses to aggression. When Nepali officials assert, rather sanctimoniously at times, that they do not fear Chinese aggression, there is an unspoken but vital addendum: 'so long as India is capable of coming to our assistance.'

"There is, of course, no similar confidence with regard to Peking's probable response in the event of overt Indian aggression against Nepal or of indirect Indian intervention through support of dissident Nepali political factions. The pragmatic Nepalis doubt that China would even consider risking a general war with India unless its own vital interests were somehow involved. America's refusal to challenge the Soviet Union on Hungary or Czechoslovakia, Russia's

backdown in the Cuban crisis, and Peking's own noisy but timid response to the US bombing of North Vietnam are all considered to be pertinent lessons. Although Nepal is vital to India's strategic and defense planning, and New Delhi could not safely allow the area to come under a dominant Chinese influence, it must be of secondary importance, at most, in Peking's strategic calculations on China's long and troubled frontier." (Rose, 1973: 288-289).

Rose argues that overt, undisguised Chinese aggression aimed at the conquest of Nepal and its absorption into the Chinese Communist empire is a remote possibility, unless the political chaos in India are severe enough to lead to the dismemberment of the Indian republic into several hostile nation-states. Nepal should tread, he recommends, a careful path in the conduct of foreign policy in order to forestall an Indian overreaction to a perceived or misperceived threat of a Chinese Communist takeover. He warns that a new leadership may emerge in India that is less sophisticated than the incumbents on foreign policy issues and thus more susceptible to mistaking images for reality. It is possible, at least theoretically, that such future government may conclude that the best way to deal with the chronic problems with Nepal would be to replace the existing regime in Kathmandu with one considered more reliable to New Delhi through a number of ways. These include: (a) directly military intervention, (b) slightly disguised intervention through the use of the Nepali Gurkha forces serving in the Indian army or ex-servicemen resident in India, (c) indirect intervention through support of a Nepali revolutionary movement, and (d) an all-out economic blockade. He asserts that no third power, including China, would likely give the royal regime the support required to counter Indian intervention. (Rose, 1973: 291).

Rose helps understand Nepal's foreign policy strategic goal of survival as an independent sovereign country between Asia's two powerful economic and military rivals. He mainly uses political and strategic view, giving a cursory treatment to socio-cultural factors. Also at the time of writing, Nepal's trade relations were mainly confined with India and Nepal had not made any effort at integrating her economy with the global markets, a trend that came during the 1980s. Another limitation of the book is its treatment to mainly Nepal's relations with China and India even as Nepal had already established diplomatic relations with Japan and Tokyo had already emerged as a major donor country for Nepal's economic modernization. The book does not even index Japan. Nevertheless, the book remains an unchallenged classic.

Rose and Scholz (1980) analyze how Nepal on several occasions has had to face external threats in which the absorption of the central Himalayan region by political systems to the north

or south appeared to be the issue at stake, and how it played its limited strategic options of either isolation from the surrounding world to the greatest extent possible, or acceptance of a subordinate position to the dominant power in the region, or a delicate exercise in the balancing off of surrounding powers in order to limit their capacity to interfere. (Rose & Scholz, 1980: 117). The authors conclude on a positive note, saying Nepal probably “will continue to function as an independent-minded, fiercely nationalistic polity that exploits any and all opportunities to devise policies that advance its perceptions of Nepal’s interests.” (Rose & Scholz, 1980: 137).

Muni [1973] examines major determinants and objectives of Nepal’s foreign and economic policies. Nepal’s strategic position was enhanced “owing to its location *vis-à-vis* a giant communist power led to powers outside South Asia taking an interest in it. The Kingdom represented an important link in the U. S. objectives of containing communism on all fronts.” (Muni, 1973: 45-46). Nepal did not envisage a military threat to its independence from major world powers, according to the author, but such a threat was obviously more imminent from its immediate neighbors: from China the threat was of “politico-military” nature while that from India was “largely of a political nature.” (Muni, 1973: 47). He lists three dominant features of Nepal’s balance of power: (a) extension and maintenance of friendship based on mutual respect and goodwill with all neighbors, (b) exploitation of regional differences between neighbors to further national interest, and (c) declared stand of neutrality in the disputes between neighbors. Nepal “simultaneously worked on the three courses of actions in its foreign policy strategy”: (a) the maximization of the scope of maneuverability in relation to the sources of ‘coercion’ by exploiting the differences and clashes of interests between coercive powers, (b) splitting and diffusing of the potentialities of ‘coercion’ through the diversification and expansion of the sources of dependence, and (c) the mobilization of moral and public international pressure on the sources and agents of ‘coercion’ through participation in world forums. (Muni, 1973: 224).

Sharma (1986) provides a “nationalistic perspective” on Nepal’s “uninterrupted success in the struggle for maintaining her independent national existence” and gives “some clues to the understanding of ever increasing successes the smaller countries have underscored in their confrontation with overwhelmingly superior powers.” (Sharma, 1986: vii-viii). After providing a historical perspective on Nepal’s foreign policy, he looks at the new orientation under King Mahendra (1955-72). He links domestic political developments with the foreign policy emphasis, and argues that Nepal continued to adopt an independent policy as a sovereign nation after King Mahendra took over the helm of affairs in 1955. The expansion of the diplomatic relations

included the establishment of diplomatic relations with Japan soon after that with China in 1955 and the Soviet Union in 1956.

The Nepali people were mesmerized by the inexpensive Japanese goods that had flooded local markets before World War II. The outbreak of the war had disrupted the supplies but resumed as soon as the war was over. The Japanese goods once again became very popular, and Japanese transistor radios became the status symbol for Nepali elites. Sharma notes that even if there was ill-feeling against the Japanese in many Asian countries like China, Korea and other Southeast Asian countries soon after the war for the atrocities committed by the Japanese during the war, there was no such “post-war feelings against the Japanese” even if the Nepali Gurkha troops in the British uniforms fought against the Japanese in many of these countries.

Sharma opines that King Birendra (1972-2001) began a “new era” by institutionalizing peace and development, the nexus between the two he consistently emphasized, and devotes an entire chapter on the late popular monarch’s proposal, made during his February 1975 coronation, that Nepal be declared a Zone of Peace. The proposal meant that Nepal “can and must look after itself.” (Sharma, 1986: 268). His main focus is on Nepal’s continued “struggle for existence” between China and India. “China “extended its support (to Nepal’s Zone of Peace proposal) in true spirit of mutual understanding of each other’s problems and aspirations. India, on its own part, accepted Nepal’s pursuance of its independent stand as a *fait accompli* and tried to heal the wounds inflicted on bilateral relations as a result of the political and material support extended to insurgent activities against the royal regime.” (Sharma, 1986: 210-11).

Khanal describes relations among Nepal, India and China as “the triangular complex of relations” and argues that Nepal’s national interest embodied in its independence, sovereignty and territorial integrity is “in a real sense a shared concern of all three countries” and that Sino-Indian friendship rather than Sino-Indian hostility is in Nepal’s ultimate interest.” (Khanal, 1996: 64). In reference to the new role envisaged for Japan under the Nixon doctrine, Khanal predicted “some stirrings” but added that the process of Japan defining “its proper place consonant with its economic strength is likely to produce some reverberations which Nepal needs to observe carefully.” (Khanal, 2034 BS: 28). He admits that Nepal can play only a limited role in the world given its size and other limitations. He recommends two measures in order to improve the effective foreign policy implementation. First, there must be “a responsible national discussion of our foreign policy in its various aspects in detail and depth” with a view to informing the public



and creating among them “an intelligent understanding” of international relations and to acquaint the government and the foreign ministry with serious non-official views on Nepal’s international relations. (Khanal, 2034 BS: 136-137). Secondly, the foreign affairs must be handled to an increasing extent by people trained for the purpose, with “unquestioned” loyalty to the country and high intellectual ability for proper understanding of the country and issues.

He maintains that India is not perceived as a military threat in Nepal’s foreign policy outlook because “India’s massive military power compared with Nepal’s is itself a deterrent.” (Khanal, 1987: 371). With the military arm of national security thus withdrawn, Nepal is left with only political and economic options, which are highly sensitive. On the other hand, normal relations with China “are for Nepal not only a contemporary practical necessity but also a fairly continuing historical experience.” In contrast to the marked tensions in the Nepal and China relations during the Cultural Revolution, the openness and flexibility on the part of China are conducive to the health of Sino-Nepal relations which is not in contradiction with the interests of the Sino-Indian peaceful co-existence because “Indian and Chinese interests in Nepal even under the best conditions of peaceful co-existence are not likely to collude against the very sovereignty and independence of Nepal.” (Khanal, 1987: 373).

Nepal’s rise in international diplomacy has been a “slow and arduous process.” Soon after its unification, Nepal’s foreign relations were limited to the Indian princely states in the south and Tibet and China in the north. Even the 1792 Nepal-Tibet war did not drastically altered the kingdom’s foreign policy. The change came after the conclusion of the Treaty of Sugauli at the end of the 1814-16 Nepal-British war, which “neither impaired Nepal’s right to conduct its foreign relations freely with its neighboring states, nor did it reduce the country to the status of a protectorate.” (Khatri, 1997: 13). After the second Nepal-Tibet war during 1854-56, Nepal signed a treaty with Tibet without any consent from the British. The 1923 Anglo-Nepal treaty reaffirmed Nepal’s independence, and Nepal remained a reliable British ally until World War II.

After the British withdrawal from India, Nepal’s freedom came under severe limitations. The 1950 Nepal-India Treaty of Peace and Friendship and the accompanying Exchange of Letter (which came to public light much later) “established the basic framework of the hegemonic structure.” (Khatri, 1997: 16). The treaty does not directly commit Nepal to military alliance with India but provides for consultation among each other on matters that affect the security of the other. Article 2 of the treaty requires both Nepal and India to inform each other of any serious

differences with the neighboring states that are likely to harm the relations between Kathmandu and New Delhi. The first point of the Letter of Exchange refers to the agreement between the two countries not to tolerate any threat to the security of the other by a foreign aggressor and to take “effective countermeasures.”

Ultimately, concludes Khatri, Nepal’s conduct of diplomacy rests on its own capabilities. It remains to be seen whether the political parties are able to develop not a politically oriented “consensus” but a policy-oriented one on the salient themes of Nepal’s foreign policy. If the political actors are united, Nepal may not achieve the goals in the short-term but will positively in the long-term. If the political actors remain divided, Nepal “will be subjected to the machination of outside powers interested in exploiting the vulnerabilities.”(Khatri, 1997: 22).

Mahat and Sharma (2006) examine vulnerabilities posing challenges to the successful conduct of Nepal’s foreign policy and diplomatic relations, the most obvious of which are unfavorable geographical location, the need for eternal vigilance in relation with both India and China complicated by the Maoist insurgency and the constitutional crisis. “In this interdependent and highly globalized world, Nepal can no longer take an independent position on foreign policy, and will be bound to respect the views of other actors while formulating the position,” they conclude. “The totality of a number of factors like socio-economic compulsions, historical factors, geography and their dynamics, which do not always remain the same, determines the dynamics of foreign policy.” (Mahat & Sharma, 2006: 56).

“Nepal can no longer take an independent position on foreign policy, and will be bound to respect the views of other actors while formulating the position,” according to Mahat and Sharma. “The totality of a number of factors like socio-economic compulsions, historical factors, geography and their dynamics, which do not always remain the same, determines the dynamics of foreign policy.” They note that the political parties, civil society, media and other professional bodies as well as the Nepali diaspora are playing strong roles in asserting the case of democracy, human rights and the rule of law. The authors argue that while security against external threat “is becoming less important” new forms of threat include “internal turmoil, socio-political destabilization, and externally-inspired domestic upheavals.” (Mahat & Sharma 2006: 57). They conclude that there is no conceivable threat from either of the two giant neighbors.

Kumar (1989) examines the security dimension of Nepal's foreign policy dealing mainly with the two immediate neighbors, saying Indian policy towards Nepal was framed under the assumption of potential Chinese threat. According to the author, "India wants Nepal to see China through the prism of New Delhi's strategic thinking and desires to block any type of relations developing between China and Nepal which the Indian policy-makers think adverse to their interests." (Kumar, 1989: 377). Such insensitivity on the part of New Delhi to Nepal's geo-strategic position and hypersensitivity to Kathmandu's dealings with Beijing is reflected time and again means Nepal "should have traded animosity with China for the sake of India's friendship" in indeed a highly unrealistic proposition. (Kumar, 1989: 380).

Gyawali (1996) looks at the early Nepal-Japan contacts in what he describes as Tokyo's attempt to "wean Nepal away from British influence." The expansion of the initial contact between Nepal and Japan failed to materialize for two reasons. First, the British were reluctant to allow any other commercial powers to Nepal, which they considered as their monopoly market. Second, the Nepali side was equally nervous because it would never do anything to anger its southern neighbor. With Japan having emerged as Nepal's top donor in recent times, the author pleads Nepal "to play a larger intellectual role in defining the concept of development and the philosophies that go with it." (Gyawali, 1996: 184).

Sigdel (2003) deals with Nepal's economic relations with Japan and China. He concludes that Japanese aid "provided good jobs and opportunities to its firms and contract companies to do business and has also preview opportunity to the Nepalese brokers, contractors and administrators to earn money for these groups always happened to be safeguarded by the Nepalese government authorities in power. Yet another instance is the launching of big hydropower project (Kulekhani) which helped the Japanese merchants to penetrate in Nepal and conduct trade in the name of aid." (Sigdel, 2003: 48).

The review of literature shows major writings on Nepal's foreign policy deal mainly with the country's relations with China and India. There is a dearth of literature on Nepal-Japan relations on the socio-cultural, political and economic aspects as well as strategic dimensions of Nepal's growing political and economic relations with Japan.

## 1.7 Conceptual Framework

The Asian African Summit in Indonesia in April 2005 adopted the New Asian African Strategic Partnership (NAASP) Plan of Action covering three broad areas of cooperation among Asian and African countries. Politically, peace and stability were to be promoted in both Asia and Africa and conflict prevented through peaceful means. Economically, efforts were to focus on reducing poverty and promoting greater flow of direct Asian-African trade and investment. Socio-culturally, people-to-people contacts were to be fostered and dialogue among civilizations and cultural relations promoted with a view to enhancing greater understandings of their diverse cultures. The NAASP was described as a fitting commemoration of the golden jubilee of the Asian African Conference of 1955 that laid the foundation for cooperation among these countries (<http://asianaficansummit2005.org>).

The NAASP is one of the several examples of the changing concept of “strategic partnership” that include not just the traditional but narrow concept of military/security cooperation but encompasses the socio-cultural, political and economic dimensions of bilateral as well as multilateral relations between and among states. The key word is strategy, a concept traditionally associated with science and art of warfare. Strategy has a Greek origin in *strategos*, which means “the art of the general” and denoted during the 18th and 19th centuries the “art of projecting and directing campaigns and the movements and dispositions of military forces in war.” (Micropaedia, 2003: 305). Machiavelli made a significant contribution to military strategy by emphasizing the close relationships between the civil and military spheres. A wise prince, he wrote, “should never in peaceful times stand idle, but increase his resources with industry in such a way that they may be available to him in adversity, so that if fortune changes it may find him prepared to resist her blows.” (<http://www.constitution.org/mac/prince14.html>).

Napoleon incorporated political and economic measures in military strategy to enhance the prospects of victory in war. For example, better roads and maps combined with mobile artillery allowed swift movement of troops, more rapid concentration of force, and greater surprises. (Thomson, 1975). After making an extensive study of the Napoleonic wars, Prussian military strategist Clausewitz produced a classic work on strategy – *On War (Vom Kriege)* – emphasizing that strategy should aim at three main targets: (a) the enemy’s forces, (b) his resources, and (c) his will to fight. Most significant, he contributed the doctrine of political

direction in military matters: “war is nothing but a continuation of political intercourse with the admixture of different means.” (<http://www.fortunecity.com>).

British military historian and strategist Liddell Hart (2003), after examining wars and battles from the time of the ancient Greeks through World War II, concluded that Clausewitz’ definition of strategy as “the art of the employment of battles as a means to gain the object of war” is seriously flawed because this view of strategy intrudes upon policy, and makes battle the only means of achieving strategic ends. He stressed on “the indirect approach”, as direct attacks against an enemy firmly in position almost never work and therefore should never be attempted. In order to defeat the enemy one must first upset his equilibrium, which is not accomplished by the main attack, but must be done before the main attack can succeed. Strategy is “the art of distributing and applying military means to fulfill the ends of policy.” (Liddell Hart, 2003: 335). Strategy is concerned not merely with the movement of forces but with the effect, and depends on success, first and most, on a sound calculation and coordination of the end and the means.

Andrews defines strategy as “the pattern of decisions” that “determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving these goals.” (Andrews, 1980: 18-19). Strategy is both a plan and a position and means “deliberately choosing a different set of activities to deliver a unique mix of value.” (Porter, 1996: 64). Robert (1993) stresses on “strategic management” and “thinking strategically.”

Strategic partnership and cooperation in this sense is a concept whereby two or more states join hands to achieve their mutually agreed goals often by reinforcing their socio-cultural, political and economic relations. It was only after the end of the World War II that strategic partnership as an instrument for balance of power became fashionable. According to Oppenheim:

Alliances, in the strict sense of the term, are treaties of union between two or more States, for the purpose of defending each other against an attack in war, or of jointly attacking third States or for both purposes (Oppenheim, 1961: 959).

Palmer and Perkins define alliance or partnership as a device for maintaining the balance of power. They divide alliances into two categories: offensive and defensive. While an offensive alliance “seeks to upset the balance in favor of its members” a defensive alliance “aims at restoring the balance or at tipping it in favor of states which make up the alliance.” (Palmer & Perkins, 1969: 224-225). They specifically refer to two prerequisites for an alliance to be

effective: it is desirable to have enough power to achieve the aims and objectives of such an alliance, and a common fundamental interest between or among alliance partners. Although the balance of power game is only for world or regional powers with small states at best silent spectators, even small states “may be important factors in regional balances, and they may try to maintain their independence or improve their bargaining positions by exploiting great power rivalries and conflicts of interest.” They specifically cite example of Nepal, among others, which was pursuing “a kind of Himalayan balance of power policy vis-à-vis its giant neighbors” – India and China. (Palmer & Perkins, 1969: 215). The balance of power as a concept may have lost much of its validity but remains meaningful, the authors argue, for understanding international relations as long as the nation-state system is the prevailing pattern of international society.

In his classic work, Morgenthau (1973) describes alliance or partnership between states as a necessary function of the balance of power “operating within a multiple state system” and alliance “adds precision, especially in the form of limitation, to an existing community of interests and to the general policies and concrete measures serving them.” (Morgenthau 1973: 182). He lists several types of alliances such as those serving identical interests and ideological interests. The alliances could be either mutual or one sided, general or limited, temporary or permanent or operative or inoperative.

Many scholars still see the validity of the concept of balance of power the importance of which has hardly diminished even following the collapse of the Soviet Union that also brought to an end the Cold War in early 1990s, supposedly inaugurating a new era where “enlightened self-interest, as well as shared values, will compel countries to define their greatness in more constructive ways...,” to quote Bill Clinton (New York Times: 1997: July 10). Mearsheimer (2001) asserts that great powers continue to seek greater power at one another’s expense in order to establish them as the dominant state. He looks at strategic partnership as a strategy for survival of threatened states. Threatened nations can take mainly three steps. First, they can send a clear message to the aggressor through diplomatic channels that the state is prepared to maintain the balance of power, if necessary by going to war. The balancer’s message is not reconciliation but confrontation. Second, the threatened state can enter into a defensive alliance to contain the dangerous opponent. This diplomatic maneuvering, often known as “external balancing”, is limited to a bipolar world. Finally, the threatened state can balance against the aggressor by mobilizing additional resources of their own, such as in defense budget or conscription of young people in the army to fight the war.

Any two states in conflict with each other find themselves peculiarly dependent on the other, even though their interests are at odds. This is because neither state can get everything it wants without some cooperation, which is possible either through diplomatic negotiations or building coalitions, which according to Deutsch, “are an essential instrument for exercising influence and power, in international no less than in domestic politics.” (Deutsch, 1989: 177). He devotes an entire chapter on “International Terrorism and Undeclared Warfare” to examine the use of terrorism as a tool of international diplomacy.

Power strategies, according to Goldstein, are “plans actors use to develop and deploy power capabilities to achieve goals. A key aspect of strategy is choosing the kind of capabilities to develop, given limited resources, in order to maximize international influence. This requires foresight because the capabilities required to manage a situation may need to be developed years before that situation presents itself.” (Goldstein, 2003: 80). He defines balance of power as “one or more states’ power being used to balance that of another state or group of states.” (Goldstein, 2003: 92). Strategic alliances play a key role in such a balance of power.

World politics, according to Smith and Baylis, “represents a struggle for power between states each trying to maximize their national interests.” Under this mechanism known as the balance of power “states act so as to prevent any one state dominating. Thus world politics is all about bargaining and alliances, with diplomacy a key mechanism for balancing various national interests, but finally the most important tool available for implementing states’ foreign policies is military force.” (Smith & Baylis, 2001: 4).

### **1.7.1 Functional Definition**

The concept of strategic partnership and cooperation thus embodies not just the military/security aspect of the relationship between two or more states but also other aspects that could either undermine or threaten sovereign independence or national security. These aspects include political unrest in the form of insurgency or guerrilla warfare, economic chaos and social disruptions. In other words, the threat to a nation today is not just in the form of direct or indirect military intervention but more significantly through machination of different forms of chaos and unrest in social-cultural, political and/or economic arena.

For the purpose of this research, strategic partnership has been defined in the context of the Nepal's foreign policy in general and the Nepal-Japan relations in particular as a form of cooperation based on strategic thinking, dialogue and planning with a view to add substance and value by defining in clear terms the goal and objectives of sociocultural, political and economic dimensions of their bilateral relationship with a view to strengthen the instruments of national security. Such a partnership and cooperation would go a long way in defending the Nepali nation not only from the real or perceived direct or indirect threats of military intervention but also in insulating the Nepali society from the machination of political turmoil, insurgency and economic chaos. Strategic partnership is built on the basis of mutual respect, understanding and appreciation of the aspirations of the states eager to forge such a partnership. Strategic thinking, dialogue and planning are the most important first steps. The socio-cultural, political and economic environment shapes the purpose, direction and opportunity for such a partnership based on common opportunities.

### **1.8 Limitation of the Study**

The present study covers the period between 1956, when formal diplomatic relations were established between Nepal and Japan, and 2006, the year that marked the 50th anniversary of the establishment of formal diplomatic relations. The study only explores the prospects of strategic relations between the two countries on the basis of their growing sociocultural, political and economic relations. Future research needs to focus on developments towards building such a relationship between Nepal and Japan or for that matter other friendly global powers.

### **1.9 Organization of the Study**

The chapters of the study are organized on the basis of the problems and hypothesis discussed above. It consists of six chapters. The first chapter is introduction to the study followed by the second chapter dealing with the sociocultural relations between Nepal and Japan. The third chapter is on the political relations and fourth chapter on economic relations. The fifth chapter looks at the prospects of strategic partnership and cooperation on the basis of close sociocultural, political and economic ties. The sixth and final chapter summarizes major findings and makes recommendations.



## CHAPTER II

# SOCIOCULTURAL RELATIONS

Nepal and Japan share rich sociocultural heritage, yet the two societies are vastly different. This chapter examines the sociocultural aspects of Nepal-Japan relations. It begins by looking at the significance of sociocultural relations, then takes a brief survey of the sociocultural modernization in Nepal and Japan, and compares the fascinating similarities and differences between the Nepali and Japanese societies. It concludes by discussing cultural cooperation between the two countries and its impact on Nepal's sociocultural modernization.

### **2.1 Significance of Sociocultural Relations**

Culture offers “a way of understanding the similarities and differences of the new age, where a globalised culture met a multicultural world, and where existing communities and cultures were in closer contact with each other.” (Murden, 2001: 458). Globalization pressures are felt in all societies, more particularly in developing societies but even in the developed societies where adaptation is easier because of their familiarity with secularism and pluralism (Murden, 2001). Culture helps one understand about the people and their behavior. For example, if there is no understanding of the Japanese culture, Nepal will expect Japan to respond in one way, which could be a possible recipe for conflict and misunderstanding. Understanding of society and culture, therefore, helps improve understanding the aspirations and expectations of the people.

The most important characteristic of culture is a common outlook shaped by a common shared past and a common shared vision for the future. Culture is “that complex whole which includes knowledge, belief, art, morals, law, customs, and any other capabilities and habits acquired by man as a member of society.” (Wikipedia, 2006).

Scholars differ on defining social-cultural modernization, often identified with “the emergence of new forms of integration, evolutionary ‘upgrading’, and an increasingly generalized adaptive capacity of societies.” (Marsh, 1967: 30). It is also defined as “the process of social change whereby less developed societies require characteristics common to more developed

societies.” (Lerner, 1968: 386). Moore defines it as a transformation of a “traditional or pre-modern society” with “the extensive use of inanimate sources of power for economic production and all that entails by way of organization, transportation, communication and so on.” (Moore, 1963: 92). A society is modernized “to the extent that its members use inanimate sources of power and/or use tools to multiply the effects of their efforts.” (Levy, 1966: 11). Inglehart suggests “economic development, cultural change and political change go together in coherent and even, to some extent, predictable patterns.” (Inglehart, 1977: 5).

“Modernization” is not “Westernization”, which is “a process whereby traditional, long-established societies come under the influence of Western culture in such matters as industry and technology, law, politics and economics, lifestyle and diet, language and the alphabet, religion and values.” (Wikipedia, 2006). Neither is modernization “Sanskritization,” which is a process by which “a ‘low’ Hindu caste, or tribal or other group, changes its customs, ritual ideology, and way of life in the direction of a high and frequently ‘twice-born’ caste. Generally such changes are followed by a claim to a higher position in the caste hierarchy than that traditionally conceded to the claimant class by the local community...” (Srinivas, 1952: 32). Sanskritization means adoption of new customs, habits and ideas such as *karma* (duty), *dharma* (worship), *papa* (sin), *maya* (love), *moha* (attachment) and *mokchha* (salvation).

According to one school of thought, modernization sets in motion an overwhelming economic and political force that drives social cultural changes and traditional values and norms are replaced by new, modern values. Weiner blames traditional cultural values and institutions for underdevelopment of a society, and concludes that unless a “backward” society discards traditional cultural values and adopts modern ones, it was unlikely to be a “modern” one (Weiner, 1966). Others reject such a convergence theory, arguing that traditional values continue to exert an independent influence on the cultural changes caused by economic development (DiMaggio, 1994: 27-57). The process of modernization often has strengthened traditional values such as under the Meiji Restoration when traditional cultural appeals were used for social change.

Huntington (1997) divides the world into eight major civilizations or “cultural zones” – Western Christianity, the Orthodox world, the Islamic world, the Confucian, Japan, Hindu, Africa and Latin America zones – on the basis of cultural differences that have persisted for centuries. Their norms are set by religious traditions that are still powerful today, despite the forces of modernization. Fukuyama (1995) argues that a cultural heritage of “low trust” puts a society at a

competitive disadvantage in global markets because it is less able to develop large and complex social institutions.

The development of information technology (IT) has intensified the process of global integration, promoting multi-culturalism. If the Industrial Revolution transformed agricultural societies into manufacturing ones, IT is redefining social and cultural relations by facilitating speedy dissemination of information.

For the purpose of the study, the term sociocultural modernization has been defined as the process whereby old sociocultural values, norms, behavior and beliefs are adopted if they are rational and discarded if they are not. Sociocultural modernization, based on science and rationality, is irreversible because technological innovations have reduced the time and distance for ideas and information to travel. This definition of modernization has been used throughout the research, including in the political and economic relations.

## **2.2 Sociocultural Modernization in Nepal and Japan**

The geo-political location of both “landlocked” Nepal and “sea-locked” Japan has distinct impact on their socio-cultural institutions and processes. Nepal, the country with high Himalayan passes on the north and the plains on the south, is a melting pot of migrants from Mongol, Kirat, Arya, Nigreto, Dravidian and others. Hagen aptly describes Nepal as “Asia’s multi-ethnic stage.” (Hagen, 1970: 75). On the other hand, the archipelago of Japan consisting of four major and nearly 3,000 minor islands, attracted migrants from China, Manchuria and Korea. The Chinese culture, especially the ideographic script, Confucianism and Buddhism, has profound influence on Japan.

### **2.2.1 Sociocultural Modernization in Nepal**

Nepal was under the Lichhavi monarchy in the first century A. D., and King Manadev I established himself as the most glorious king in the fourth century. The Lichhavi rule lasted until eighth century when Malla rule was established. The modern period began with the conquest by King Prithv Narayan Shah of the Kathmandu Valley in 1768. The history of Nepal’s sociocultural modernization can be divided into four broad periods: the National Unification (1768-1846); the

Rana Oligarchy (1846-1950); the Restoration of Monarchy (1951-1990); and the Revival of Democracy (1990-present).

### **2.2.1.1 National Unification (1768-1846)**

The National Unification under King Prithvi Narayan Shah marks a watershed in the sociocultural history of Nepal. He expanded the small district kingdom of Gorkha into what is Nepal today, establishing a powerful state in South Asia. The political unification included diverse geographic and cultural regions. Some scholars describe as “the appendage of peripheral regions of the mountains and plains to the core of the hill realm” under which one-language (Nepali), one religion (Hinduism) was promoted (Gurung, 2003: 1-2). Nepal was created “not through voluntary consensus of various ethnic communities but by the might of the sword.” (Gurung 2003a: 2). Yet the fact remains that the credit for the creation of Nepal goes to Prithvi Narayan Shah who revived Hindu sociocultural system in the region dominated by Muslim clerics in the south and Buddhist monks in the north.

### **2.2.1.2 Rana Oligarchy (1846-1950)**

The Rana Oligarchy since 1846 saw the continuation of the socio-cultural policies pursued under the National Unification. The *Muluki Ain* (civil code) introduced in 1854 was essentially an attempt to codify the traditional Hindu social practices and cultural policies. It divided Nepalis into six castes in the following order: Brahmins, thread-wearing Chhetris, non-enslavable alcohol drinkers, enslavable, impure but touchable, and impure and untouchable. It is seen as an attempt to accommodate the tribal peoples between the pure and impure Hindu castes, clearly favoring the Bahuns, Thakuris and Chhetri hill castes. The caste-based penal system was discriminatory (Gurung, 2003).

### **2.2.1.3 Restoration of Monarchy (1951-1990)**

Nepal’s first census in 1952-54 began compiling information on language and religion. The first elected government in 1959 lasted only for 18 months, which was too short a period to begin any reform in the social-cultural spheres. With the return to absolute monarchy under King Mahendra in December 1960, there were some efforts at reforms. For example, the *Muluki Ain*

was amended in 1963 to abolish the provisions regarding untouchability. Nepal remained a Hindu kingdom, and Nepali and Shanskrit remained the only languages promoted by the state, thus helping preserve the supremacy of the *parbatiya* (hill) high caste people (Gurung, 2003). The civil code was further amended in 1975, which significantly raised the status of women as a fitting tribute to the International Women's Year. However, several other social reforms such as the government's orders to discourage wasteful social expenses on marriage suffered from poor implementation.

#### **2.2.1.4 Revival of Democracy (1990-present)**

The language, religious and ethnic issues came to prominence during the 1990s. It is in this context that the Constitution of the Kingdom of Nepal 1990 acknowledged for the first time the country's diversity: Article 4 (1) describes Nepal as a "multiethnic, multilingual, democratic, independent, indivisible, sovereign, Hindu and Constitutional Monarchical Kingdom." (HMG, 1990: 3) However, there was change neither in the composition of the ruling elite nor in the official policy to promote single religion and language (Kraemer, 2003). In fact, Article 112 is restrictive of the freedom enjoyed under Article 4 (1) because it does not allow political parties to be formed "on the basis of religion, community, caste, tribe or region." (HMG, 1990: 95). The Constitution on the one hand has "defined the state in a communal way by making it a Hindu State (and) on the other hand... has denied the recognition of political parties oriented along communal – say ethnic, caste or religious lines." (Kraemer, 2003: 194).

The Interim Constitution approved by the restored House of Representatives and adopted by the House of Legislature Parliament on January 15, 2007 declared Nepal "a multi-ethnic, multi-lingual, multi-religious, multi-cultural, secular, fully democratic, independent, indivisible, and sovereign State." Nepal is thus no more a Hindu kingdom. Despite the declaration, Nepal's major challenge today in the socio-cultural spheres remains the national integration of its population by addressing issues of discrimination based on caste, ethnicity and nationalities. In fact, Nepal has three incarnations: a "proto Nepal" of Kathmandu Valley fixated on rich cultural and religious creativity rather than imperial expansion, "imperial Nepal" stretching from the Tista River to Sutlej, and "feudal Nepal" confined by the Mechi and Mahakali rivers. Thus the country "has only been unified geographically, and not socially and economically." (Gurung, 2003: 13).

## **2.2.2 Sociocultural Modernization in Japan**

Japanese culture has evolved over the years, combining influences from Asia, Europe, and America. Historically, China and Korea have been the most influential. Since 19th century, Western influence and especially American influence has been predominant. The history of the sociocultural modernization of Japan can be broadly divided into four periods: the Tokugawa Regime (1600-1868), the Meiji Restoration (1868-1911), Imperial Japan (1912-1945) and Modern Japan (1946-present).

### **2.2.2.1 Tokugawa Regime (1600-1868)**

The Tokugawa society was never egalitarian (Gordon, 2003). The Tokugawa feudal lords, largely inspired by the Confucian social theories, created four social classes – the warrior-administrator, the peasant, the artisan and the merchant (Reischauer, 1974). The warrior-administrator class was fixed aristocracy, known as the samurai, occupying the highest order. The merchant class was at the lowest order because they were described as unproductive. The unnatural stratification of social class precipitated a “systemic crisis” as a result of inadequacies of the key social values and institutions to address the issues (Totman, 1980). The crisis followed the opening of the treaty ports in 1859 and the insurgency of large domains. Imperialistic intrusions, daimyo coalitions, and *bakufu* (government) weaknesses precipitated the fall of the *shogun* (military lords) system.

Despite the policy of isolation, the Japanese developed great skills in social and political organization and group cooperation, and underneath lay “dynamic tensions between Confucian and feudal values and between economic growth and a frozen class society.” (Reischauer, 1977: 77). Tokugawa rulers and wealthy were attacked because of their failure “to exercise the duty of benevolence understood to come with them.” (Gordon, 2003: 33). The theoretical foundation and rigid feudal structure of the shogunate had become so hopelessly outdated that once the system started to crack, it collapsed suddenly and completely (Reischauer, 1977).

### **2.2.2.2 Meiji Restoration (1868-1911)**

The Meiji rulers adopted the policy of *fukoku kyohei* or a “rich country and a strong military.” (Reischauer, 1977: 125). The policy laid the foundation for Japan’s modernization,

with the Meiji rule also aiming at building Japan as a modern nation of “civilization and enlightenment.” (Gordon, 2003: 108). The Iwakura Mission was the most significant factor in the modernization of the Japanese culture. The mission consisting of 100 Japanese leaders visited Europe and the United States between November 1871 and September 1873 to observe why the West was so developed and powerful while other nations were not (Soriak, 1971: 8). The report of the mission, a five-volume comprehensive work on the American and European society, law, governance, finance and technology, is known as *Jikki* or journal. *Jikki* is a major work of political and diplomatic history, stressing the importance of “national character” and industriousness as the most important qualities for people for building a prosperous nation (Soriak, 1971: 16).

The Meiji rulers began by reforming the education system because the traditional Japanese education was motivated by moral pre-occupations of orient benevolent governance in sharp contrast to the utilitarian focus of Western education that focused on practical learning and technical training (Nagai, 1971: 30). The Fundamental Code of Education (*Gakusei*) was introduced in 1872 to Westernize the Japanese education system based on the French model. However, the system proved to be a colossal burden on the Japanese economy, and there were resistance for the acquisition of Western intellectual knowledge. In order to address these issues, Education Ordinance of 1879 was patterned after the American education system, and was partly revised in 1880. The most sweeping changes in the education system came in 1885 when the Prussian model was adopted to link education with industry and technology. This was followed by the Imperial Rescript on Education promulgated in 1890 after which the modern Japanese education “entered a period of stability through the temporary completion of Japanization.” (Nagai, 1971: 37).

### **2.2.2.3 Imperial Japan (1912-45)**

The Meiji emperor died in 1912, and a new period Taisho political change began. With this the process of Japan’s cultural modernization entered historic phase when the Home Ministry in 1919 launched *Minryoken Kanyo Undo* (Campaign to Foster National Strength). Among other things, it sought to prevent peasants from squandering their wealth on festivals and drinks. The Home Ministry again in 1922 instructed officials to urge people to curb expenditures on ceremonial occasions, tobacco and alcohol. Between 1924 and 1926, the Ministry again launched *Kinken Shorei Undo* (Campaign to Encourage Diligence and Thrift) to persuade people to save

more so as to “increase the nation’s capital stock and lower the production cost of Japanese exports.” (Garon, 1994: 355-6).

The Ministry of Education urged the Japanese to “sweep away the evil customs” of the past, and specially women to practice “scientific diligence and thrift”, encourage “national consumption” of inexpensive and healthy foods, and “rational budget living and savings.” The Japanese were strongly requested to benefit from Westernization of everyday life, were encouraged to eat bread, which was deemed more nutritious than the traditional diet of white rice, and to wear Western clothing as a more convenient, less expensive alternative to traditional Japanese dress (Garon, 1994: 356).

#### **2.2.2.4 Modern Japan (1946-present)**

Profound social and cultural changes have taken place in Japan in the modern era as a result of democratization and Westernization of the Japanese society. A New Life Campaign Association was formed in 1955, which promoted a 13-point agenda that became popular in Japan. A lot of this provided basis for the participation of women which boosted the modernization of gender and sexuality with the overall goal of modernization of the role of women linked “to strengthen the nation.” (Garon, 1994: 360). Economic prosperity benefited all sections of the society, leading the gap between rural and urban life to shrink. The physical and other changes in the landscape speeded the contact with one another (Garon, 1994: 254). School and college enrollment became at par with European countries. The Japanese society moved towards egalitarian goals. Social tensions and conflict were replaced with stability. The Japanese culture became as popular as its fashion, film, literature, television and music acclaimed all over the world. This is not to suggest that the Japanese society is completely homogeneous as it looks. In fact, it is being criticized for being an “administered society” where individual impulses and diversities are crushed (Garon, 1994: 268). The current issues in Japan are the diversity in gender roles, role of immigrants, and Japan’s future global role.

### **2.3 Sociocultural Similarities and Differences**

The comparative study of the cultural modernization in Nepal and Japan as discussed above shows the two countries have different sociocultural settings determined to a large extent by their geo-strategic locations and climate as well as their respective social and political



evolution. Recent writings on Japan have debunked the myth of Japanese uniqueness, making Japan as unique as any other country (McVeigh, 2003). Both Nepal and Japan share common Asian sociocultural values, but the most important connection between the two countries is that while Nepal is the birthplace of Lord Buddha, Japan is the most easterly country to which Buddhism spread (Kaminaga, 2006). Other striking similarities are both have enjoyed 2,000 years of independence under their monarchies, and have little natural resources except human resources engaged in trade, arts and crafts, and nurture rice as the staple food (Kaminaga, 2006).

### **2.3.1 Physiographic Characteristics**

Both Nepal and Japan are intensively mountainous countries, and this feature helps better understanding of the geographic challenges each country faces. With a total land area of 147,181 sq. km., Nepal extends along the foothills of the Himalayas in central Asia (HMG, 1985). It consists of the fertile and flat Terai region covering 17 percent of the total land area, the hills covering another 64 percent and the Himalayas covering the rest. Nepal has “a diverse and complicated physiography within a very short distance” characterized by the tallest mountain in the world to the north and the tropical Terai flat land in the south (KC, 1989: 15). The country is drained by three major river systems – the Koshi, Gandaki and Karnali – originating from glaciers and snow-fed lakes. The sharp drop of the water makes Nepal rich in hydro-electricity potential.

The 377,835 sq. km. archipelago of Japan consists of four main islands – Hokkaido, Honshu, Shikoku, and Kyushu – and some 3,000 smaller islands. Japan is the world’s 19th most densely populated country. About 80 percent of the country is forested, mountainous and unsuitable for agricultural, industrial, or residential use, due to the steep elevations, climate, and risk of landslides caused by earthquakes, soft ground, and heavy rain. Japan’s plains are the Kanto region in the east and Kansai region in the west. Its location on the Pacific Ring of Fire, at the juncture of three tectonic plates, gives Japan frequent earthquakes and volcanic activity. Japan is temperate and precipitation is heavy, especially during the rainy season, which gives the country nine forest eco-regions ranging from subtropical moist broadleaf forests to temperate coniferous forests.

### **2.3.2 Demographic Characteristics**

Nepal's demographic features are in sharp contrast to the Japanese. For example, Nepal's total population, estimated at 23,159,423 in 2001, is projected to reach 34,172,144 in the next 18 years. Since 1960s, it has been composed primarily of young people with 39 percent under 15 years of age and over half in the 15-59 age groups. This is mainly due to high fertility and declining mortality in all ages, particularly in younger ages (HMG, 2006). The share of people aged above 65 has increased from 3.4 in 1981 to 4.2 percent in 2001. The age structure dominated by very young people means more resources have to be spent on education, nutrition and health.

In contrast, Japan's population in 2005 was 128 million but is projected to decline to 100 million in 2050, and further to 64 million in 2100. The old-age population is growing while younger population is declining due to low birthrate. The proportion of people aged 65 and older in Japan reached the world's highest at 21 percent, surpassing Italy's 20 percent (Japan Times, 2006: June 1). In 1960, only 5.7 percent of Japan's population was aged 65 or older. The number of children under 15 years fell to 17.81 million in 2004. It was lowest at 13.6 percent in 2005. Low birthrates have forced over 2,000 public schools to close down in last 10 years. Japan's shrinking work force will be unable to support the swelling proportion of elderly, an important consideration for Nepal where foreign employment is a growing attraction.

### **2.3.3 Religious Characteristics**

On May 18, 2006, the Legislature-Parliament issued a Proclamation, declaring Nepal, hitherto a traditional Hindu kingdom, as a secular country. The Hindu population remains the largest since 1950s but its share in the total population has declined from 87.69 percent in 1961 to 80.62 percent in 2001. The second largest religion is Buddhism and its adherents have increased from 9.25 percent in 1961 to 10.74 percent in 2001. Hinduism was founded in 1500 BC by Aryan invaders of India where their Vedic religion intermixed with the practices and beliefs of the natives. Buddhism was formed by Lord Buddha, the Prince of Peace (ca 563-480), who achieved enlightenment through intense meditation. Nepal remained largely unaffected by the rise in Hindu fundamentalism and the Islamic Moghul occupation of India (Sharma, 1989: 139). It developed an introvert personality with influence from ideas and personalities of migrating princess, rulers, scholars and traders, and served as the transit for Buddhist scholars traveling to Tibet from central, east and south-east Asia.

Japan is a secular country and its only indigenous religion is Shintoism practiced by 54.1 percent of the population, followed by Buddhism (40.5), Christianity (0.7) and other religions like shamanism, Islam, and Hinduism (4.7 percent). Buddhism, introduced in Japan from Korea in 552, differs from Shintoism, which is a “loosely structured set of practices, creeds, and attitudes rooted in local communities and on the other in strictly defined and organized religion at the level of the imperial line and the state.” (Kodansha, 1999: 410). People’s concern towards religion is mostly related to mythology, traditions, and neighborhood activities. Most Japanese are not atheists, but identify themselves with syncretism, secularism, and even irreligion.

There is thus fundamental difference between Nepal and Japan on religious beliefs and practices. First, Nepal’s culture has been shaped by influences from both the great Indian and Chinese civilizations while that of Japan has been influenced by abundant borrowings from China during the pre-modern times and from the West in the modern age. Japan molded and adapted foreign borrowings to suit native tastes and purposes (Varley, 1984: 307-08). Secondly, Nepal is a deeply religious country where each and every religion is actively practiced. The religious order is based on a social order with the concept of deity and priests. This is in contrast to Japan where religion does not play a significant role in the social life because of the trends towards secularism based on no deity no priest social order, which is mainly based on rational outlook. Thirdly, Nepal is a multi-religious country where different religious groups have been asserting their roles and positions and most festivals are based on religion.

#### **2.3.4 Ethnic Mosaic**

Another major cultural difference between Nepal and Japan is their ethnic composition. Nepal is a multi-ethnic kingdom consisting of mainly four racial groups: Mongolians and Caucasians who form the dominant groups, Dravidian and Proto-Australoid. The 1991 census recorded 60 caste and ethnic groups, but the census of 2001 listed 103 caste/ethnic groups including “unidentified group” (HMG, 2006). There was a 100 percent increase in the number of Nepalis reporting themselves as Buddhists between 1981 and 1991, and further increased by 70 percent between 1991 and 2001 (Dahal, 2004). The followers of Kirat, which was not even listed as a religion until 1991, increased by 157 percent between 1991 and 2001, as did the Christians by 226 percent. Nepal’s caste system is fundamentally rooted in Hindu religion, and the country’s unification and its subsequent consolidation were based on the caste system as an organizing ideology (Pfaff-Czarnecka, 1999). The caste identity came along with a complex system of norms

regulating behavior and interactions between different groups (Hofer, 2004). The ethnic system is rooted in mutually exclusive origin myths, historical mutual seclusion and state intervention in redefining and recreating individual, household and more collectively ethnic belongingness (Holmberg, 1989).

In sharp contrast to Nepal's caste system, Japan is a vertical society with 99.4 percent of its population from the same ethnic group – the Japanese (Fujita, 2002). There is a very small population of primarily Ryukyuan (1.5 million), Koreans (0.6 million), Chinese (0.5 million), Filipinos (0.5 million), and Brazilians (250,000). Japan is thus a thoroughly homogenous society where the people speak the same language and share a mass culture (Reischauer, 1977: 216). Japan has been described as a “vertical” society, in sharp contrast to Nepal's Hindu caste society. Occupational groups have been much less developed in Japan compared to China, India and the West. While Nepal's caste system is based on occupation and kinship, Japan's group consciousness depends on the immediate social context and frame. This is why the Nepalis identify themselves with profession while the Japanese identify themselves with the institution. This is one of the sharpest contrasts between the two societies, and affects the family system. Wife and daughter-in-law are more important in Japanese society than brothers living in another household while in Nepal it is just the opposite. This is because Japanese do not give priority to kinship as do the Nepalis. There is “a high degree of cohesion and consensus within the group” in Japan as a result of which it is “extremely difficult to engage in a truly democratic discussion” (Nakane, 1970: 152). Matsumoto finds “a substantial degree of unrest, apprehension, and dissatisfaction” in Japan today, partially “as a result of a clash of cultural dualities in contemporary Japan.” (Matsumoto, 2002: 2).

### **2.3.5 Linguistic Diversity**

Nepal is one of the most linguistically diverse countries. The 1952-54 census listed 54 languages spoken as “mother tongue”, defined “as one spoken by a person in his/her early childhood.” The 2001 census records 92 different languages spoken in Nepal with a 93rd categorized as “unidentified.” Nepali is spoken by a majority (11,053,255 or 49 percent) out of the population of 24 million (HMG, 2006). However, the Nepali speaking population dropped from 58 percent in 1981 to 48 percent in 2001 while the percentage of population speaking Tibeto-Burman family of languages – Tamang, Magar, Newar – increased from 12 percent to 18 percent with the competition and distribution of speakers over wide geographical areas of the

highlands and lowlands of the country (Rai & Rai, 2003). It has been argued that the Nepali state and nationalism can be consolidated further by discarding the policy of promoting “one language, one religion.” (Gurung, 2001: 198). The present policy promotes the Khas-Nepali language by a dominant group as the official language (Bhattachan, 2003). Surprisingly, mother tongues in some Terai districts continue to be non-Nepali (Malla, 1989: 452). Yet the fact of the matter is that Nepali speaking population is an estimated 35 million worldwide (Wikipedia, 2006).

Japanese, on the other hand, is spoken by 127 million people all over the world, mainly in Japan, Brazil, the United States, Guam, Marshall Island, Taiwan, North and South Korea, Peru and Australia. In Japan, it is spoken by 99 percent of the people. It is one of Japan’s most distinctive features and a determinant in its relationship with the outside world (Reischauer, 1977). The Japanese is the sixth most spoken language in the world. It is also the lingua franca in Japan and in fact is the only language spoken by the population and used by the government. This in a sense reinforces a sense of national unity in Japan.

### **2.3.6 Social Values**

Nepali and Japanese officials in their official statements rarely refer to “common Asian cultural and social values” while emphasizing the close and amicable bilateral relations. The concept of Asian values was the term coined by Singapore’s Lee Kuan Yew and Malaysia’s Mahathir Mohammad who defined the concept in contradistinction to Western values. They have been arguing that the Asian value system gives stress on groups and collectivism instead of individuals. However, the stress on Asian values came only when the countries in East Asia attained economic development at a level that was capable of competing with the Western world. This form of cultural nationalism became evident also in case of Japan with the birth of *Nihonjinron* when Japan became economically strong to challenge the Western industrial supremacy. Such assertions flourish when a society reached a level of economic maturity and is able to defend its national sense of self against other ideologies (Sugimoto, 2003).

In her classic study of the Japanese society, Benedict (1989) portrays Japan as the “shame culture” society where people are motivated by the threat of social institution or sanction from the people around them. “The Japanese are, to the highest degree, both aggressive and non-aggressive, both militaristic and aesthetic, both insolvent and politico, rigid and adaptable, submissive and resentful of being pushed around, loyal and treacherous, brave and timid,

conservative and hospitable to new ways.” (Benedict, 1989: 2). This tendency is related to the notion that the Japanese are group-oriented and that consciousness of and identification with others and within groups take precedence. She focuses on the Japanese values of *giri*, which like the German “honor” means “the fulfillment of the contractual relations” in contrast to *gimu*, which is “fulfillment of intimate obligations to which one is born.” (Benedict, 1989: 134). Other Japanese values are self-discipline, virtue, and righteousness. So influential was her war-time research that it remains the best seller in many countries. Benedict in particular played a major role in grasping the place of the emperor in the Japanese popular culture, and making a recommendation to President Franklin D. Roosevelt that made it possible for Japan’s oldest institution to continue even after its eventual surrender in 1945.

### **2.3.7 Food Habits**

Food habits are determined by geography and culture. Rice is the main staple food in the traditional Nepali and Japanese diet supplemented by vegetables, fish and meat. However, the annual consumption of rice in Japan has steadily declined since 1960. Japanese people ate an average of 59.5 kilograms of rice in terms of uncooked weight at home or restaurants (Rising Nepal, 2004: May 27). It is the first time the figure has dropped below 60 kilograms and represents only about half the peak consumption of over 110 kilograms in the year to 1963. A baker in Japan has started turning rice into bread in order to boost the heavily subsidized crop (Rising Nepal, 2005: February 26). Japan’s per capita consumption of vegetables is the world’s highest, but fruit is a luxury. Meat consumption is high. A whole range of international cuisine is available in Japan and urban Nepal.

Food habits are changing in Nepal with the boost in the production of vegetables, poultry and dairy. Although at least 40 out of 75 districts in Nepal are described as traditional “food deficit,” the deficit concerns mainly rice. Consumption of other major food productions like wheat, maize, millet and barley is not perceived as “food” in much of Nepal (Upreti, 2006). Cow slaughtering is illegal in Nepal because Hindus worship the animal as a symbol of mother. Beef is virtually banned in Nepal, although it is available for tourists. Beef eating was a taboo in Buddhist Japan (Varley, 1984). The scarcity of game animals and the craze for beef stew, a popular Western relish, as a symbol of Westernization made it so fashionable that many Japanese considered that a man “could not be regarded as civilized unless he ate beef.” (Varley, 1984: 208). And many Coke and burger guzzling Japanese are turning to the benefits of a centuries old

Japanese tradition of drinking green tea in the hope of cleansing the body (Rising Nepal, 2004: August 30). Japan has also been trying to boost its global clout using “soft power” by launching “shushi diplomacy” through a campaign to double the number of people abroad to 1.2 billion in the next five years who will dine on shushi, tempura or other Japanese dishes at least once a year (Rising Nepal, 2005: July 22).

### **2.3.8 Annual Events**

Nepal traditionally follows the Bikram era calendar, marking April 13 as the Nepali New Year’s Day. The most important annual events are religious festivals in Nepal celebrated differently by various ethnic groups and nationalities living, working and worshipping together in a tolerance and understanding which could set an example to much of the world today (Anderson, 1977). The most important festivals for Hindus, Chhetris and Thakuris are the month-long festivals of Dashain and Tihar celebrated in October. During the Dashain festival, which marks the victory of the good over evil, junior family relatives seek the blessings of the senior family relatives for their continued health, happiness and prosperity (Joshi, 2039 BS). The king delivers a message to the Nepali people, praying for the health, happiness, and continued prosperity of his people. A large number of Nepalis visit the royal palace to have *tika* (blessings) from the king and queen. During the Tihar festival, sisters worship their brothers for their long life, health and happiness. These festivals, which help strengthen the family bonds and reinforce social stability, are also occasions for kite flying, a cultural passion both in Nepal and Japan.

Kite flying in Japan is also during the festival seasons like May 5 celebrated as the Boy’s Festival when parents write name of their newly born son on a kite decorated with a heroic figure, wishing the child to grow as strong and healthy. They are also decorated with demon’s face in order to pray for the safety of the family and protect them from diseases and disasters. Exhibitions on Japanese tradition of kite flying are getting popular in Nepal. Kite flying contests are also organized annually in the Nepali capital. Both the festivals are at the end of the rice harvesting season when the income abounds and people are free for festivities. This is also the time when they have a long wait before they start a new cycle of crops on the eve of the monsoon. The weather is also the best, and the beginning of the peak tourist season. Japan follows the Christian calendar, with January 1, known as Shogatsu or the New Year’s Day, celebrated with great fan and fair for three days. The Matsuri is the second most important festival, and is related to the cultivation of rice and the spiritual well-being of local communities.

### **2.3.9 Education**

Nepal until 1950 was a center for Sanskrit learning that focused on moral values and preaching. The first Western-style college – Tri-Chandra College – was established only in 1919, and remained the only degree college till 1951. The first university – the Tribhuvan University – came into existence in April 1956. The government of B. P. Koirala in 1959 pledged to establish at least one free primary school in each of the electoral constituencies (Nepal Academy, 1960). Education got high priority only in 1971 with the introduction of the New Education System Plan to link education with practical skills. The number of primary schools increased three folds between 1971 and 2001 – from 10,600 to 26,036, and the national literacy rate went up from 14 percent to 53.7 percent (CBS, 2002). Yet, there is a wide gap between formal education and needs of the Nepali society and economy. Late King Birendra (while still crown prince) reflected a vision when his New Education System Plan attempted to link education with economic and income activities. However, its implementation was a disaster because of resistance from the highly politicized student community, the poor capacity of the bureaucracy, the dishonesty of the political leadership, and the failure of the regime to explain its benefits to the people.

This is in sharp contrast to Japan where the foundation for education system was built on the European, American and Prussian models to suit the needs of the Japanese society and industry. Meiji rulers introduced compulsory education in 1872 and since 1947 covers nine-year elementary school and middle school (age 6-15). Children continue their education at a three-year senior high school, and 96 percent of these graduates attend a university, junior college, trade school, or other institution. Japan today has 100 percent literacy rate and some of the world's top universities.

### **2.3.10 Arts and Literature**

The Japanese literature, which has been able to assimilate influences of other world literatures, is rich in flavor as well as dynamic in content. It has also influenced Nepali literature to some extent. Haiku, a unique form of poetry that took shape during the Tokugawa regime (1600-1867) has spread around the world and was introduced in Nepal in 1962. The Haiku poems incorporate oriental philosophy and uses symbols from the Vedas and the Buddhist philosophy. The short form of poetry is composed in native languages in many countries. The beauty of the haiku is that the essence of an idea is conveyed in a few words in significant depth.



Japan's dramatic opening to the West saw the flood of translations from Western literature. The literature suffered a slump during World War II, when the government imposed censorship on literary expression. However, there was a popular demand for fiction in postwar Japan, producing best writers and poets. Yasunari Kawabata, who won the Nobel Prize in Literature in 1968, is known for his delicate aesthetic sensibility in his novels. Junichiro Tanizaki, Yukio Mishima, Kobo Abe, Fumiko Enchi, Shusaku Endo, Sawako Ariyoshi, and Kenzaburo Oe, who won the Nobel Prize in Literature in 1994, are some of the modern Japanese writers. Japanese literature today is recognized as world class literature now available in many languages.

Arts and photography exhibitions by Japanese who have fallen in love with Nepal and the Nepali people is now a regular feature even if they are mainly concentrated in the Kathmandu Valley. Many of these art works and pictures have captured various aspects of Nepali culture and tradition. They stress the deep and intimate relationship between the people in their colorful traditional attire and their environment.

### **2.3.11 Status of Women**

The status of women has undergone dramatic changes both in Nepal and Japan. In Nepal, women make up half the population. There are more employment opportunities for women today than ever before. Yet, the traditional perceptions of women's roles and obligations, and customary practices in family and property relations are still common. Their participation in the political and economic life still falls short of broad official policy statements (UNICEF, 1987). The exclusions based on gender are so pervasive and deep that women occupy only 11 percent of all staff positions in the state and semi-state organs and manufacturing firms employ far fewer women following mechanization (NSAC, 1998).

The Japanese men are blatantly male chauvinists and women seem shamefully exploited and suppressed. They enjoy a better status than the ones enjoyed in most Islamic nations but there are severe job discriminations. Double sex standards, which leave men free and the women restricted, are widespread. The wife may be the dominant member of the family but women continue to play a subservient role in the society (Reischauer, 1977). The constitution of Japan guarantees gender equality, and there have been significant changes in the social status of women in modern day Japan.

On the basis of the above observations and analysis of cultural similarities and differences between Nepal and Japan, it can be concluded that while Japan is a homogenous society, Nepal is heterogeneous (Bista, 1979). Iijima (1963) concludes that intra-group relations have been highly influenced by social intercourse, economic interdependence and cultural reciprocity. Nepal's Hindus have shared a common physical, economic, social and cultural space with other ethnic groups like Newars, Limbus, Rais, Gurungs, Magars and Tamangs who have lived and worked together as economic competitors in a common framework (Sharma, 2004).

Unlike Japan, Nepal is neither a merit-based society nor is blessed with any of the traits of collectivism. Nepal's underdevelopment is blamed on a "culture of fatalism" that is inherently in conflict with development because it has devastating effect on the work ethic and achievement motivation. This is because the belief among the Nepalis that everything in life is predetermined and there is no way to change it. Two of the most important traits that have led to a degeneration of ethical and moral principles of the people around the seat of power in the Nepali society are *afno manche* (our man) and *chakari* (sycophancy). Yet, the Nepali rulers have always been elated in the company of dependent sycophants and opportunists (Bista, 1991).

One example is the case of a Japanese traffic police trainer on a tour of duty in Nepal who became popular among the general people but an eye sore to the police and government officials who enjoyed breaking the very law they themselves formulated. Kiyoshi Baba came to Kathmandu as a volunteer to help train the traffic police manage the city's ever expanding traffic in narrow streets. On May 18, 2005, he stopped the vehicle of Armed Police Force Deputy Inspector General when he violated the traffic rules. Baba was prematurely returned to Japan and his only fault was his courage, discipline and responsibility (Khatiwada, 2005).

## **2.4 Cultural Relations**

Cultural contacts between Nepal and Japan, which have a strong history of mythology, go back to century. If Nepal was named after an exalted sage named Ne Muni and therefore named Nepal, the Japanese islands were created by gods, and the grandson of the sun goddess came down, at her command, to rule Japan and his great grandson became the first emperor of Japan (Storry, 1966). The most venerated shrine in Japan is the Ise Shrine dedicated to the Sun Goddess Amaterasu, the ancestors of the Japanese imperial family. Amaterasu directed her grandson Ninigi to descend from heaven and establish the rule of his family on earth. Thus the empire was

founded in 660 B. C. by Ninigi's grandson, the first emperor Jimmu (Varley, 1984). It is for this reason that the Japanese traditionally consider the emperor as the link between the heaven and earth. The rising sun is reflected in the Japanese national flag in the post-War era.

Nepal's symbolism is reflected in the national flag, which has both sun and moon, balancing the heat of the sun with the coolness of the moon. According to a legend, King Prithvi Nayaran Shah while embarking on the process of national unification in the eighteenth century met a god disguised as an ascetic who wanted to test the king's loyalty. The god offered him some curd he had vomited and asked him to eat it upon which the Shah dynasty would have lasted for ever. Instead, the king tossed it aside, and part of the curd fell on his feet. The god blessed him that his dynasty will last for 10 generations, each of the fingers of his feet representing one (Economist, 2005: February 5). King Birendra, who was assassinated in June 2001, was the 10th king of the Shah dynasty.

The first recorded Japanese to visit Nepal was Ekai Kawaguchi, a Buddhist monk, who explored sacred Buddhist places and collected volumes of the holy manuscripts like *Sutra Tripitaka*. He visited Nepal four times, first in January 1899 disguised as a Chinese monk, when he also visited Tibet. He returned to Nepal in 1903, 1905 and 1912-13. He was particularly attracted because Nepal not only abounded in the Buddha's footsteps but also had complete set of Buddhist manuscripts in Sanskrit. When Kawaguchi returned to Nepal after his mission to Tibet, the Rana oligarchs were keen to listen to Kawaguchi's briefings on the developments in Tibet, including secret treaty concluded between Tibet and Russia, the presentation of a bishop's robe to the Dalai Lama from the Czar, and the supply of large quantities of arms and ammunitions from Russia to Tibet. The developments had alarmed Kathmandu because a strong Tibet at that time meant Nepal's virtual absorption into Tibet. If the Russianization of Tibet continued to the extent of threatening the very sovereign existence of Nepal, Kathmandu had the option of going to war, possibly with British military backing. This would benefit England more than it would have Nepal, Kawaguchi argues, and concludes that the Nepali rulers are too intelligent a statesman not to perceive "the reality of benefit rather than the glory of a successful but necessarily costly war." (Kawaguchi, 1995: 523-524).

Kawaguchi had no doubts that Nepal was in a position to establish her influence in Tibet by the judicious use of secret service fund. However, Nepal at that period of history was so much involved inwardly to her domestic political interests and court intrigues that it seemed to have

neither the energy nor resources to have a consistent policy on Tibet. Kawaguchi, however, correctly observed that the military service in Nepal was sufficiently credible, although her diplomacy leaved much to be desired.

The only mention of the Japanese model of development is when Prime Minister Chandra Shumshere asked, “What has transformed Japan into so great a power as she is now?” Kawaguchi, who was initially suspected by the Nepali rulers as being British spy or a Japanese government emissary, explained that Japan’s transformation as a great power had been possible as a “result of education and patriotism.” (Kawaguchi, 1995: 687). Surprisingly, there is no further discussion on the matter in the volume. He sought Prime Minister Chandra Shumshere’s help in getting his Tibetan colleagues released from jails in Lhasa. The Dalai Lama’s government obliged Chandra Shumshere.

Impressed by the role and influence of Chandra Shumshere, Kawaguchi returned to Nepal in 1905 to write a 75-page long letter to him, entitled “Peace and Glory,” revealing his inner feelings concerning the conditions of the society and the country prevailing at that time. (See Annex III for full text of Kawaguchi’s letter to Chandra Shumshere) Japan, according to him, received “light and moderation” from Nepal, and it was Japan’s turn to give Nepal “science and wisdom so that it may retain its pristine glory.” He refers to the “startling resemblance” between Nepali and Japanese people “on appearance, the intelligence, the industry, the obedience and bravery of the people.” He wrote: “We want to see the day when the Asiatic will be combained (sic) and act as a body in concert and be a guarantee to the independence of Asia.”

Kawaguchi then proceeds to make a number of recommendations for the development of Nepal. He stresses on education, especially vocational education, because it “must be worked under the national principles with a view of the development of civilization, enriching and strengthening of the country and promoting the happiness of the people.” he also quoted Wellington, who said the battle of Waterloo was won at Eton College. Apart from education, he urged to accord priority on industrialization by promoting investments within the country, establishing modern banking system, promoting trade and building infrastructures for development and modernization. He hinted at the prospects of Japanese assistance in accomplishing the goals of Nepal’s modernization. Japan’s defeat of the Czarist Russia in 1905 was a major factor that gave confidence to the Rana rulers of what a nation, however small, can do in terms of economic and military power.

The Rana regime survived not for its contributions to the nation and society but on the goodwill of the British that ruled India. The Rana rulers were so scared of the British that they never took the first step to develop the country. Even the sending of Nepalis to study in Japan was abruptly stopped after Kawaguchi's letter. Little surprise, Amatya concludes that Rana rulers were worst than colonial masters because they remained indifferent to economic development and prevented the development of transportation and communications facilities for fear of losing their absolute rule. He describes the Rana rule as the "dark period" in Nepal's history for even if they preserved the country's independence, they did so at a terrible price of shutting off the doors of economic advancement and well-being of the Nepali people (Amatya, 2004: 11).

Kawaguchi is also believed to have brought with him a *toni* (rice husker) and a model waterwheel both of which were useful for Nepal's agriculture. The machines were believed to have been lost in the fire at Bombay on its way from Japan to Nepal. Kawaguchi's travels into Nepal and Tibet had at least one salutary impact: the opening of Dolpa as a trekker's paradise. He opened the region as a trekking area for the first time when he crossed Nepal into Tibet through Chhangchung River at 4,200 meters during his first Nepal visit in 1899. A steel truss bridge was completed over the river at Chharka village in Dolpa district – strategically located between the district headquarters of Dunai, Upper Dolpa and Tibet – in August 2004.

## **2.5 Cultural Exchanges**

Cultural contacts that Kawaguchi inaugurated with Japan in 1899 were revived after a long hiatus only in the 1960s. Cultural relations with Japan are mainly in the areas of scholarships, educational opportunities and exchange of visits. These cultural relations have been one sided, because Nepal does not have a well-thought out policy of promoting cultural relations as part of her diplomacy. Nepal has always attracted Japanese visitors not just because of the rich flora and fauna and the snow capped majestic Himalayan peaks but also due to cultural and religious affinities.

The main objective of Japan's cultural policy is "to enhance other countries' understanding and familiarity with Japan and to develop an environment conducive to the promotion of diplomatic negotiations by broadly publicizing Japan's foreign policies, current affairs, and cultural and philosophical charm to foreign citizens." In Tokyo's view, improving the perception of Japan among people in foreign countries fosters "a sense of affinity toward Japan"

which enhances the safety of the Japanese people overseas, and elicits economic benefits such as increased number of foreign tourists visiting Japan and promotion of sales of Japanese products (MOFA, 2005).

The public relations activities mainly focus on foreigners and overseas media, and cultural exchange programs including people-to-people exchanges, intellectual exchanges and cultural cooperation. In August 2004, a Public Diplomacy Department was established under the Japanese Ministry of Foreign Affairs to combine public relations with cultural exchanges. The concept of “public diplomacy” incorporates activities designed mainly to directly reach out people and public opinion in foreign countries as opposed to traditional diplomatic activities conducted at the government-to-government level only. In order to supplement these efforts, the Council on the Promotion of Cultural Diplomacy was also organized to “add to breadth and depth to Japanese diplomacy.” (MOFA, 2004: 210).

Japan was the first country the Rana rulers chose to send Nepalis for higher education and training. This is significant because the British had left no stone unturned to prevent Russia, Germany and Japan from getting a foothold in Nepal, which they wanted to maintain as their monopoly market for consumer goods and arms and ammunitions. Japan began to take an active interest in Tibet, especially the Dalai Lama, who reportedly acquired Japanese rifles through Mongolia (Shaha, 1990). At the same time, Japan had emerged as a major power after having defeated Russia in 1905. Tokyo was sympathetic to the anti-British movement in India, and disappointed at Kathmandu’s reluctance to support the Indian nationalist leaders (Rana, 1978).

Despite the dependence on the British goodwill, the Rana rulers had the courage and vision to send eight young Nepalis, aged between 18 and 27 years, to pursue education in mechanical engineering, arms and ammunition technology, mining, agriculture and sericulture in Japan in April 1902. They had reached Yokohama by ship on June 17, 1902 to be the first group of Nepalis to visit Japan. This could be described as Nepal’s Look East policy with Japan as a role model. Three factors could have influenced the choice of Japan: (a) the rise of Japan as a world power, (b) the expected decline of the British power in India in view of the anti-British movement tacitly supported by Japan, and (c) the unpredictable nature of the Tibetan and Chinese responses to the developments in Nepal. Kathmandu seemed to have the advantages of Japan’s modern science and technology “without the corresponding danger of the introduction of men imbued with Western principles of democracy.” (Landon, 2001: 157).

The cultural opening with Japan did not last long. Prime Minister Dev Shumshere took the initiative of opening up Nepal for Japan and his successor Prime Minister Chandra Shumshere implemented the program to send Nepali students for education and training in Japan in the areas of ammunition manufacturing, mechanical engineering, mining, agriculture, applied chemistry and ceramics. A letter from the *Munsi Khana* (Foreign Office) under the Prime Minister's Office dated March 1902 said:

You are requested by the gracious Prime Minister Chandra Shumsher Jang Bahadur Rana to go to Japan, a country near China, for study and training on the subjects which are necessary for the country and as prescribed by the Prime Minister. You should reach Bombay on 21st April, and contact Thomas Cook & Sons Ltd., a shipping co., which will make necessary arrangements for your onward journey. The ship will leave for Japan on 29th April. Rs. 1,000 in Indian currency has already been sanctioned for your traveling expenditure (including 17 servants) from Nepal to Japan. Change the money at Thomas Cook & Sons Ltd. Another sum of Rs. 12,840 (Indian currency) will be given to you from Birgunj treasury as part of your expenses for one year in Japan. Change it also at Thomas Cook & Sons Ltd. in Bombay. You must deposit the money in a bank in Japan which pays good interest. You may withdraw the money every month and distribute it among yourselves according to your monthly stipends (Barua, 2006).

The students joined different technical institutes. The students after their training returned to Nepal to be employed for different jobs. The rulers at that time were suspect of the modernizing role of the students and wanted instead to send them to the U. S. or Europe. But Chandra Shumshere's proposal in 1905 for sending more Nepalis to study in the West was opposed by the royal courtiers (Landon, 2001). Even the cultural contacts with Japan that had just begun were disrupted as Nepal became even more dependent on the British. The Nepali soldiers recruited in the British Army fought against the Japanese during the World War II. After the war was over, both Japan and Germany, whom the Nepali Gurkha soldiers fought against, became leading donors in modern times.

The cultural exchanges between Nepal and Japan have four key components, each designed to promote a correct understanding of the Japanese culture. First, the Japanese Exchange and Teaching (JET) program under which youths from foreign countries are invited to Japan for teaching language and other subjects. JET was first launched in 1987 to enhance foreign language education in Japan and to advance international exchange at the local level through youth exchange. Some 40,000 students, scholars and journalists from the world over, including from Nepal, were invited to Japan to acquaint themselves first hand with the contemporary Japanese

society, culture, economy and the polity (MOFA, 2006). The number of such people visiting Japan was 6,103 people in 2004 and 5,853 people in 2005. Contacts with the participants have been maintained through JET Alumni Associations (JETAA) with support from Japan.

The second component of the cultural exchange program is the exchange of students. Japan has been providing scholarships for Nepali students to pursue their higher studies in Japan since early 1960s. The number of students from Nepal has been growing, as shown in Table 2.2 below. The number of Nepalis pursuing higher education in Japan in May 2005 increased to 617, up from 462 students in 2004 and 344 students in 2003. The share of Nepali students in the total number of foreign students in Japan has increased from 0.3 percent in 2003 to 0.4 percent in 2004 to 0.5 percent in 2005.

**Table 2.1: Nepali and International Students in Japan, 2005.**

Foreign Students, According to Their Country or Region of Origin					
			(As of May 1, 2005)		
Name of country or region	Number of foreign students	Distribution ratio	Name of country or region	Number of foreign students	Distribution ratio
China	61,592 (77,413)	66.2% (66.2)	Russia	345 (360)	0.3% (0.3)
ROK	15,695 (15,133)	12.8% (13.2)	Brazil	338 (330)	0.3% (0.3)
Taiwan	4,134 (4,096)	3.4% (3.2)	Germany	315 (315)	0.3% (0.3)
Malaysia	2,114 (2,010)	1.7% (1.4)	UK	325 (311)	0.3% (0.3)
Viet Nam	1,745 (1,376)	1.4% (1.1)	Australia	300 (316)	0.2% (0.3)
Thailand	1,734 (1,005)	1.4% (1.4)	Cambodia	298 (281)	0.2% (0.2)
US	1,546 (1,456)	1.4% (1.2)	Canada	279 (250)	0.2% (0.2)
Indonesia	1,258 (1,151)	1.2% (1.2)	Laos	260 (265)	0.2% (0.2)
Bangladesh	1,131 (1,126)	1.1% (1.1)	Iran	235 (227)	0.2% (0.2)
Mongolia	827 (806)	0.8% (0.7)	Egypt	219 (237)	0.2% (0.2)
Sri Lanka	807 (761)	0.7% (0.7)	Turkey	167 (152)	0.1% (0.1)
Myanmar	651 (197)	0.5% (0.2)	Bulgaria	145 (121)	0.1% (0.1)
Nepal	617 (462)	0.5% (0.4)	Uzbekistan	139 (127)	0.1% (0.1)
Philippines	547 (325)	0.4% (0.4)	Mexico	137 (133)	0.1% (0.1)
India	419 (327)	0.3% (0.3)	Other	3,161 (3,317)	2.8% (2.9)
France	380 (339)	0.3% (0.3)	<b>Total</b>	<b>121,812 (117,301)</b>	<b>100.0% (100.0)</b>

Source: Independent Administrative Institution, Japan Student Services Organization (JASSO).

( ) shows the number of people as of May 1, 2004.

5. "Computer-readable" studying in Japan website: <http://www.studyjapan.go.jp>

Source: Ministry of Foreign Affairs, Tokyo, 2006.

The number of Nepali students in Japan is limited compared to the interest to pursue studies in the U.S., Australia and Europe. Apart from the language, Japan is also seen to be discouraging foreigners to study and work in Japan. The number of student visa issued by Japan fell by almost half in 2004 to 10,657 as immigration officials tightened screening, including those



applying for student visa, amid concern about a rise in crimes by foreigners (Yomiuri Shimbun, 2004: May 5).

Third, there have been exchanges of sportsmen. Fourth, the use of Japanese language is being promoted with support from the Japan Foundation. The first Japanese language school was opened in Nepal only in 1965, and by 1979, the number of Nepalis speaking fluent Japanese had already reached 360 (RSS, 1979: May 3). There are at present 20 Japanese language institutes in Nepal. The Tribhuvan University began Foreign Language Campus in 1965 offering courses in foreign languages including Japanese. The Japanese government, in cooperation with the Japan Foundation, supports Japanese language institutes by providing textbooks and training of Japanese language teachers in Japan. The students in the Japanese language institutes are mainly people preparing themselves to study in Japan under Japanese scholarship or private funding, and those seeking jobs.

The diffusion of Japanese language in Nepal and the Nepali language among Japanese is a major driving force in promoting cultural understanding and cooperation. The number of Nepalis interested in learning Japanese language and the Japanese interested in learning Nepali language has gone up significantly. The Sanskrit language had a tremendous impact on the spread of Hindu and Buddhist religion and philosophy across the world. Japanese scholar undertaking research on Sanskrit language goes back as far as 1912 when Junjiri Takakusu studied Sanskrit for about a year.

### **2.5.1 Japanese Alumni Associations in Nepal**

The Japanese government supports over 200 alumni organizations in many foreign countries. There are at least seven such organizations and associations engaged in promoting cultural exchanges and cooperation between Nepal and Japan in Nepal. Some of the organizations and their activities are described here briefly (See Annex IV for the list of these organizations and their contact addresses).

#### **2.5.1.1 Japan University Students Association, Nepal (JUSAN)**

JUSAN was initially established as the Association of Japan-returned Students in 1973 but as the number of students returning after completing their studies in Japan increased, the

association was reorganized as JUSAN in 1994. It is thus an alumni organization of former Nepali students who have studied in Japan's universities and institutions – both under Monbukagakusho scholarships or non-Monbukagakusho programs – for more than one year. JUSAN aims at transplanting knowledge and skills acquired in Japan to nation-building in Nepal. It hosts *Benkyokai*, a regular interaction on issues affecting Nepal and Japan, and manages both the Sakai Lion's Club and the Imanishi Memorial Fellowship Trust, an annual cash award given for writing an excellent article on Japanese affairs or Nepal-Japan relations.

#### **2.5.1.2 Japanese Language Teachers Association Nepal (JALTAN)**

JALTAN, established in 1998, has 15 institutional members and 160 individual members. Its main objectives are to improve the teaching methods of Japanese language, play a bridge between Nepal and Japan, coordinate Japanese language related programs with the Embassy of Japan and introduce Japanese culture and life style to the Nepalis. It is hosting the Japanese Language Proficiency Test in Kathmandu, and is preparing a Japanese Language Curriculum and text books for 9 and 10 grade students with support from the Japan Foundation.

#### **2.5.1.3 JICA Alumni Association of Nepal (JAAN)**

JAAN was formerly known as the Japan Students and Trainees Alumni Club since 1973 but was reorganized in 1982 as the Nepal-Japan Students and Trainees Club. The Club was a forum for sharing and exchanging knowledge in the fields of science and technology, art and culture and development economies and for further strengthening friendly ties existing between Nepal and Japan. On November 5, 1999, it was again reorganized as JAAN to promote cultural exchanges.

#### **2.5.1.4 Nepal Association for Overseas Technical Scholarship Alumni Society (NAAS)**

NAAS was launched in 1989 by trainees who studied in Japan under Association for Overseas Technical Scholarship (AOTS) for developing human resources in management and technical fields for Nepal in tune with AOTS Japan, which provides technical support to the Yamamoto Talim Ghar (training center) in Kathmandu. AOTS Japan is a non-profit organization established in 1959 to support the Japanese Ministry of International Trade and Industry (MITI) to promote technical cooperation for the industrialization of poor countries. NAAS has been

organizing skill and knowledge enhancement programs for Nepali technicians, engineers, managers and entrepreneurs.

#### **2.5.1.5 Nepal-Japan Friendship and Cultural Association (NJFCA)**

NJFCA was formally established on April 10, 1979 with the objective of “enhancing cultural, religious and scientific exchange” between the two “ancient monarchies and modern democracies.” Between 1979 and 1987, the Association organized Nepal-Japan evening funded by the Japanese Embassy.

#### **2.5.1.6 Nepal-Japan Friendship Council (NJFC)**

Established in 1992, NJFC aims at collecting documents relating to Japan in order to evolve into a library specialized on Japan. It is a non-political and non-profit organization, and its membership is open to all those who are committed to its ideas and objectives of enhancing cultural cooperation between Nepal and Japan.

#### **2.5.1.7 Nepal-Japan Children Library (NJCL)**

NJCL was established in May 2001 with support from Joho-Roren, one of Japan’s largest industrial unions. The Library functions as a project of the Osaka International Club-Nepal Chapter, an association of ex-trainees and ex-students of Osaka Prefecture, established in 1999 with the objective of introducing Japanese culture through various demonstration programs like Ikebana (flower arrangement), Origami (paper cutting), *Nihon no ryori* (Japanese cuisine), etc. *Joho-Roren* provided construction and furnishing. It also provided collection of materials worth ¥7 million. Children in age group 4-14 years are eligible to join the library free of charge.

### **2.6 Japanese Cultural Program**

The objectives of Japanese cultural program are to introduce (a) introduce Japanese culture, art works and performances abroad, and (b) foreign culture to Japan. A major part of the exercise is to promote intellectual exchange and intercultural dialogue with a view to promoting research on Japanese politics, economy, society and culture abroad to deepen understanding of

the Japanese culture, dialogue with the Middle East and Islam, intellectual exchange and cooperation with the United Nations University (MOFA, 2006).

Japan provides cultural cooperation either under the bilateral cooperation framework or through international agencies such as the United Nations Educational, Social and Cultural Organization (UNESCO) and the World Heritage Committee. Tokyo under its bilateral program provides gratis equipment for the preservation of cultural heritage and promotion of higher education in developing countries through its Cultural Grant Aid Program. Japan spent ¥1.94 billion in 44 such projects around the world in 2004. Multilaterally, Japan through UNESCO has been promoting and preserving the tangible and intangible cultural heritage. Japan is also the driving force behind and Convention for the Safeguarding of the Intangible cultural Heritage (MOFA, 2005).

Japan has been providing cultural grants as part of the cultural exchange program to provide funding to purchase equipment for preserving and utilizing cultural assets and heritage, for staging performances and exhibitions, and for promoting education and research (MOFA, 2005). Under an agreement between Risho University of Tokyo and Nepal's Department of Archaeology in 1967, an archaeological exploration, excavation and research was undertaken at Tilaurakot in Kapilvastu district, which used to be the kingdom of Sakya Kapilvastu. The Asian Cultural Center for UNESCO (ACCU) has been helping Nepal since 1972 in preserving the heritage in the Kathmandu Valley. The Nippon Institute of Technology and Department of Archaeology worked together between 1978 and 1996 in helping conserve Nepali architecture.

The cultural cooperation is also active at the city-to-city level as well as people-to-people levels. Fukuoka City, Japan's cultural gateway by contributing to the promotion of exchange with Asian societies, established the Fukuoka Asian Culture Prize in 1990 with the objective of strengthening of the global awareness of Asia's science, arts and culture by promoting understanding and appreciation of the region's culture.

Several private Japanese citizens are involved in cultural cooperation. The Buddha Hospital built at the initiative of Takaji Yamaguchi in Pokhara at the cost of Rs.60 million provides free health care to at least 30 poor people annually. Yasuhiro Kishimoto's pet project is the Nepal Kishimoto Primary School also in Pokhara where 180 Dalit and socially underprivileged students benefit from free education. Kishimoto has been supporting the school

from the sale of his books and the Kashimoto Gakusya No Kai Foundation in Japan where about 300 members give donations and sell coffee for ¥100 per cup to raise money. His latest fund-raising drive is the Himali Chhori compact disk with Kishimoto penning his own lyrics in Japanese and an impressive list of artistes worked on the translated version. Yoshio Handa, who served as a Japanese Overseas Cooperation volunteer in Thokarpa in Sindhupalchowk district during 1991-93, has contributed in the field of education and social service in the village even after returning to Japan. He collects cash and clothes from the local groups and people in Japan to help build school buildings in Nepal. It is a long list.

## **2.7 Impact on Socio-Cultural Modernization**

There has been no study on the impact of Japanese cultural exchanges and cooperation on Nepal's socio-cultural modernization. Bhattachan mainly focuses on the impact of globalization in general on the Nepali society and culture, listing them as the development of "West is the best" psyche, "passification," increasing rich-poor divide, sandwiched indigenous institutions and culture, rising individualism, brain and muscle drain, marginalization of women and children, exploitation of biodiversity, loss of sovereignty, criminalization of politics, cargo-cult view of "about to arrive development, and guerrilla warfare and insurgency." (Bhattachan, 1998: 7).

It may be concluded that correct and enhanced understanding of the socio-cultural norms and values helps improve bilateral relations between the two countries, including countries as diverse and identical as Nepal and Japan. The Japanese society is so modern and the Nepali society so feudal and traditional that describing the two societies sharing a common Asian culture and values will be misleading. The Japanese focused on building strong educational institutions, and most significant, education was linked to industry and business. This is where Japan succeeded. This is where Nepal failed, and failed miserably. There is no doubt that Nepal's social stability and cultural enhancement is possible only under an enlightened political class not only capable of providing leadership but also inspire confidence among the people of shared prosperity.

## CHAPTER III

# POLITICAL RELATIONS

This chapter has been designed to study the political relations between Nepal and Japan. It begins with a brief comparative survey of the political modernization in the two countries and then examines how landlocked Nepal's foreign policy is formulated on the "sea-locked" Japan, and key determinants of the basic framework of bilateral relations.

### 3.1 Political Modernization in Nepal

The history of political modernization in Nepal can be divided into five periods: (a) the National Unification (1768-1846); (b) the Rana Oligarchy (1846-1950); (c) the Democratic Interregnum (1951-60); (d) the Panchayat Regime (1960-1990); and (e) the Revival of Democracy (1990-present). The unification under King Prithvi Narayan Shah with the conquest of the Kathmandu Valley in 1768 is a watershed in Nepal's political history. The conquest established Nepal as a major power at a time when the East India Company was expanding in the south and the Chinese emperor had established his supremacy in Tibet and Mongolia in the north (Acharya, 2061 BS).

#### 3.1.1 National Unification (1768-1846)

The Gorkhali State under Prithvi Narayan Shah was based on the concept of a *dhungo* (stone) used as a metaphor to denote the state, which implied that the Gorkhali State was a permanent entity that transcended the person of the ruler and that the allegiance to the state superseded personal loyalty to the ruler. According to Regmi:

Acquisition of territory made it possible for the Gorkhali kings to garner an economic surplus and use a part of that surplus to reward the political leadership. But they retained the ultimate control of the surplus, thereby fostering a sense of dependence on the king and insecurity among the political leadership. This, in turn, bred rivalries among the political leadership for the spoils of office and the use of war, or preparation for war by the ruling leaders to suppress their rivals, or remove them from the seat of power at the centre. Such a policy resulted in reckless military adventures, culminating in shattering military defeats and loss of territories, and reducing the status of the Gorkhali Empire of the late eighteenth century and early nineteenth centuries to a mere kingdom (Regmi, 1995: 63).

The concept of *dhungo* excluded people who were conquered and this explains revolt against Gorkhali rule in Majgkirat in eastern Nepal by Rais and Limbus and in Humla and Jumla in western Nepal (Regmi, 1978). Prithvi Narayan Shah was “not inattentive to the means of conciliating those on whose support he principally depended.” (Kirkpatrick, 1811: 271). He was also “a man of insatiable ambition, sound judgment, great courage, and ceaseless activity.” (Hamilton, 1971: 245). What held the Gorkhali state together was an “amalgam of a strong central authority exercised over its officers in the field and the loyalty of the military to the crown.” (Stiller, 1975: 272).

After the death of Prithvi Narayan Shah, territorial expansion was little more than “a series of barren and destructive adventure, devoid of any positive achievements.” (Regmi, 1999: 15). Court intrigues, deceit, treachery, conspiracies, assassinations, poisoning, and tantric worship became familiar political tools (Shaha, 1990). As a result, none of the Mukhtiyars or regents died a natural death between 1769 and 1846. The political process under the Shah dynasty was “a deadly game of political poker played by a few privileged elite groups of the court comprising primarily those families that had accompanied King Prithvi Narayan Shah when he transferred his capital from Gorkha to Kathmandu.” (Joshi & Rose, 1966: 26).

### **3.1.2 Rana Oligarchy (1846-1950)**

In the ensuing power struggle, an ambitious and shrewd Jung Bahadur assassinated his potential rivals for leadership on September 14, 1846 and forced the king to appoint him as prime minister and commander-in-chief (Rana, 1995). On August 6, 1856, he secured a *Sanad* (royal order) from King Surendra bestowing on his family effective political authority over Nepal as well as conferring upon him the title of Maharaja of Kaski and Lamjung (Rana, 1980). Jung Bahadur’s rule was military despotism pure and simple, consolidated by close relations with the British in India, and by paying a three-month long visit to Britain (and a seven-week visit to France) in 1850.

The king under the Rana regime enjoyed little political power except receiving credentials from envoys and granting royal seal of approval (Kumar, 1967). In the official protocol, the king topped the list followed by the prime minister, who was the fountainhead of all executive, legislative and judicial powers. As head of the administration, the prime minister

controlled the officials through *pajani*, a system under which civil servants were hired and fired at will (Rana, 1980).

The nationalist movement in India began to threaten the Rana regime. In response, Prime Minister Padma Shumshere made a proclamation on May 16, 1947 promising to form a Reforms Committee to introduce governance by “an assembly of elected and nominated members.” In January 1948, he introduced the Government of Nepal Act, which altered neither the rule of succession of the Rana Prime Ministers and the Shah Kings nor their powers and privileges. It was the first ever written constitution in the country providing for the council of ministers, a three-tiered legislature and a judiciary. Both the council of ministers and the administrative committees were designed to provide for “closer association of our dear people in every branch of administration.” (Agrawal, 1980: 11). It provided for freedom of speech, press, association, discussion, and worship “subject to the principles of public order and morality.” The reforms, had they been implemented, would have turned the Rana rulers as “the catalytic agent of enduring political change in Nepal, and Rana rule might have undergone a liberal transformation rather than a violent overthrow.” (Joshi & Rose, 1966).

Yet, the Rana regime survived for 104 years basically for five reasons. First, the Rana rulers controlled the military. Second, the royal family was politically neutralized. Third, in order to forestall the rise of any rival family or factions, the regime resorted to political suppression. Fourth, the regime sought and got British support. Lastly, the civil service was highly centralized. The Rana regime “was an undisguised military despotism” whose “main domestic pre-occupation was the exploitation of the country’s resources in order to enhance the personal wealth of the Rana ruler and his family.” (Joshi & Rose, 1966: 38-39).

### **3.1.3 Democratic Interregnum (1951-60)**

The Rana regime collapsed after India sided with the king, reflecting a new power equation. King Tribhuvan pledged that “the government of the people be carried henceforth according to a democratic constitution prepared by a constituent assembly elected on the basis of direct universal suffrage.” Effective March 30, 1951, he promulgated the Government of Nepal Act which was “bodily lifted from the Indian Constitution.” It ended personal absolutism of the Rana regime by providing for a power sharing arrangement whereby the “executive power of the state shall be vested in the king and his council of ministers.” The “king-in-council” system was



an innovative feature. (Shaha, 1990). Most significant, the Act specifically assigned the government the job of “creating conditions as early as possible for holding elections to a constituent assembly, which will frame a Constitution for Nepal.”

What followed was politically one of the most unstable periods. Five governments were installed between 1951 and Tribhuvan’s death in 1955. The king held elections neither for the constituent assembly he had promised nor parliament. Instead, he promulgated Special Emergency Powers Act in 1953, and subsequently scrapped the entire chapter on judiciary except the continuation of the High Court. Tribhuvan’s proclamation on January 10, 1954 unequivocally established absolute monarchy when he stated that the supreme executive, judicial and legislative powers of the Shah sovereign, which had been delegated to the Rana Prime Minister in 1856, had been revoked in 1951 and the supreme executive, legislative and judicial authority was once again vested in the monarch.

King Mahendra saw five governments come and go between 1955 and 1959. In a proclamation on February 1, 1958, he proposed the formation of a Constitution Drafting Committee to prepare a constitution, a nominated Advisory Assembly during the interim period and a government until the elections. On February 12, 1959, he replaced the Interim Government of Nepal Act with the Constitution of the Kingdom of Nepal 1959 in order “to cement the unity of the nation by bringing about political stability through the establishment of an efficient monarchical form of government responsive to the wishes of the people.” (HMG, 1959: 1). It established monarchy as the source of all legislative, executive and judicial authority, and enjoyed extensive discretionary and emergency powers in an apparent attempt to “change the concept of popular sovereignty” on which the Interim Government of Nepal Act was based. It thus “adversely affected the authority of the first ever elected government of Nepal.” (Shaha, 1990a: 8). The goal of the 1950 “revolution” to have a constitution drafted by the constituent assembly became untenable largely as a result of unprincipled political elements who cared only power.” (Joshi & Rose, 1966: 304).

Parliamentary elections were held in February-March 1959, six days after the promulgation of the Constitution the implications of which was understood by very few. The Nepali Congress won a clear and absolute majority of 74 seats out of 108 contested in a 109-member House of Representatives. Bishweshwar Prasad Koirala took over as the country’s first elected Prime Minister on May 27, 1959. However, he was ousted by the king in less than 18

months in office. The developments were blamed on the absence of cooperation “between the king, who derives his position of authority from the time honoured institution of monarchy and the newly elected prime minister, who symbolised popular hopes but had yet to create popular tradition and institutions to sustain his democratic ideas.” (Shaha, 1990a: 9).

On December 15, 1960 the king through a royal proclamation abrogated the 1959 constitution, arrested Prime Minister Koirala and his Cabinet colleagues, and banned all political parties and their activities. He assumed the entire administration of the country, staging a coup d’etate “with coffee and cakes” as not a single dog barked in Nepal that day (Guardian, 1960: December 24). After the coup, ousted Koirala asserted, “not only did democracy cease to exist but the king was also weakened. Foreign powers were thereby provided the opportunity to become active in our politics.” (Sharma, 2006: 39). He described the coup as “an act of treason.” (Sharma, 2006: 45). Koirala also argued that neither monarchy nor democracy can survive “unless the king has the requisite conscience and the democratic leadership the necessary patience.” (Sharma, 2006: 151).

### **3.1.4 The Panchayat Regime**

Two years later, he repudiated his father’s promise to have a constituent assembly to draft the constitution. Instead, he promulgated the Constitution of Nepal on December 16, 1962 as a “royal gift to the people.” He charged that multi-party parliamentary democracy “could not prove suitable on account of the lack of education and political consciousness to the desired extent and on account of its being out of step with the history and traditions of this country and the wishes of the people.” Although the king promised to introduce “true democracy” based on “indigenous” cultural and political values, he borrowed heavily authoritarian concepts from the Egyptian national guidance system, Pakistani basic democracy, Yugoslav and Egyptian class organizations, and Indian panchayat system (Rose, 1963).

The Constitution vested sovereignty on the king, who was the fountain of all executive, legislative and judicial powers, and represented the popular will. The four-tiered political structure consisted of the village and town panchayats, district panchayats, zonal panchayats and national panchayat, which was a unicameral legislature consisting of 135 members, 20 percent of which were the king’s nominees. One had to be a member of one of the six “class organizations” – one each for peasants, laborers, women, youth, elders and ex-servicemen – in order to qualify to

be a member of the panchayat. The class organizations served the ends of government controls but did little to advance the interest of political participation (Hayes, 1976).

The first amendment to the Constitution promulgated on January 21, 1967 inserted the term “partyless” to describe the panchayat system, ending speculation that the ban on the political parties would be ultimately lifted to allow them a role in the political process. The second amendment promulgated on December 12, 1975 elevated the Politburo-style Back-to-Village National Campaign (BVNC) to the constitutional status, transferring it from ritualistic agency into a working political organization in the search for a new political direction with emphasis on institutionalized political behavior (Baral, 1977). However, it could not prevent political unrest in 1979, forcing the king to announce a national referendum “to explicitly understand the kind of change our countrymen desire” on the choice between “two basic questions: should the existing panchayat system be retained and gradually reformed or should it be replaced by a multi-party system of government.” (RSS, 1979: May 24). The referendum was a “novel strategy for defusing political crisis, which was additionally used for rectifying basic systemic deficiencies in the prevailing order.” (Baral, 1983: 3). In the referendum, the Panchayat option won by 54.7 percent as against the mutli-party side by 45.3 percent.

The third amendment in 1980 was innovative even if King Birendra had unmistakable overtones about his “predilections in favor of the partyless panchayat system.” (Shaha, 1990a: 68). The three major reforms included the direct election of the national assembly on the basis of universal suffrage, the prime minister was to be accountable to the assembly, and the abrogation of the Back-to-Village National Campaign. The Zone of Peace proposal was included as one of the state objectives. The reforms created “a half real political world” under which the factionalism among the panchayat leaders cohabitated with the activities of the outlawed political parties. The regime neither lacked popular legitimacy nor had lost its effectiveness but “the inevitable disjunction between the rules that govern a system and the way in which the system actually works had become so great that the structures of panchayat democracy began to acquire a fictional character.” (Burghart, 1994: 10-11).

The amendments defused the crisis temporarily but continued to restrict political participation by refusing to lift the ban on political parties and making it mandatory for elected representatives to have membership of a class organization. Second, the king had the power to hire and fire the prime minister at his personal pleasure thus seriously undermining the authority

of the elected executive. Lastly, the king pre-empted the referendum results by announcing that irrespective of the outcomes of the votes, he would introduce direct election of the national assembly, which will nominate a prime minister who will be accountable to the assembly.

The king was “ill advised to exploit the gullibility for a temporary advantage of doubtful nature” and the referendum exercise was tantamount to playing “tricks on the confidence of the people” which “is always fraught with grave risks.” (Shaha, 1990a: 104). Institutional structures of the regime that were to represent the will of the people were rendered irrelevant by power brokers and palace coteries who identified their interest with those of the people with virtually no organized party behind. Corruption became rampant. Economic hardship as a result of India’s economic blockade in March 1989 added fuel to the fire of political frustration. Nepal could not also remain aloof from the Spring of Democracy sweeping much of Eastern Europe after the fall of the Berlin Wall (Sharma, 1990).

Joshi and Rose (1966) conclude that nation-building under any situation has three basic prerequisites in any country. First, the rationality of the political process should be in conformity with the circumstances, needs and history of the country. Second, it requires rationality of the problem-solving administrative machinery. Third, there needs to be a sense of national unity and solidarity. Political developments since 1951 till date prove that neither the political process has been predictable, nor the administrative machinery able to solve the problems nor there has been a sense of national unity and solidarity.

### **3.1.5 Revival of Democracy (1990-present)**

The Nepali Congress and the United Left Front joined hands to launch the pro-democracy movement on February 18, 1990 to achieve three broad goals: dissolve the panchayat regime, lift the ban on the political parties and form a broad-based government to hold multi-party parliamentary elections (Sharma, 1998). Anti-panchayat demonstrations began to swell after the mass unrest in Patan on March 30, and on April 6 the crowd marched to the royal palace to storm it. The king in a late night announcement after meeting the political leaders lifted the ban on the political parties on April 8. An interim government headed by Krishna Prasad Bhattarai was installed. He was described as the most powerful Prime Minister in the political history of Nepal since the demise of Jung Bahadur but seemed reluctant to exercise the power (Hoftun, 1994). His accomplishment of two key mandates – drafting of the Constitution of the Kingdom of Nepal

(promulgated in November 1990) and the multi-party parliamentary elections (held in May 1991) – within the stipulated time speaks volumes on his political acumen and skills.

The 1990 Constitution transferred sovereignty from the monarch to the people, and provided for a constitutional monarch, multi-party parliamentary democracy, and guarantees for freedom. It retained Nepal as the Hindu kingdom, and the Royal Nepal Army remained outside the civilian control. The power sharing between the prime minister and the king was vague and therefore left to mutual understanding. The document has no economic vision. The political infighting and lust for power produced shaky governments, none of which completed their full term of office.

In February 1996, the Communist Party of Nepal (Maoist) launched the “people’s war” to expose the weaknesses of the bourgeoisie parliamentary democracy and create a “people’s republic.” The political crisis deepened with the assassination of King Birendra and all immediate members of his family, including Crown Prince Dipendra. King Gyanendra, who took over, was neither born, nor educated nor trained for the job. India-educated Gyanendra is in sharp contrast to Eton and Harvard-educated Birendra. In a late night televised proclamation on October 4, 2002, he dismissed elected Prime Minister Sher Bahadur Deuba, assumed all executive powers “till alternative arrangements are made” and indefinitely postponed parliamentary elections scheduled for November 13, 2002. He defended his action “to preserve nationalism, national unity and sovereignty, as well as to maintain peace and order in the country and also to ensure that the state of the nation does not deteriorate for any reason.” (Gorkhapatra, 2002: October 5). The king promised to set up an interim government with the twin mandates of restoring peace and holding elections. Deuba’s dismissal followed his recommendation, backed by the Nepali Congress and CPN-UML, to postpone elections by over a year because of security reasons.

The king appointed three prime ministers, none of whom succeeded in meeting his mandates. Lokendra Bahadur Chand struck a ceasefire deal with the CPN-Maoist on January 29, 2003 but the “peace talks” collapsed after a controversy on the reported agreement to limit the movement of the army within the five kilometer radius of the Army barrack. Surya Bahadur Thapa conceded two of the CPN-Maoist’s key demands – a round table conference and the interim government – but rejected the demand for a constituent assembly. Talks collapsed on August 27, 2003 after security forces shot dead 18 rebels in captivity at Doramba in Ramechhap.

The conflict pits “a backward-looking monarch and an abusive army” against the CPN-Maoist (Adams, 2005: 121-134). He then appointed Deuba, the man he had described “incompetent.”

On February 1, 2005, the king imposed direct royal rule for three years, promising to restore peace and “meaningful democracy.” He asserted that his “historic” decision was in response to “popular aspirations” and were designated to “defend multi-party democracy by restoring peace to the nation and people.” (Gorkhapatra, 2005: February 2). He charged the political parties of having failed to unite and identify national interest and priorities and for engaging in mere party politics. But in a flagrant violation of the constitution he was supposed to protect and defend, the king named a Council of Ministers under his chairmanship and appointed Vice Chairmen of the Council of Ministers, regional administrators and other officials. He went ahead with the municipal elections on February 8, 2006 boycotted by all main political parties. Only 22 percent of the Nepalis turned up at the polling stations, seriously undermining the electoral credibility (Rising Nepal, 2006: February 11). The moves further alienated the king from not only the political parties and civil societies but also the international community with only China, Pakistan and Russia supporting him.

The king’s moves produced three separate but related developments. First, it produced factional unity within the Maoists with the induction of Baburam Bhattarai and his wife back to the Politburo reportedly due to Indian intervention (People’s Review, 2005: July 21). Second, it united the seven political parties represented in the dissolved parliament into the Seven Party Alliance (SPA) to bring down absolute monarchy. The Nepali Congress deleted reference to “constitutional monarchy” from the party statute and the other major formation, the CPN-UML, opted for constituent assembly to draft a new constitution for a “democratic republic.” Lastly, the SPA and the CPN (Maoist) met in the Indian capital to sign a 12-point “understanding” on November 22, 2005, pledging to work together to end “autocratic monarchy” and establish “total democracy” by restoring the dissolved House of Representatives, forming an all-party government, and electing a constituent assembly. It was not clear whether “total democracy” excludes monarchy. A CPN-Maoist leader conceded that the talks were held in the Indian soil but “there was no direct involvement of Indian government agencies.” (Kathmandu Post, 2005: November 28). However, another top leader asserted that the “understanding” would have been impossible “had India not played a positive role.” (Himalayan Times, 2006: September 25).

The odd partnership between the Maoists and the SPA grew stronger after Gyanendra's farcical elections in February 2006, and blossomed into 19 days of mass demonstrations against the king beginning April 6 (Economist, 2006: May 2). People defied curfew and shoot-at-sight orders and turned to the streets in large numbers, ultimately forcing the king to give up on April 25 when he restored the House of Representatives "to resolve the ongoing violent conflict and other problems facing the country according to the road map of the agitating Seven Party Alliance." (Gorkhapatra, 2006: May 19). The House at its meeting on May 18 issued a proclamation, drastically cutting the power and authority of the king. It changed His Majesty's Government of Nepal into Nepal Government and the Royal Nepal Army into Nepal Army and de-linked it from the control of the king. An interim constitution draft was finalized in December 2006, paving the way for elections for a constituent assembly and involving the CPN-Maoists in the interim government after resolving the issue of arms management.

Despite the initial difficulties, the SPA and the CPN (Maoist) signed an 8-point agreement committing for "forward looking political and economic reforms" on June 16, 2006 and agreeing to invite the United Nations for arms management. The SPA and CPN (Maoist) also signed an agreement on political packages on November 8, 2006 followed by a Comprehensive Peace Agreement (CPA) on November 21, 2006, formally ending the 10-year old insurgency.

The interim constitution was formally promulgated by the House of Representatives on January 15, 2007. The same day the House was dissolved to summon the first meeting of the 330-member Legislature Parliament as provided in the interim constitution. The Maoists were allocated 83 seats, the same number as the CPN-UML but less than Nepali Congress's 85 seats. This allows the Communists, especially the Maoists to play a significant role in the political process, including the decision on the future of the world's only Hindu monarchy. On April 2, 2007 an Interim Government headed by Prime Minister Koirala was expanded to include CPN-Maoist. It endorsed a common minimum program. However, elections for the constituent assembly promised by mid-June 2007 have been put off thrice – first to June 20, 2007, then to November 22, 2007, and again to April 10, 2008.

There is no doubt that Nepal's democracy "is under severe social and historical constraints which make it status quo oriented rather than a dynamic egalitarian order (Baral, 1993). The history of political modernization since 1951 has often been seen as a struggle among the three forces to dominate the political process: the monarchy which strives for its supremacy,

the political parties who are seeking a space for themselves, and the international powers taking advantage of the conflict between the monarchy and the political parties for their own interests. The victims of this triangular conflict are the political and economic institutions and processes.

### **3.2 Political Modernization of Japan**

While the Nepali kings have always exercised real political powers throughout the history except for 104 years of Rana regime, only a few of Japan's emperors have exercised such absolute power. The history of political modernization in Japan can be divided into four periods: (a) the Tokugawa Regime (1600-1868), (b) the Meiji Restoration (1868-1911), (c) the Imperial Regime (1905-1945), and (d) Modern Japan (1946-present). Japan's political history is the history of institutionalization of constitutional monarchy and economic prosperity shared by all sections of the society.

#### **3.2.1 Tokugawa Rule (1600-1868)**

The Tokugawa regime, also known as Edo period, is a watershed in Japan's modern political history because it brought 250 years of peace and stability (Gordon, 2003). The first Tokugawa ruler, Ieyasu Tokugawa, built his absolute control on the military political structure that had evolved during the 1580s and 1590s under which the *shogun* (generalissimo) had national authority while the *daimyo* (military lords) had regional authority. The *shoguns* had unprecedented power over the emperor, the court and the *daimyo* and ruled Japan in the name of the emperor. He was the emperor's military deputy and a de facto ruler of Japan (Beasley, 1963).

The central Tokugawa administration developed into a large bureaucracy, staffed by the hereditary *daimyo* and the shogun's direct retainers (Reischauer, 1974). However, the administrative structure was slow and cumbersome with a system of checks and balances designed to protect the regime from ambitious officials rather than to make positive contributions to governing the country (Beasley, 1963). The regime never allowed any foreigner to visit Japan nor did it allow their own people visit overseas. The most important external factor was the intrusion of Commodore Mathew Perry of the U. S. Navy in 1854 that forced Japan to open up to the West by signing the Convention of Kanagawa.



### 3.2.2 Meiji Restoration (1868-1911)

A new elite class emerged to challenge the Tokugawa regime. Armies of a new group of leaders from Satsuma and Choshu domains marched to Kyoto, took control of the Imperial Palace, and in July 1868 prompted Emperor Meiji, who had just taken over the throne upon the death of his father, to announce an imperial “restoration” abolishing the *bakufu* (military government) system. The Meiji restoration was indeed a political “revolution from above” or even “an aristocratic revolution.” (Gordon, 2003: 61). The key goals of the Meiji leaders were to protect and defend Japan from colonization by the West. It led to “consistent institutional reforms which stimulated economy and business expansion and, in turn, strengthened the state and military power of the country.” (Agov, 2006).

The first task of the Meiji leaders was to push program for political unification through return to all land by the *daimyo* back to the emperor and the complete abolition of the daimyo system, which was replaced by a bureaucracy. Secondly, they wiped out the economic privileges enjoyed by the *samurais*, which used to consume half the state’s revenue. This helped Japan transform from privilege-based society to the one based on merit. Third, they restructured the military from top to bottom so that it was not just in control of the situation at home but also impose its will overseas. The small group of able retainers of the lords from south-western Japan carried out the policy of modernization with single-minded determination. The emperor emerged as a symbol of national unity in the process of reforms.

The government was reorganized on the Western models. In the Japanese view at that time, the strength of the West rested on her representative institutions: “The people whose duty is to pay taxes to the government possesses the right of sharing in their government’s affairs and of approving or condemning.” (Thayer, 1969: 5). Under the Meiji Constitution, modeled after Bismarck’s Prussia and promulgated in 1889, the ultimate source of authority in Japan was the emperor who exercised authority through the prime minister. Article 3 of the constitution defined the emperor as sacred, and Article 4 enjoined him the right to govern as “the head of the Empire combining in Himself the right of sovereignty.” Article 11 defined the emperor’s role as the “Supreme Commander” of the Army and Navy. It envisaged an active role for the monarchy at the apex of the constitutional order. In practice, however, active emperor who exercised power directly has been exceptional in Japanese history (Gordon, 2003).

The Meiji constitution provided a framework of parliamentary democracy with a bicameral legislature. The political parties, which became part of the formal political structure, never before enjoyed legal status. Yet, the parties had role neither in the legislature nor in the administrative process. The lower chamber had no role in forming the government because selection of the prime minister was an imperial prerogative. However, a prime minister was actually chosen by oligarchs and ruling cliques (Najita, 1967). The Privy Council consisting mainly of imperial appointees from outside the Cabinet held extraordinary powers to advise the throne.

### **3.2.3 Imperial Japan (1911-1945)**

By 1894, Japan emerged so strong militarily and economically that it launched a war on China. Suffering heavy losses, China was forced to sign a treaty of peace with Japan, which gained Formosa and other territories. Japan emerged as a major world power in 1905, surpassing the political, economic and military strengths of Prussia and Germany. During the 1914-18 World War I, Japan was in a position to intervene on European questions, and participated in the Versailles Conference with its delegation ranking next in importance to Britain, France and the United States (Beasley, 1963). It obtained a permanent seat in the Council of the League of Nations. The rise of Japan as a major power was welcomed by Asian countries because it was expected to challenge the white supremacy in the world. The splendor of the Meiji ended with the death of Emperor Meiji on July 30, 1912.

Taisho emperor Yoshihito took over the throne in 1912 after the death of his father Emperor Meiji. A two-party system subsequently evolved, and became known as the “Taisho Democracy” named after the reigning emperor. Hara Takashi was the first commoner to become the country’s prime minister in 1918 and the first to lead the party government in Japan (Gordon, 2003). Public demands for universal male suffrage intensified in 1910s and 1920s. The victory of the Bolsheviks in Russia in 1917 led to the establishment of the Japanese Communist Party (Nihon Kyosanto) in 1922 to end feudalism and abolish monarchy. A brutal suppression of the party followed after the party’s bid to assassinate Prince Regent Hirohito. By 1933, the party went underground first, and eventually disintegrated beyond recognition for another several years.

During the World War I, Japan emerged as a major power coinciding with the rise of right wing ultra nationalist and military factions passionately loyal to the Emperor. At least three incumbent and former Prime Ministers were assassinated between 1932 and 1936. Emperor Hirohito was a quiet, liberal and with a scholarly-bent. The unrest provided an opportunity for the military officers to blackmail the Japanese Establishment.

The relations between Japan and the U.S. as well as European powers began to worsen so much that the Japanese forces attacked the American Pacific fleet at Pearl Harbor in Hawaii, the British forces at Hong Kong, Malaya and Singapore, and the U.S. airfields in the Philippines. At the outbreak of World War II, Japanese troops began suffering heavy losses. In July 1945, Tokyo asked Moscow to mediate for peace but Moscow remained evasive. The U. S. dropped the first atomic bomb over Hiroshima on August 6, 1945 followed by Russian attack and the dropping of the second atomic bomb at Nagasaki (Storry, 1966). The military leaders were divided on the question of surrender. Both sides asked the Emperor, who had always acted at the advise of his government or high command, to give a casting vote. On August 14, Emperor Hirohito declared “unconditional” surrender as per the terms of the Potsdam Proclamation that demanded unconditional surrender of all Japanese armed forces.

#### **3.2.4 Modern Japan (1946-present)**

The U. S. occupation democratized and secularized Japan. Emperor Hirohito was retained, but an Imperial Rescript of the New Year’s Day Message 1946 said the divinity of the Emperor is “a false concept” as was the notion that “the Japanese people are superior to other races and fated to rule the world.” (Schuman, 1958: 449) The Constitution of Japan, also known as the “MacArthur” Constitution, was promulgated on November 3, 1946. It consists of 11 chapters with a total of 103 articles and has never been amended since its promulgation. It has three key principles. First, the sovereignty lies with the people, not with the emperor. Second, it commits the state to pacifism. Third, it respects basic human rights. It defines the emperor as the symbol of the state and the unity of the people and provides that the emperor shall have no power related to government and that he acts solely in certain state matters at the advice and approval of the cabinet. These roles are appointment of the prime minister and the chief justice of the Supreme Court as designated by the Diet and the Cabinet respectively, promulgation of laws and treaties, convocation of the Diet, awarding of honors and receiving ambassadors and ministers.

The new constitution thus “diametrically changed the basic philosophy of the Japanese government.” (Borton, 1955: 410). Power and the right to rule were given to the people. Parliament, not the emperor, was the highest organ of the state. The Diet, the bicameral legislature, consists of the 480-seat House of Representatives (Shugiin), which has greater power than the 242-seat House of Councillors (Sangiin). The House of Representatives is elected for a four-year term through an election system under which 300 members are chosen from the single-member constituencies and 180 are chosen through proportional representation in 11 electoral constituencies. The term of office of the Councillors is six years with half the members being elected every three years.

Nepal and Japan have pursued different paths of political modernization. In Japan, both the 1889 Meiji constitution and the 1946 constitution fundamentally altered society, government and law. Both were imposed from above and, most significantly, outside the normal circumstances of the Japanese social-political life in response from the government and elite to the international crisis. The emperor has long reconciled to the constitutional role. In sharp contrast, Nepal has already six constitutions, the latest being the draft interim constitution yet to be promulgated. The monarchy has time and again been asserting its divine right to rule, unable to come to terms with the modern concept of constitutional monarchy.

### **3.3 Significance of Nepal-Japan Political Relations**

Nepal today has formal diplomatic relations with 128 countries (See Annex V for the List of Countries having Diplomatic Relations with Nepal). Japan was the seventh country with which Nepal established diplomatic relations. Until 1951, Nepal had diplomatic relations with only four countries: Britain (1816), the United States (April 25, 1947), India (June 13, 1947) and France (April 20, 1949). Nepal established diplomatic relations with China (August 1, 1955) and Russia (July 20, 1956). A diplomat from the Nepali embassy in New Delhi met a Japanese diplomat at the Japanese embassy in Delhi on May 7, 1952 for establishing diplomatic relations but Japan suggested her priority then was on consolidating the existing diplomatic offices rather than establishing new ones (Rana, 1978). However, according to a Japanese diplomat, Nepal conveyed to Japan in early February 1953 its wish to defer the decision to open diplomatic relations with Japan, attributing the prevailing international situation surrounding Nepal (Kikuchi, undated).

Nepal revived contacts with Japan three years later. In May 1956, Japanese ambassador to India Seijiro Yoshizawa was invited to attend the coronation of King Mahendra in Kathmandu where he met the king, Prime Minister Tanka Prasad Acharya and Minister for Foreign Affairs Chuda Prasad Sharma and conveyed the Japanese people's "special feeling" towards Nepal as the birthplace of Lord Buddha. On July 24, 1956, Nepal's Ambassador to India Daman Shumshere Rana visited Yoshizawa in New Delhi to communicate Nepal's decision to establish diplomatic relations with Japan. On July 28, 1956 both sides "fully agreed" to exchange diplomats "as soon as possible." (Devkota, 2058 BS: 389).

Nepal and Japan signed and exchanged notes on the establishment of diplomatic relations at the ambassadorial level at the Japanese Embassy in New Delhi on September 1, 1956. The Japanese note refers to Tokyo's desire "of promoting further the friendly relations which have traditionally existed between Japan and the Kingdom of Nepal." It proposed that the status of the respective chiefs of the mission be that of Ambassador Extraordinary and Plenipotentiary (See Annex VI for the Notes Exchanged for Establishing Diplomatic Relations between Nepal and Japan). Nepal established its residential embassy in Tokyo in July 1965, and B. R. Bhandary was named first resident Nepali ambassador. The Japanese Embassy was established in Kathmandu in February 1968 and Hidemichi Kira was named Japan's first resident ambassador to Nepal.

The expansion of Nepal's diplomatic ties with major powers in the world assures her sovereign independence because they are designed to "reducing the potentiality of Indian intervention" in what effectively is a "cockpit of international politics." (Rose, 1973: 284). Nepal-Japan relations has been described as "one of the most ideal bilateral relations between the two friendly nations in the world." (Rising Nepal, 2006: February 25). There is hardly any issue bedeviling the bilateral ties. Nepal looks at Japan for technology and investments for modernization, and a predominantly Buddhist Japan looks at Nepal, the birthplace of Lord Buddha, as a source of spiritual inspiration.

Secondly, Nepal's relations with Japan immense significance in the light of the changing geopolitical realities in Asia, most important of which is the spectacular rise of both China and India in terms of economic and military power. This happens at the same time Japan has been recovering from a decade of economic stagnation, and is shedding some inhibitions that prevented it from playing a pro-active political role commensurate with its economic power. It is incumbent upon Japan to seek a pro-active profile in the geopolitical calculus in South Asia

where Japan is a political pigmy compared to its economic clout, which Rapkin describes as the “legitimacy deficit.” (Rapkin, 1990: 195). Curtis argues for a U. S. policy that weaves “a complex web of entangling relationships with Japan and China and with other countries that encompass commercial, financial, political, and security affairs.” (Curtis, 1994: 28). Japanese foreign policy is no more reactive as some suggest (Calder, 1988). It takes as much interest in shaping global events as does the U. S. or European powers.

Thirdly, Japan’s ability to pursue fully independent foreign policy goals is no more circumscribed as was the case since her unconditional surrender in the World War II. The Japanese constitution prevents it to use military in pursuit of its national interest. It is for this reason that Japan, once a formidable military power, had been concentrating on economic development. However, since the deployment of Japanese troops in the Gulf War in 1991 as well as participation in Afghanistan and Iraq following the 9/11 terror attacks on the U. S., Japan has demonstrated a decisive international role at par with other industrialized nations and has been playing a much more active role.

Lastly, Tokyo is a major source of development assistance to Nepal both at the bilateral and multilateral levels, including the United Nations where it is rightfully claiming, commensurate with its global role, a permanent seat at the United Nations Security Council (UNSC) (Asahi Shimbunsha, 1998). It has also been playing a significant role in several multilateral institutions like the World Bank, International Monetary Fund, Asian Development Bank and World Trade Organization (WTO). In providing support to Nepal in these forums, Japan has begun to acquire trappings of “soft” political power (Drift, 1998). It is broadly supportive of democratic values and market economy. Japan’s acquisition of a major stake in global institutions suggests that Japan could be poised for a more assertive political leadership role in the twenty-first century world (Hook, Gilson, Hughes & Dobson, 2001).

Japan’s Nepal policy is unlikely to change under hawkish new Prime Minister Shinzo Abe, the country’s third generation politician. He has pledged to make his country a decisive force on the international stage and push for a reduction of tensions with China and South Korea. Like his predecessor Junichiro Koizumi, Abe has also vowed to revise the pacifist constitution and exploring a collective defense system with the U. S. “I am for a country that is trusted, revered, and loved by the world and asserts its leadership,” Abe has pledged. Koizumi has noted that both “Japan and Nepal have nurtured the spirit of friendship and cooperation for the past half

century” and expressed the hope that “the close and cordial relations between the two nations will be further promoted on the auspicious occasion of the 50th anniversary of the establishment of the diplomatic relations between Japan and Nepal.” (MOFA, 2006). Similarly, Toshihiro Nikai, chairman of Japan-Nepal Parliamentary Friendship League and Minister for Economy, Trade and Industry has noted “warm and friendly relations through the people-to-people exchanges” and added that both the countries cherished “precious values such as democracy, peace, and the spirit of tolerance.” He also paid tribute to “the people’s courage which paved the way for the country’s return to democracy.” (MOFA, 2006).

### **3.4 Foreign Policy Formulation**

The objectives of the foreign policy of any country are to preserve sovereign independence and national security and to pursue and protect the economic well-being of its people (Deutsch, 1989). The threat to independence or national security or economic growth could be in different form – not just a direct or indirect military threat but also in the form of terrorism or guerrilla warfare in a situation whereby a significant social group lives in extreme discontent as a result of economic, social or political oppression. Terrorism or guerrilla warfare could be longer or stronger if “foreign powers intervene secretly or openly through supply of arms, money, equipment, intelligence and expertise.” (Deutsch, 1989: 201). Such powers can conceal or deny much of what they do.

The fundamental objective of Nepal’s foreign policy is to enhance the dignity of Nepal in the international arena by maintaining the sovereignty, integrity and independence of the country (MFA, 2007). The guiding principles of the foreign policy of Nepal are an abiding faith in the United Nations and policy of nonalignment. The basic principles guiding the foreign policy of the country are (a) mutual respect for each other’s territorial integrity and sovereignty, (b) non-interference in each other’s internal affairs, (c) respect for mutual equality, (d) non-aggression and the peaceful settlement of disputes, and (e) cooperation for mutual benefit (MFA, 2007). Nepal’s foreign policy is also guided by the international law and other universally recognized norms governing international relations. The value of world peace also constitutes a significant element guiding the foreign policy of the country (MFA, 2007).

Despite the dramatic changes introduced in the political system following the April 2006 Jana Andolan II, the Interim Constitution promulgated in January 2007 provides for continuity to the broad goals and objectives of foreign policy. For example, the Directive Principle states that Nepal in its international relations shall be guided by the objective of enhancing the dignity of the nation in the international arena by maintaining the sovereignty, integrity, and independence of the country. According to the state policy, Nepal's foreign policy shall be guided by the principles of the United Nations Charter, the Panchahseel, International law and the value of world peace. It adds that the state shall pursue a policy of making continuous efforts to institutionalize peace in Nepal through international recognition by promoting co-operative and cordial relations in the economic, social and other spheres on the basis of equality with neighboring and all countries of the world.

Nepal's foreign policy in general and her Japan policy in particular is formulated by the Ministry of Foreign Affairs. The Ministry was originally established as Jaishi Khana in 1769 to conduct Nepal's foreign relations but was rechristened as Munshi Khana by Prime Minister Bhimsen Thapa. Jung Bahadur reorganized the office into three divisions: the British-India Division, Jaishi Kotha, and Munshi Captain's Office. Chandra Shumshere further expanded it to include two more divisions: Sadar Amini Goswara and Sima Survey in addition to the Singh Durbar Farmaisi Adda as associate division. After 1934, the Munshi Khana was often referred to as Foreign Office mainly dealing with official correspondence. It was only after 1951 that the Munshi Khana evolved as a full fledged Ministry of Foreign Affairs (MFA, 2006).

#### **3.4.1. Structure of Foreign Policy Formulation**

The objectives of the Ministry are to conduct Nepal's foreign and diplomatic relations as per the policies and guidelines of the government; project and protect the country's independence, sovereignty, territorial integrity and national interests abroad; promote bilateral, regional and multilateral relations for socio-economic development of the country; promote friendly relations with all countries, especially with immediate neighbors; play an active role in non-aligned movement and South Asian Association for Regional Cooperation (SAARC); and contribute to economic diplomacy by promoting trade, investment, economic cooperation, tourism and water resources (MFA, 2006).



The Ministry is headed by a Minister at the political level and a senior Foreign Secretary at the administrative level. The Ministry has six political divisions each headed by a Joint Secretary responsible for formulating policies on political, economic, cultural and other aspects for areas under their jurisdiction. The six political divisions in the Ministry of Foreign Affairs are South Asia and SAARC Division; Northeast Asia Division; Southeast, Far East Asia and Pacific Division; Europe and America Division; United Nations, International Organizations and International Law Division (this includes International Law Section and Policy, Planning and Economic Relations Section); and Multilateral Economic Affairs Division. Each of these divisions is headed by a Joint Secretary. In addition, there are Protocol Division, Hospitality Division and Administration Division. The divisions are also involved in drafting bilateral treaties, agreements, protocols or preparing reports on the contemporary issues affecting Nepal. The divisions coordinate with line ministries, foreign diplomatic missions resident in Nepal as well as the Nepali embassies and missions overseas. The divisions play a key link between the government and Nepali missions overseas.

Nepal's Japan policy is mainly formulated by the Northeast Asia Division. This division deals with Nepal's relations with Japan, China, South Korea, Mongolia and North Korea. The Division relies on its own contacts and works closely on the basis of the feedback from the Nepali embassy in Tokyo with a skeleton staff of an Ambassador, a First Secretary and other support staff. The embassy is expected to prepare, on a regular basis, a comprehensive analysis of political and economic developments and their implications for Nepal. These reports are expected to be a valuable input for the Ministry in formulating Nepal's Japan policies.

The Ministry of Foreign Affairs coordinates with the Prime Minister's Office and other ministries and government departments. In matters of foreign aid, the Ministry of Finance, especially its Foreign Aid Division, plays a critical role. Other agencies involved include the National Planning Commission for sectoral planning, the Ministry of Law and Parliamentary Affairs on legal matters, the Ministry of Industry and Commerce for joint venture investments and other relevant departments and agencies. The royal palace maintains a keen interest in Nepal's foreign and diplomatic relations, and King Birendra had a deep personal interest in international affairs. However, its role has significantly diminished since the pro-democracy movement in 1990.

Japan's Nepal policy is formulated essentially by the Ministry of Foreign Affairs of Japan, especially its Southwest Asia Division. It coordinates extensively with the Japan International Cooperation Agency (JICA), which functions as an independent administrative institution since October 2003. The Japanese Embassy in Nepal plays a key role in formulating Japan's Nepal policy and coordinates its activities with various government departments and ministries. Japanese civil society groups, non-governmental organizations and the media of mass communications have also been playing an increasingly important role in the formulation of political and economic policies on Nepal. This is reflected in the comments from the Japanese government on the political developments in Nepal as is discussed below.

### **3.4.2 Process of Foreign Policy Formulation**

One-to-one interviews conducted with former Ministers of Foreign Affairs, Foreign Secretaries, incumbent and retired officials of the Ministry and former Ambassadors to Japan revealed that Nepal's foreign policy in general and Nepal's Japan policy in particular are formulated and decided upon on an ad hoc basis. This has been the unbroken historical trend which even the leaders of the post-pro-democracy movement have not been able to alter. This ad hoc basis of policy formulation has brought an element of uncertainties in the conduct of Nepal's foreign policy, especially after 1990 when Nepal for a long time had no full-fledged Minister for Foreign Affairs.

Before 1990, the royal palace was believed to have played a decisive role in the conduct of Nepal's foreign policy. However, there have been significant exceptions. Neither the royal palace nor the Cabinet had any role in Nepal's policy to oppose the dismemberment of Pakistan in 1971 that saw the birth of Bangladesh as a new independent nation. The same is true with Nepal's decision to extend recognition to Bangladesh. Both were the personal decisions of General Padma Bahadur Khatri, who was at that time Nepal's foreign secretary. This is in marked contrast to decision-making process at the central bureaucracy in Kasumigaseki locality in Tokyo, the seat of the Japanese Ministry of Foreign Affairs, which takes policy initiatives in conducting bilateral and multilateral negotiations and in drafting legislation and treaties.

Since the 1990 change, the Prime Minister has often retained the foreign affairs portfolio with neither personal interest nor time and energy for international diplomacy. Even the Special Advisor to the Prime Minister admitted that neither of the two Prime Minister he served sought

any advice on foreign policy matters nor consulted him with their major foreign policy initiatives, particularly affecting Nepal's relations with India. Japan certainly has never been a priority of any of the politicians who served as Minister for Foreign Affairs. It has been unfortunate for Nepal not to have any Minister for Foreign Affairs that was respected at home or abroad. The conduct of Nepal's foreign policy has also suffered because for a prolonged time the administrative leadership has rarely been at the hands of experienced and respected Foreign Secretary. The absence of political as well as administrative leadership is reflected in the inapt handling of Nepal's foreign affairs and diplomacy.

Foreign policy issues are rarely debated in Nepal's parliament, except issues concerning Nepal's relations with India and to some extent China. There is hardly any debate on foreign policy issues in the decision-making structures in various political parties. A study showed that foreign policy issues – such as relations with India and China, peace and security and national sovereignty – ranked fifth in priority after unemployment, drinking water, education and official graft. The study had also concluded that while “left wing” parties were preoccupied with unemployment, “right wing” parties focused on foreign policy (Borre, Panday & Tiwari, 1994: 58).

The choice of Nepal's Ambassadors to Japan has traditionally been either career diplomats or economists. During the panchayat regime, they enjoyed the full backing of the king and therefore were highly respected and regarded in the Japanese decision-making system. Their views were as much listened to in Kathmandu as in Tokyo. They were thus described as “eyes and ears” of the Nepali government and performed the role of a link between the two governments. In addition to Japan, the Nepali Ambassador in Tokyo is also concurrently accredited also to Australia, New Zealand, and Republic of Korea. He has thus four countries to deal with.

After the 1990 change, Nepali Ambassadors in Japan have not command the same respect not because the king has no role in formulating and conducting diplomacy but because Tokyo does not see them of any influence in the Nepali decision-making process. On the other hand, Nepal's ambassadors to Japan neither enjoy the trust and confidence of the government they were supposed to represent nor are they trusted by anyone in the Ministry of Foreign Affairs. Some of the Ambassadors prepared political reports which would have been a major policy inputs but these reports were neither read at the Ministry nor responded at. This forced many Ambassadors

to build personal rapport with the Prime Minister or one of the key Ministers in the Cabinet to peddle influence.

There are a number of business groups in Nepal that too have a say in the decision-making. There are various interest and pressure groups, media and civil society that have an influential voice in the decisions on important issues. For example, it was the local voice of the environmental groups, among others, that led Japan to withdraw from its early commitment to co-finance the Arun III hydroelectric project. There is of course very little information on the subject to conclude decisively whether there were other factors – including political and strategic – that led the World Bank to pull from the Arun III project in August 1995. This is especially true in the light of an unprecedented and lavishly-funded media campaign against the Arun III.

The Japanese decision-making process has traditionally been dominated by elites with a high degree of coordination and understanding among various principle actors. The decision-making process is dominated by the “tripartite elite model” to borrow Mills’ terminology to describe the American power elite consisting mainly of the bureaucracy, big businesses and ruling politicians (Mills, 1956). The three forces combine in Japan to exclude other actors from political influence (Fukui, 1972). However, a host of other political actors provide valuable policy inputs in the decision-making process to take into account a whole range of complex cultural, political, economic and strategic issues (Calder, 1997).

### **3.5 Monarchy: A Common Bond?**

Leaders in both Nepal and Japan have frequently stressed monarchy as being a common bond between the two countries. Traditionally, Japanese emperor is a Shinto deity while the Nepali monarch is considered reincarnation of Lord Vishnu. These roles have changed in Japan long time back and are in the process of change in Nepal. The Nepali monarchy claims to represent the popular will, bringing it in conflict with elected governments. It also has problems reconciling with the constitutional limits and sharing powers with the popularly elected executives.

Some scholars see monarchy as an age old and time honored institution standing as a symbol of national unity and a common source of aspiration of the people (Poudyal, 1986). Its leadership in nation-building is accepted by all segments of the Nepali society. There is no doubt that it also faces some risks. These include its role in the nation-building, which could suffer a set back unless the

Nepali monarch, who is the central figure in the Nepali politics, “takes some bold and calculated initiatives for stepping economic development and accommodating all sections of the Nepali society in the political process.” (Poudyal, 1986: 235).

There have also been assertions that the Nepalis at large have “developed a sense that the king is a savior of the nation and a symbol of national unity.” (Sharma, 1986: vii-viii). This could be because of Mahendra’s major foreign policy thrust to break up Nepal’s self-imposed isolation, emphasize on relationship on the basis of equality with all the countries in the world irrespective of the size and influence, and diversified diplomatic ties. These policy initiatives moved Nepal away from the “Indian satellite system for an independent identity” of her own (Sharma, 1986: 306-18). A Japanese observer looks at the Nepali monarchy as more dignified part of the society and “has remained as one of the typical monarchs of modern democratic states.” (Tamigawa, 2001). He agrees that the kings are accorded a significant status and more political power than Japanese emperor under the democratic polity.

In contrast, the Japanese emperor has long renounced divinity even if he remains part and parcel of the Japanese tradition. The emperor remains a mere figurehead and is highly respected even if younger generation may question its relevance. The Japanese monarchy “never tried to assert active role in politics and even during imperial absolutism. Instead the monarchy served the essential functions of assuring national unity and impressing sense of responsibility upon the nation’s leaders.” (Poudyal, 2001: 40-42). The role of the emperor was defined as that of a queen bee surrounded by the attention of hives, which “treat her with veneration and ministers in every way to her comfort... if one were to remove the queen from the swarm, the hive would disintegrate.” (Grew, 1999). Nepal’s experiment with democracy has been disappointing both in terms of stability and promoting economic development.

### **3.5.1 Royalties in Transition**

Royal family in Nepal and the Imperial family in Japan are facing unique challenges in their national contexts. These challenges range from the unprecedented royal regicide in Nepal that saw the lineage of monarchy change to the brother instead of his son for the first time in the nearly 500-years old Shah dynasty. In Japan, the public debate is focused on whether there should be a female heir apparent in case Crown Prince Naruhito and Crown Princess Masako do not have a baby boy.

In Nepal, a routine monthly family get-together at the Tribhuvan Sadan at the Royal Palace came to a gruesome end on Friday, June 1, 2001. The two-storied Benjamin Polk-designed bungalow witnessed the bloodiest palace massacre in royal history, eliminating the entire family of King Birendra – he, his queen, two sons and a daughter. Prince Gyanendra, then in the direct line of royal descent, in an official announcement blamed the incident on a “sudden discharge of an automatic weapon.” (Gorkhapatra, 2001: June 4). Crown Prince Dipendra was on a life-support system when he was proclaimed the twelfth generation Shah king by the 125-member Raj Parishad on June 2. Since Dipendra was “in a physically incapacitated condition requiring intensive care” and was thus “unable to assume his duties in his capacity as king”, Gyanendra was named regent (RSS, 2001: June 2). Dipendra was pronounced dead at the age of 29 on June 4, upon which Gyanendra, the closest kin and eldest uncle of Dipendra, was proclaimed the new king (RSS, 2001: June 4).

There were worldwide shocks and dismay. President George W. Bush of the U. S. described it as “impossible to comprehend this senseless act.” (RSS, 2001: June 3). India’s cabinet met in emergency session to describe it as “a very great tragedy and an irreparable loss.” (RSS, 2001: June 3). President Jiang Zemin of China said he was “deeply shocked at the tragic incident” and described Birendra as “highly respected and loved by the people of Nepal. He devoted his entire lifetime to safeguard state independence and sovereignty of Nepal and promoting social development of his country and the well-being of his people (RSS, 2001: June 3). Prime Minister Junichiro Koizumi of Japan, commenting on the regicide, said:

Having heard the sudden demise of His Majesty King Birendra Bir Bikram Shah Dev, Her Majesty Queen Aishwarya Rajya Laxmi Devi and His Royal Highness Prince Nirajan Bir Bikram Shah of the Kingdom of Nepal, I would like to express, on behalf of the people and the Government of Japan, heartfelt condolences to the bereaved family, His Majesty's Government of the Kingdom of Nepal and its people.

His Majesty King Birendra, who decidedly endeavored to carry out various important reforms including the development of democracy in the Kingdom of Nepal, was deeply trusted by the people of the country.

His Majesty King Birendra visited Japan four times including a stay for study in 1967 and a State visit in 1978. Last year, Prime Minister Yorisho Mori made first ever visit to the Kingdom of Nepal by Prime Minister of Japan and was graciously received in audience of His Majesty, which served to advance further the friendly relations between our two countries. We feel utterly grieved to hear the untimely demise of Their Majesties the King and Queen and H.R.H. Prince Nirajan.

I sincerely hope that His Majesty’s Government of the Kingdom of Nepal and its people overcome grief for the demise of Their Majesties the King and Queen and H.R.H. Prince Nirajan, and continue to endeavor for peace and prosperity of the Kingdom Nepal. (MOFA, 2001: June 4).

Koizumi significantly makes reference to neither Dipendra, who was on a life support system, nor Gyanendra, who was named prince regent. The official inquiry into the shootout was

hurriedly closed down and a thorough investigation never commissioned. The truth of what precisely had happened will never be known. Gyanendra himself was out in Pokhara, while his wife Komal, their only son Paras and two daughters present at the royal palace dinner on that fateful day were few fortunate survivors. Gyanendra has been seeking a pro-active role when the media spotlight was focused on his son Paras who was formally named heir apparent and crown prince after a gap of four months during Dashain holidays.

In Japan, Emperor Akihito ascended the throne as Japan's emperor on January 7, 1989, upon the demise of Emperor Hirohito, who was posthumously named Emperor Showa. Akihito stirred a controversy in October 2004 over his surprise objection to forcing the Japanese students and teachers requiring to raise the national flag and sing national anthem, which have symbolized his family's reign through war and peace. The objection had no political intentions (Rising Nepal, 2004: October 30). The Japanese flag known as Hinomaru – a red sun on a white background – and the anthem, praising the emperor's ever-lasting reign, have been shunned by the country's liberals and leftists as well as Asian neighbors. Both emblems followed the Japanese Imperial Army on its path of war and were forced upon Japan's occupied territories in Korea, China and other parts of Asia. In 2003, Tokyo began requiring the display of flag and the singing of the anthem at public school enrolment and graduation ceremonies, following a 1999 legislation that formally recognized the symbols as those of the state. Akihito has long sought a more open role for the world's oldest monarchy.

The Chrysanthemum Throne has an unbroken line of succession since the legendary first emperor Jimmu (660-585 B. C.). According to the imperial household law only a male can ascend the throne but no boy has been born to the Japanese royal family since 1965. Crown Prince Naruhito and Crown Princess Masako have only daughter Aiko. Masako, the career woman-turned princess and a Harvard and Oxford graduate who speaks four languages, gave up a promising diplomatic career for her 1993 marriage to Naruhito, was under pressure to produce a male heir.

Japan finally got a future emperor in September 2006, and was named Hisahito (serene one). He was born to Akishino, father of the family's first new male heir in 41 years (Japan Times, 2006: September 13). The government was once considering whether to let a female heir after reports that the three year-old princess Aiko will be in line of succession in order to ease stress on her mother (Mainichi Shimbun, 2005: February 22). This was possible only if the male only succession rules are revised. The Japanese government in January 2005 launched a year-long study on changing the male-only imperial succession law, and the panel recommended female succession. The plan for

reforms was dropped after the imperial family announced that Princess Kiko is expecting a child, raising possibility of a male heir (Sankei Shimbun, 2006: February 10). An opinion poll showed 78 percent of Japanese still back female succession but support slipped after Hasahito's birth (Mainichi Shimbun, 2006: February 12).

Like Nepal, Japan has also male only succession law. The proposed reform in Japan, if it takes place at all, is bound to have an impact on Nepal in future when the royals fail to produce a male child. It may be noted here that a number of European monarchies – Sweden, the Netherlands and Belgium – abolished the male only rules after the United Nations adopted a treaty against forms of sexual discrimination in 1979.

### **3.6 Exchange of Visits**

The Imperial Family of Japan and the Royal Family of Nepal have long enjoyed “close affinity and interchanges” and the exchange of visits by the members of the royal families has helped build personal rapport between the royalties. King Mahendra paid a state visit to Japan on April 18-26, 1960 followed immediately by state visit to Japan's closest ally, the U. S., on April 27-May 8, 1960, paving the way for a new kind of relationship between Japan and Nepal as well as Nepal and the U. S. (Nepal Press Digest, 1960: April 7).

The Japan visit was planned for April 7-11, 1960 but was deferred because of the “unexpected arrivals of four ambassadors in Kathmandu to present their credentials to the King (Nepal Press Digest, 1960: March 30). The visit to the U. S., a vibrant democracy and a superpower, and Japan, which was making rapid strides in social and economic modernization, was described as “an important milestone” in the history of Nepali diplomacy (Nepal Press Digest, 1960: April 4). A few questioned the timing of the visit as Nepal at that time was facing inflationary spiral, political disturbances in various parts and border skirmishes (Nepal Press Digest, 1960: April 7). In a pre-departure message, Mahendra said the visit was aimed at promoting “friendly and cordial relations” with the two countries as well as “of educative value and in the national interest.” (Devkota, 2058 BS: 381).

Emperor Hirohito greeted Mahendra at the Tokyo airport on April 18. The two monarchs exchanged the Ojaswi Rajanya and The Grand Order of the Chrysanthemum. Mahendra referred to the building of democratic institutions in Nepal and the efforts being made to harness natural



resources to raise the living standards of the people, and said he looked forward to Japanese assistance for the development of Nepal in the mutual interest of both the countries (Devkota, 2058 BS). He had talks with Prime Minister Nobusuke Kishi, who hosted a banquet. The following day, the king hosted a state dinner in honor of Hirohito. The king also visited various industrial facilities and departmental stores. After returning home on July 28 after an absence of 110 days, he told a civic reception in Kathmandu:

Whatever I saw and heard in the advanced countries I (sic) visited has intensified my desire to see similar scientific advancement in my own country, without any adverse effect on national culture... This tour has convinced me that if we work in a spirit of mutual tolerance, unity and discipline on a planned basis, there is nothing that the people of Nepal cannot achieve. (Nepal Press Digest, 1960: July 27).

Prime Minister B. P. Koirala, speaking at the same reception, described the visits as “momentous” as the country was proceeding in a new direction and had been trying to exercise its rights in the international sphere (Nepal Press Report: 1960: July 29). Earlier at a press conference on May 27, he had described the Royal visit as having been “definitely beneficial to Nepal.” Japan, he disclosed, had promised to provide technical assistance and the U. S. “an additional grant of \$30 million per year over the next five years.” (Nepal Press Digest, 1960: June 7).

King Birendra, having been a student of Japanese history, culture, literature and political and administrative system at the prestigious University of Tokyo in April-September 1967, was familiar with Japan. His six-day state visit May 15-21, 1978 opened a new vista of technical and economic cooperation. On the eve of the visit, Japanese leaders “increasingly understood the special political situation of Nepal in this region” and Nepal’s aspiration for Zone of Peace (RSS, 1978: May 2). In a pre-departure statement, King Birendra said:

Although, relatively, a small country, Japan through its sheer skill and industry, no less than through its desire to learn from the latest techniques of others from the world over has been able to maintain its independence and a strong identity of its own in the world today. I feel that this country of Asia can be a source of some inspiration to all of us. I am hopeful that the present visit will further strengthen the bilateral relations between Nepal and Japan on the basis of mutual understanding (RSS, 1978: May 14).

The king first flew to Beijing where he was given a state welcome with a guard of honor by three armed services of China even if it was not an official visit. He had talks with Premier Hua Kuo-feng and other Chinese leaders. Premier Hua told the king: “China and Nepal are close friendly neighbors linked by common mountains and rivers, and there exists profound traditional friendship between our two peoples.”

In Tokyo, Prime Minister Takeo Fukuda told Birendra that Japan was willing to help Nepal's agriculture sector (AFP, 1978: May 15). The king told Fukuda that Nepal needed Japanese technological assistance in harnessing her abundant water resources for its agricultural development as well as in setting up a center for "human resources" to promote medical and other skills. Fukuda said Japan would do its best to meet Nepal's needs. He said: "Infinite reverence towards nature and peace constituted the basis of friendship and mutual respect between the peoples of Nepal and Japan" and praised the strenuous efforts of the Nepali people for nation-building and economic development overcoming various difficulties (RSS, 1978: May 17). The talks between Birendra and Fukuda "covered both the bilateral relations and international issues of common concern marked a high degree of understanding and closeness of views." (RSS, 1978: May 19).

Emperor Hirohito could not take part in the state functions in honor of the king because he was indisposed since May 10 as a result of bronchitis (RSS, 1978: May 13). Birendra said:

Unless a relationship based on the mutual understanding among nations is established, the structure of peace, so essential for the survival of man, will for ever remain fragile, leading peoples to misgivings and distrust of each other, and possibly resulting into conflict, war and global conflagration. This is where, I believe, Japan can assume the role of an active partner of peace, harmony and cooperation. Although, geographically, Nepal and Japan are far apart, our two cultures share some features in common. Perhaps the single minded pursuit of peace which characterizes the foreign policies of both our countries grow out of this shared cultural ethos (RSS, 1978: May 15).

Crown Prince Akihito represented the Emperor at state functions. In a private luncheon, he told Birendra: "Japan and Nepal have a difference in that one is surrounded by the sea while the other by the mountains." He added: "It will be significant if the people of these two countries deepen their mutual friendships on this occasion and continue to exert themselves for the peace of the world." (RSS, 1978: May 18).

On May 19, Birendra was given a warm ceremonial farewell by Hirohito, who made the first public appearance since being indisposed on May 10. Japan's Minister for Foreign Affairs Sunao Sonoda described the visit as "an epoch making event" in the annals of Nepal-Japan relations bound as they were by strong ties of friendship. He described the Zone of Peace proposal as "an extremely important diplomatic policy to Nepal." He said Japan appreciates and respects the proposal and hoped that the proposal would contribute to the "regional peace and stability." He added: "Japan is an Asian country and has close ties – historical, geographical, economic as well as cultural – with countries in Asia, including Nepal. Hence peace and economic and social progress in those countries are essential to the progress and prosperity of Japan." (RSS, 1978: May 21).

Both sides expressed their common desire to continue and accelerate the process of further enhancing friendly relations, and “reaffirmed their common resolve to deepen and consolidate these bonds of friendship which are based on many values and traditions similar to each other.” Japan also announced ¥2,350 million (\$10 million) in grant aid to Nepal to buy medical equipment, cement and steel, food and agricultural facilities. The grant boosted Japanese economic assistance to Nepal by six times over the previous year. The visit also gave “the impetus to the progress of an already amicable relationship between the two countries in years to come.” (Japan Times, 1978: May 15).

Editorial comments in the Japanese media suggested that Nepal can learn from Japanese experience in modernizing her predominantly agricultural economy, but also cautioned in emulating the Japanese experience to avoid “undesirable aspects of the process of industrialization such as a rise in the crime rate, the breakdown of the family system and pollution.” (Japan Times, 1978: May 15). However, the Japanese government rejected Nepal’s proposal for concluding a scientific and technological cooperation. There was no official explanation on this issue from either side.

Birendra again paid an unofficial visit to Japan in 1983 on way back from the state visit to the U. S. He paid informal visit in 1985 to inaugurate the Nepal National Day ceremony at the Osaka Expo where the Nepal Pavilion represented a visual display of man’s abiding concern for peace and harmony in life. During the visit, Japan indicated that the quantum of aid to Nepal will be increased further. An official described the bilateral talks as “very fruitful and positive.”

Crown Prince Dipendra, who had represented his father at the coronation of Emperor Akihito in November 1990, visited Japan again on April 25-May 2, 2001 at the invitation of Minister for Foreign Affairs Yohei Kono. During the visit, he was guest at a court luncheon hosted by Emperor Akihito and Empress Michiko, as well as a tour of the Edo-Tokyo Museum and a dinner, both hosted by Crown Prince Naruhito. He met Prince Akishino and Princess Kiko (MOFA, 2001: May 2). He had talks with Senior Vice-Minister for Foreign Affairs Seishiro Eto, visited the Diet and held talks with House of Representatives Speaker Tamisuke Watanuki and Vice-Speaker Kozo Watanabe.

During the visit, the Japanese government underlined the traditionally “intimate relationship between the Imperial Family of Japan and the Royal Family of Nepal,” and the visit reflected such an intimacy “meant to further develop the rapport between the Imperial and Royal Families of Japan and Nepal, and served to further advance the friendly relationship between the

two countries in general.” (MOFA, 2001). The Japanese Alpine Club hosted two separate receptions during his stay in Japan, one in Tokyo and one in Kyoto. He visited two karate organizations. The Nepali side indicated to gift a mating pair of rhinoceroses to Japan as a symbol of goodwill between the two countries.

Dipendra’s request for talks with speaker and vice-speaker of the House of Representatives was arranged for information on Japan’s parliamentary system. He was also interested in the methods of disaster management and efforts in the information technology. The visit was “more than expected”, underlining “the need for further strengthening Japan-Nepal relationship by using the achievements of the visit.” (Rising Nepal, 2001: May 3).

Crown Prince Paras paid official visit to Japan on July 5-14, 2005 and to South Korea on July 14-17, 2005 aimed at “further expanding economic relations” and to “do away with the misconceptions regarding the political developments in Nepal” following the royal direct rule. The Japanese official invitation to the royal couple, together with Tokyo’s continued development assistance despite suspension of military and development aid by the U. S., India and the European countries was described as a “friendly gesture” from Tokyo towards Nepal and the Nepali monarchy at a time when major donors had isolated the regime since the king’s direct rule of February 2005 (Rana, 2005).

Emperor Akihito and Empress Michiko received the royal couple on July 6, and Crown Prince Naruhito and Crown Princess Masako and Prince Akishino and Princess Kiko met them. The couple visited Tokyo, Nagoya and Kyoto. In Tokyo, Paras met Atsushi Hatakeyama, senior vice president of the Japan International Cooperation Agency (JICA) and other officials and discussed JICA’s current and future cooperation in health, education, water resources and environment. He was guest at the reception hosted by Ryutaro Hashimoto, former Prime Minister and Chairman of the Japan Nepal Parliamentarian Friendship League (JNPFL). Hashimoto at the luncheon remarked that the royal visit had further deepened the bilateral ties between the two countries (Rising Nepal, 2005: June 12).

Japan neither supported nor condemned the king’s direct rule but Minister for Foreign Affairs Nobutaka Machimura urged Paras to “continue working for progress toward democracy.” (AFP, 2005: July 13). He urged Pandey to co-sponsor a draft resolution at the United Nations by Japan, Brazil, Germany and India – known as G-4 – to give them permanent seats in an enlarged

Security Council. Pandey said Nepal needs to study different proposals. Nepal did not back the G-4 proposal but wanted Tokyo to play a more decisive role in global diplomacy. “We should not reform (the UN) in a way that, instead of strengthening the U.N., will weaken the U.N. When to reform and how to reform...these are the matters we have not decided yet,” he said (Japan Times, 2005: July 13).

In South Korea, the royal couple met President Roh Moo-hyun at the presidential palace in Seoul on July 15. Acting Prime Minister and Minister for Foreign Affairs Ban Ki Moon hosted a luncheon in their honor. Seoul agreed to include Nepal in the list of Employment Permit System, which had only six countries, and agreed to set up a training center in Nepal for prospective employment seekers in Korea, which had suspended quota for Nepal for the year 2005 because it failed to utilize the quota for 2004. Pandey claimed that the two-nation visit had “enhanced political understanding” by “way of clearing the misunderstandings regarding Nepal’s internal situation,” thus opening up new vistas of cooperation in the economic, labor and environmental sectors (Rising Nepal, 2005: July 20).

Unfortunately, many such visits are nothing more than tourism and shopping spree by Nepali leaders. Prime Minister Girija Prasad Koirala paid a “working visit” to Japan in November 1998 at the invitation of Prime Minister Keizo Obuchi. Koirala is the first incumbent Nepali Prime Minister to visit Japan. When Minister for Foreign Affairs Chakra Prasad Bastola attended the funeral of former Prime Minister Keizo Obuchi in June 2000, his Japanese counterpart Yohei Kono referred to “the very trusting and warm relationship between the two countries’ imperial and royal houses.” (MOFA, 2000).

From the Japanese side, no Japanese emperor has ever visited Nepal. Emperor Akihito is keen on visiting Nepal but the plan has not materialized because of the political unrest. Akihito and his wife Michiko – representing Emperor Hirohito – paid a state visit to Nepal at the invitation of King Mahendra in December 1960. They had lunch with Prime Minister B. P. Koirala. They again returned Nepal in February 1975 to represent Emperor Hirohito at the coronation of King Birendra. Prince Hitachi and Princess Hanako represented the Emperor and Empress at the then Crown Prince Birendra’s marriage ceremony in February 1970. Prince Naruhito (Prince Hiro) (currently the Crown Prince) visited Nepal in 1987, and Prince and Princess Akishino in February 1997. (See Annex VII for Chronology of Major Exchanges of Visits.)

Politically the most significant visit from the Japanese side to Nepal has been of Prime Minister Yoshiro Mori in August 2000, the very first by Japan's prime minister. The visit was part of his four-nation South Asian tour – Bangladesh, India, Pakistan and Nepal – underpinning importance Tokyo attaches to expanding relations in South Asia. If Japan intended to forge a new partnership toward the twenty-first century with India by strengthening cooperative ties in the area of information technology, Mori intended to lay “yet stronger foundation for friendship and cooperation between Japan and Nepal into the 21st century.” On August 25, he met Prime Minister Koirala for an hour to express the hope that Crown Prince Dipendra's visit “would lead to further development of the friendly relations enjoyed by the two countries.” (MOFA, 2000). Koirala declared that he wanted to use the opportunity afforded by the visit as a springboard to even closer ties. There was never a follow-up, indicating hollowness of his utterances.

Mori disclosed plans for youth exchange under which 5,000 young people, including high school children, from South Asia will visit Japan in the next five years, and part of the Japan-South Asia exchange programs would be the establishment of the so-called Mori Fellowship. He expressed the desire to continue actively supporting Nepal's development provided the security of Japanese personnel engaged in economic and technical cooperation were fully guaranteed (MOFA, 2000). He announced that Japan had decided the supply of equipment for exhibition at the National Museum of Nepal as part of its cultural grant aid for 2000, and promised to look at Nepal's request for Japanese aid in the areas of river management and an alternate Katmandu-Terai road. Two agreements on a debt relief scheme and funding community-managed primary school projects were signed during Mori's eight hour visit. Ahead of the visit, Japan announced \$300,000 in relief aid to the flood and landslide victims.

### **3.7 Convergence and Divergence on Political Issues**

Nepal and Japan are in accord on a number of issues and have identical positions on many others. Both the countries work together in various regional and international forums such as the United Nations. However, there are also serious differences of approaches between the two countries on a number of issues some of which are discussed below. Despite the differences, Japan does not follow an interventionist approach on Nepali affairs, reflecting the understanding and appreciation of each others aspirations.

### 3.7.1 Democracy and Human Rights

The most important and serious difference between Nepal and Japan has been on the question of democracy and human rights, especially since the royal takeover in October 2002 and direct royal rule since February 2005. The official statements on the dramatic aberrations in the democratic governance have been mild but made the message loud and clear in the corridors of power. Japan's new thrust is on "cooperation in protecting and promoting democracy" in response to the new threats such as that of terrorism. Nepal certainly was not to be an exception.

The direct royal rule introduced in February 2005 presented major development partners, including Japan, with a dilemma: if they suspended development aid to pressure the king to reverse his decision, the Maoists would be strengthened to further rampage and destroy the Nepali state. If they press for the restoration of peace first before democracy was restored, the risk was that the political parties would be sidelined in the process, enhancing the prospects of a return to absolute monarchy. The United States, India and European countries wanted the political parties and the king to work together to return to democratic process while asking the Maoists to surrender arms and join the mainstream. Tokyo's official reaction was identical:

The Government of Japan is carefully watching the volatile political situation in the Kingdom of Nepal in the wake of the recent dismissal of the prime minister and the dissolution of the Council of Ministers. The Government of Japan hopes that Nepal's political crisis will be solved as soon as possible.

Japan also hopes that Nepal will recover its peace and stability as soon as possible on the basis of democracy and constitutional monarchy.

If political leaders are being detained, the Government of Japan is deeply concerned about the situation and strongly urges that they be released and that the freedom guaranteed by the constitution restored promptly.

Japan also urges the Maoists to achieve peace through dialogue (MOFA, 2005: February 2).

The Japanese position was repeated verbatim by Press Secretary Hatsuhsa Takashima at the press briefing at the Ministry of Foreign Affairs in Tokyo on February 4. However, unlike the U. S. and European countries, Japan did not suspend development assistance to Nepal. In this sense, Japan was non-interventionist compared to the U. S., which described the royal step as a "step back from democracy" that will "undermine the Nepali struggle with the Maoists, a very serious challenge to a peaceful and prosperous future of Nepal."

Shinsuke Shimizu, director general of Southwest Asia Division at the Japanese Ministry of Foreign Affairs, indicated that Japan could "review" its political policy on Nepal, and took strong exception to the royal crackdown on the political leaders in an effort to silence

“democratic dissent,” saying: “Japan is firmly opposed to application of violence to settle what essentially is a political dispute.” (Himalayan Times, 2006: February 7). This position is in contrast to a mild approach Japan had been pursuing since the October 4, 2002 royal takeover:

We are watching carefully the volatile political situation in Nepal in the wake of the recent dismissal of the Prime Minister and the dissolution of the Council of Ministers.

The Government of Japan hopes that Nepal’s political crisis will be solved early within the framework of the constitution and that the peace and stability of the country will be maintained.

We expect that the Government of Nepal will carry out a free and fair election promptly on the basis of democracy and constitutional monarchy (MOFA 2002: October 8).

Asked whether Japan was considering sending a special mission to Nepal in view of the political situation there, a government spokesman said there was no such plan at the moment, but Japan was “closely watching and monitoring the political situation there and urging Nepal, especially the monarchy, to respond positively to the call from the international community to hold a fair and free election as soon as possible.” (MOFA, 2002).

Both the U. S. and Japan questioned the credibility of the local elections held on February 8, 2006 in the absence of the participation of major political parties. The total voter turnout in 36 municipalities in 28 districts was 21.22 percent. The U. S. dismissed the polls as “a hallow attempt” by Gyanendra to legitimize his power. Japan first said it was “gravely concerned” on the arrest of political leaders on the eve of local polls and wanted “the freedom guaranteed by the constitution restored promptly.” It urged the need for the government, political parties and citizens “to pursue peace through unity” and hoped that the government and political parties “will reach out to one another.” (MOFA, 2006: January 19). Subsequently, Japan “deplored” that municipal elections were “held without a broad support” of the Nepali people. Japan regretted that many workers of the political parties were arrested, and violence, including the killings of civilians, had continued. It called for “the Government and the political parties to reach out to one another with the spirit of reconciliation” and that “positive steps will be taken soon to that end.” Japan also urged the Maoists “to halt the acts of violence and achieve peace through dialogue.” (MOFA, 2006: February 9).

Tomohiko Taniguchi, deputy press secretary, issued a statement in Tokyo and deplored the municipal elections:

Japan deplores that municipal elections in the Kingdom of Nepal was held without a broad support of the people of Nepal. Japan also regrets that many persons concerned with political parties were arrested in the process. In addition, Japan strongly condemns the acts of violence including killing of civilians.



Japan continues to urge the Maoists to halt the acts of violence and achieve peace through dialogue (MOFA, 2006: February 10).

When asked whether Japan was contemplating to impose any harsher measures like sanctions or cancellation of aid to Nepal if the Nepal government continued to disregard international opinion, Taniguchi dismissed the suggestion as a “farfetched question.” He said Japan was “watching very much carefully, with the keenest interest, the situation evolving in Nepal.” He said Japan was “sending a strong signal to the people of Nepal that peace and stability have to be preserved and democracy has to be enhanced.” He also hoped that Nepal “can be a full fledged member of the international community following some of the globally accepted principles like preserving peace and democracy.” (MOFA, 2006: February 10).

Japan, unlike the U. S. and European countries, had no comment on the 12-point “understanding” between the SPA and the CPN (Maoist) reached in New Delhi on November 22, 2005 to launch “peaceful” protest programs to oppose absolute monarchy and return to democracy:

Japan expresses its regret that members of political parties and civil society activists have been arrested in the Kingdom of Nepal.

All these measures by the Government of Nepal suppress the free political expression of the people, Japan requests that no more arrests be made and those arrested be released as promptly as possible. Japan believes that political claims should be made peacefully and it is her hope that the forthcoming political protest rallies will be conducted in peace.

For the restoration of peace and stability in Nepal, it is important for both the Government and the political parties to reach out to one another. Japan therefore calls anew on both sides to build mutual confidence and resume dialogue (MOFA, 2006: April 7).

As anti-king demonstrations intensified in a clear defiance of the curfew and shoot-at-sight orders, the king offered very little on April 24, and in fact added fuel to the fire. As the number of demonstrators continued to swell, Japan said:

Japan expresses its grave concern over the deteriorating situation in the Kingdom of Nepal, where the people’s demonstrations continues after the speech made by His Majesty King Gyanendra.

Japan hopes that the restoration of democracy will be realized peacefully, and calls upon all parties to act with self restraint. Japan also hopes that the parties involved will continue their dialogue to the end so as to find a solution which meets the expectation of the Nepalese people (MOFA, 2006: April 24).

In a fresh proclamation within 24 hours, Gyanendra conceded the demands of the agitating political parties to reinstate the House of Representatives, which was dissolved on May 22, 2002, and called upon the SPA “to bear the responsibility of taking the nation on the path to national unity and prosperity, while ensuring permanent peace and safeguarding multi-party democracy.” In a statement, Japan “appraised” the decision to summon the House on April 28, 2006, noting that the political parties had accepted the decision. It said:

This progress is a victory of the Nepalese people who have pursued the restoration of democracy and peace. Japan hopes that further progress will be made in the political process towards the consolidation of democracy and the realization of permanent peace.

Japan urges the Maoists, who expressed criticism towards the decision taken by the political parties to respect the national consensus, renounce violence and participate in the political process through dialogue (MOFA, 2006: April 25).

Japan welcomed the comprehensive peace agreement (CPA) signed between the Nepal government and the CPN (Maoist) on November 21, 2006, saying it “sets out a concrete course for the consolidation of democracy and the realization of lasting peace in Nepal.” Japan also hoped that the CPA will be “implemented sincerely and that an election for the constituent assembly, which will be held by June 2007, will be carried out freely and fairly.” It reiterated support Nepal for the “promotion of democracy and peace building.” (MOFA, 2006: November 22).

Japan welcomed the establishment of the interim government in Nepal, including the announcement of the schedule of an election for the constituent assembly as “establishing an important foundation for the peace process in Nepal.” It hoped that the interim government will proceed with the preparations for the elections as soon as possible and that the elections will be carried out freely and fairly. It said it intends to continue assistance, “in cooperation with the international community, to the Government of Nepal’s efforts for the promotion of democracy and peace-building.” (MOFA, 2007: April 2).

The root cause of anguish in Nepal was “some of the world’s deepest poverty and a monarchy that seemed happy to allow its people to languish in medieval conditions.” (International Herald Tribune, 2005: April 16). The solution was a democratic government that can bring the rebels to the negotiating table and then tackle the economic hardship that feeds the insurgency. In the Japanese view, democracy will take time to strike roots in Nepal but there is “no other way than taking the first step toward that end” and the Japanese government being the largest donor to Nepal was urged to “express its will more clearly” than just call for a return to democracy (Asahi Shimbun, 2005: March 8).

A number of NGOs in Japan had reportedly urged the Japanese government to “use all diplomatic means, including freeze any new commitment of official development and humanitarian assistance to Nepal until human rights were restored.” (Kathmandu Post, 2005: March 20). However, in the Japanese perspective, political parties in Nepal should have firm and sincere commitment to multi-party democracy and constitutional monarchy for which they have

to rise to the occasion “for the sake of the nation at such a critical situation.” (Kathmandu Post, 2005: May 20).

### **3.7.2 Terrorism**

Japan is supporting several countries with capacity building to combat terrorism, especially in six key areas: (a) terrorist financing, (b) immigration control, (c) aviation security, (d) customs cooperation, (e) export control, and (f) cooperation to police and law enforcement institutions. The International Counter-Terrorism Cooperation Division created in December 2001 in the Foreign Policy Bureau of the Ministry of Foreign Affairs promotes cooperation in international counterterrorism. Japan provides bilateral cooperation on counterterrorism to the Republic of Korea, Australia and Russia.

Terrorism makes small states like Nepal more vulnerable. The “people’s war” launched by the CPN (Maoist) has been described as “terrorist” by the elected government of Prime Minister Deuba in November 2001. The political parties have described the Maoists as terrorists while in power but have retracted from such a position when out of power. This lack of agreement on the nature of the Maoist insurgency is reflected in the international community who are clearly divided. India and the U.S. have described them as terrorists while Japan and the European countries have not been categorical.

In fact terrorism did not figure at all in the Mori-Koirala summit meeting in August 2000. This does not reflect the level of interest Japan has maintained in the political developments in Nepal, especially in the Maoist activities. When the Maoists broke the ceasefire by making a surprise attack on the Nepal Army barrack in Dang on November 24, 2001, Tokyo said:

It is extremely deplorable that an armed campaign by the Maoists has been resumed in the Kingdom of Nepal despite the efforts being made to resolve the issues facing the country through dialogue between the Government and the Maoists. Japan condemns the recent series of attacks and bombings. Japan supports the efforts of the Government of Nepal being conducted in accordance with the framework under the Constitution, and strongly hopes that normalcy will be restored as quickly as possible (MOFA, 2001: November 25).

When CPN-Maoists began intensifying attacks against government installations and development infrastructure, Japan for the first time used the term terrorism to describe the activities of in May 2002 but refrained from using the term terrorism in describing Maoists:

In particular, Japan strongly condemns the indiscriminate terrorist attacks against ordinary citizens and social infrastructure. Japan supports the efforts made by the Government of Nepal toward restoration

of order within the framework of the Constitution, and strongly hopes that Maoists will cease their terrorist activities and promptly resume their talks earnestly with the Government toward a peaceful solution of the situation (MOFA, 2002: May 29).

Japan welcomed the ceasefire agreement between the government and the Maoists, and the January 29 announcement by the Maoists that they will stop their armed campaign. Japan called “all the groups concerned to cooperate with each other closely so as to resolve the conflict peacefully for the sake of the welfare of the people of Nepal.” (MOFA, 2003: January 31). When the peace talks collapsed in August 2003, an official Japanese statement said:

It is regrettable that on August 27 the Maoists announced to withdraw from the peace talks and to terminate the ceasefire agreement with the Government of the Kingdom of Nepal. The Government of Japan requests the Maoists to continue to comply with the ceasefire agreement and to resume the peace talks.

The Government of Japan also urges all the groups concerned to cooperate closely with each other for the sake of the welfare of the people of Nepal with a view to achieving a peaceful resolution based upon the principles of democracy (MOFA, 2003, August 28).

Chief of Army Staff General Pyar Jung Thapa visited Japan to take part in a defense conference in Tokyo organized jointly by the Japanese Self-Defense Forces, Joint Staff Council of Japan and the Pacific Command of the United States Army in October 2004. General Thapa paid courtesy calls on chairman of the Joint Staff Council of Japan and Commander of the Pacific Command of the US Army. It would be surprising if they had not discussed the security situation in Nepal, especially when both the U.S. and Japan were supporting through training and information to fight terrorism.

### **3.7.3 Peace-Building**

The objective of Japan’s security policy is “to improve the international security environment so as to reduce the chances that any threat will reach Japan in the first place.” (MOFA, 2007). The concept of peacebuilding was enunciated by Prime Minister Koizumi in Sydney in May 2002. This was further elaborated by Minister for Foreign Affairs Taro Aso in a policy speech in November 2006 when he outlined the policy of creating an “Arc of Freedom and Prosperity” on the basis of affluent and stable regions grounded in universal values such as freedom and democracy as new pillars of Japanese diplomacy. Peacebuilding consists of two phases of “consolidation of peace” which includes humanitarian assistance to refugees and internally displaced persons (IDPs), restoration of domestic security, and realization of justice and reconciliation followed by the “nation-building” which includes democracy-building to build democratic and independent nation through the development of political, judicial, and

administrative systems. Japan supports the process of peacebuilding through (a) economic cooperation under its ODA, (b) respect for local communities and their ownership, and (c) emphasis on the perspective of human security as a tool of diplomacy (MOFA, 2007).

Japan's first comprehensive peacebuilding support was for Cambodia since 1980s when it contributed SDF personnel, civilian police officers and election monitors to the United Nations Transitional Authority in Cambodia (UNTAC). It was the first full-scale PKO deployment for Japan under the International Peace Cooperation Law enacted in June 1992. In East Timor, Japan provided assistance to the referendum on independence in August 1999. The former territory under Indonesia became independent in May 2002. It has been providing development and humanitarian aid to East Timor. In Sri Lanka, Japanese assistance to peacebuilding has focused on development of the northeast regions of the country seriously damaged by the conflict. In Afghanistan, Japan has been supporting the peace process, domestic security, and reconstruction and humanitarian assistance.

Japan's senior Vice Minister for Foreign Affairs Yasuhisa Shiozaki during his July 2006 visit to Nepal warned that it would be a disaster for power players in Nepal if the Maoist rebels participate in the interim government without laying down their arms. He said he was optimistic about the Maoist disarmament before an interim government was formed. In response to a question on the Nepal Army's pledge to function under the civilian government, he said: "The Nepal Army vastly differs from the Maoist people's liberation army. The Nepal Army has already expressed commitment to abide by the Government decisions, control."

Shiozaki had talks with Prime Minister Girija Prasad Koirala, Deputy Prime Minister and Minister for Foreign Affairs K. P. Sharma Oli, Speaker of the House of Representatives Subhas Nembang, among others, mainly focusing on the peace process, especially the decommissioning of the Maoists and the UN role in the fledgling peace process in Nepal. The visit came at the crucial stage of dramatic political developments in the country which he welcomed. He pledged Japanese assistance in institutionalizing peace and democracy, and hinted that Japan would support the UN involvement in peace-building in Nepal. He also expressed his willingness, if Nepal government so wished, to send an election monitoring team to ensure free and fair elections of the constituent assembly (Rising Nepal, 2006: July 30). He stressed on the "solidarity and unity among political parties" were "indispensable for consolidating and realizing democracy." Japan also pledged US\$ 8.1 million assistance for radio broadcasting.

Following a formal written request from Nepal and the Maoists, the UN Security Council on January 23, 2007 adopted Resolution 1740 to establish the UN Mission in Nepal (UNMIN) to monitor the management of arms and armed personnel. Japan welcomed the unanimous adoption of the Resolution 1740, and expressed the hope that UNMIN will “support effectively the management of arms and the conduct of the election of a constituent assembly.” (MOFA, 2007: January 24). It also reiterated its continued support for the implementation of the Comprehensive Peace Agreement.

At the UN request, the Japanese government sent fact finding missions to Nepal in January and June 2007. On March 27, the Cabinet in Tokyo decided to dispatch six arms monitors from the Self Defense Forces (SDF) to the UNMIN on the basis of the International Peace Cooperation Law. The dispatch, which was the first deployment after SDF was upgraded to a full-fledged Ministry of Defense in January 2007, was expected to “greatly contribute to further strengthening the bilateral relations between Japan and Nepal as assistance to the peace-building efforts in Nepal, and will play an important role in securing peace and stability in the South Asian region.” (MOFA, 2007: January 24). The mission was extended for six months when the polls were deferred to for April 10, 2008.

### **3.7.4 Human Security**

Human security is not yet a priority in Nepal-Japan cooperation despite the magnitude of the problem. The number of internally displaced persons (IDPs) in Nepal has been growing as a result of the Maoist insurgency, which has claimed over 13,000 lives since February 1996. Abduction, disappearances and assassinations continue. Nepal could face a humanitarian crisis if the problem of IDPs was not addressed on time. The number of IDPs was estimated at 200,000, far more than 8,000 the government claimed. However, this figure continues to go up for several reasons such as growing violence, threats, forced recruitments and extortions. The progress in this regard has been slow.

Japan seeks to make 21st century a “human-centered” century and has been promoting the concept of human security as one of the key perspectives in its foreign policy. Prime Minister Mori took the initiative in establishing the Commission on Human Security, which describes human security in the context of conflict as well as development (MOFA, 2003). Its eight point focus includes protecting people in violent conflict, supporting security of the people on the move,

establishing human security transition funds for post-conflict situation, encouraging markets and fair trade, universal access to basic health care, among others.

Another issue relating to human security is trafficking in women and children, and efforts aimed at eliminating trafficking have been constrained because of instability and insecurity. Despite the National Plan of Action to combat trafficking, a draft Human Trafficking Control Bill to strengthen its 1986 anti-trafficking law and a National Rapporteur on Trafficking, internal trafficking for forced labor and sexual exploitation continues. Human security has also been threatened by small arms and anti-personnel mines. Nepal now manufactures its own anti-personnel mines and the armed forces have studded the countryside beyond the Kathmandu Valley with 10,000 landmines to deter Maoists. Minefields, meant to protect police outposts and army barracks, have been fenced off with barbed wire and their use has been increasing. The Maoists plant India-manufactured mines, booby traps and home-made pressure cooker bombs. About 500 Nepalis have been killed and another 900 maimed in land mines and booby traps between 2000 and 2005 (Independent, 2003: December 6). Nepal has not yet signed the Ottawa Treaty on banning mines.

Apart from landmines, the overwhelming availability of small arms and light weapons like assault rifles and anti-tank missiles have tended to (a) intensify and prolong conflicts, (b) cause extensive damage to development infrastructure, and (c) disrupt law and order after the conflict and its reoccurrence of conflict. This has severely constrained efforts at rebuilding societies devastated by conflicts. Nepal wants non-production, non-transfer and non-deployment of excessively injurious weapons, including landmines. Japan has been advocating a Zero Victims Program with two-pronged strategy: (a) broad and effective prohibition of anti-personnel landmines, and (b) strengthen de-mining activities and victim assistance (MOFA, 2002). There is obviously a gap between what is being done by Japan in promoting human security and the prospects and potentials of the same in the Nepali context.

### **3.7.5 United Nations Reforms**

The debate on the role of the United Nations revived following the US-led invasion of Iraq in 2003, which Secretary General Kofi Annan described as “illegal” with the UN as a “fork in the road.” (Rising Nepal, 2004: September 21). The world body was blamed for the situation in Sudan’s Darfur region where ethnic cleansing has cost over 50,000 people between 2003 and 2005. The developments indicated urgency for reforms, mainly the United Nations Security Council (UNSC)

which has five permanent members – China, the United States, Britain, France and Russia – and 10 non-permanent members elected on a 2-year fixed term on geographical rotation. A high level panel named by Annan submitted its 62-page report in December 2004, offering two models: adding six new members to the existing five permanent members or the addition of a third tier of semi-permanent members.

Nepal and Japan have deep and abiding faith in the UN, Nepal particularly so as the institution represents the custodian of the rights and interests of small and least developed countries. Nepal became a member of the world body on December 14, 1955, less than a year before Nepal and Japan established diplomatic relations. Japan is the world's second largest contributor to the UN budget, shouldering 19.5 percent after the U. S. with a 22 percent share. Japan also makes substantial support for the UN humanitarian and peacekeeping operations.

Japan since 2001 has been arduously championing for its representation in the UNSC as a permanent member commensurate with her global economic power. Japan's bid for permanent membership of the UNSC is unlikely to materialize unless there is an agreement among member-states on the proposed reforms, which is not going to be easy. For example, Japan, Brazil, Germany and India – also known as G-7 – are each seeking permanent membership in the prestigious body. A rival proposal by the “United for Consensus” group seeks to expand the UNSC to include, in addition to the five veto wielding permanent members, 20 non-veto wielding permanent members.

Japan's special envoy and parliamentary secretary for foreign affairs Katsuyuki Kawai visited Nepal in June 2005 to seek Nepal's support for the G4 proposal, saying Nepal stands to “benefit substantially if Japan was elected.” (Rising Nepal, 2005: June 13). Nepal has publicly supported only Japan's candidature, possibly because Tokyo has adopted a non-interventionist attitude towards Nepal. When Japan contested for the non-permanent UNSC seat in 1986, Nepal did not put its candidature as that year marked the 30th anniversary of Japan's entry into the UN (Rising Nepal, 1987: August 9). Hot on the heels of Kawai, Indian Minister of State for External Affairs Rao Indrajit Singh visited Nepal to garner support for India's bid for the same, sparking off speculation on quid pro quo between Nepal's support for India in exchange for “a softening of Indian attitude” towards the king's direct rule (Josse, 2005).

The U. S. has backed only Japan (New York Times, 2005: June 17). China supports Germany, Brazil and India but not Japan. Beijing believes the proposed reforms needed “extensive,



transparent discussions and unanimous agreements.” Nepal’s official position on the issue is that it is long overdue to make the UNSC “more democratic in its work and more representative in its structure” and has also expressed “deep concern” at the lack of tangible progress on the enlargement. (MFA, 2003). Nepal has served as an elected non-permanent member successfully twice – in 1969-70 and 1988-89. The lingering political crisis and a sagging economy cast a pall of gloom on prospects of Nepal’s third stint and it indeed lost its bid for 2007-08 for Indonesia.

### **3.7.6 Kyoto Protocol**

Global warming has produced widespread drought, crop failure and rising sea levels. The average temperature was rising by 2 degrees Celsius above the level of 1750 – the approximate start of the Industrial Revolution when mankind started significantly adding carbon monoxide to the atmosphere. Nepal endorsed the landmark United Nations treaty known as the Kyoto Protocol, named after the ancient Japanese capital where it was signed in 1997, as it seeks to cut emission of carbon dioxide (CO<sub>2</sub>) and other greenhouse gas by 5.2 percent by 2012, with targets set for each nation based on their pollution level in 1990.

Nepal stands to benefit from the Protocol’s Clean Development Mechanism (CDM) for projects that reduce CO<sub>2</sub> and other green house gas emissions (Kathmandu Post, 2005: February 11). It has 0.025 percent annual greenhouse gas emission in the world and a vast potential of renewable energy in the form of hydropower, solar and wind energy. Japan requires a six percent reduction in carbon gas emissions from the 1990 levels (Mainichi Shimbun, 2005: February 2). Nepal’s support for the treaty is for three main reasons. First, it is in the long-term interest of the global community to create a clean and safe environment for the future generation. Second, it can meet most of her energy needs from non-carbon sources, which entitles Nepal for benefits under mechanisms of the Protocol by developing clean infrastructure projects in collaboration with other countries and by trading its quotas with countries included in Annex I. Lastly, it helps prevent glacial lake outburst floods, melting of glacial rivers and loss of biodiversity (Rising Nepal, 2005: March 18).

Trading in greenhouse gas emissions is thriving, and business in CO<sub>2</sub> pollution is fast growing. Carbon is now being used as a commodity as other energy commodities. The global volume of CO<sub>2</sub> increased from 94 million tones in 2004 to 800 million tones in 2005. The most advanced of Nepal’s CDM projects is the Nepal Biogas Support Program, which has already received a Letter of Intent from the World Bank from the Community Development Carbon Fund for

the purchase of one million tons of CO<sub>2</sub> for around \$4.5 million. Nepal's household biogas sector alone was estimated to generate some \$200 million in the next 20 years (Pandey, 2004).

Both China and India, Nepal's immediate neighbors and major polluters of the environment, are outside the treaty framework. This is why Americans abandoned the treaty, signed already by 141 countries, on two key grounds. First, the cuts in carbon emission it demands will damage the US economy, and second, it leaves out emerging polluters like China and India. The reluctance of American and Australian, which account for 30 percent of the world's greenhouse gas emissions, weakens the treaty.

### **3.7.7 Nepali POWs in Japan**

The total strength of the Nepali troops who fought under the British Crown during the World War I (1914-18) was "not less than 200,000" and "suffered 20,000 casualties." (Northey & Morris, 1974: 267). They were deployed from Mesopotamia to Marne, and were the first to break through Turkish lines at Gallipoli. They fought the Japanese only during the World War II in many fronts. In Malaya, the Gurkhas fought so resolutely that "elicited official Japanese recognition that, of all the nationalities opposed to them, the Gurkhas of Nepal were the most to be feared." (Bishop, 1976: 102). In February 1942, they forced the Japanese to surrender in Singapore. The Gurkhas are credited for preventing "the possibility of the Japanese shaking hands with their German allies somewhere between Delhi and Cairo" by fighting in Burma in May 1942.

The Gurkhas proved that they were superior jungle fighters to the Japanese, whose easy conquest of Burma and Malay blew their reputation out of proportion. Out of 132,000 Gurkhas recruited to fight along with the British during the World War II, 10,000 of them were dead with "15,000 wounded or taken prisoner." After the Gurkhas forced them to surrender in Singapore, the Japanese soldiers "instituted a deliberate policy of ill-treatment of Gurkhas" and "reserved the most barbaric measures for the Gurkha officers who, by their examples, continued to inspire the other ranks not to succumb to enemy blandishments." (Bishop, 1976: 133-134).

More than 50 years after they were taken prisoners by the Japanese, some former Gurkha soldiers won the right to compensation from the British government after ruling by Britain's Preston Crown Court that the government's decision to deny the Nepali soldiers compensation given to other prisoners of war (POWs) was both irrational and inconsistent with the principle of

equality. The British government is providing ex-gratia payments of £10,000 (\$19,142) to each of 578 Gurkha soldiers held POWs by Japan during the World War II. Applications for compensation began to be accepted since April 2004 and about 1,800 persons had lodged claims as of 2003. This represents half the number of Gurkha soldiers estimated to have been captured by the Japanese (British Embassy, 2005: March 14).

### **3.7.8 Nuclear Proliferation**

Both Nepal and Japan support time-bound elimination of nuclear weapons. Nepal favors elimination of all nuclear weapons, and supports a comprehensive global disarmament, both nuclear and conventional. Nepal also hosts a United Nations Regional Center for Peace and Disarmament for Asia and the Pacific. Likewise, Japan wants the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) regime firmly maintained and strengthened further and the Comprehensive Test Ban Treaty (CTBT) signed and ratified at the earliest date possible. During his visit to Nepal in August 2000, Prime Minister Mori urged Nepal to ratify the CTBT at the earliest opportunity. Nepal has voted for CTBT but insists on the inclusion of a time-bound nuclear disarmament target and it to be truly comprehensive. Both Nepal and Japan share “serious concern” on the nuclear proliferation in South Asia, especially after India and Pakistan conducted nuclear tests in May 1998 and have active nuclear missile programs. Nepal’s reaction to India’s tests was timid and misdirected:

Nepal as a party to the Nuclear Non-Proliferation Treaty and signatory to the Comprehensive Test Ban Treaty, views with concern nuclear tests by any country. Nepal hopes that the recent nuclear tests by India will not unleash nuclear arms race in the region. Nepal urges all to exercise maximum restraint and refrain from nuclear tests in order to create an atmosphere of trust and confidence essential for global nuclear disarmament. (MFA, 1998: May 12).

The reaction was timid because it used no adjective to describe Nepal’s displeasure with the tests to match its long-standing commitment and support for nuclear non-proliferation, and misdirected as it only referred to the possible proliferation among other potential nations without naming India whose nuclear tests had precipitated the nuclear proliferation in the first place. There was a second reaction to the tests by India and Pakistan on the same day Indian President K. R. Narayanan began his state visit to Nepal:

Nepal has noted with concern the nuclear weaponization obtaining in our region and urges all concerned to exercise maximum restraint and refrain from nuclear testing following the recent nuclear tests in the region. Yet another series of nuclear tests in South Asia has added to our concern as this is likely to contribute to the deterioration of the security situation in the region. Nepal sincerely hopes that the Pakistani nuclear tests today would be the end of nuclear weaponization of our region and countries in the region will redouble their efforts towards the good of the global nuclear disarmament. (MFA, 1998: May 12).

### **3.7.9 Water Summits**

Water problems have dominated the global agenda ever since the United Nations Conference on Environment and Development held in Rio de Janeiro in Brazil in June 1992 incorporated the issue of freshwater resource management into its agenda. Water experts formed the World Water Council in 1996 in order to address a diversity of water-related problems ranging from climate change, water pollution, harnessing of international rivers, drought and floods. It has been holding World Water Forums, the first in Morocco in 1997, second in the Netherlands in 2000, the third in Japan in March 2003 and the fourth in Mexico in March 2006.

Nepal has been participating in the Forums, which has been discussing the decentralization of water supply management, the need for transparency and more investments to improve clean water access. According to the World Water Vision Report, total investment in water services will have to rise to \$180 billion annually by 2025 in order to meet the challenges of water issues, especially in developing countries. Since the total global official development assistance is \$50 billion, the concept of public-private partnership is being promoted. However, the privatization of water supplies has raised several issues, including the emphasis by the private sector on profit rather than the needs of the people. The public-private partnership has been opposed on the grounds that it is “ethically, environmentally and socially wrong.” Japan has placed priority on water issues in its development cooperation, providing \$5.7 billion to support water projects around the world between 1999 and 2001.

It may thus be concluded that while external factors have played a decisive role in Nepal’s political modernization, the elite in Japan played a critical role in shaping their country’s destiny by building strong political institutions and processes. As a result, in the last 117 years between 1889 and 2006, Japan has been ruled only under two constitutions – the Meiji constitution and the present constitution promulgated in 1946. The focus of both these basic laws of the land has been on building strong political institutions and processes for the prosperity of Japan and the Japanese people. In sharp contrast, Nepal has already been governed under six constitutions in less than 60 years and is looking forward to the seventh constitution after the elections for the constituent assembly. The political leadership has essentially failed to build strong political institutions and processes. As a result, political process does not follow a predictable course. As a result, stability remains elusive and the well-being of the people even more so. Politically, this is perhaps the most important difference between Nepal and Japan.

## CHAPTER IV

# ECONOMIC RELATIONS

Economic cooperation is the most significant dimension of Nepal-Japan bilateral relations despite the fact that Nepal has neither the raw materials Japan needs for its industries nor does it offer any significant market for Japanese products. This chapter attempts to probe reasons for Nepal's underdevelopment and Japan's development, and economic relations between landlocked and least developed Nepal and the prosperous "sea-locked" archipelago of Japan. The chapter begins with a brief assessment of the significance of Nepal's economic ties with Japan, makes a comparative study of their economic modernization and looks at their foreign aid policies. It then examines the scope and dimensions of economic relations.

### **4.1 Significance of Economic Relations**

Before emerging from defeat in the World War II, Japan's economic and strategic interests were confined to East and Southeast Asia. Japan advocated "Pan Asianism" envisaging the entire region as an integrated whole to "help avoid clashes of national interests and promote the welfare of all." (Iriye, 1994: 43). This posture was basically anti-Third World as it aimed at bringing most of Asia under the Japanese rule. This is a key reason why the Asian powers cooperated with the U. S., Britain and their allies to defeat Japanese imperialism during the World War II.

Japan in modern times has not only pursued a path of high economic growth but also revived its relations with many Asian countries. As it began to expand economically and its trade flourished, Japan emerged as a global economic power within a short span of time (Vogel, 1994). Undoubtedly, Japan's major economic interest remains with the U. S. and Europe but is poised to play a pro-active global role for a number of reasons. These include the collapse of the Soviet Union, the decline of American economic presence, the rise of Japan and the success of the export-led economic growth strategies by most Asian countries. Asia is an area of "primary attention to Japanese policy makers, a region where they believe Japan has an important role to play, politically as well as economically." (Curtis, 1994: 222).

One of the main goals of Nepal's foreign policy is to seek international support for the economic modernization. The main thrust in the 1960s and the 1970s was to bolster international legitimacy for the regime. With the expansion of diplomatic relations, Nepal also pursued the goal of trade diversification. It also began to attract foreign aid to the extent that the success of a government was measured in terms of the quantum of aid received. The economic and trade dependence on India declined significantly as Nepal looked for new market opportunities in the U. S., Europe and Asia for its products by involving the private sector.

The 1980s was marked by the establishment of a number of Joint Economic Commissions with Bangladesh, China, India, Pakistan and Thailand but with little or no impact on promoting economic and trade relations. The operation manual prepared for the officials of the Ministry of Foreign Affairs dealing with economic matters underlined the importance attached to trade and investment. However, economic reforms were slow and therefore unable to create necessary legal, institutional and economic infrastructure to propel development.

Since the revival of multi-party democracy in 1990, Nepal took a number of steps to integrate with global economy by opening up trade sector, deregulating industrial and foreign exchange regimes and reducing tariff barriers. In 1993, the Policy Planning and Economic Analysis Unit and the Institute of Foreign Affairs were created under the Ministry of Foreign Affairs. These structural changes were inconsequential because of a total absence of a strategic rethink and coordinated policy formulations. Nepal needs a strategic rethinking on foreign policy and development cooperation in order to build and enhance its capacity by closely linking foreign policy goals with substantive economic goals of reducing poverty and creating income and employment opportunities.

A high level task force with a limited mandate in 1966 had identified three main weaknesses in the conduct of economic diplomacy: (a) structural problems like absence of an integrated national strategy and of agency for information and research, absence of plan formulation culture, and of institutional communications; (b) inadequate competent human resources; and (c) lack of communications and coordination. It recommended, among others, (a) realistic reorganization of the divisions within the Ministry of Foreign Affairs, (b) introduction of a career planning system, (c) creation and institutionalization of an economic relations and coordination division at the Ministry of Foreign Affairs, (d) activation of the Royal Nepal

Missions and Embassies abroad for economic diplomacy, and (e) creation of the Institute for Foreign Affairs (Task Force, 1996).

In economic term, Nepal may be insignificant to Japan. Strategically and politically, however, Nepal is significant for Japan. This perhaps explains why Nepal is high on the list of countries that receive official development assistance (ODA), and that the quantum of ODA to Nepal is comparable to Bangladesh and Sri Lanka (MOFA, 2004).

Japan's ODA to Nepal is guided by three major considerations. First, Nepal has amicable relations with Japan. Second, Nepal has the lowest per capita income and is one of the least developed countries, which makes a strong case for foreign aid. Third, Nepal has been pursuing a free market economy that matches with the multi-party parliamentary democracy (MOFA, 2006). A major consideration is also Nepal's integration into the global economy, especially its membership of the World Trade Organization (WTO). It adds a new dimension to her diplomacy, and brings major benefits in terms of expansion of market, framework for trade relations, and foreign direct investment and technology. In fact, Japan's Minister for Foreign Affairs Yoriko Kawaguchi welcomed Nepal and Cambodia's membership of the WTO as "especially significant" as these countries were a first group of the LDCs to join the world body since it was founded:

Cambodia and Nepal now face new challenges to implement their commitments stipulated in the protocols of their accession. Japan continues to support both countries as they take up these challenges. At the same time, I am convinced that Cambodia and Nepal will be able to reap maximum benefits from their membership in the WTO, by enhancing their capacity and capability to be more competitive in the global trade (MOFA, 2003).

Apart from the WTO, Nepal is a signatory of the Agreement on South Asian Free Trade Area (SAFTA) along with Bangladesh, Bhutan, India, the Maldives, Pakistan and Sri Lanka. Trade among SAFTA countries is currently as low as five percent of the global trade volume, but the framework is a first major step in the evolution of a South Asian Economic Union by 2020. In February 2004, Nepal also grouped together with Bangladesh, Bhutan, Burma, India, Sri Lanka and Thailand under the Bay of Bengal Initiative Multi-Sectoral Technical and Economic Cooperation (BIMST-EC) to promote free trade. Nepal is also part of the South Asian Growth Quadrangle together with Bangladesh, Bhutan, and India and is also seeking membership of the Bangkok Agreement.

Nepal could learn from Japan's experience on strategic, long term planning to focus on specific area of her economy. Japan's industrial policy throughout the post-War years nurtured industry with an emphasis on "technological innovation and rationalization." (Sumiya, 2000: 14). Nepal needs to take a hard look at market imperfections and turn to development-oriented policy to overcome them while at the same time build industrial structures and corporate culture compatible with such policy. Scarce resources are scattered on too many areas without Nepal producing any desirable results.

## **4.2 Economic Modernization in Nepal and Japan**

Comparative study of economic modernization in Nepal and Japan typically is a study in contrasts because while the Nepali rulers have always given priority for their own political survival, the Japanese rulers since the Meiji Restoration aimed at building strong economic institutions.

### **4.2.1 Nepali Economy: Sitting Duck**

With a per capita gross domestic product (GDP) of US\$260 per year, Nepal remains one of the poorest countries in the world (World Bank, 2006). Agriculture is the main source of income for 80 percent of the population and contributes significantly to the GDP. Nepal's economic history can be divided into four periods: (a) National Unification (1768-1846), (b) Rana Oligarchy (1846-1950), (c) Restoration of Monarchy (1951-90), and (d) Revival of Democracy (1990-present).

#### **4.2.1.1 Economy during National Unification (1768-1840)**

The unification brought power and wealth to the rulers but economic growth and prosperity of the common people was never a core objective. The unification made it possible for the rulers to garner economic surplus part of which was rewarded to the political leadership while retaining ultimate control of the surplus (Regmi, 1995). This helped foster a sense of dependence on the king and insecurity among the political leadership, which was nothing more than servants of the king who gave them *jagirs* and *birtas*: "the workers and peasants of Nepal have paid not only for the ambitions of their kings and political leaders but also for their follies and rivalries." (Regmi, 1995: 69). Thus, neither the king nor the political leadership engaged in any venture for



economic growth and modernization in terms of increasing production or improving the condition of the producer. The regime “marked the emergence of a command-economy superimposed on the customary economy of their predecessors.” (Regmi, 1984: 212).

The military objectives dominated the policies and programs of the Gorkhali rulers, who never succeeded in devising a permanent and institutional administrative machinery to implement such policies, which were determined primarily to suit the interests of the political elites, not those of the producer or the trader. The subsistence nature of the economy was a boon in disguise for the rulers to keep the political leadership subjugated to the interests of the rulers.

#### **4.2.1.2 Economy under Rana Oligarchy (1846-1950)**

The early Rana rulers continued the basic economic policies pursued by the Shah rulers with no interest in the economic prosperity of the common people. The Rana “agrarian bureaucracy” was a system that survived “upon a central authority for extracting the economic surplus from the peasantry.” (Regmi, 1978: 153). The political elite had a vested interest in a high level of agricultural taxation without any commitment to developing agriculture by increasing productivity or improving the condition of the peasantry. This apathy was clearly demonstrated by Prime Minister Jung Bahadur Rana who during his visits to England and France in 1850 seemed to have impressed only with, in addition to ordnance, wine, women and wealth. He had absolutely no interest in either the transformation of the agricultural sector or the Industrial Revolution in Europe. Nepal’s poverty and subsistence agriculture have been a boon in disguise for the rulers to stay politically unchallenged.

It was only towards the end of the Rana oligarchy that a number of innovations were introduced such as the establishment of Tejarath (Treasury Offices) in 11 districts in the Terai on January 6, 1931 (Regmi, 1979). The main objective was to provide loans to individuals at an annual interest rate of 10 percent as local moneylenders were charging exorbitant rates. The Tejarath was replaced by the Nepal Bank Limited on May 19, 1937. The Nepal Company Act 1936 laid the foundation stone for the creation of Biratnagar Jute Mill, Nepal’s first industry.

Famines in Kathmandu Valley and elsewhere in 1863-64 forced a large number of people to migrate to India, and the resettlement programs in the Rapti Valley mainly benefited military officers and personnel (Regmi, 1979). Roads were built in Kathmandu, and a ropeway linked

Kathmandu with Bhimphedi, but they were not designed to create national industrial production bases and promote exports. They would promoted import of consumer goods. At the end of the Rana rule, the country was left with a number of palaces and the Rana family fortunes that “continued to increase by the equivalent of \$60 million yearly.” (Harris et. al., 1973: 224).

#### **4.2.1.3 Economy after Restoration of Monarchy (1951-90)**

The Hindu Shah dynasty after being restored in February 1951 formed a committee was set up to abolish tax free *birta*, a feudal land holding system given to individuals by rulers for patronage or rewards for loyal services or as personal favors. As leaders scrambled for power, economic reform was never a priority. There were problems in the absence of proper land records. The first Five Year Plan was announced in 1956, largely inspired by the Soviet-style centrally-planned economy in India without the capacity to implementing the plan.

After dismissing a democratically elected government in 1960 purely on the strength of military support, King Mahendra introduced a number of laws that widened tax base, increased taxes and strengthened the monetary system. As Cold War deepened, capitalist West and Communist countries vied to provide foreign aid, mostly grants, to build infrastructure. However, reforms in the economy began with the International Monetary Fund’s Structural Adjustment Program loan for the first time in 1983 helped correct imbalances due to the huge trade deficit and low foreign exchange reserves.

#### **4.2.1.4 Economy after Restoration of Democracy (1990-present)**

Soon after the restoration of multi-party parliamentary democracy under a constitutional monarchy in 1990, the Nepali Congress government began economic reforms that transformed Nepal from a command to free market economy. Most dramatic was the introduction of a unified exchange rate in 1993 with full convertibility of the Nepali rupee on the current account to boost exports and ease import restrictions. Domestic and customs tariffs were reduced and simplified ahead of India to create liberal trading environment. As a result, export trade jumped from Rs. 7.6 billion in 1992-93 to Rs. 21 billion in 1993-94, and the foreign exchange reserve tripled to Rs. 37 billion. A plan for privatizing public enterprises was implemented, and private airlines were allowed to operate for the first time.

The reforms were in trade, industry and banking sectors, largely unaffected the major sector of the economy – agriculture. Even in trade and banking sector, second generation of reforms has been delayed because of the political unrest. Despite generally positive results, the Nepali economy continues to suffer from poverty and stagnation. It remains a high cost economy characterized by three structural gaps: income and expenditure gap, export and import gap and savings and investment gap (Dahal, 1999). Nepal has yet to emerge as a full-fledged economic nation-state as it cannot apply independent domestic economic policies – a cardinal flank of economic nationalism (Dahal, 1993).

A major impediment to economic modernization is that more than half the population lives below poverty line surviving on \$1 a day. Poverty “looked so natural, something that no body could do anything about” and is accepted “as a matter of fate, caused by one’s bad karma.” (Shrestha, 1998: 45). Current poverty reduction strategy mainly focuses on social and economic activities, income and employment opportunity for backward classes and areas, and foreign employment opportunities (HMG, 2002). Political unrest and absence of a broad consensus among the political parties on the direction of economic reforms cast shadow on the prospects of economic expansion.

#### **4.2.2 Japanese Economy: Flying Goose**

Japan’s history of economic modernization can be divided into four major periods: (a) Tokugawa Regime (1600-1868), (b) Meiji Restoration (1868-1911), (c) Imperial Japan (1912-1945) and (d) Modern Japan (1946-present). One common element of all the four periods is that Japan’s foreign policy goals were invariably but firmly linked to the pursuit of economic interests (Sumiya, 2000).

##### **4.2.2.1 Economy under Tokugawa Regime (1600-1868)**

The Tokugawa regime characterized by the rise of feudalism with a national government led by Shogunate was powerful enough to maintain order, effectively ruling in the name of the emperor experienced rapid urbanization. Roughly six percent of Japanese people lived in cities with populations greater than 100,000 in Japan by 1700 compared to less than two in Europe (Gordon, 2003). Kyoto and Osaka, each with about 350,000 residents, were comparable to

London or Paris. It built pressure for the creation and maintenance of infrastructures like transportation and communications.

The Tokugawa regime was marked by two negative developments: (a) devastating famines, the worst of which was in 1786 when thousands starved to death and (b) the practice of infanticide because either it was a last resort by desperate peasants unable to feed their children or among wealthy peasants as a form of birth control (Gordon, 2003). The Meiji rulers and the political leadership built their strengths on the political and economic institutions for further industrialization of the country. The crux of the problem with the Tokugawa Shogunate was a “systemic crisis” produced by the inadequacies of Japanese society’s values and institutions to address the problems (Totman, 1980). The crisis for the rulers began with the opening of the treaty ports in 1859 and the insurgency in Choshu, Satsuma and Tosa. New economic activities for the ordinary people created opportunities for them to participate in the political process, denying legitimacy to the Bakufu government and ultimately overthrow of the Tokugawa Shogunate.

#### **4.2.2.2 Economy under Meiji Restoration (1868-1911)**

The “restoration” of the young Emperor Meiji in 1868 opened a new chapter in the history of Japanese economic modernization. The Meiji rulers adopted the policy of *fukoku kyohei*, meaning “a rich country, a strong army.” (Hook et al, 2001:8). It established modern economic institutions – a nationwide monetary system, banking institutions, Western types of taxes, and a national budget. Western experts were hired and Japanese officials were sent overseas to learn Western technical skills and science (Reischauer, 1974). One of the most significant reforms was a new tax system in 1873 aimed at achieving goals beyond increasing the volume of revenue. It provided for a national land survey as well as assessed the market value of all plots of land, and set a uniform land tax at three percent of the assessed value. This provided a basis on which the government predicted annual revenue, part of which was invested in building economic infrastructure. But most important, it established for the first time direct economic and political ties between the rulers and the people (Totman, 1980).

The modernization of the Japanese economy began with reforms in agriculture (Beasley, 1963). Agricultural colleges and experimental farms were established, and farmers provided with technical advice to boost productivity. Improved inputs and expansion of irrigation doubled

agricultural production between 1873 and 1890. The process of industrialization coincided with surge in export of agricultural products like silk, tea, soya bean and sake, thus linking agriculture to global markets. Trade generated further revenue for industrialization. Increased production made farmers pay taxes, which were pumped into industrial development. The Japanese government and business houses worked as partners to promote economic growth.

Between 1871 and 1873, Meiji oligarchs traveled to the U. S. and Europe to study technology, banking system, political system, infrastructure, educational system, zoos and agricultural techniques and considered what would work in Japan and what would not (Shively, 1971). Soon afterwards, universities were founded and educational systems created. It was this contact that exposed Japan to the West's superiority in weaponry, technology and science. The emphasis was placed on building development infrastructure like roads and communications and construct and operate mines and factories as government projects to promote industrialization. Japan thus began shifting swiftly from a semi-colonized status to that of an imperialist power.

#### **4.2.2.3 Economy during Imperial Japan (1911-1945)**

The World War I provided stimulus to the Japanese economy, which had industrialized rapidly. Europe's preoccupation with war provided an opportunity to Japan to increase sales of her goods in the world market (Beasley, 1963). Export of steamships and motor vessels alone doubled between 1914 and 1918, and annual income from freights multiplied 10 times. The end of hostilities created a temporary recession in the 1920s which hit Japan the hardest. It brought a great distress to a large proportion of the farming community. Japan's silk exports also collapsed. The economic problems gave rise to ultranationalist military (Storry, 1966).

Large organizations known as *zaibatsu* (financial clique) – including Mitsui, Mitsubishi, Yasuda and Sumitomo – expanded their operations into banking, heavy industry, shipping, commerce and other forms of economic activities. The expansion of the economy led to the expansion of the industrial and commercial middle class. The *zaibatsu* controlled large part of the upper level of Japanese economy. The concentration of wealth and economic power at few hands was facilitated by the sale of the government enterprises in the early 1880s to small number of individuals who the government believed were capable of managing them well. The *zaibatsu* system laid a “solid industrial base for the country's spectacular growth in recent decades” (Reischauer, 1974: 308).

This saw the revival of the economy between 1930 and 1936, often described as a period of “economic miracle” for three reasons. First, the value of the Japanese yen fell dramatically when Tokyo pulled out of the gold standard. This won new markets for Japanese products. Second, Japan also resorted to deficit financing to renew growth in a lagging economy. Third, Japan intensively began to build on the industrial economy.

#### **4.2.2.4 Modern Japanese Economy (1946-present)**

Japan’s defeat in World War II and subsequent surrender on August 15, 1945 ended the imperialist era and heralded the beginning of a modern era. Japan almost immediately embarked on the policy of *oitsuke oikose* (catching up and overtaking the West economically). It concentrated on recovering from the wartime devastation and on building the economy. Japan emerged as the ‘rising sun’ in the 1960s and the East Asian ‘economic giant’ by 1970s. ‘Pax Nipponica’ was declared to soon replace the age of Pax Americana (Hook et al, 2001). The Japanese economy suffered during the 1990s as a result of the Asian Financial Crisis under the impact of the “bubble economy” between 1985 and 1990 when companies and individuals borrowed money and bought shares by inflating the value of their land and shares. It began recovering after a decade of stagnation, and the economy today is stimulated by robust exports led by rising consumer spending in China and the U. S., Japan’s two biggest overseas markets. Since reviving corporate and consumer spending has underpinned the spending, Japan’s growth is unlikely to be affected even if China’s booming economy slows down (International Herald Tribune, 2004: May 22).

Japan achieved industrialization without foreign aid, and most significant, avoided the Third World syndrome of importing luxury items for the upper class and cheap consumer goods for the ordinary people while exporting few raw materials. This syndrome could lead to economic growth but not economic development and perpetuate dependence on major importers like Nepal. It is doubtful if Japan could be a model for poor countries like Nepal because developing their own industries to meet domestic demand is difficult as a result of complex and expensive technology and opposition to cheap imports from trade unions and multinational companies (Stavrianos, 1981).

Japan achieved high economic growth because it avoided Third World syndrome and pursued a sound development policy to build national industries. It created framework for private

investment, policies to increase the integrity of the banking system and made it more accessible to non-traditional savers to boost savings. Education policies focused on primary and secondary schools generating rapid increase in labor skills.

Agriculture policies stressed productivity and rural economy was not taxed excessively. Second, the government systematically intervened to foster development and in some cases to develop specific industry. Such interventions ranged from targeting and subsidizing credit to selected industries promoting domestic import substitutes, subsidizing declining industries, establishing and financially supporting government banks, making public investments in applied research, establishing firms and industry-specific export targets, developing export marketing institutions and sharing information widely between public and private sectors (World Bank, 1993). Both these measures would have been impossible in the absence of political leadership with vision and determination. This is what Japan has but Nepal does not.

#### **4.3 Nepal's Foreign Aid Policy**

Foreign aid has positively contributed to the development of Nepal, especially in the development of infrastructure (Pyakuryal & Dhakal, 2000). It finances 55 percent of annual development expenditure, accounts for between 25 to 30 percent of government expenditure, and constitutes five to seven percent of the annual GDP. However, discrepancies between the results achieved from aid and their potential remain wide. Ineffectiveness of aid in Nepal is blamed on two misconceptions among donors: that Nepal is ready for social, economic and political change and that the government was able and willing to administer development projects. Thus, foreign aid “not only failed to give a significant boost to Nepal’s economy, but it may even have made growth more difficult to achieve.” (Mihaly, 2002: 209). Nepal is not prepared for economic growth and development, and that the major objectives of development projects were social reforms rather than economic growth (Stiller & Yadav, 1979).

A coherent policy on foreign aid was formulated for the first time in 2002. Key objectives of the policy are to “effectively integrate” foreign aid into the overall resource mobilization framework of Nepal and to help finance and support Nepal’s development endeavors, particularly to achieve poverty reduction goals (HMG, 2002). The policy is to utilize loans selectively in order to reduce the burden of external debt, and give priority to grant assistance or to associate concessional loans with grant finance. It aims at seeking technical assistance to facilitate the

implementation of large projects carry out reforms in the specific socio-economic sectors and in building capacity in formulating, implementing and monitoring development activities. It's a tall order given Nepal's perpetual tryst with political instability. Since the policy lacks specific focus, there are serious doubts about its effectiveness.

In order to coordinate aid, the Nepal Aid Group consisting of 13 bilateral donors and seven multilateral agencies was formed in 1976. It had been meeting in Paris every alternate year. It met in May 2000 in Paris after a gap of four years. It was initially scheduled to meet in October 1997 but was postponed thrice because of political instability and frequent changes in the government. Since then, the Nepal Aid Group has been rechristened as the Nepal Development Forum, and it meets at the gap of two years in Kathmandu in order to promote Nepal's greater leadership and ownership.

Foreign aid is an integral part of Nepal's development. Nepal has "the highest degree of foreign aid as a percentage of government expenditure" in South Asia (Pandey, 1983: 270-312). The amount of foreign aid has been growing over the years both in rupee terms and dollar terms. The total aid in nominal terms increased from Rs. 202 million in the 1950s to Rs. 125.3 billion in the 1990s, an increase by 620 fold (CPWF & AAN, 2003). In dollar term, it increased by 80 fold, from \$26.3 million to \$2.2 billion during the same period. Secondly, the development expenditure is increasingly being dependent on foreign aid. In 2002-03, foreign aid financed 61.83 percent of development expenditure. The disbursement of committed aid amount is very low because of the low absorptive capacity of the country. One estimate claims only 25 percent of the disbursed aid amount is absorbed efficiently in terms of real prices and efficient use (Khadka, 1991).

The structure of foreign aid has undergone significant change since it made a debut in Nepal with a \$3,000 aid under the Point Four Program, which was a pet project of President Harry S. Truman (Pandey, 1983). The available data on foreign aid includes neither the amount received under technical assistance nor that from international non-governmental organizations (NGOs). Grant aid reached its zenith during the Cold War but since the end of the Cold War, the structure of the foreign aid underwent dramatic changes with a heavy component of loans. The loan component of foreign aid increased from 9.5 per cent in 1963 to 80 percent in 1991-92 but declined again to 53 per cent in 2001-02.



Nepal is not in the debt trap yet but pressure of debt servicing on regular expenditure has been building up. The outstanding foreign debt increased from 2.1 percent of GDP in 1974-75 to more than half of GDP in 2001-02. By mid-July 2003, the per capita foreign debt of a Nepali citizen reached Rs. 9,000 and the total per capita debt, including both foreign and internal, exceeded Rs. 13,000, up from Rs. 2,809.80 in 1990 when multi-party democracy was revived. Repayment of loan (both principal and interest) went up from Rs. 2.5 billion in 1990-91 to Rs. 13 billion in 1999-2000. Future loan repayment obligation is more serious because the dramatic slide in the value of the Nepali rupee, from Rs. 29.30 in 1990 to Rs. 72 to a dollar in 2006. The foreign loan of long-term nature is maturing, the exchange rate of the Nepali rupee vis-à-vis dollar continues to depreciate, debt obligations as well as debt servicing requirements are multiplying and grant aid is declining.

Foreign aid has brought about vast improvements in the country's physical and socio-economic indicators – more hospitals, more schools, greater access to drinking water and irrigation, electricity and roads. However, the access to these services remains beyond the reach of the vast majority of people. The ineffectiveness of foreign aid has been blamed on, among others, “pursuance of donor's own strategic interest rather than those that would bring about meaningful economic development.” Yet, foreign aid is so critical to Nepal that it “transcends the economic arena to impinge on political, social and cultural facets of Nepal and Nepalis.” (CPWF & AAN, 2002: 39).

#### **4.4 Japan's Official Development Assistance Policy**

Japan's Official Development Assistance (ODA) Charter, approved by the Cabinet in 1992 and revised in August 2003, outlines Japanese policy on development aid. The objective of the Charter is to “contribute to the peace and development of the international community, and thereby to help ensure Japan's own security and prosperity.” (MOFA, 2006: 226). The Charter clearly states that Asia, which has close relations with Japan and potentially has a major influence on Japanese security and prosperity, has occupied a major position in Japan's ODA as a priority region.

A new medium-term policy on ODA was also formulated in February 2005 outlining Japan's positions and actions in a three to five years time frame, with a view to more strategically implementing the ODA. The policy stresses on “perspective on human security” with priorities on

poverty reduction, sustainable growth, addressing global problems and peace-building. Country-based ODA taskforce are set up to take a leading role in the decision-making process and implementation of assistance (MOFA: 2006).

South Asia is Japan's top priority since the region is home to over 500 million people living in poverty and seeks to promote regional stability and development. The overall priority issues in the region are poverty reduction, sustainable growth, addressing global issues, and peace-building. Japan stressed the importance of achieving sustainable poverty reduction through economic growth, based on its development experience in East Asia. Japan has thus been supporting not only social development in education and health sectors but also economic growth by bolstering economic infrastructure, legal systems and human resources. It has also been promoting trade and investment, the nascent private sector and technology transfer.

Japan's second focus is on peace-building in areas ravaged by religious and ethnic conflicts which pose humanitarian threats and enormous economic losses. The "Action from Japan on Conflict and Development" published in 2000 outlines comprehensive support to help reduce poverty, provide basic human needs, and restore basic infrastructure at all stages of conflicts. Consolidation of peace and nation-building is cornerstone of Japan's international cooperation and it is for this reason that Japan has been supporting through ODA conflict prevention, emergency humanitarian assistance under conflict, assistance to promote cease-fires, consolidation of peace, and nation building in Afghanistan and Sri Lanka, among others.

The third focus is on human security against transnational threats like terrorism, environmental destruction, HIV/AIDS pandemics, international organized crimes, economic crisis and civil war. Human security protects individuals from fears of conflict, terrorism, crime, human-rights violation, displacement, disease epidemics, environmental destruction, economic crises and natural disasters. Japan took the initiative in establishing the Trust Funds for Human Security at the United Nations in March 1999, and has contributed ¥29 billion for 119 projects mainly in health and poverty.

How does Japan's ODA compare with other countries? Japanese ODA has four key characteristics. First, a large proportion of the total ODA is in direct loans, and hence the proportion of grant aid is small. Second, the bulk of loans represent tied aid linked to purchases of

Japanese goods and services. Third, the bulk of ODA is concentrated on physical infrastructure – roads, bridges, hydroelectricity etc. Fourth, 60 to 70 percent of ODA is to Asia (Wang, 1993).

The Japanese ODA has been criticized mainly on two grounds. First, the Japanese ODA has been declining over the years whereas the demand for international assistance has been growing the world over. Japan, the world leader in ODA between 1991 and 2001, has slipped further on the list of top donors to fifth place. It held the second position after the United States until 2005, but was overtaken by Britain in aid spending in 2006, and then by Germany and France in 2007. In terms of ratio of ODA to gross national income, Japan scored a lowly 20th out of 22 industrial countries at a paltry 0.17 percent in 2007. Japan is now a far cry from the “aid superpower” it once was. The Fukuda government has budgeted ¥700 billion for development aid in fiscal 2008. Many recipients of Japan’s ODA in Asia have achieved significant economic growth over the years, making Japanese policymakers feel that ODA’s importance has diminished (Asahi Shimbun, 2008: April 4). The decline has been blamed mainly on the severe economic and fiscal situation. There is also criticism, both within and outside Japan, on the quality and effectiveness of ODA. In response to such criticism, the Ministry of Foreign Affairs established the ODA General Strategy Council in June 2002 in order to enhance public participation in ODA, improve its transparency, and strengthen its role for coordinating ODA.

The Commitment to Development Index for 21 rich countries ranked Japan the lowest in helping poor countries in terms of aid, security, investment, technology, migration, trade and environment (Economist, 2004: May 6). The index considered seven broad categories, and Japan’s score was very poor, except in the area of technology. Japan also collects large debt payments from poor countries. Its citizens give less than a cent to poor countries, and only citizens in Greece, Italy and Portugal are more miserly. Its trade and migration policies do not help poor countries. Tokyo has a number of import barriers, especially its protectionist farm policies. It is even less open to foreign workers than to rice imports, finishing at the bottom of the migration rankings. Japan is considering partly opening its labor market to accept nurses and other care workers from Asian countries under the economic partnership deal with limits on their number and their stay in Japan (Nihon Keizai Shimbun, 2004: July 1).

Japanese interest in Nepal’s development is reflected in the positive and active role it had played in hosting the first meeting of Nepal Aid Group in 1976. The Nepal Aid Group has been rechristened as Nepal Development Forum in 2000 and its meetings are still chaired and coordinated

by the World Bank. Since 2004, the meeting has been taking place in Nepal itself, reflecting greater ownership. Japan welcomed the initiation of ownership on the part of the Nepal government in pursuing its development efforts and pledged continued Japanese assistance to Nepal in her efforts on the two-track approach in tackling the two key issues simultaneously – the restoration of peace and the alleviation of poverty. Other areas of Japanese interests are industrialization, infrastructure, human resources and peace-building initiatives. Japan wants Nepal to submit concrete proposals based on the medium and long-term plans of the country so that it could be accommodated on time with the Japanese fiscal year. Tokyo also expressed its “serious concern about the security situation” in Nepal, and its implications for the safety and security of Japanese aid workers (Rising Nepal, 2004: May 5-6).

#### **4.5 Japan’s Official Development Assistance to Nepal**

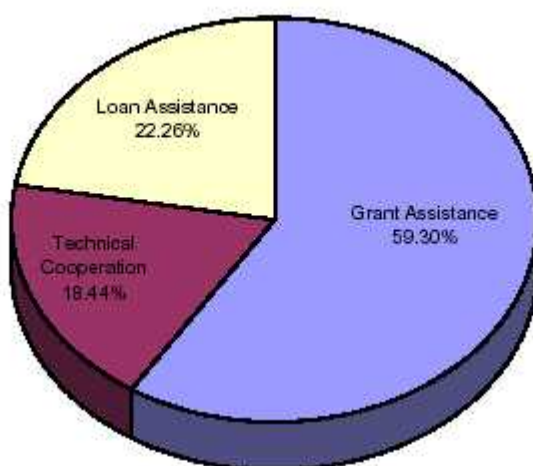
Japan has three major rationales for its ODA support to Nepal. Firstly, Nepal is one of the least developed countries with a low per capita income and nearly 40 percent of the population living below the poverty line. It is the 12th poorest country in the world. Japan, the second largest economic power in the world after the United States and the single largest donor in Asia, finds it is its “due responsibility” to support Nepal’s economic and social development. Secondly, geographically located between India and China, Nepal has pursued nonaligned neutrality and multilateral-diplomacy. The country therefore has “great geopolitical significance for the region.” Since Nepal’s stability is vital for the stability of Southwest Asia, Japan’s ODA to Nepal has great importance for building political stability and promoting social development in the whole region of Southwest Asia. Lastly, both Japan and Nepal have enjoyed traditionally good relations ever since the establishment of diplomatic relations in 1956, with exchange of visits by the members of the Royal Family of Nepal and the Imperial Family of Japan, and high-level official interactions (JICA, 2003). While exchanges at people-to-people level have been growing, at least 52 Japanese NGOs are registered with Tokyo-based Nippon NGO Network for Nepal (NNNN).

Japan has been participating in the modernization of the Nepali economy since 1968. The history of Japanese ODA in Nepal can be divided into three phases: the “initial phase” (1968-77) when Japanese grant assistance focused on boosting agricultural production and investment in development infrastructure; the “expansion phase” (1978-87) when the support was on economic and social projects during when Japan emerged as Nepal’s top donor; and “adolescent phase” when a number of transport, communications and energy projects have been or are being

implemented (Shrestha, 2006). Japan's ODA to Nepal consists of grant assistance, loan assistance and technical cooperation. It is implemented by the Japan International Cooperation Agency (JICA), created by a special act of Parliament in 1974 ([www.jica.go.jp](http://www.jica.go.jp)). Japanese Overseas Cooperation Volunteers (JOCV) office was established in Nepal in 1970 and JICA office in 1978. Since 1983, both JICA and JOVC were amalgamated under one roof.

As shown below, the Japanese ODA between 1969 and 2005 amounted to over ¥287 billion. This included grant aid of ¥170.2 billion, technical assistance of ¥53 billion and loan assistance of ¥64 billion. In terms of share percentage, grant aid constituted 59.30 percent, loan 22.26 percent and technical cooperation 18.44 percent. Until Japanese fiscal year 2004, Japan has provided a total assistance of ¥299.9 billion, including ¥186.3 billion in grant assistance, ¥63.9 billion in loan and ¥49.7 billion in technical assistance. Nepal ranked the world's fifth major recipient of Japanese aid in 1992 when Japan provided ¥32.5 billion in development aid (Shrestha, 2006).

**Graph 4.1 Distribution of Japanese ODA to Nepal 1969-2005:**



Type of Assistance	Amount in J¥ '000	Remarks
Grant Assistance	170,219,698	Commitment (based on E/N)
Technical Cooperation	52,916,000	Disbursed Figure
Loan Assistance	63,889,000	Commitment (based on E/N)
<b>Grand Total</b>	<b>287,024,698</b>	

Total ODA Extended to the Kingdom of Nepal During JFY1969-2005

Source: Embassy of Japan, Kathmandu, 2007.

During the initial phase, the grant aid was ¥1.89 billion in total, less than a billion yen annually. As illustrated in the graph below, the Japanese grant aid continued to grow over the years and reached ¥8.35 billion in 1982 and ¥7.18 billion in 1987. However, it began to decline, only to rise in 1991 following the revival of democracy in 1991. It began to rise in 2001, a year after Prime Minister Mori's visit to Nepal but only to nosedive again in 2005.

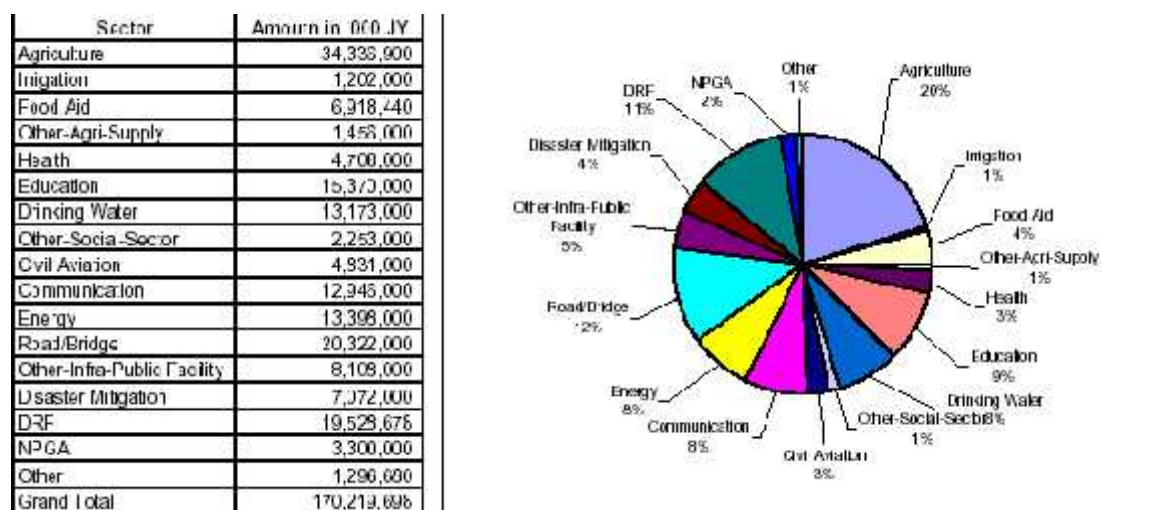
**Graph 4.2: Distribution of Japanese Grant Assistance 1970-2005**



Source: Embassy of Japan, Kathmandu, 2007.

The sector-wise distribution of Japanese grants between 1970 and 2005 is in accordance with the priorities outlined in the Tenth Plan and the Poverty Reduction Strategy Policy:

**Graph 4.3: Sector distribution of Japanese Grant Aid 1970-2005:**

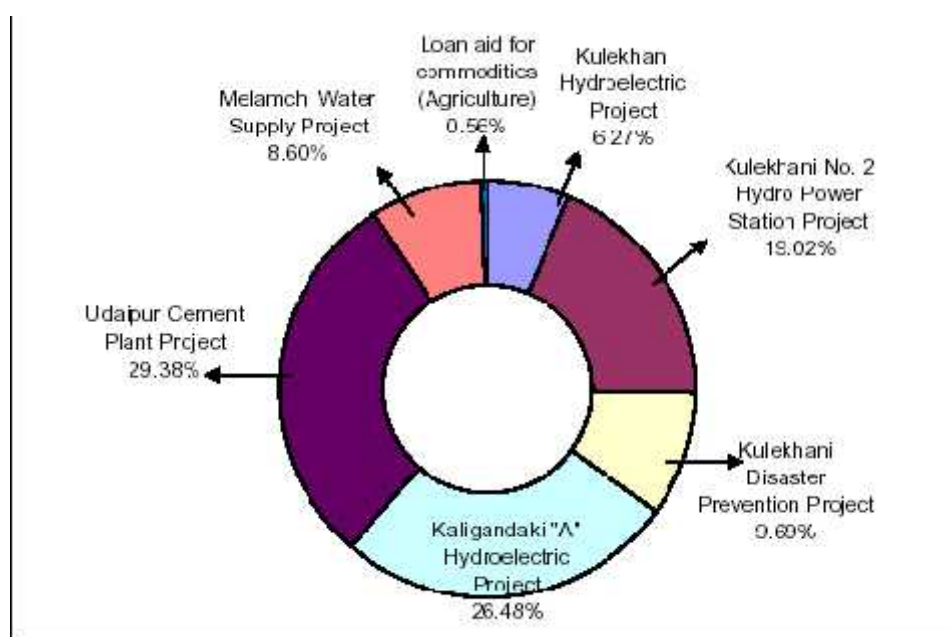


Source: Embassy of Japan, Kathmandu, 2007.

As shown in the above graph, agriculture takes a large chunk of Japanese grant aid amounting to ¥34.34 billion (20 percent), followed by roads and bridges with ¥20.32 billion (12 percent), education ¥15.38 billion (9 percent), energy ¥13.40 billion (8 percent), and communications ¥12.95 billion (also 8 percent). ¥19.52 billion went to the debt relief fund. The Japanese grant assistance also covers other areas such as food aid and agricultural supplies, health, drinking water, civil aviation, infrastructure and public facilities as well as disaster management, among others.

The Japanese loan assistance by commitment today amounts to nearly ¥64 billion. The loan aid from Japan began in 1969 mainly in the development of hydroelectricity, accounting for 61.5 percent of the total loan today:

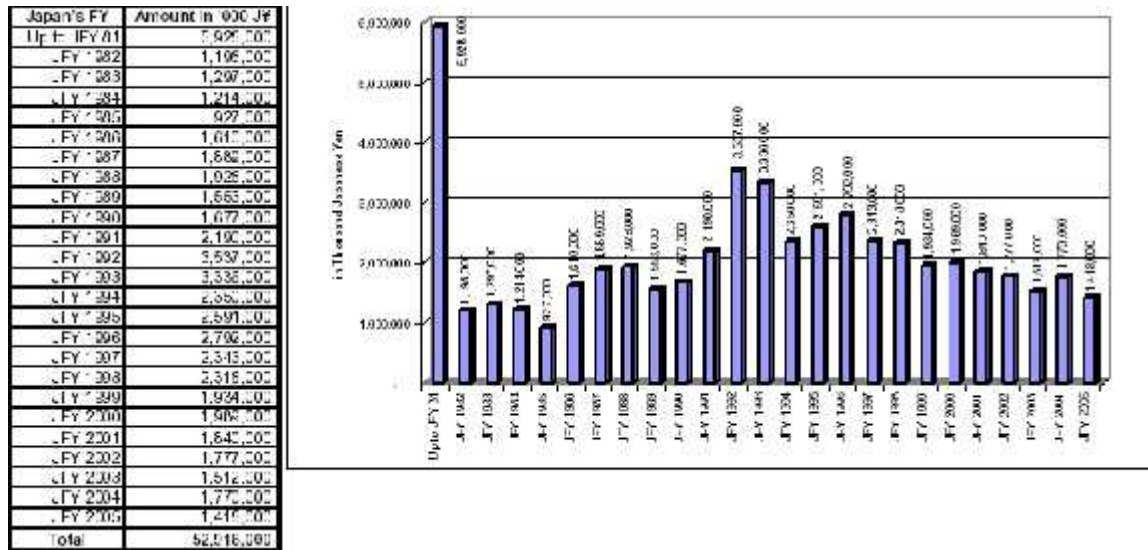
**Graph 4.4: Japanese Loan Commitment 1969-2005:**



Source: Embassy of Japan, Kathmandu, 2007.

On December 10, 2002, Tokyo announced new policy on debt relief grant aid effective April 2003, waiving ODA loan debts (under the exchange of notes concluded by Japanese fiscal year 1987), interest and principal, of Nepal by canceling the relevant ODA loan debts, instead of extending grant aid for debt relief. However, loan debts extended to Nepal after 1988 and the future loan aid were not waived. Japan expects Nepal to make a new inter-governmental arrangement for depositing future rescheduled repayment.

**Graph 4.5 Japanese Technical Cooperation 1974-2005:**



*Source: Embassy of Japan, Kathmandu, 2007.*

As shown in the graph above, the Japanese technical cooperation reached its pinnacle in 1981 but dropped only to rise since economic reforms following revival of democracy in 1991. The Japanese technical assistance totaled ¥53 billion until 2005.

Japanese grant and technical aid is tied with conditions, including hiring and recruiting of Japanese consultants. This leads to increased project cost. Japan thus supports its business interests through consultants and procurement rather than by exerting policy influence. The items to be bought with Japanese grants, which has to be from Japan, are almost three times costlier than items financed by credit with international competitive bidding in other projects in Nepal (Gyawali, 1996). Even spare parts are imported at higher prices even if they are available locally at cheaper prices.

**4.5.1 Human Resources Development**

Japan has played an important role in the development of Nepal’s human resources development by focusing on training Nepali personnel in Japan. Tokyo began to provide technical cooperation long before the two had established formal diplomatic relations. In 1902, eight Nepalis left for Japan to pursue technical training in the areas of paper and soap making, mining, agriculture and mechanical engineering. They returned after three years of study in Japan.



The Japanese technical cooperation to Nepal is being provided through the Japan International Cooperation Agency (JICA) since 1974 covering wide areas including services of Japanese experts, Japan Overseas Cooperation Volunteers (JOVC), senior volunteers, study missions as well as project type assistance, development study and acceptance of Nepali trainees in Japan. Both the governments have realized the need for a single umbrella framework on technical cooperation to ensure efficient and effective implementation of technical cooperation programs in Nepal.

It is for this reason that Nepal and Japan signed an Agreement on Technical Cooperation in September 2003 in order to simplify and improve the process of technical cooperation under a single umbrella framework. Under the agreement, JICA is to carry out such technical cooperation at its own expenses. The Nepal government will also ensure that the techniques and knowledge acquired by Nepali nationals and the equipment, machinery and materials provided by Japan will contribute to Nepal's economic and social development but "will not be used for military purposes." (Japanese Embassy, 2003: September 3).

**Table 4.6 Japanese Experts and Volunteers under Technical Assistance 1982-2005:**

Year	Technical Cooperation (In million yen)	Acceptance of Trainees (person)	Dispatch of JICA experts (person)	Dispatch of Mission Members (person)	Dispatch of JOVC Volunteers (person)	Dispatch of Senior Volunteers (person)	Provision of equipment (In million yen)	Project Type Technical Cooperation (Number of projects)	Implementation of Development Study (Number of studies)
1982	5,228	621	211	513	233		1,526.0	5	9
1983	1,798	64	23	49	10		322.0	4	3
1984	1,297	74	31	65	22		217.0	4	3
1985	1,214	63	17	60	16		256.0	2	2
1986	927	73	43	70	10		116.0	4	3
1987	1,510	71	48	116	26		271.0	3	3
1988	1,939	82	42	143	20		320.1	4	5
1989	1,441	91	60	112	31		351.1	4	4
1990	1,553	94	89	118	32		184.4	5	5
1991	1,377	83	26	109	18		247.9	4	7
1992	2,790	105	16	162	28		116.0	6	7
1993	3,537	118	81	211	26		556.0	6	10
1994	3,336	142	98	209	16		535.0	7	9
1995	2,350	144	95	62	28		335.0	8	4
1996	2,591	171	84	129	41		312.0	7	4
1997	2,792	174	71	107	27		226.7	6	3
1998	2,343	163	80	112	30		230.7	6	9
1999	2,318	163	83	110	34		215.67	6	2
2000	1,334	163	50	102	10	5	169.20	5	7
2001	1,481	153	44	138	21	4	111.59	3	2
2002	1,940	129	43	121	14	5	129.25	3	3
2003	1,777	155	25	106	27	11	105.05	4	3
2004	1,512	133	14	61	25	13	80.06	2	0
2005	1,770	147	57	86	40	13	52.16	1	1
2006	1,418	101	45	64	19	6			
Total	52,913	2,491	1,424	3,169	1,173	57	6,953.03	23	53

Source: Embassy of Japan, Kathmandu, 2007.

As the table above shows, Japanese technical cooperation covers wide range of fields from training of Nepalis in different areas of specialization in Japan, making Japanese expert services available, providing necessary equipment and support for Japanese Overseas Cooperation Volunteers and making the services of volunteers available for technical assistance in some select projects.

Japan has accepted 3,491 Nepali trainers and dispatched a total of 1,424 JICA experts, 3,039 mission members, 873 JOCV volunteers and 57 senior volunteers to work in various sectors in Nepal in Japanese as of December 2005. Many Nepali trainees have disappeared in Japan to stay and work illegally (Kyodo, 2001: March 27).

Under an agreement signed between the Nepali government and Japan International Training Cooperation Organization (JITCO) in 2004, Nepali semi-skilled laborers working in different industries are to be trained in Japan in order to enhance the productivity of Nepali industries (Rising Nepal, 2005: March 5). The Federation of Nepalese Chamber of Commerce and Industry (FNCCI) will select the laborers for such training. The trainees get paid during the period of training, Nepal stands to benefit both in terms of technology transfer and remittance.

#### **4.5.2 Social Sector**

Japanese cooperation in the social sector is mainly in the areas of education and health. It has been promoting quality improvements in community schools. Most community schools have disappointing results because of poor and inadequate investments in school infrastructure and the environment of terror and insecurity (Nepal Samacharpatra, 2005: June 17). Other reasons are politicization of the educational sector, shortages of teachers in major subjects of English, Science and Mathematics, and large number of days when schools are forced to remain closed due to political disturbances.

In order to rehabilitate school facilities, the two countries signed an agreement in May 1986 under which Japan provided grant aid of ¥150 million. Under the terms of the agreement, the grant was to be utilized for the purchase of materials and services from Japan, including galvanized iron sheets and their transportation from Japan to Nepal. Another agreement on the rehabilitation of school facilities was signed in May 1988 under which Japan agreed to provide ¥200 million in grant aid for the purchase of galvanized iron sheets from Japan and their transportation from Japan to Nepal.

Such grant assistance has continued in recent years as well. Japan has provided grant aid for the construction of 5,500 classrooms across the country under the Basic and Primary Education Program Phase I (1994-97) and Phase II (1999-01). The grant helps schools procure materials for the construction of class rooms and resource center buildings, washrooms and

drinking water taps and purchase furniture. In October 2003, Japan provided ¥1 billion in grant aid, including material, for the construction of 1,200 school classroom buildings for the poor and underprivileged children in Dang, Sindhupalchowk, Nawalparasi, Bardia, Kailali and Kapilvastu districts by 2006. In September 2005, Japan provided grant for scholarships to 210,000 Dalit primary school children in 38 remote districts in order to attract out of school children to achieve the goal of Education for All by the year 2015.

In the health sector, Japan has been supporting government efforts at expanding safe drinking water supply, maternity health care, polio vaccine and other medical care program. It has built the Tribhuvan University Teaching Hospital, which is “a milestone in the development of a modern health care system of Nepal.” (Nepal, 2006). The National Tuberculosis Centre serves as the regional centre for tuberculosis for the South Asian Association for Regional Cooperation (SAARC). Some 40,000 Nepalis develop tuberculosis each year, and Japan has been helping Nepal implement the Directly Observed Treatment Short (DOTS) course for its control since 1996. Despite the challenges posed by difficult geographical terrain and resource constraints, Nepal achieved nation-wide DOTS coverage by 2001, and DOTS has now been fully integrated into the general government health service (Rising Nepal, 2006: March 24).

The Kanti Children’s Hospital is another major undertaking under Japan’s ODA. Japan has been providing grant aid for strengthening cold chain capacity for improved immunization program. It benefits the central cold chain in Kathmandu and regional cold chain centers in Hetauda, Biratnagar, Pokhara, Nepalganj, Dhangadhi and Butwal. Improved immunization means infant mortality rate and maternal mortality rate are low.

#### **4.5.3 Agriculture Development**

Agriculture, backbone of Nepal’s economy, is dependent on monsoon rains for irrigation. It is subsistence, unable to contribute to farmer’s income. The Agriculture Perspective Plan (APP), which provides a 20-year perspective being implemented since 1997, seeks to accelerate the growth rate through increased factor productivity and to transform the subsistence agriculture into a commercial one (APROSC & JMA, 1995). It stresses on increasing production through increased investments in irrigation, fertilizer and improved seeds. The plan suffers from poor implementation.

The agriculture sector suffers because those depending on farming for livelihood have limited access to land while those who have land are members of the politico-bureaucratic-military elite with no time for farming. The APP does not address this core issue, stressing on commercialization and globalization of agriculture, which threaten the livelihood of small farmers, marginalized and tribal people because of unfair terms of trade, failure of market economy and structural problems of the market (Adhikari, 1998).

Japan has been supporting agricultural sector since December 1970. Under an agreement signed and exchanged between Finance Secretary Bhekh Bahadur Thapa and Ambassador Hidemichi Kira on December 2, 1970, Japan provided “agricultural materials” in grant aid equivalent to ¥72 million (\$200,000) to “make effective contributions to the stabilization and development of the Nepalese economy, including an increase in food production.” Under the terms of the agreement, the agricultural material had to be purchased from Japan. Similar letters were signed and exchange between the two governments on April 12, 1972 under which the Japanese government provided agricultural materials worth ¥92.4 million in grant aid. The Janakpur Zone Agricultural Development Project was also launched in 1974 to promote modern agricultural technology in fisheries, sericulture, horticulture and irrigation.

A substantial Japanese assistance has also been in the area of irrigation. Japan provided ¥600 million for the construction of irrigation facilities in June 1985, followed by yet another grant assistance of ¥150 million in grant aid in May 1986 for the construction of irrigation facilities under which the small size steel bars necessary for the project were to be purchased in Japan and transported to Nepal.

Nepal faces the problem of food security. Half of the population live below the poverty line and can barely afford one meal a day. More than half the children in the country suffer from malnutrition. Food deficit is recurrent in the mountain districts. Some 1,500 people are reported to have died because of hunger in Humla, Jumla, Dolpa, and Kalikot districts in a year between 1998 and 1999, as was entioned in a memorandum submitted to the Prime Minister of Nepal by National Alliance for Food Security on November 23, 1999. Japan has been providing assistance to increase food production since January 1986 when ¥2 billion grant aid was provided to procure fertilizers and pesticides from Japan. This followed by another ¥2.1 billion grant in February 1987 and ¥300 million in March 1987.

Japanese food aid continues even today. The ¥350 million (Rs. 227.85 million) grant aid for the procurement and transportation of rice under the Japanese Economic Assistance Program in April 2004 aimed at meeting food shortages and maintaining food reserves in Nepal. In March 2003, Japan provided 36 metric tons of food donated by the local governments in Japan and the Japanese public via the Japan Society for Promotion of Diplomacy. It mainly consisted of pre-cooked and dried type and therefore instantly consumable just by adding water was under the Emergency Food Supply for the Insurgency Affected People in Rukum, Rolpa, Salyan, Pyuthan, Jajarkot, Humla, Jumla, Kalikot and Bardiya districts.

#### **4.5.4 Infrastructure Development**

Nepal has the theoretical potential of generating 83,000 megawatts of hydroelectricity (HMG, 2002). However, the installed capacity in 2005 does not exceed 600 MW, more than 230 MW it produced in 1990 but much less than 1,500 MW generated by neighboring Bhutan which started harnessing water resources in 1980s. Nepal began harnessing her rivers for generating hydroelectricity in 1911 with the construction of the Pharping hydel plant with Russian aid. Major constraints in harnessing rivers for electricity are constrained by difficult geographical terrain, poor infrastructure, paucity of funds and absence of a competitive market.

Electricity is a luxury to most Nepalis, because only 33 percent of the population has access to electricity (NEA, 2005). It is used predominantly for domestic purposes like cooking, lighting, heating, and appliances. Fuel wood, agricultural residue and animal waste are traditional sources of energy. The share of industrial, transport, agricultural and commercial sectors has been very limited. The main emphasis of the energy policy has been to develop hydroelectricity “as an exportable item.” (HMG, 2002). Construction is planned to add 1,938 MW to the national power grid. In the longer term, Nepal has the twin goals of meeting (a) the growing domestic energy demands and (b) export surplus energy to the rapidly industrializing India, where the installed power capacity of 83,000 MW has been unable to meet the shortages. India needs an extra 118,000 MW during 1997-2007 as the demand-supply gap is 37,000 MW during 1997-2002 and 41,000 MW during 2002-07 (Outlook, 1996: June 19).

Harnessing of Himalayan water resources has been a key area of Japanese development cooperation. Nepal made a great leap forward in harnessing her vast hydropower potential with

the construction of Kulekhani I and II projects with Japanese assistance, as well as Kali Gandaki “A” hydroelectric projects as well as improving the transmission and distribution capacity.

#### 4.5.4.1 Key Issues

Nepal’s hydropower policy is basically flawed for several reasons. Nepal is blessed with perennial water resources, providing it with main comparative advantage in hydroelectricity. However, this comparative advantage has not been used to develop and promote the use of hydropower in industry and water in agriculture (Bhadra, 2004). The hydropower policy mainly stresses on energy export without the financial ability and political environment for such an export. The “fundamental development strategy of Nepal, both in the short run and the long run, can and should be hydro-electricity based, with a view to domestically exploiting the ‘potential to add value’ in industries, transportation and agriculture.” (Bhadra, 2004: 101-02).

Another problem is that it is not only too costly for the ordinary Nepalis but is also essentially uncompetitive in the regional market where India has a number of cheaper options, including the prospects of nuclear energy after the U. S. and India signed a nuclear deal in 2005. Also, Nepal must develop local capacity in building, operating and managing hydropower projects before it embarks on major projects. It must rethink the cost, and costs could be brought down if the construction materials are locally produced, the Nepali technical manpower, of which there is no dearth of, are involved in planning, designing, implementing and maintaining hydropower projects. An important issue is cost: every time a new project is commissioned, the electricity tariff goes up. It could be further argued that Nepalis pay one of the most expensive prices for energy in the world, as shown in the following table:

**Table 4.7: Cost of Production of Hydroelectricity in Nepal**

Projects	Capacity/MW	KW/Cost	Total Investment	Unit Cost
Khimti	60	\$2,700	\$138m	5.6 cents
Bhote Koshi	36	\$2,727	\$98.2m	5.3 cents
Kali Gandaki A	144	\$2,638	\$98.2m	5.9 cents
Marsyangdi	69	\$3,478	\$380m	7.1 cents
Middle Marsyangdi	70	\$2,785	\$240m	6.4 cents
Kulekhani I	60	\$1,966	\$195m	7.1 cents
Chilime	20	\$1,550	\$118m	Rs. 2.94
Puwa Khola	3	\$1,400	\$32 m	Rs. 2.54

*Source: Nepal Electricity Authority, 2005.*

The present energy policy disregards the need for developing hydropower as a substitute, even if partially so, of expensive fuel imports draining precious foreign exchange. Such a rethink on energy policy will create a more productive market in Nepal itself for hydroelectricity, boost local industries including the ones manufacturing electrical components as well as high quality construction materials. Nepal needs to focus on reducing imports of petroleum products by focusing on development of hydropower. The Japanese assistance in harnessing hydropower are critical for the Nepali economy but it has little consequence unless hydropower becomes a tool of economic development and takes a prominent place in overall energy policy aimed at reducing imports.

As of December 2005, the Japan Bank for International Cooperation (JBIC) has extended a total loan of ¥ 39.26 billion to Nepal for the power sector, which is nearly 62 percent of the JBIC total loan to Nepal. Does such investment make sense if it does not contribute to economic development by making any contribution to rural electrification, electric transportation and energy-intensive industries? The following cases on Japanese aid to hydropower do not provide a very positive picture. The Japanese aid has helped but little in building the national technical capacity for designing, constructing and managing hydropower project. Nor has it contributed to making hydroelectricity cheaper and sustainable source of energy to spin the engines of economic development.

#### **4.5.4.2 Kulekhani hydroelectric Project**

Nepal's first major step in harnessing water resources potential came with the construction of the Kulekhani I hydroelectric project in 1981, followed by Kulekhani II project in 1986 with yen loan from JBIC. The \$100 million Kulekhani I, which is the country's largest underground powerhouse, is a peak station of 60 MW (Dixit, 2002). The project features a 114-meter high dam from where the water flows through an intake and headrace tunnel to a surge tank. A penstock then carries the water to an underground powerhouse to generate 60 MW. The \$65 million Kulekhani II uses the water of the Kulekhani I to generate an additional 32 MW, which increased the capacity of national power grid by 30 percent.

The Kulekhani project has helped Nepal cut costs of imported petroleum products to a large extent, saving about 65,000 tons of petroleum products annually and in a significant saving in foreign exchange, which otherwise would have been spent on fuel imports for diesel-based

power generators. It is also expected to reduce dependence on fuelwood, blamed for rapid depletion of forest resources in the 1970s. The Kulekhani tripled Nepal's installed hydroelectricity capacity, which was a mere 51 MW mainly from the Indian-built 21 MW Trisuli and the Chinese built 10 MW Sunkoshi hydroelectric projects. Other projects included 0.50 MW Pharping, 0.64 MW Sundarijal, 2.40 MW Panauti, 1.02 Phewatal, 1.28 MW Tinau and 15 MW Gandak.

The proposal to tap Kulekhani was initially made by a Swiss Expedition in 1956. Japanese survey teams launched field investigations in 1963 to produce preliminary design report, suggesting a series of hydropower stations on the Rapti River by constructing a series of dams on the Kulekhani River. The Japan International Cooperation Agency (JICA) undertook field works in 1973 for the Kulekhani I. The capital cost of US\$120 million for the first phase was met by credits from Japan, the World Bank, the European Economic Community and the Organization of Petroleum Exporting Countries (OPEC).

The Kulekhani and the tributary Simikhola rivers are not snow-fed but have a large catchment area to collect rainwater for the dam. In the absence of good rain, Kulekhani cannot generate adequate electricity. It also faces problems of high sedimentation of natural origin as well as due to cloudburst in catchment area (Dixit, 2002). However, the price of electricity was raised by 58 percent as soon as Kulekhani I began production and by a further 28 percent when Kulekhani II was commissioned. There have been allegations of kickbacks and corruption, an allegation promptly denied by the government. In September 1988, for example, the government defended the payment of additional US\$4 million to the contractors of Kulekhani II because of weak geological condition incurring additional costs. Water Resources Minister Yadav Prasad Pant defended the payment, saying "allegation that Prime Minister, or the Council of Ministers or any Ministers were involved in this is purely fiction and baseless."

Is Kulekhani a blessing or a curse? The Nepali government wanted it and the Japanese obliged it. It no doubt heralded a new age in harnessing Nepal's water resources and helped reduce import of petroleum products. It turned out to be among the most expensive hydroelectric projects built with \$2,000 per kW cost of production (Gyawali, 2004). Kulekhani project has been described as "a classical example of how foreign aided projects remain inadequately vetted and turn out to have been ill-conceived." (Poudyal, 1992). Kulekhani did little in terms of building Nepal's indigenous technical capacity to repair and maintain, if not design and execute



hydroelectric schemes. The reliance on foreign experts and technicians even for routine repair and maintenance continued despite claims by the Nepal Electricity Authority (NEA) that its engineers were trained in repair and maintenance. When the project's penstock broke down in 1993, the job was done by not the Nepalis but Japanese technicians who were flown in from Japan.

There has been no serious effort to develop Nepal's own electro-technical capability in undertaking even minor repairs of the components of Kulekhani. Nor did Nepal afford the capacity to pay for the repair works. Talks were held with the Japanese government for the funding of the repair of the damaged penstock, and Tokyo readily obliged. Japan provided ¥748 million in grant aid under the Special Assistance for Project Sustainability for the complete overhaul of the electro-mechanical components of the Kulekhani I and Kulekhani II. Japan has refused to provide assistance for the construction of the Kulekhani III, which is now to be built jointly by the Nepal government and the Nepal Electricity Authority (Kantipur, 2006: December 14).

#### **4.5.4.3 Arun III Hydroelectric Project**

Was it possible for Japan to have prevented the death of Arun III Hydroelectric Project? Why did Japan, which had been playing the lead role in the development of hydroelectricity, backed out on Arun III? By refusing to fund Arun III, did Japan contribute to the modernization of the hydropower sector? Or did Tokyo's decision stunted the development of power sector, unwittingly contributing to continued dependence on petroleum imports by deferring what remains one of the most attractive hydropower propositions?

Unlike Kulekhani, Arun III was essentially a Japanese invention. The JICA undertook a study of the Koshi Basin in 1985 when six hydropower project sites were identified. One of them was Arun III to generate 402 MW. A series of projects were identified in the Arun Valley with the potential for development once Arun III was completed. Works on the project started with funding from the World Bank and bilateral donors including Japan in 1987. The financing plan envisioned the World Bank to provide US\$175 million (22 percent), Nepal \$149 million (19 percent), and cofinancing of the remaining \$468 million (59 percent) by Japan, Germany, Asian Development Bank, France, Sweden and Finland. The World Bank's contribution included \$140 million for the project and \$35 million for the access road into the Arun Valley. The Joint

Donor's Mission, including an observer from the Japanese government, reviewed the technical, procurement and environmental aspects in May-June 1993.

A group led by the Alliance for Energy Nepal and Intermediate Technology Development Group urged for a reappraisal of Arun III, as it committed Nepal "to a single, inflexible and expensive path of hydropower development over the next decade." (Bush, 1994). It mainly argued that the Least Cost Generation Expansion Plan (LCGEP), which was the basis for the selection of Arun III, did not consider the full range of possibilities, nor does it contribute to the development of indigenous hydropower industry, as was the case with Marsyangdi and Kulekhani. Also, the project's huge investment would stifle other hydropower possibilities. The LCGEP in 1985 examined eight projects at the same level of costing after the construction of the Marsyangdi: the Kali Gandaki 'A', Bagmati, West Seti, Sapta Gandaki, Burhi Gandaki, Kali Gandaki II, Kankai and Arun III. An updated LCGEP also considered, in addition to these, Upper Arun, Upper Karnali and Kulekhani III and reconfirmed Arun III.

A study by mainly Indians, including Jayant Sathaye, Ashok Gadgil and Steve Weil, in 1994 concluded that neither the World Bank analysis of the Arun III project nor the supporting study by Argonne National Laboratory were least cost assessment for power options for Nepal. It suggested that alternatives to Arun III, such as cutting waste, improving end-use efficiency, and adding gas turbine thermal powers in the near term were not looked at by the World Bank. Lewis T. Preston, the president of the World Bank, in October 1994 replied to each of the 26 U. S. Congressmen, who had signed a letter condemning the Arun III project as "uneconomic, massive, destructive engineering investment." Preston also lobbied with the US Treasury Secretary Larry Summers, to defuse the US opposition to Arun III but without success (Guardian, 1994: November 7).

The World Bank had scheduled the board presentation for the Arun III credit for September 1994. At the request of Japan, which wanted some extra time to appraise the project before pledging funds, the board approval was postponed until November 3, 1994. But in a dramatic political twist, the Nepali Congress government resigned, and called for early parliamentary elections on November 15, 1994. Madhav Kumar Nepal, the general secretary of the CPN-UML, wrote to the Bank on October 18, 1994 requesting to defer any decision until the elections were over. Nepal expressed "deep concern" about the Arun III, which would "generate serious and long-term consequences for Nepal." He said the project was not only "too big to be decided during a politically unclear situation" but also the party had "serious reservations about

the way the Project has been designed and proposed.” The CPN-UML formed the government late November and took a U-turn to “clarify and reconfirm” the new government’s “firm commitment” for Arun III, and appealed for “an accelerated project processing.” (Deshantar, 1995: April 9).

In August 1995, World Bank President James D. Wolfensohn decided not to proceed with Bank support for the project basically for three reasons. First, Germany made a last minute decision to back out from financing the project. German Minister for Economic Cooperation Carl Dieter Spranger initially gave a strong backing to Arun III but backed out citing flimsy budgetary constraints. However, the actual reason could be the vocal opposition to the project by the German environmental NGOs. The absence of the German commitment, which had pledged DM234 million, meant there was no complete financing plan. Secondly, the Nepal government had serious difficulty in carrying out tariff adjustment and prioritizing expenditures, which were necessary to make the project economically viable. Lastly, the Nepali institutions were incapable of addressing the issues expected of them, including the agreed standards for implementing the project.

Arun III remains technically, socially and environmentally a sound proposition. A major problem with the project was its high cost. When it would have completed, a kilowatt of power would have cost \$5,000 compared to less than half from other projects. And the access road would have cost Rs. 50 million per kilometer, compared to best roads that hardly even cost Rs. 6 million per kilometer. It made an inauspicious start. First, the road alignment was changed to connect all major district headquarters and market places. The change meant increase in the length to 120 km, escalation of the cost of construction, delays in awarding and commissioning of the road construction contracts and thus a significant delay in completing Arun III, with an implied cost overrun. The Road Department was sidelined in the process.

There were other issues such as the glacial lake outburst flood (GLOF), which was bloated out of proportion because Arun was designed to withstand GLOF of 8,100 cumecs. Since all the major components of the project except the dam were to be underground, GLOFs was not to damage the project, and at worst, the flood will outflow the dam. There were also fears that Arun III would divert investments in social sector. It was argued that the Arun III should be deferred and the freed-up resources used to expand investments in social sectors. Arun III in the medium term was to generate adequate resources from power sales for debt repayment as well as

social sector investment (World Bank, 1994). Another study that specifically looked into the two sets of argument concluded that Arun III would not crowd out investment in social sector (World Bank, 1995).

Opposition to the Arun III was mainly by a group of international non-governmental organizations, which played a major part in heightening concerns about institutional capacity and economic issues (Washington Post, 1994: November 6). Extensive reviews of the project confirmed there were no adverse environmental and social impacts, and led to design improvements. An Inspection Panel was named to investigate environmental and social consequences, which were perhaps not the reasons for the World Bank decision to abandon Arun III. “The cost of the Project, greater than one year’s budget for the kingdom of Nepal, will have an extensive impact on living conditions throughout the country,” the panel had concluded (Guardian, 1994: December 21). The report of the panel remains relevant to the future investments in the development of Nepal’s power sector.

The construction of the Arun III would have reduced Nepal’s dependence on fuel imports from India, besides enhancing the prospects of a series of hydroelectric projects in the Arun Valley. Most significant, the access road would have opened up the possibility of building a road linking Nepal with Tibet, only 40 km north of the Arun III dam site. Opposition to Arun III particularly intensified after India evinced interest in undertaking Budhi Gandaki and Pancheshwar, lending credence to the charge that anti-Arun lobby was propped up by India (People’s Review, 1994: January 28).

Japan, which was expected to provide \$165 million, had always argued for the critical need for Arun III to meet Nepal’s electricity needs. It was reluctant to participate in the financing of the project because it benefited mainly the European contractors and business interests and “second-rate treatment” for the Japanese (Gyawali, 1996: 185). The Japanese mission that visited Nepal in October 1994 fixed the last nail in the coffin of Arun III.

Following the decision not to fund on the project, the World Bank decided on a new two-pronged strategy: an accelerated pursuit of smaller hydropower projects for meeting Nepal’s power requirements, and a Power Development Fund to finance activities that promote investments in the power sector, including actions for mitigating social and environmental impact of such investments. The Fund was designed to support reforms and modernization within an

investment framework suitable for the induction of private power investors in hydropower development.

#### **4.5.4.4 Kali Gandaki ‘A’ Project**

The 144 MW Kali Gandaki “A” hydroelectric project, when inaugurated in January 2004, increased Japan’s contribution to Nepal’s power sector to 236 MW or roughly 40 percent of the installed power capacity of NEA. The JBIC extended a ¥39.265 billion credit to Nepal in the power sector, which is nearly 62 per cent of total loan assistance from JIBC to Nepal. The Kali Gandaki “A” project reflected Japan’s role of Nepal’s “true and dedicated development partner.” Japan reiterated its commitment to continued support to Nepal in future to “whatever extent possible.” The Kali Gandaki “A” was described as “one of the most prominent infrastructures of Nepal, which could play a significant role in the socio-economic activities in the days to come” and as “yet another milestone in the existing friendly and cooperative relationships between the people of Japan and Nepal.” (Embassy of Japan, 2004: January 22).

The ADB provided \$160 million for the \$428 million project, and rest of the financing came from the Nepal government. The project features a 44-meter dam at Mirmi on the confluence of Andhi Khola and Kali Gandaki rivers, creating a drop of 124 meters at Beltari to spin the turbines. The project was originally scheduled to be completed by 2000 but was delayed by over two years, resulting in cost escalation to \$428 million from the initial \$316 million. The cost did not include the 28 km access road that cost \$6 million, acquisition and compensation for land costing \$2 million, and the opportunity cost in terms of foregone revenues relating to riparian releases estimated at \$2 million. Learning lessons from the Arun III controversy, the access road for Kali Gandaki ‘A’ was built in advance.

Other reasons for cost escalation were currency devaluation and increasing price of construction materials in the international market. Fewer Nepali technical experts and even fewer local construction materials were used. The donors put a condition for increasing the electricity tariff – by 20 percent in April 1996 and another 20 percent by January 1997. The tariff was increased by 61 percent in November 1991, 40 percent in February 1992, 38 percent in March 1994, and 20 percent in May 1996. A controversial decision was to award \$30 million in “unauthorized payment” to Italian civil contractor Impregilo SpA due to cost overruns as a result of “geological complications” and delays caused by political disturbances.

#### **4.5.4.4 Power Transmission and Distribution**

Japan has also been supporting Nepal with the rural electrification project that aims at increasing access of Nepalis to electricity in the rural areas and reinforcing of power distribution system in the Kathmandu Valley. Japan has provided ¥16 million (Rs.10.464 million) in grant aid for the extension and reinforcement of power transmission and distribution system in the Kathmandu Valley. The project is based on the Master Plan Study by JICA in 1990 proposing improvement in transmission and distribution network in order to make power supply system reliable with minimum loss. Japan also assisted in setting up a 220 kV line connecting Hetauda with Bardaghat for improved power evacuation from the Kali Gandaki 'A', thus helping strengthen capacity of the national grid.

#### **4.5.4.6 Melamchi Drinking Water Project**

A joint review mission of Melamchi Water Supply Project in April 2004 concluded that “maximum attention should be given to expedite completion of components that are on the critical path for tunnel construction” and expressed “concern” over the non-performance of access road contractor of the project. The project has been hailed as a major effort to quench the thirst of the rapidly expanding Kathmandu population. However, the very rationale of the project has been challenged: better alternatives have been ignored. As a major donor, Japan is largely seen as promoting its own business interest instead of helping build national capacity in the management of water resources.

The Melamchi River was identified as a viable source of drinking water for the Kathmandu Valley in 1990. The JBIC in its study in 2002 estimated that the drinking water demand in the 620 sq. km. Kathmandu Valley will increase to 183.9 million daily, which Melamchi alone will not be able to meet. The population in the Valley is estimated to have increased from 1.5 million in 2006 to 1.8 million in 2011. The per capita water demand is expected to increase from 78 liter in 2006 to 86 liter or more in 2011. The demand for water in Kathmandu Valley is 170 million per liter per day whereas supply is 140 million liter per day during rainy season and 90 million liter during dry season. The demand for water is expected to reach 250 million liter per day by 2007 (HMG, 2002).

Works on Melamchi began with the creation in 1997 of Melamchi Water Private Limited Company, which was rechristened in 1998 as the Melamchi Drinking Water Development Committee. The \$464 million Melamchi Project was initially to be completed by 2002 but has been postponed thrice – from 2002 to 2006 and now to 2009. That date looks impossible, there are already suggestions that 2011 would be more realistic. The cost of the project, meanwhile, has increased by 17 times, from an initial estimate of Rs. 2 billion to Rs. 35 billion. The total cost of the project, including \$78 million for the tunnel, exceeds \$464 million. At the heart of the project is the 26.5-kilometre underground tunnel to pump 340 million liters of water daily from Melamchi, Yangri and Larke rivers in the northeast of Kathmandu. Works have been slow because of compensation controversy on land acquisition, and the deteriorating security situation. It is a multilateral undertaking with the ADB providing \$120 million, Swedish International Development Agency \$15 million, JBIC ¥5.5 billion (\$44.6 million), besides Canadian International Development Agency and Organization of Petroleum Exporting Countries.

Under the notes signed and exchanged on March 30, 2001, Japan has extended loan assistance of ¥5,494 million (equivalent to US\$44.6 million or Rs. 3,296.4 million) to Nepal for the implementation of the Melamchi project. Nepal will utilize the loan amount to construct a Water Treatment Plant at Mahankal village near Sundarijal, northeast of Kathmandu. The Plant will obtain raw water from the tailrace of the tunnel constructed under the Melamchi Diversion Scheme component. In this facility, the raw water will be converted into WHO standard potable water through a treatment process which includes aeration, sedimentation, rapid filtration and other methods. In addition to meeting the demand for water in the Valley, the Plant is expected to help reduce the cases of waterborne disease, presently among the most prevalent forms of illness diagnosed among hospital outpatients in the Valley. The project is one of the most important projects to be implemented under loan assistance of the Japanese ODA, and has been described as “another milestone in the cordial relationship of friendship and cooperation between Japan and Nepal.” (Embassy of Japan, 2008). The World Bank withdrew from the project in February 2000 to protest appointment of Dr. Tilak Rawal as the new governor of Nepal Rastra Bank, leading Finance Minister Mahesh Acharya to resign on January 28, 2000. The Norwegian aid agency Norad, which was to provide \$24 million, withdrew to protest the King’s direct rule.

Why Melamchi when much urgent reforms in drinking water distribution are stay put. For example, a government panel appointed in 1989 recommended that (a) the management of drinking water supply system should be handed over to the municipalities, (b) the leakage in the

pipe distribution system, which crisscrossed the sewerage system in several places, needs to be plugged, and (c) the financial system of the Nepal Water Supply Corporation (NWSC) should be improved to ensure accountability and transparency. The political-bureaucratic-business nexuses never allowed the implementation of the recommendations. No serious effort has been made to develop a water supply system that is efficient, reliable and sustainable.

Japan could have played a variety of role in reshaping Nepal water management policy on the basis of new technology and management approach. It did not. Instead, it followed other Western donors in supporting the Melamchi Project. Japan thus ignored a number of issues while doing so. The most important is the issue of water tariff. When the project is ultimately commissioned, the cost of per thousand liters of drinking water will be at least Rs. 30, three times more than consumers were paying in 1995. No effort has been made to reduce the costs, enhance efficiency and ensure reliability of distribution. The DWSC last increased the water tariff in 2001 by 21 percent and by a further 15 percent in 2004.

On midnight of April 27, 2006, the government arrested former Prime Minister Deuba and former Minister Prakash Man Singh on charges of “suspicion of financial irregularities.” (Kantipur, 2006: April 28). King Gyanendra’s controversial Royal Commission on Corruption Control subsequently sentenced Deuba and Singh a 2-year jail term with a Rs. 90 million fine for “irregularities.” Japan expressed concern over the arrests, saying, “As Japan, together with the ADB, is committed to be co-financiers of the project, the Embassy of Japan is watching developments very carefully.” (Embassy of Japan, 2006: May 5). The ADB denied any irregularities.

#### **4.5.4.7 Road Projects**

Motor roads have played a major role in Nepal’s social and economic development. There are still 17 of the 75 districts without a road network totaling 15,905 kms. Of this 4,617 km or 29 percent is blacktopped, 3,958 km or 24.9 percent graveled and 7,330 km or 46.1 percent fair weather road (HMG, 2002). Road projects in Nepal face a number of challenges such as inadequate budgetary appropriation, road construction without appropriate study and investigation including geological studies, high cost of construction because of topography and poor maintenance.



Alternative links between capital city and Terai have been emphasized, and this is one area where Japan has been helping Nepal achieve with the construction of the 158 km B. P. Koirala Highway. When completed in 2006, the highway will reduce the travel distance between the capital city and eastern Nepal. The first phase 37 km stretch from Bardibas to Sindhulimadi was opened for traffic in 1997. The second phase 22 km stretch between Dhulikhel to Bhakundebeshi was opened in 2001. Japan in fact had asked New Delhi whether the proposed road would have security/strategic implications for India as it significantly reduced the travel distance between Tibet and India through Nepal. Japan agreed to build the highway only after the Indian approval.

A number of alternative links between Kathmandu and the Terai plains are under consideration but are unlikely to receive Japanese assistance without Indian approval. A 96 km Satdobato-Tika Bhairav-Hetauda named Kanti Highway was begun 47 years ago. A Kathmandu-Bhimphedi tunnel project was also proposed by a Swiss consulting group in 1930. The International Engineering Consultancy Association of Japan proposed in 1991 a series of tunnels for the 50 km link: a 3.4 km tunnel between Chandragiri and Chitlang, 3.2 km tunnel at Chisapanigadhi and a 600 meter tunnel at Markhu.

Japan has also provided grant aid for the improvement of the intersections in Kathmandu, thus facilitating smooth vehicular movement in the capital city. Traffic congestion in the Kathmandu Valley is mainly due to management because while the number of vehicles has increased by 350 percent from 92,125 in 1996 to 327,000 in 2006, the total length of the road has increased by 71 percent, from 943 kilometers to 1,633 kilometers (Kathmandu Post, 2006: December 9). The problem is unlikely to be resolved unless a comprehensive solution combining improving crowded sections with efficient traffic management is implemented. Japan also supported transport system in Kathmandu by donating buses and container trucks and construction of garage and other facilities.

One of the main problems of road system in Nepal has been poor road maintenance and rehabilitation, which tantamount to disinvestment and misuse of scarce financial resources. Investments in roads are highly misplaced, as allocation is very high on new road projects while very little for maintenance and rehabilitation. The rapid expansion of road network at the expense of maintenance has led to a rapid deterioration of the road conditions. Priority needs to be given to all roads that need to be completed while at the same time on maintaining and repairing existing roads.

The choice of roads is determined on the basis of political rather than economic considerations. There is no standard for road construction and their maintenance and rehabilitation. These are the areas where Japan needs to focus together with other donors.

Japanese economic cooperation covers other areas as well. It has been supporting rural telecommunications network improvement project since 1986 and 1987. Another area of cooperation has been the improvement of transportation capacity. It is a long list, touching upon all major sectors of the Nepali economy.

#### **4.6 Trade Relations**

Trade contacts between Nepal and Japan had started long before the two countries established diplomatic relations. British in India agreed in 1923 to allow Japanese goods to pass in transit through India en route to Nepal (Mihaly, 2002). The flow of inexpensive Japanese goods virtually wiped out Nepal's cottage industries and Nepal became dependent on goods from or through India. Nepal imported some cotton textile goods and silk from Japan between the World War I and II (Sigdel, 2003). No details are available. Trade resumed after the establishment of diplomatic relations between the two countries.

Bilateral trade is very small but growing. Figures on bilateral trade with Japan are available only from the year 1972-73, when Nepal exported goods worth Rs. 10.28 million and imported goods worth Rs. 55.59 million, with a trade deficit of Rs. 45.30 million. In the following year, exports to Japan declined to Rs. 8 million while imports increased by Rs. 75 million, resulting in a trade deficit of Rs. 67 million. But in the year 1976-77, exports to Japan made a quantum jump to Rs. 26.07 million, claiming a 7.2 percent share in Nepal's total export while imports from Japan was Rs. 133.25 million, claiming a 22.5 percent share in Nepal's total imports that year. Another jump in exports to Japan was in 1978-79 when exports surged to Rs. 66.05 million as shown in Table 4.8:

**Table 4.8: Export to and Import from Japan (Rs./million)**

FY	Export	Import	Deficit
1972-73	10.30	55.59	45.30
1973-74	7.93	74.95	67.02
1975-76	5.81	118.87	113.07
1976-77	26.07	133.25	107.17
1977-78	19.32	245.32	225.97
1978-79	66.05	403.47	337.41
1979-80	57.81	405.22	347.48
1980-81	31.53	572.04	540.51
1981-82	15.63	557.45	561.82
1982-83	11.37	726.60	715.23
1983-84	8.35	704.81	696.45
1984-85	13.54	886.07	872.53
1985-86	10.28	1,503.25	1,492.96
1986-87	26.96	1,437.92	1,410.96
1987-88	19.45	1,607.58	1,588.12
1988-89	25.77	1,740.30	1,714.53
1989-90	24.07	1,628.76	1,604.68
1990-91	29.06	3,128.46	3,099.40
1991-92	51.45	2,872.80	2,821.35
1992-93	84.69	2,709.28	2,624.59
1993-94	81.17	2,737.59	2,656.41
1994-95	75.44	3,196.41	3,120.97
1995-96	78.98	4,551.15	4,472.17
1996-97	100.30	3,955.27	3,854.96
1997-98	178.53	2,751.58	2,573.05
1998-99	230.80	2,251.57	2,020.77
1999-00	705.00	2,891.90	2,086.90
2000-01	1,341.09	3,305.21	1,964.12
2001-02	429.83	2,178.99	1,686.14
2002-03	474.25	1,890.84	1,416.60
2003-04	525.60	1,690.40	1,164.80
2004-05	534.98	2,565.23	2,030.23

Source: Trade Promotion Center, 2005

Exports to and imports from Japan thus have been quite erratic. Exports continued to decline until 1998-99 when it suddenly surged to Rs. 230.80 million while imports from Japan surged to Rs. 2,251.60 million with a trade deficit of Rs. 2,021 million. In the year 2000-01, the same year when Prime Minister Mori visited Nepal, exports to Japan surged again to Rs. 1,341.08 million and imports jumped to Rs. 3,305.21 million, producing a trade deficit of Rs. 1,964.12 million.

A primary reason for this export growth was the export of pashmina shawls which was that year quite fashionable in Japan. In 2001-02, exports made a sharp drop to Rs. 429.83 million, imports dropped to Rs. 2,179 million, contracting deficit to Rs. 1,686.16 million. However, Nepal's exports to Japan has been growing recently, from Rs. 525.60 million in 2003-04 to Rs. 535 million in 2004-05, when imports from Japan increased from Rs. 1,690 million to Rs. 2,565 million while the trade deficit also increased from Rs. 1,165 million to Rs. 2,030 million.

**Table 4.9: Japan in Nepal's Bilateral Trade 1997-2004 (Rs/million)**

Export/Import	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Total Exports	27,513.5	35,676.3	49,822.7	55,654.1	46,944.8	49,930.6	52,723.7
Export/Japan	175.5 (0.65)	230.8 (0.65)	705.0 (1.41)	1,341.1 (2.41)	492.8 (1.05)	474.2 (0.95)	525.6 (0.99)
Total Imports	89,002.0	87,525.3	108,504.9	115,687.2	107,389.0	124,352.1	139,142.3
Import/Japan	2,751.5 (3.09)	2,251.5 (2.57)	2,891.8 (2.66)	3,305.2 (2.85)	2,128.9 (2.03)	1,890.8 (1.52)	1,690.3 (1.21)
Trade/Deficit	61,488.5	51,849.0	58,682.2	60,033.5	60,444.2	74,421.5	86,418.6
Deficit/Japan	2,573.0	2,020.7	2,186.8	1,964.1	1,686.1	1,416.5	1,164.7

Source: Nepal and the World: Statistical Profile 2005, FNCCI. The figures in parenthesis indicate percentage.

Table 4.9 above shows that Japan's share of exports has declined over the year. Export to Japan constituted 7.2 percent of Nepal's total exports in 1976-77, which dropped to nearly 1.8 percent in 2004-05. Nepal's main exports to Japan are handicrafts, carpets, leather goods, garments and woolen products like pashmina.

**Table 4.10: Export of Readymade Garment to Japan**

Fiscal Year	Pieces	Value Rs./million
2000-01	289,588	0.92
2001-02	339,987	6.76
2002-03	48.34	6.42

2003-04	50.58	6.42
2004-05	03.06	1.52

Source: Trade Promotion Center, November 2005

In 2001-02, pashmina accounted for 39 percent of the total exports to Japan, followed by garments (13 percent), leather goods (11 percent) and carpets and wood products (eight percent). In 1998-99, carpets accounted for 24 percent, garments 20 percent, wool products 15 percent of the total exports. In 2002/03, pashmina accounted for 30 percent, garments 18 percent, leather goods four percent, carpets seven percent and wood products nine percent, handicrafts 13 percent and hats nine percent. However, pashmina made 13 percent of total exports to Japan in 2003-04.

**Table 4.11: Export of Woolen Shawls, Scarves, Mufflers etc.**

Year	Value Rs./million
2000-01	1,030.03
2001-02	63.91
2002-03	27.42
2003-04	7.34
2004-05	7.30

Source: Trade Promotion Center, November 2005

Nepal's imports from Japan include machineries, equipment, fertilizers, textiles, electric and electronic goods and motor vehicles. The size of exports of each of these items has not been uniform. In 2001-02, auto parts accounted for 34 percent followed by machinery and electronic goods (25 percent) and photographic goods (seven percent). In 2002-03, auto parts accounted for 35 percent, machinery and electronic equipment nine percent, photographic goods six percent and rubber good including tires 14 percent. In 2003-04, vehicles and auto parts including rubber tire accounted for 47 percent, machinery and electronic equipment, garment and textile, photographic goods and equipment, and medical equipment each accounted for around seven percent. In 1998-99, auto parts accounted for 43 percent, machinery 15 percent, electronic and medical equipment six percent, and audio-visual equipment also six percent.

Nepal has limited quantity and range of products for exports to Japan. Low value exports to Japan and imports of high value and capital goods from Japan leads to a heavy trade imbalance. Although Japan has said it is willing to help narrow the trade gap, there is little that can be done unless the products are competitive both in terms of quality and price to not only suit the Japanese

tastes but also compete with other regional exporters. Secondly, Nepali manufacturers need to explore products they can sell in Japan. Thirdly, marketing of Nepali products has never been part of the economic diplomacy. The government needs to boost export sector to promote exports because the problem is that the Nepali producers are so small-scale that they simply cannot afford the high cost involved in doing business in Japan. This perhaps explains why many of them are even reluctant to participate in trade fairs in Japan to promote Nepali products. Lastly, the institutional and legal arrangements need to be made in order to attract foreign direct investment from Japan in Nepal in order to attract Japanese companies and private sector to do business in Nepal.

If institutional reforms are implemented, many international companies, including from Japan, will be attracted to invest in Nepal and promote export-led growth. This is important in the light of the reported Japanese offer to provide quota free and duty free access to products from LDCs and Nepal is keen to be included in the list of beneficiaries. Japan simultaneously announced to be included in the list of LDCs capacity building in the three pillars of trade – production, sales and market access – to benefit from global trading system. Japan has yet to take a position on Nepal's request (Rising Nepal, 2005: December 15).

#### **4.7 Foreign Direct Investment**

Nepal has undertaken a number of policy reforms for promoting foreign direct investment (FDI). These include the enactment of Industrial Enterprises Act 1992, and Foreign Investment and Technology Transfer Act 1992. The total investment target was Rs. 35 billion during 1997-2002, assuming the average annual domestic investment of Rs. 12 billion and FDI of Rs. 5 billion. However, the total investment was only Rs. 24 billion, including Rs. 9 billion of FDI. The government aims at increasing industrial competitiveness by attracting FDI and adopting appropriate technology.

Table 4.12 below shows Japan as the third largest source of FDI in Nepal, after India and China, in terms of the number of FDIs. Japanese private investment as of June 2006 is on 112 projects with a total project cost standing at Rs. 2,914.2 million and the total fixed cost amounting to Rs. 2,510.5. The foreign investment amount is Rs. 982 million, providing employment opportunities to 5,592 Nepalis. However, in terms of amount of FDI, Japan takes sixth position, the first five going to India, the United States, China, British Virgin Islands and Norway but above South Korea in the sixth position.

**Table 4.12: Top 10 FDIs in Nepal – Country-wise (Rs./million)**

Country	FDI/Number	Total Cost	Fixed Cost	DI/Component	Employment
India	335	34,095.76	26,185.36	11,570.37	43,360
China	122	9,639.25	7,924.11	3,013.82	8,881
Japan	112	2,914.17	2,510.47	982.00	5,592
U. S. A.	101	13,318.31	12,109.66	4,524.80	9,358
South Korea	61	1,809.35	1,502.70	964.95	3,359
Germany	6	1,849.32	1,671.27	612.17	2,860
U. K.	4	2,644.74	2,229.09	829.84	5,872
France	6	456.59	382.15	183.26	1,325
Switzerland	2	532.48	478.25	145.95	352
Hong Kong	5	1,343.54	1,099.44	525.24	2,075
All FDI Total	1,088	93,160.86	77,167.07	28,859.76	105,926

Source: Department of Industries, June 22, 2006.

Out of the total Japanese FDIs, 54 projects are in the tourism sector, which also have the highest foreign investment component. This is followed by 33 service sector investment, manufacturing and energy-based as Table 4.13 below shows:

**Table 4.13: Japanese FDIs Category-wise (Rs./million)**

Types	No.	Total Cost	Fixed Cost	FDI	Employment
Agriculture	4	76.60	57.85	4.50	454
Construction	1	30.45	22.20	10.98	348
Energy	1	275.00	270.00	21.00	0
Manufacturing	9	430.69	260.09	56.82	1,354
Service	3	495.98	410.55	153.16	950
Tourism	4	1,505.45	1,389.77	695.54	2,486
Total	112	2,914.17	2,510.47	982.00	5,592

Source: Department of Industries, June 22, 2006.

Nepal has signed with Japan neither the agreement for reciprocal encouragement for the promotion and protection of investment it has signed with Germany, France and Britain nor the agreement for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income it has signed with India, Norway and Thailand. The absence of such legal framework between Nepal and Japan has also led to constraints in promotion of FDI from Japan into Nepal.

**Table 4.14: Japanese FDIs in Nepal – Sectorwise (Rs./million)**

Types	No.	Project Cost	Fixed Cost	FDI	Employment
Agriculture/Forestry	3	101.70	90.70	17.53	184

Manufacturing	19	507.48	332.30	84.53	1,552
Food & Beverage		74.62	69.14	14.94	202
Textile/Garments		132.07	97.87	33.64	469
Paper/Products		1.34	0.99	1.34	26
Febric Metal		224.55	97.15	7.65	585
Others		74.90	67.16	26.97	270
Electricity/Water/Gas	1	275.00	270.00	21.00	0
Construction	4	145.45	122.87	49.40	433
Hotel and Resort	53	1,497.38	1,379.17	695.66	2,505
Transport /Communications	4	53.35	40.54	6.44	167
Housing/Apartments	1	21.24	20.64	7.00	20
Service Industries	27	312.57	254.25	100.43	731
Total	112	2,914.17	2,510.47	982.00	5,592

*Source: Department of Industries, June 22, 2006.*

Major constraints for attracting FDI in Nepal include poor infrastructure, poor resource base, uncertain trade and transit relations with India, conflict and political instability and slow pace of reforms to create environment for FDI. Nepal needs a coherent policy and strategy to attract more FDI. The procedures need to be simplified and laws related to industries, labor and technology transfer made investor friendly. Formulation of bankruptcy or insolvency legislation and development of infrastructure are also crucial for attracting FDI. It needs to identify and mobilize new resources.

#### **4.8 Foreign Employment**

Large scale migration for economic opportunities from Nepal started in the early 19th century when India was under the British colonial rule and Nepal under the Rana oligarchy. It began with the recruitment of hill people from Nepal in the British Indian Army following the May 15, 1815 treaty concluded between Kazi Amar Singh Thapa and Major General David Octorlony. In order to provide Nepali hill tribe an easy access to the recruitment and ensure free access to its manufactured goods into Nepal, the British in India deliberately kept the border with Nepal open despite the formal recognition of Nepal as a “sovereign and independent” country.

In recent years, migration has been growing and diversified. Remittances are raising the standard of living of millions of Nepalis by providing critical resources. Remittances from international migrant labor are not just the economic safety net for developing countries but are also contributing to increases in the economic stability in poor countries. Migration in fact has proven method of bringing immediate relief and stability to poor nations, with migration and



remittance possibly constituting a foreign-aid framework that is better targeted and more effective than any government program (Wallston, 2003).

The official unemployment figure is 17.4 per cent of the labor force or about 1.8 million with 250,000 new job-seekers added annually. Unemployment and underemployment are expected to deteriorate further because the economic growth has been sluggish, unable to create new demand for labor. Lack of employment and income opportunities is forcing many Nepalis to seek jobs overseas. Among those employed, about 32.2 per cent has no adequate work and are “underemployed.”

Nepal has neither a coherent nor comprehensive employment policy. Nepal’s Ministry of Foreign Affairs and its diplomatic missions abroad have always been used to serve the narrow political interests of the ruling class rather than work for the economic and social well-being and prosperity of the people they represent. It is for this reason there is consequent lack of support at the popular level on foreign policy. Even after the revival of multi-party democracy, the Nepali rulers are too preoccupied with the spoils of office with little time for promoting economic modernization and development.

One example is total apathy in promoting overseas employment by offering training opportunities to let Nepalis benefit from semi-skilled jobs. Instead, the political leadership is immersed in dream-selling. The Ninth Plan, for example, incorporated a plan to provide “one family, one job.” (HMG, 1997: 199). The plan was not only never implemented but dropped altogether in the Tenth Plan, which seeks to create 1,050,000 jobs by the end of 2007 and the promotion of 200,000 overseas jobs annually. Under another plan, 100,000 Nepalis from the economically, socially and culturally disadvantaged communities were to be sent for overseas employment in fiscal year 2002-03 (HMG, 2002). The government also announced loans up to Rs. 100,000 under the foreign employment loans program at 11 percent interest rate and payable in 18 months. A previous government promised to send 200 Nepalis from each of the 205 electoral constituencies for overseas employment but the plan remained on paper only (HMG, 1999).

There are a number of countries where Nepalis are working but Nepal has labor agreement only with Qatar, United Arab Emirates and South Korea while formal and informal negotiations are underway with a number of countries including Japan, which is emerging as a

major destination for Nepali migrant workers looking for foreign employment. Japan already hosts 25,000 Nepalis (Rising Nepal, 2005: July 4). Consistently decreasing birthrates are expected to decrease the current population of 127 million to 100 million by 2050, forcing Japan to import millions of labor from around the world. According to Hidero Sakanaka, director of the Tokyo Immigration Bureau, Japan will have to accept close to 30 million immigrants over the next half century (International Herald Tribune, 2005: January 23).

#### **4.9 Tourism**

Since Nepal opened her doors to the outside world in 1951, the growth of tourism has been rapid and dramatic: from fewer than 6,179 visitors in 1962 to 385,297 in 2004. The success is largely due to the country's rich cultural heritage, its natural beauty and the individual efforts of the private entrepreneurs. Yet tourist arrivals in Nepal are far too less than potential. Nepal has not yet made an effort to market her, particularly in the affluent countries, including Japan and the Pacific Basin.

The number of tourists visiting Nepal has been declining in recent years for several reasons. The political disturbances in 1979 and the flood damages in 1983 led to a drop in tourist arrivals. The trade dispute with India in 1989 also resulted in negative growth of 9.8 percent. The negative international publicity about the high level of pollution and garbage disposal system in the Kathmandu Valley as well as devastating floods and landslides following torrential rains led to a 12.2 percent decline in the number of tourist arrivals in 1993. Tourist arrivals made a dramatic drop from a negative 5.7 percent in 2000 to a negative 22.1 percent in 2001 because of two important reasons: the royal palace massacre on June 1, 2001 that left the entire family of King Birendra, including the heir apparent, assassinated and the terror attacks on the U. S. in September 11, 2001. The security situation has also contributed to decline. The success of the political movement in April 2006 and the ceasefire between the government and the Maoists is expected to improve the situation.

Japanese tourists make the largest visitors after Indian tourists. The number of Japanese tourists has increased from 147 in 1962 to 24,231 in 2004. Japanese Prime Minister Mori's visit to Nepal marks a landmark year in 2000 because that year recorded the highest number of tourists from Japan. A total of 41,070 Japanese visited that year. The share of Japanese tourists in the international tourist arrivals has been growing. For example, the share of Japanese tourist arrivals

was 2.4 percent of the total tourist arrivals in 1962. This is in sharp contrast to 3,582 tourists Nepal received from the U. S., which claimed 58 percent in the total tourist arrivals. In 1998, this share increased to 37,386 in the case of the Japanese tourists claiming an eight percent share compared to 35,902 arrivals from the U. S. with a market share of 7.7 percent.

The Japanese tourist arrivals began to build up around 1990, and their number increased to 15,021, with the share of Japanese tourists increasing from 2.4 percent in 1962 to nearly six percent that year. It made a steady growth until 2000, where the share of Japanese tourists was close to 10 percent. However, it dropped to 28,830 in 2001 to 27,412 in 2003 and to 24,231 in 2004, as Table 4.15 shows below:

**Table 4.15: Japanese Tourist Arrivals by Year**

Year	Japanese Tourists	Share/Total
1986	12,133	5.4
1987	16,280	6.6
1988	17,324	6.5
1989	18,012	7.5
1990	15,021	5.9
1991	17,874	6.1
1992	19,533	5.8
1993	17,804	6.1
1994	19,569	6.0
1995	25,360	7.0
1996	28,923	7.3
1997	35,038	8.3
1998	37,386	8.1
1999	38,893	7.9
2000	41,070	8.9
2001	28,830	8.0
2002	22,941	8.4
2003	27,412	8.1
2004	24,231	6.3

*Source: Department of Tourism, 2006*

Nepal's main attractions for the Japanese are the snow-capped Himalayan mountain ranges, rich cultural heritage and Lumbini Gardens, the birthplace of Lord Buddha. The direct twice a week flights between Kathmandu and Osaka have helped promote tourism in Nepal. Even if Japanese officials as back as in 1979 had been stressing on the "urgent need" for direct flights between Kathmandu and Tokyo via China for promoting tourism, the two countries concluded an air services

agreement only in February 1993. It is only technical agreement mainly based on the Convention on International Aviation opened for signature in Chicago on December 7, 1944.

A growing number of climbing expeditions have challenged Himalayan peaks. This provides employment opportunities to the Nepalis and is a major source of foreign exchange earning. There are many Japanese who have maintained long-standing relations with Nepal since discovering during their visits the alluring mountains and congenial nature of the Nepali people. Such people to people relations, together with amicable relations at the government level, have greatly contributed in further cementing the bilateral ties of friendship and cooperation between the two countries.

Japanese visitors carry back goodwill and understanding across the ocean. However, there is a vast tourist market that remains untapped in the absence of Japan-specific tourist marketing strategy. Nepal does not have a tourism information center in Japan. The Japanese goodwill alone is no more going to work. A well-defined business plan delineating the number of Japanese tourists visiting Nepal each year, the amount of investment needed for developing infrastructure and how to offer Nepal as a most attractive destination is a pressing priority.

It may be concluded that economic relations are the most significant dimensions of bilateral relations between Nepal and Japan in the context of Nepal's efforts at integrating her economy with the global one. This presents a challenge for the country because of the least developed nature of the economy and the landlocked geopolitical nature. Since 1990, geo-strategically located Nepal has been pursuing free market reforms under a democratic framework, opening new prospects for economic cooperation between Nepal and Japan. Nepal needs to look at the expanding economic cooperation with Japan in terms of enhancing her capacity and capability to be competitive in the global economy. The most important element for economic growth and prosperity is a political leadership with a vision and commitment, like that of Japan, seeking economic prosperity shared by all sections of the society. There is thus a clear lack of strategic thinking, planning and implementation of a comprehensive plan for economic growth and development in the mutual interest of Nepal and Japan and for peace, stability and prosperity of Nepal.

# CHAPTER V

## STRATEGIC PARTNERSHIP AND COOPERATION

This chapter examines the prospects of strategic partnership between Nepal and Japan in the context of growing bilateral socio-cultural, political and economic relations as examined in the previous chapters. The year 2006 marked the 50th anniversary of the establishment of formal diplomatic relations between the two countries, and this occasion offers a unique opportunity to explore the prospects of launching political and strategic dialogue aimed at establishing strategic partnership and cooperation in order to further consolidate Nepal-Japan bilateral relations in the mutual interest of peace, stability and prosperity. Strategic aspect has assumed significance as Nepal strives to integrate with the global economy, strengthen democracy and peace-building, and benefit from the rapid economic growth and prosperity in China and India.

### **5.1 Global Strategic Environment**

The changing dynamics of global strategic environment further underscore Nepal's need for a strategic partnership with one or more major power/s. The collapse of communism in Eastern Europe in 1989 led to the end of the Cold War bi-polar international structure marked by rivalry between the U.S. and the Soviet Union since the 1940s. The disintegration of the Soviet Union in December 1991 saw the end of the Brezhnev doctrine that had given "limited sovereignty" to Soviet satellite states and emergence of a unipolar structure dominated by the U.S. Fukuyama takes an optimistic view of the post-Cold War when many countries adopted multi-party democracy and market reforms, which he describes as the "end" of one phase of history and the beginning of the new one marked by "an unabashed victory of economic and political liberalism." (Fukuyama, 1995: 79). His three key arguments in support of liberalism are that Western liberal democracies are universal, multilateral institutions play an integrative role and global capitalism has benign security consequences.

Fukuyama's optimism is not shared by Mearsheimer, who rejects the view that the end of the Cold War has turned the world any safer. The bipolar nature of the Cold War international structure produced stability but the post Cold War world order is less stable with new set of problems. He rejects the very view that the international system is unipolar because even if the U.S. is a hegemon in the Western Hemisphere, Russia and China are two other great powers in the international system. Of course, neither match American economic and military superiority but can "contest and probably thwart" an American invasion of their homeland (Mearsheimer, 2001: 381).

Among scholars on democratization, Huntington finds post-Cold War world less safe because of clashes of "civilizations" – the Western civilization vs. the non-Western civilizations – over the issues of individual liberties, human rights, democracy and secularism. These threats take various shapes. Overall, he argues that peace and stability depends on the "understanding and cooperation among the political, spiritual, and intellectual leaders of the world's major civilizations." (Huntington, 1997: 321). The best safeguard against war, he pleads, is a world order based on civilizations. However, his treatment of Christianity, Islam and other religions as monolithic are flawed because Sunni Muslims are cutting throats of Shia Muslims in Iraq and elsewhere and Orthodox Christians killing Roman Catholics in Yugoslavia.

Kaplan argues that ideological conflicts are being replaced by new conflicts like the control over natural resources like water, cropland, forests and fish (Kaplan, 1994). Chomsky asserts that the world has changed little since the end of the Cold War and that the U.S. still remains "an imperial and expansionary power." (Chomsky, 1999: 11). According to Rotfeld:

Today, the international security environment is far more complex than it was in the cold war era of bipolarity. The radically diminished threat of a world war has been replaced by the reality of intra-state conflicts which undermine stability security at the domestic and regional levels. A serious challenge for the international system is the increasing number of weak or even failed states and their inability to control developments on their own territory....(Rotfeld, 1998: 1).

## **5.2 Global and Regional Players**

Any discussion on the prospects of strategic partnership between Nepal and Japan or with any other country must precede with the examination of the strategic role and interests of major global and regional powers in South Asia in general and Nepal in particular. The international

strategic environment is characterized by the unchallenged supremacy of the U.S., “peaceful rise” of China both in military and economic terms, Japan’s economic recovery after a decade of stagnation, political integration of Europe, and rapidly developing South Korea. The peaceful rise of China means the country will neither follow Germany or Japan’s militarism before World War II, nor vie for global dominance but strive for peace, development and cooperation with all the countries of the world (Zheng, 2005).

Cohen describes “pentagons of powers” in South Asia consisting of the U.S., China, Russia, India, and Pakistan, and argues that “a reasonably equipped, professional military establishment is less of a threat to civilian rule than an army that feels neglected and ignored.” (Cohen, 1988). The rise of China and India amounts to, in the words of Singapore Prime Minister Lee Hsien Loong, “tectonic shift.” (Rising Nepal, 2005: December 7). The revival of two of the world’s oldest civilizations is a double edged sword which could “mean great prosperity for the region but could also mean a tussle for power.” (Time, 2005: December 12). Similarly, China and Japan have emerged as world powers at the same time for the first time in history, and could either form strategic alliance or clash for control over resources. The Korean reunification, if it happens, will trigger tectonic shift in the Asian balance of power by the sheer combination of an economically prosperous South and a nuclear North.

There is no doubt that the center of gravity of world affairs is moving to Asia, where China, Japan and India in particular seek to “carve out new, larger roles for themselves or forge fresh equations between and among themselves.” (Chellaney, 2006: 48). The future prosperity and security of Asia in general and South Asia in particular will depend on the strategic triangle between and among these three powers as well as the bilateral relations between these three countries and the United States, which will continue to decisively shape strategic environment in the region.

### **5.2.1 The United States**

President Richard M Nixon’s July 1971 decision to recognize China followed by his first official visit to Beijing in February 1972 fundamentally restructured the Cold War international order and set in motion the process of globalization. It was a “geopolitical revolution” made possible because of the Chinese perception of the Soviet threat combined with the U.S. strategic objective “to transform the two power world of the Cold War into a triangle” and manage the

triangle by being closer to each other to “maximizing the options.” (Kissinger, 1999: 140). The Shanghai communiqué of February 28, 1972 committed the U.S. to the “one China” policy.

Nixon’s diplomatic breakthrough triggered a series of developments affecting strategic environment in South Asia: the 20-year military alliance between India and the then Soviet Union. The first victim of the Indo-Soviet alliance was Pakistan, which was bifurcated to produce Bangladesh in November 1971. The second victim was the kingdom of Sikkim annexed by India in 1975. These developments worried China which was “plagued by a nightmare of encirclement by the Soviet Union, India, Japan and the United States” for her dismemberment (Topping, 1972: 414). At the height of Sino-U. S. hostilities in the 1960s, for example, Nepal was used by the U.S. as a listening post on China, training and funding the Khampa guerrillas to launch attacks on Chinese interests in Tibet. The Khampa insurgency was smashed by the Nepal Army in 1974.

The U.S. interest in Nepal somewhat slackened after U. S. recognition of China until 9/11, when Nepal received assistance for the modernization of the military. The interest was revived when Prime Minister Sher Bahadur Deuba became the first Nepali premier to be hosted at the White House Oval Office in May 2002. Secretary of State Colin Powell visited Nepal in January 2002, also the first by any Secretary of State, giving a new meaning and content to Nepal-U. S. relations. The U.S. has been coordinating Nepal policy with India and Britain because “neither one of us can do this alone.” (Boucher, 2006). Nepal continues to be strategically important for the Washington because it borders Tibet, China’s soft underbelly. If there is any country likely to challenge the American supremacy in the future, it is China. Both China and the U. S. maintain strong diplomatic presence in Nepal.

### **5.2.2 Japan**

Japan has been tapping into new sources of strength in order to remain a key player in Asia, just as it has many times before and has been expanding its interests in South Asia (Pyle, 2007). Japan has also enduring strategic culture, and has been successful in adjusting her domestic institutions and sources of relative power to get the most out of the prevailing international strategic environment. Japan’s strategic policy at present is based on three main pillars: (a) firmly maintaining the Japan-US security arrangements; (b) moderately building up Japan’s defense capability on an appropriate scale; and (c) pursuing diplomatic efforts to ensure international peace and security (MOFA, 2004). South Asia has traditionally been of marginal



interest for Japan, which is giving new importance to this region, as reflected in its contributions in nation-building in Afghanistan and peace-building in Nepal and Sri Lanka. Both Japan and China have been vying to build strategic relations with South Asian countries, and the contest for regional leadership between them is “creating new security dilemmas, prompting concerns over Chinese ambitions in Japan and fears of a renewed Japanese militarism in China.” (Calder, 2006: 130).

Japan’s role in South Asia is already expanding. Prime Minister Toshiki Kaifu signaled for the first time a broadening of Japan’s interest in South Asia with his swing through the region in April 1990 when he stressed the role of free markets and democracy in bringing about “a new order.” Japanese leaders have continued to stress on growing importance of the region, expanding relations with both China and India. Japan and China have a flow of some 4.17 million people annually. Japan and India have only 150,000. Some 80,000 Chinese students study in Japan every year, compared to 400 from India. There are 676 weekly direct flights between Japan and China but only 11 between Japan and India (Aso, 2006). Together with China, Japan in 2006 became an observer of the 8-nation South Asian Association for Regional Cooperation (SAARC). Both China and India are keen to forge strategic partnership with Japan.

For example, Prime Minister Manmohan Singh of India visited Japan in 2006, when both the countries agreed to cooperate towards building a “Strategic and Global Partnership.” They are negotiating the Economic Partnership Agreement, and the first strategic dialogue at the level of foreign ministers took place in Tokyo in March 2007, paving the visit of Prime Minister Shinzo Abe to India. Japanese Minister for Foreign Affairs Taro Aso, who has announced plans to create an “Arc of Freedom and Prosperity”, attended the SAARC summit in India in 2007 (Aso, 2006). South Asia lies at the center of the Arc of Freedom and Prosperity, which seeks to build a prosperous and stable South Asia based on universal values of democracy and freedom.

### **5.2.3 “Peaceful Rise” of China**

China’s “political and military shadow will fall over Asia and will affect the calculations of the other powers, however restrained actual Chinese policy may prove to be.” (Kissinger, 1994: 826). China is expected to develop into a global defense industry within the next 10-15 years, replacing the U.S. as the preeminent power globally. It already has the world’s third largest defense budget – after the U.S. and Russia – spending between \$70 billion and \$90 billion per

year Agence France-Presse, 2005: October 22). Since this is a fraction of the defense spending by the United States, Washington “must not mesmerize itself with a Chinese military build up.” (Kissinger, 2005).

China has also accelerated economic and strategic influence in South Asia, including a “strategic and cooperative partnership for peace and prosperity” with India (Xinhua, 2005: April 12). Its “Develop West Strategy” has been linked to South Asia, which “opens up new wider vista for the economic cooperation between China and South Asia(n) countries including Nepal.” (Wu, 2003). Bordering with most South Asian countries including Myanmar, India, Nepal, Bhutan, Sikkim, and Pakistan, China hopes to develop mutually beneficial economic and trade relations, healthy political relations and stable security relations with South Asia (Ma, 2002). China is active in the Shanghai Cooperation Organization, and Nepal and Pakistan are being urged to pursue “a subregional economic and development cooperation agreement between China, Pakistan, Nepal and Bangladesh.” (Niak, 2002).

Nepal is important for Beijing for a number of reasons. First, it shares a long but most peaceful border with Tibet since a boundary treaty was signed in 1961. Second, China does not want any anti-Chinese activities in Nepal, which has the presence of a large number of Tibetan refugees. The U.S. is relocating 5,000 “vulnerable” Tibetan refugees from Nepal to the U.S. where they would be resettled by mid-2007. The planned settlement of Tibetan refugees was proposed by President George Bush in his annual report to the U.S. Congress to the Refugee Admissions Program for fiscal year 2006. Lastly, although Chinese cooperation to Nepal are designed to counter growing Indian influence, Beijing has all along been stressing that Nepal should enjoy the best of relations with India. China wants Nepal to stay clear of any foreign – Indian or American – influence that could make trouble in Tibet, and has been stressing on integrating Nepal into Tibet’s economy, laying highways to connect Nepal with Tibet. It wants Nepal to take advantage of Tibet’s economic success by increasing its links for mutual economic prosperity (Hua, 2005). A key project is the Qinghai-Tibet Railways which “will not terminate in Lhasa but also go straight to Kathmandu, thus strengthening of China-Nepal trade,” as Chairman Mao Zedong was quoted as saying to King Birendra during their meeting in Beijing on December 9, 1973 ([www.tibetmagazine.net/en](http://www.tibetmagazine.net/en)).

Chinese Foreign Minister Li Zhaoxing during a visit to Nepal in March 2005 denied that he discussed with Nepali officials military aid to Nepal, and described the royal takeover in

February 2005 as Nepal's "internal matter, which has nothing to do with China. Nepalese people have full authority to take their internal politics and development." He quoted King Gyanendra as telling him on March 31: "Nepal appreciates and supports the important role that China has been playing in the international affairs." (Xinhua, 2005: April 1). A year before that Chinese Premier Wen Jiabao had also reiterated to the visiting Raj Parishad Chairman that whatever changes took place in the world and the region "will definitely not alter China's good neighborly policy towards Nepal and China is ready to keep close cooperation with Nepal so as to advance bilateral relations to a new high." (Rising Nepal, 2004: June 2).

Chinese Defense Minister Cao Gangchuan announced after meeting Nepal's Chief of Army Staff General Pyar Jung Thapa in Beijing in October 2005 China's interest in promoting military cooperation with Nepal. Cao said the two countries trusted each other politically, cooperate economically and support each other in major international affairs, and expressed the hope that China and Nepal and militaries expand visits and exchanges in the future. Nepal and China also signed an agreement on military cooperation under which China pledged Yuan 8 million (Rs. 72 million) in military aid. The deal was reportedly clinched in August 2005 (India Today: 2005: September 9).

#### **5.2.4 India: A Regional Hegemon?**

The U.S. and India signed a landmark agreement on July 18, 2005, seeking to lift restrictions on sharing civilian nuclear technology. The agreement is seen as the bedrock of a new strategic partnership between the two countries with ramifications in the region and beyond. The deal provides energy-starved India access to civilian nuclear technology it has been denied for nuclear tests and refusing to sign on the Nuclear Non-proliferation Treaty (NPT) (Rising Nepal, 2005: February 26). The deal benefits India most by bringing enormous lucrative business contracts, firm U. S. strategic foothold in India and keep large part of Indian nuclear energy program under international monitor (Chellaney, 2005). The U.S. and India seek "a larger and more ambitious agenda for broader strategic cooperation" in the areas of high technology, commerce and defense (Frontline, 2004: December 3). The pact comes as part of US plans to propel India as a "major world power in the 21st century."

The first victim of this strategic shift was Nepal where political developments became matter of consultation between the U.S. and India (Times of India, 2005: March 27). America

wanted a “new and deep involvement in South Asia”, especially the strategic engagement with India with an apparent bid to “contain” China (Burns, 2005). The Indian policy on Nepal and indeed in all her neighborhood is comparable to America’s Munroe Doctrine in the Western Hemisphere: an attempt to maintain Indian hegemony, if necessary, by the use of force (Kissinger, 2006).

Thus the relationship among the world’s only superpower the U. S., a more assertive Japan, the peaceful economic and military rise of China, growing economic importance of a hegemonic India and Nepal’s own bilateral socio-cultural, political, economic and strategic relations with each of these powers in the context of her chaotic internal political dynamics will have a significant bearing on the peace, stability and prosperity of Nepal and indeed of the region.

### **5.3 Patterns of Strategic Partnership**

Having examined the strategic environment and the role of key global and regional strategic players, it would be appropriate here to briefly describe the patterns of strategic partnership as they exist and operate today. The U.S. and Britain have one of the oldest strategic partnerships that evolved around 1930s. The second oldest and steady strategic partnership has been between the U.S. and Japan since 1947. While these strategic partnerships have security/military focus, a number of new strategic partnerships seek, in addition to the national security objectives, other important matters like trade, investment, democracy, governance, human rights, conflict mitigation and environmental protection all of which have significant bearing on national security.

#### **5.3.1 Anglo-American Strategic Partnership**

The Anglo-American strategic partnership is one of the oldest and most enduring strategic partnerships in the world. President Franklin D. Roosevelt of the U. S. and Prime Minister Winston Churchill of Britain met for the first time off the coast of Newfoundland on August 14, 1941 to sign the Atlantic Charter, making commitment to national self-determination. They issued a “Declaration of Principles” providing for a set of guiding principles to govern relations among states (Schuman, 1958). In 1941, they signed the Anglo-American Alliance and created a joint American-British military command that defeated the twin evils of German Nazism and Japanese militarism (Campbell, 1957).

The shared cultural and historical inheritance underpinned close US-British diplomatic and military co-operation which was aptly described as an unequal partnership, dogged with infidelity, and unbalanced in its power (<http://news.bbc.co.uk>). They worked together to form the North Atlantic Treaty Organization (NATO), a mutual-defense alliance, at the height of tension between the capitalist and communist powers during the Cold War. Britain remained an influential partner for the U.S. throughout the Cold War (Buller, 2001).

In the post-Cold War period, they contributed forces for the coalition army to liberate Kuwait overrun by Iraq in 1990 and to impose peace during the Kosovo War. Following the September 11, 2001 terror attacks on the U.S., British forces participated in the U.S. invasion of Afghanistan and supported the 2003 invasion of Iraq opposed by France, Germany, and Russia. The Anglo-U.S. strategic alliance, from the British perspective, helps it further British interests (Treverton, 1990).

### **5.3.2 Japan-US Strategic Partnership**

The basic pattern of Japan's international relations after the end of World War II was laid under the "Yoshida Doctrine", named after Prime Minister Shigeru Yoshida, which sought to concentrate on nation-building while seeking economic, political and security guarantees from the U.S. Both the countries signed the Treaty of Peace at San Francisco in September 1951, and subsequently the US-Japan security treaty. Japan thus became not only an integral part of the U.S. conventional and nuclear strategy but was also placed in the front line of the U.S. military containment policy regarding communism in East Asia (Hook et. al, 2001). The 1951 treaty was revised in June 1960, allowing the U.S. bases and other facilities in Japan.

The U. S.-Japan relations are broad-based encompassing a range of common values and interests. Initially, it was designed to protect Japan from the Soviet Union. A review of the alliance concluded in 1995 that despite the collapse of the Soviet Union, the alliance remained "indispensable to the Japanese security" and was a "key to regional peace and security." (Blackwill & Diblo, 2000: 31). A revitalized alliance was expected to enable Washington "exploit tensions among the great land powers of Asia that arise from their strategic ambitions and insecurities." Dreyer, Elleman & Lim, 2000). It has recently been suggested that in order to counter China, the U.S. must ignore India and focus on Japan by arresting the drift in the U. S.-Japan alliance which is the cornerstone of the East Asia's strategic stability (Lim, 2000).

The U. S. and Japan enjoy a strong political relationship, and the “Cold War father-child dependency will inevitably be replaced by something resembling an alliance of equals.” (Fukuyama, 2005: 75-87). China and both Koreas do not want Japan to emerge as a strong and more independent neighbor. While Article 9 of the Japanese constitution should reassure its neighbors, Japanese rearmament should be both slow and managed delicately.

There are other strategic alliances, such as the U. S.-Australia Alliance, which has transferred its role from containing communism to promoting democracy, economic development and strategic stability. The U.S.-South Korea Mutual Security Agreement of 1954 is primarily a military agreement to defend South Korea from attacks by the North. The strategic partnership between Afghanistan and the U.S. seeks to build peace and democracy in the embattled former kingdom.

### **5.3.3 Emerging Patterns of Strategic Partnership**

The basic thrust of the strategic partnership between countries has recently shifted to areas concerning socio-cultural, political and economic, which impinge on the national security indirectly rather than directly. This is why several countries have launched strategic and political dialogue in order to establish strategic partnership and cooperation not necessarily focusing only on military and security cooperation but also in areas of nation-building, democracy and human rights, economic cooperation in trade and investment and the protection of the environment. These alliances also show how countries are responding to meet challenges in the 21st century.

#### **5.3.3.1 Sino-Russian Strategic Partnership**

The summit meeting between Chinese President Hu Jintao and Russian President Vladimir Putin in Moscow in July 2005 produced a “joint declaration on the international order in the 21st century” which denounced “the aspiration for monopoly and domination in international affairs.” (Baldwin, 2005). It does not mention the U.S. directly but was “a thinly veiled attack on perceived U.S. efforts to dominate the world.” (Holley, 2005). President Hu called on Russia to join China in “strategic coordination” to help each other face up to “new threats” and to “safeguard” common interests, such as the two countries’ territorial integrity in disputes with others (Xinhua, 2005: July 1). Hu’s language was in sharp contrast with anti-U.S. posture of Russian Foreign Minister Yevgeny Primakov who proposed in 1998 “Russia-India-China

strategic triangle,” which was doomed to fail because each of them was working with U.S. for a new geometry of strategic relations. (Pravda, 2002: December 2).

Soon after the Hu-Putin summit, the first Sino-Russian joint military exercise, code-named “Peace Mission 2005”, was held in China’s Shandong peninsula in August 2005, indicating the emergence of a new axis in Asia (Baldwin, 2005). China attempts to stabilize its bilateral relationships with both U.S. and Russia through the framework of strategic partnership in order to realize its modernization program, while at the same time engages in strategic cooperation with Russia to a certain extent in order to push for global multi-polarization to deter the U.S. from being the sole superpower (Suisheng, 2004).

China-Russia strategic partnership is “to check and counterbalance the hegemonic aspirations” of the U.S. (Wilson, 2004: 143). It envisages a tri-polar world order with the “imminent emergence” of China and Russia to challenge the American supremacy (Gvaskov, 2005). This situation is possible only if (a) both China and Russia continue to enjoy high economic growth rate, (b) attain social and political stability, and (c) continue to improve bilateral ties. For the time being, the strategic alliance between China and Russia looks “irreversible” as was described by Mikhail Kamynin, spokesman for the Russian Foreign Ministry (Xinhua, 2005: October 30).

### **5.3.3.2 Shanghai Cooperation Organization**

Nepal has been seeking observer status in the Shanghai Co-operation Organization (SCO) launched in 2001 to promote cooperation in former Soviet Central Asia groups China, Russia, Kazakhstan, Kyrgyzstan, Uzbekistan, and Tajikistan. If “observer” states like India and Iran join as members, the SCO’s sway spreads into South Asia and beyond because it is a step closer to the formation of Eurasian military confederacy to rival, if not challenge, the NATO (Weir, 2005).

### **5.3.3.3 India’s Strategic Partners**

India seeks strategic partnership with the U. S., China, Japan as well as Russia (Times of India, 1997: October 14). Russian Prime Minister Yevgeny Primakov proposed during his 1998 India visit that China, India and Russia form a “strategic triangle” as anti-Western axis (Thakur & Yunling, 1999). Russia seems determined to play a greater political role. China, keen on forging a

“constructive” US-Pakistan-China triangle to promote regional stability and balance of power in South Asia, rejected the proposal. Instead, China gave a strong support to the U.S. following the 9/11 terror attacks, and eyes the security vacuum in South Asia. India’s search for strategic partnership with the U.S., Russia and China has been dismissed as nothing but a “mirage.” (Dubey, 1998).

The “strategic triangle” was an unrealistic proposal to begin with because of the divergent interests. First, each of them is fostering constructive relations with the U.S., and there is no valid reason to reverse this trend. Second, India’s strategic interests remain vague and contradictory. On the one hand, it wants “strategic partnership” with the U.S. to “contain” if not “encircle” China, and on the other wants “strategic partnership” with China to challenge the U.S. supremacy. Sino-India relations have been improving, pending the long-standing border disputes following the 1962 war for which India was solely responsible (Maxwell, 1970). In May 1998, Indian Defense Minister George Fernandes described China as India’s “potential threat number one.” Paradoxically, India views China both as a partner and a competitor, a friend and a foe, a threat and a lure (Outlook, 2003: June 30).

In June 2003, India designated Changgu in Sikkim and China designated Renqinggang of the Tibet Autonomous Region as the venues of the border trade market with Nathu La as the trade route. The opening of trade with Sikkim annexed by India in 1975 did not mean the Chinese endorsement of the same because the issue of Sikkim, in the words of Chinese Foreign Ministry spokesman Kong Quan, was to be “solved in a gradual manner.” (Hindu, 2003: June 27). The trade agreement involving Sikkim was simply “a border trade agreement” designed to “expand border trade” which effectively meant political status of Sikkim was still a matter of historical baggage (Josse, 2003).

#### **5.4 Nepal’s Strategic Significance**

In the light of above discussion on the strategic interests of major regional and global powers in South Asia, it would be logical to examine the strategic significance of Nepal and whether it is possible for Nepal to forge strategic partnership aimed at achieving the mutual goals of peace, stability and prosperity.



King Birendra had long rejected the concept of Nepal as a “buffer state” as “outmoded”, underlining that Nepal “is not a part of the sub-continent; it is really that part of Asia which touches both China and India.” Nepal, he argued, “can maintain friendly relations with both these countries” and asserted that “playing one off against the other is a short-sighted policy.” (Newsweek, 1973: September 10). Nepal thus belongs as much to South Asia as to Central Asia, just like Pakistan is to West Asia as well as Central Asia and China to Central Asia as well as South Asia. Geopolitics thus plays a more considerable role in Nepal than elsewhere because its geo-strategic location undoubtedly affects her foreign policy. Nepal, whose southern neighbor is 23 times bigger and the northern neighbor 68 times, is critical for the security and stability of both the neighbors (Dahal, 1997).

The military expeditions across the Himalayas during the 18th century reflect Nepal’s strategic significance to powers on both sides of the Himalayas. The Chinese and Tibetans moved across the Himalayas, and Nepal made two military expeditions in Tibet, first in 1788 and then in 1791. Some 10,000 Chinese troops crossed into Nepal to help Tibetans, forcing Nepal to conclude a peace treaty in 1792. Apart from the location, Nepal has little strategic importance in terms of resources, which are negligible and military power except for valor, courage and discipline.

#### **5.4.1 Historical Evolution of Nepal’s Strategic Relations**

Nepal has never concluded formal strategic alliance or partnership with any country. However, strategic thinking has been a cornerstone of Nepal’s foreign policy. The evolution of Nepal’s strategic relations can be grouped into four periods: (a) strategic relations during national unification (1768-1846); (b) strategic relations under the Rana Regime (1846-1951); (c) strategic relations under Shah Dynasty (1951-1990) and strategic relations since the revival of democracy (1990-present).

##### **5.4.1.1 Strategic Relations during National Unification (1768-1846)**

The basic parameters of Nepal’s strategic relations were defined by King Prithvi Narayan Shah, whom historians often compare with Bismark or Garibaldi for unifying warring principalities and city kingdoms. He visualized the danger from the growing power of British

imperialists and the urgent need for a unified and strong kingdom (Acharya, 2061 BS). He outlined his strategic policy thus:

From hence, this State shall be like a yam between two stones. Maintain great friendship with the Emperor of China. Maintain friendship with the Emperor beyond the Seas in the south, but he is very clever. He has kept India suppressed. He has entrenched himself on the plains. When the Indians will awaken, he will come one day in search of a fortress. Maintain fortresses and create obstacles along the routes within the borders. Their army will march one day. Do not engage in offensive war. Fight them in the hills. This way their forces will be reduced (Acharya & Yogi, 2061 BS).

The concept of yam reflects his assessment of Nepal's delicate geo-strategic location between China and Tibet on the one hand and British in India on the other. It was not a policy of engagement but a policy of isolation based on balancing the two neighbors in order to survive as an independent country (Acharya, 2059BS). He pursued a strategy of using the influence of one neighbor to counter the pressure of another in order to meet his objectives (Yadav, 1996). His approach with the British was essentially political but also designed to promote trade between India and China via Nepal. China was seen as a deterrent factor whenever Nepal confronted the British. At the same time, the Chinese essentially viewed Nepal as a "country of the thieves" and therefore always suspected Nepal's grandiose schemes for alliance against the British (Rose, 1973: 73).

Nepal fought war with Tibet in 1788, signing the Treaty of Kerong in 1789, leading to a second Nepal-Tibet war in 1791-92. But the Chinese intervened, forcing Nepal to sign the Treaty of 1792. On the other hand, Nepal concluded commercial treaty with the British, keen to promote trade with Nepal and Tibet, in 1792, followed by another in 1801 establishing the British residency in Kathmandu. Nepal's continued expansion led to the Anglo-Nepal War of 1814-16, and a humiliating defeat forced to sign the Treaty of Sugauli on March 4, reducing Nepal by nearly half (Karan & Ishii, 1996). The British raised the first Gurkha Corps on April 24, 1815 (James & Sheil-Small, 1965). After testing the limits to her power both with the British and Chinese, Nepal required a new strategic thinking.

#### **5.4.1.2 Strategic Relations under Rana Regime**

Jung Bahadur Rana (1846-77) made a strategic shift to engagement with the south while maintaining total isolation from the rest of the world. This strategic shift sustained the Rana regime for 104 years and is believed to have denuded a British takeover of Nepal. In order to dispel any doubts of his unflinching loyalty to the British, Jung Bahadur personally led 9,000-

strong Nepali troops to help British crush the Indian sepoy mutiny in 1857. As a gesture, British returned a track of land it had ceded in the Sugauli Treaty. Before leaving on the mission, he explained:

I have three motives for acting as I am now doing. First, to show that the Gorkhas possess fidelity and will pour out their blood in defence of those who treat them with honour and repose confidence in them. Secondly, that I knew the power of the British Government and were I to take part against, although I might have temporary success for a time, my country would afterwards have been ruined and the Gorkha dynasty annihilated. Thirdly, that I knew that on the success of British arms and re-establishment of British power in India, his Government would be stronger than ever, and that I and my brothers and my country would all then benefit by our alliance with you as your remembrance of our past sacrifices will render our present friendship lasting and will prevent you from ever molesting us (Tyagi, 1974: 80-81).

In 1885, the Rana regime formally allowed unrestricted recruitment of Nepali soldiers in the British Gurkha regiment, further strengthening economic ties between Nepal and Britain. During World War I, 200,000 Nepalis fought along with the British. British reciprocated on December 21, 1923 by signing the Treaty of Friendship under which both sides agreed mutually to “acknowledge and respect each other’s independence, both internal and external.”(Bhasin, 1994: 13) The treaty also gave Nepal the freedom to import from or through British India into Nepal whatever arms, ammunition, machinery, war-like material or stores may be required or desired for the strength and welfare of Nepal for all time “as long as the British Government is satisfied that the intentions of the Nepal government are friendly and that there is no immediate danger to India from such importations.” (Bhasin, 1994: 14). In 1934, Nepal opened her diplomatic mission in London, her very first, and this is attributed to be a major reason why Nepal escaped the dire fate of 536 princely states in India (Josse, 2003). The princely states were merged into India in what has been described in the words of one time Indian Deputy Prime Minister and Home Minister Sardar Vallabhai Patel as the “foreign policy and national security exercise.” (Dixit, 1998: 26).

In contrast to the warm embrace of the south, Jung Bahadur launched military expedition to Tibet in 1854. By March 1856, Tibetans conceded defeat in Nepal’s third war on Tibet and signed a peace treaty under which Tibet agreed to pay an annual tribute of Rs. 10,000 and to waive customs duties on Nepali products. Lhasa also agreed to have a Nepal government representative to look after the Nepali interests. This was not because China’s power had declined as a result of the Opium War (1840-42) and the Taiping Rebellion (1850-56). Jang Bahadur “turned towards China whenever it had any difficulty or difference with the British government.” (Shaha, 1978: 104). Prime Minister Chandra Shumshere, described as the greatest ally of the British power in India, “reported to have said openly to the British envoy as late as 1890 that

since Nepal was subordinate to China, it could in no way be subordinate to the British Government of India.” (Shaha, 1978: 61).

With the departure of the British in India, China consolidated its authority and reestablished its control in Tibet. New Delhi began to assert its interest “in the integrity and territorial inviolability of India’s smaller neighbours as a variant of the policy of integration with India.” (Kodikara, 1984: 17). This assertion came forcefully by India’s first Prime Minister Jawaharlal Nehru who told the Constituent Assembly on March 17, 1950:

It is not necessary for us to have a military alliance with Nepal.... But the fact remains that we cannot tolerate any foreign invasion from any foreign country in any part of the subcontinent. Any possible invasion of Nepal would inevitably involve the safety of India (Singh, 1999: 54).

Later, Nehru had this to say:

From time immemorial, the Himalayas have provided us with magnificent frontiers.... We cannot allow that barrier to be penetrated because it is also the principal barrier to India. Therefore, much 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, because that would be a risk to our own security (Rose, 1973: 192).

This Indian strategic perception gets expression in the Peace and Friendship Treaty signed on July 31, 1950, in what was essentially an attempt to net Nepal into the Indian security umbrella. The Treaty and the Letters of Exchange accompanying it, which many knew having existed much later, did not create any military alliance as such between Nepal and India but provided for consultation in matters of foreign policy and security. The Treaty remains a bone of contention between the two countries. When the Rana rule collapsed, Nepal had formal diplomatic relations with Britain, the U. S., India and France and had applied for the U.N. membership in 1949 only to be vetoed by the Soviet Union. Nepal had also participated in the Asian Relations Conference in New Delhi in March 1947 and the Afro-Asian Conference in the Indonesian resort of Bandung the same year, which ultimately led to the birth of the Non-aligned Movement. This made it possible for Nepal to be a founding member of the Nonaligned Movement also formally launched in Bandung in 1955.

#### **5.4.1.3 Strategic Relations under Shah Dynasty**

King Tribhuvan (1951-55) pursued “special relations” with India, and agreed to a joint consultative mechanism under the Indian Military Mission and the deployment of Indian military intelligence personnel along Nepal’s China border in 1953. The Indian ambassador used to be a

special guest at Cabinet meetings. Since the political change in 1951 was not a “revolution” because it ended in a compromise among the four forces – the Shah king, Rana rulers, Nepali Congress and India, Nepal remained sovereign independent only in form but not in substance.

King Mahendra (1955-72) embarked on the policy of diversifying diplomatic relations, and benefited not by pitting one neighbor against the other but by the conflict between them. Prime Minister Tanka Prasad Acharya established formal diplomatic relations with China on August 1, 1955 but only after China and India had already signed an agreement on transport and trade in 1954. King Mahendra reaffirmed his determination to stay neutral between India and China. He described Nepal’s trade and transit problems with India as those of a landlocked country, which expected to benefit from all facilities extended to a landlocked country under the international law (Agence France-Presse, 1966: October 17).

Under the short-lived democratic regime during 1959-60, Nepal’s international stature got to a new height. Prime Minister B. P. Koirala pursued a foreign policy based on closer relations with both the immediate neighbors – India and China – while expanding diplomatic relations with other countries, including Israel. In fact, Nepal at that time was the only country in South Asia to establish diplomatic relations with Israel. Koirala’s China visit in March 1960 further boosted close relations, and during Chou En-lai’s second visit to Nepal in April 1960, Koirala and Chou signed the Treaty of Peace and Friendship. Koirala handled issues with both India and China with remarkable diplomatic skills. Koirala was the only Prime Minister in Nepal’s history not to use foreign policy to consolidate his domestic power base. By the time Koirala was put behind bars in December 1960, Nepal had already diplomatic relations with 27 countries.

After the coup in December 1960, King Mahendra used foreign policy to consolidate his political power. His major strategic decision was an agreement in 1961 to construct a 110 km highway between Kathmandu to Khasa in Tibet, which he inaugurated on May 26, 1967. India stopped the cross border intrusions against Nepal by self-exiled Nepali Congress activists opposed to absolute monarchy after the outbreak of the Sino-India War in 1962 when Chinese Vice-Premier and Defense Minister Chen Yi warned: “In case any foreign army makes a foolhardy attempt to attack Nepal.... China will side with the Nepalese people.” (Xinhua, 1962: October 6).

During his visit to New Delhi in August 1963, King Mahendra raised the question of “reorganizing and modernizing” the Royal Nepal Army for which he was also seeking support from the United States and Britain. Talks followed in December on India’s military assistance to Nepal to raise and equip a new brigade. Letters were signed and exchanged between Nepal and India regarding import of arms by Nepal on January 30, 1965 but were kept a secret. India agreed to supply arms, ammunitions and equipment for the entire 17,000-strong Nepal Army. The Letters of Exchange envisaged that the agreement “shall have no bearing on the independent foreign policy of either Government,” and Nepal was free to import arms ammunition or warlike material and equipment necessary for the security of Nepal “from or through the territory of India.” Prime Minister Kirti Nidhi Bista later claimed the agreement was already dead (Rising Nepal, 1969: June 25).

King Mahendra led the Nepali delegations at the first summit of the Non-aligned Movement in Belgrade in 1961. In his address, he stressed: “Nepal has made it clear in the United Nations and outside that she is opposed to all domination over any country by any other.” (HMG, 1967: 38-39). Nepal is one of the 25 founding members of NAM, which provided Nepal an “opportunity of maximizing her policy options, including the preservation of her political independence, a prime national objective dating back to Pritivinarayan Shah.” (Josse, 2003). King Mahendra publicly demanded the withdrawal of Indian Army personnel from the northern border checkpoints and its military liaison group in Kathmandu. This decision was officially conveyed to the Indian government through Nepal’s ambassador in New Delhi on July 25, 1969 hours after the Rashtriya Panchayat, the national assembly, unanimously decided to make arrangements for the withdrawal of the Indian military personnel. It was explained that the Indian military mission had completed the job it was invited for and the Nepalis were now available to do the job (Times of India, 1969: July 27).

One of the major foreign policy challenge faced by King Mahendra was the creation of Bangladesh, then part of Pakistan, in 1971 with Indian intervention designed to establish India’s preeminence in South Asia (Kissinger, 1979). The intervention was on the strength of the 20-year Indo-Soviet friendship treaty on August 9, 1971. Bhutan was the first country to extend recognition to Bangladesh. Nepal initially hoped that the release of Sheikh Mujibur Rahman from detention in Pakistan “would help ease tension in South Asia.” (Rashtriya Samachar Samiti, 1972: January 10).

Nepal recognized Bangladesh on January 16, 1972 after concluding that “the new state of Bangladesh is an undeniable political reality.” (MFA,1972: January 16). Nepal was the eighth country to extend recognition to the new nation. King Mahendra was reportedly under pressure from India to do so, although Prime Minister and Minister for Foreign Affairs Kirtinidhi Bista denied Nepal was “shaping her foreign policy under the external pressure or duress.” (Rashtriya Samachar Samiti, 1972: January 22). The king left on a tour to Chitwan the very next day, and suffered a fatal heart attack on January 30. The birth of Bangladesh “had a searing impact on the psyche of Nepal whose basic foreign policy thrust has traditionally been security-driven.” (Josse, 2003). When King Mahendra died, Nepal had diplomatic relations with 50 countries.

King Birendra (1972-2001) maintained an avid personal interest in international relations and Nepal’s foreign policy. He ascended the throne at a time when South Asia was under turmoil with the breakup of Pakistan having already taken place, and anti-Chogyal movement brewing in neighboring Himalayan kingdom of Sikkim. The problem started when Chogyal Palden Thondup Namgyal called for a revision of the India-Sikkim Treaty of 1950 in an apparent bid to transform his kingdom’s protectorate status. There is little doubt about the role played by the Indian government in maneuvering the political parties of Sikkim and sustaining the anti-Chogyal movement, and the 1975 annexation took place under the shield of a heavy Indian presence which gave the impression, within and outside Sikkim, that India’s was the hidden hand (Das, 1990; Rustomji, 1987 & Cook, 1980). Kathmandu was rife with rumors that India “had had Sikkim for breakfast, would lunch on Bhutan and hoped to dine on Nepal,” but that Nepal would give India “indigestion.” (<http://www.bhutantimes.com>).

Sikkim’s annexation called for a fundamental rethink of Nepal’s strategic relations. As anti-Chogyal protests continued in Sikkim, King Birendra was increasingly worried about Nepal’s vulnerability:

A look at the drama of world politics makes a dispassionate observer feel pity at the fate of some small nations which striving for liberation or freedom have only succumbed to subjugation and drudgery. ...the point at issue today is not whether our political system is right or wrong but whether we can grasp the nature and dimensions of the threats to our national security by clinging unto dogmas that are either out of the date or irksome to our security. ...while we pledge friendship with all nations, we shall take special pains to cultivate friendship with our neighbours hoping earnestly that peace, cooperation and an understanding based on a sober appreciation of each other’s problems and aspirations shall prevail. Notwithstanding these fervent pleas, notwithstanding this sincere expression of goodwill, notwithstanding these endeavours, should ill fortune ever overtake us, I hope and pray that the people of Nepal will not lag behind to brace themselves with the last resource they have – courage; courage to prove to the world that force or contrivances are but feeble instruments to subdue the fierce spirit of a people whose lifeblood, through the ages, has been independence or nothing (HMG, 1982: 35-37).

In June 1973, the Nepali Congress activists in India hijacked a Nepali aircraft and forced it to land in India and looted over Indian Rs 3.1 million the aircraft was carrying. A month later, the central secretariat at Singh Durbar caught fire under mysterious circumstances. In March 1974, an attempt was made on the life of King Birendra, who made a miraculous escape. At a farewell reception to dignitaries, including the Chogyal of Sikkim, attending his coronation on February 25, 1975, King Birendra declared:

As heirs to one of the most ancient civilizations in Asia, our natural concern is to preserve our independence – a legacy handed down to us by history. The absence of peace will delay, make more difficult and even deform our development, just as a world without peace will jeopardize our traditional independence....

We need peace for our security, we need peace for our independence, and we need peace for development. As a matter of fact, Nepal in the past had signed formal peace and friendship treaties with both our friendly neighbours. And if today, peace is an overriding concern with us, it is only because our people genuinely desire peace in our country, in our region and everywhere in the world. It is with this earnest desire to institutionalise peace that I stand to make proposition – a proposition that my country, Nepal, be declared a Zone of Peace.

...I also wish to declare that in making a proposition for the zone of peace we are not prompted out of fear or threat from any country or quarter. As heirs to a country that has always lived in independence, we wish to see that our freedom and independence shall not be thwarted by the changing flux of time when understanding is replaced by misunderstanding, when conciliation is replaced by belligerency and war. It is with such a perspective view of the future that with the help of our friends we seek peace (HMG, 1982: 94-97).

The proposal was to have been announced at the fourth non-aligned summit in Algiers in July 1973 (Kurve, 1981). While the 1971 Bangladesh War of Independence and India's annexation of Sikkim – both of which were possible because of Indian intervention – and subsequent events like the 1979 Soviet military intervention in Afghanistan and the Vietnamese attack on Kampuchea underscored the vulnerability of small states and the significance of the Zone of Peace proposal. It was incorporated in the Constitution of Nepal 1962, following the Third Amendment on December 15, 1980, seeking “to work towards making Nepal a Zone of Peace by adopting the basic ideals of the United Nations and the principles of nonalignment.”

The proposal won the support of 118 countries. China instantly supported it. In fact, Chinese Premier Hua Guo-Feng told visiting Pakistani Prime Minister Zulfikar Ali Bhutto in Beijing on May 26, 1976 that China “firmly upheld the just stand” taken by the king and was “ready to assume appropriate commitments arising therefrom.” Subsequent Chinese statements reiterated their “firm support” in Nepal's “just struggle to safeguard national independence and state sovereignty.” Other countries were not as categorical. The first Japanese comment on the proposal came during the visit of Parliamentary Vice Foreign Minister Keiwa Okuda in June 1977 when he expressed Tokyo's “keen interest” in consolidating Japan's bilateral relations with



Nepal (RSS, 1977: June 13). He said Japan had “not only amply demonstrated its appreciation of the Zone of Peace proposal but duly honored it. Now we understand the reason why Nepal wants to be a Zone of Peace.” He added that King Birendra was “committed to conserving the identity of the Nepali people.” (RSS, 1977: June 16).

Japan’s explicit endorsement came during King Birendra’s state visit to Japan in 1978 when Tokyo “expressed its deep understanding and appreciation of and respect for Nepal’s proposal to declare herself as a Zone of Peace.” (Joint Communique, 1978: May 19). Asked to further elaborate Tokyo’s position on the proposal, Minister for Foreign Affairs Sunao Sonoda said “Japan fully understands that the declaration of Nepal as a Zone of Peace proposal by His Majesty King Birendra as an extremely important diplomatic policy to Nepal.” He said Japan appreciates and respects the proposal and hoped that “such a diplomatic policy of Nepal will contribute to the regional peace and stability.” (RSS, 1978: May 21).

Parliamentary Vice-Minister for Foreign Affairs Kasuo Aichi during an official visit to Nepal in December 1980 said Japan “fully shares the view that the issues of peace, stability and economic development are interlinked and inseparable,” and noted the growing international support for the proposal (RSS, 1980: December 4). He added that Japan’s support was “only in principle” even as Tokyo has a “positive attitude” towards and “deep respect” for the Zone of Peace proposal. He explained that Japan’s support in principle was “a step forward from her previous stand of appreciation of the proposal.” (RSS, 1980: December 5).

The Japanese position was not very different than that of the U.S., as Ambassador-at-Large Vernon A. Walters, visiting Nepal as special emissary of President Ronald Reagan, explained:

We think that for such a proposal to get ahead, it is essential that it has the agreement of other countries in the area. If that support is forthcoming, then we will review our position. But we believe that it is indispensable precondition for this matter to go further. It must have the support of countries in this area (Rana, 1983: 26).

Welcoming King Birendra at a banquet at the White House during his state visit to the U.S. in December 1983, President Reagan said:

Through this proposal, His Majesty is seeking to ensure that Nepal’s future will not be held by using scarce resources for military purposes. We Americans support the objectives of Your Majesty’s proposal and we endorse it. I can only hope that one day the world in its entirety will become a zone of peace. Nepal should work closely with her neighbors to make the peace zone proposal a reality. Nepal’s innovative approach to peace and development could be a foundation for progress throughout the region (RSS, 1983: December 7).

India, whose support was vital for the proposal to be functional, opposed it as “an attempt by Nepal to opt out from India’s security perimeter and to abrogate the special relationship with India under the 1950 Treaty.” (Hardgrave & Kochanek, 1993: 407). Kathmandu repeatedly sought New Delhi’s support but in vain. Nepal’s relations with India began to deteriorate further after Nepal imported 65 trucks of arms and ammunitions, including anti-aircraft missiles, from China in 1988. On May 26, 1989, New Delhi charged that the Chinese arms threatened India’s security and subsequently imposed unilateral economic blockade, and supported to the “popular movement” in 1990. It also proposed a secret agreement on “mutual cooperation” covering defense and security.

#### **5.4.1.4 Strategic Relations after Revival of Democracy**

Not surprisingly, the Zone of Peace proposal was one of the first casualties of the changes in 1990. The foreign relations were dumped to the back seat, and regional and international developments having wide implications for Nepal totally ignored, such as the implications of nuclear tests by India and Pakistan, the American policy of containing China and the growing trend towards “strategic partnership” among major regional and global powers. There was no full time minister for foreign affairs for a prolonged period of time. The prime minister held the foreign affairs portfolio without the time, energy and interest in diplomacy. A proposal to set up a center for strategic studies was shot dead before the idea was born, mainly to avoid an Indian ire.

India to a large extent succeeded in reviving “special relation” within the framework of the 1950 treaty and the accompanying letter of exchange. The Joint Communiqué signed by Interim Prime Minister Krishna Prasad Bhattarai in June 1990 proves beyond doubt that India’s interest in Nepal was not democracy but its own strategic interests. As head of the minority communist government, Prime Minister Manmohan Adhikari visited India in April 1995 to discuss with Indian Prime Minister P. V. Narsimha Rao “different aspects of bilateral relations including the review of 1950 Treaty.” (Joint Communiqué, 1995). Adhikari barely survived nine months in office.

In September 1997, Minister for Foreign Affairs Kamal Thapa proposed a new treaty with the backing of all major national political parties. The proposal seeks to alter the 1950 treaty’s limits on Nepal’s independence in major policy decisions on which the country’s political stability is directly linked. For example, Nepal and India signed the controversial Mahakali treaty

in February 1996, triggering dramatic political developments. It was controversial because the *sankalpa prastava* (strictures) passed by joint session of Parliament while ratifying the treaty amended its four aspects, including definition of the Mahakali river as “basically a boundary river” as opposed to “a boundary river on major stretches” mentioned in the Treaty (Gyawali & Dixit, 1999: 553-564). The legal standing of the strictures remains uncertain with Indian suggestions that if it is part of the treaty, it better be renegotiated (Iyer, 1999).

The very next day after the Mahakali treaty was ratified, the Maoist insurgency was launched. The massacre under mysterious circumstances wiped out the entire clan of King Birendra, including Crown Prince Dipendra, in June 2001. His younger brother King Gyanendra assumed full executive powers on February 1, 2005 promising to return power to elected representatives within three years. A major strategic decision by the royal regime was support for China’s observer status – implying its eventual membership – in the SAARC at the Dhaka summit in November 2005. The development tore up India’s Munroe doctrine, for which King Gyanendra paid a heavy price in terms of his international isolation. The only categorical support to the royal regime came from China, Russia and Pakistan.

The developments could be seen in the light of the Indian support for the U.S. strategy of encircling China. Nepal’s support for this strategy is as crucial as for China’s strategy of preventing this from happening. Nepal is thus strategically important for both the U.S. and China for different reasons. The U.S. and Chinese have an interest in seeing that a government in Kathmandu has a friendly disposition to it for this basic reason. This poses a dilemma to any government in Nepal with the challenge of maintaining a delicate balance in the conflicting interest of the superpower as well as her own immediate neighbors. How the political developments unfold in the kingdom will shape the geo-strategic environment in South Asia as the U.S., Indian and Chinese “will all push for their desired outcomes.” (Wolfe, 2005).

China knows that Nepal cannot be allowed to collapse –Tibet borders Nepal, and Beijing fears any instability could spread east, or even north into China’s Xinjiang region. When a crackdown on “pro-democracy” protestors was launched in Nepal in April 2006, Nepal and China were celebrating 50th anniversary of the establishment of their diplomatic relations. When U.S. and E. U. suspended aid to Nepal, Japan announced a \$17 million grant. This clearly is a Japanese move to gain influence in Nepal over China in the light of the increased Sino-Japanese

competition for natural resources and regional influence, including in Nepal, where they want to exploit every opportunity to advance their strategic interests.

Nepal is strategically important for all major powers to shape the strategic environment in South Asia. Its ultimate outcome will have tremendous impact on India's internal political dynamics, the emerging Sino-American conflict and the Sino-Japanese rivalry. Despite her strategic importance, Nepal's own response to deal with a complex strategic environment leaves much to be desired. The response to meet the challenges in terms of promoting the national interest defined in terms of the well-being of the Nepali people has neither been consistent nor coherent. Since the revival of democracy in 1990, Nepal's foreign policy has swung like a pendulum between the balancing of the two neighboring powers as during the time of national unification, or total subservience to the dominant power as under the Rana regime or a mixture of both at best.

In order to be able to face new challenges, Nepal needs to focus on efforts to promote the well-being of the Nepali people by building strong socio-cultural, political and economic institutions and processes that benefits all sections of the Nepali society. The Nepali rulers have for long identified national interest with their own power and survival. Time has come to redefine national interest also in terms of stability of the Nepali nation and prosperity and well-being of the Nepali people.

The perception that either India or China one day will take over Nepal is rather strong in the public mind. Both the neighbors have the military capability to do so in days if not hours if they want to. Nepal has neither the military capability nor the resources to build one to thwart such a takeover. But a more serious threat emanates from weak political and economic institutions and processes, as has been underlined in the report of the task force headed by former Foreign Secretary Murari Raj Sharma in August 2006. However, the report is unrealistic to Nepal's geo-strategic location and, as a former diplomat succinctly put it, "perceptibly swayed by political frenzy and the fleeting euphoria generated by the recent political transformation." (Khanal, 2006). It recommends opening up of Nepali missions in South Korea and Australia as well as Brazil and South Africa even as Nepal has minimal interactions with any country either in Latin America or Africa. Instead, the Nepali missions are in desperate needs of good diplomats, resources and a clear cut mission. In fact, inefficiency, nepotism, favoritism, and "political

pandering” have rendered Nepal’s foreign policy establishment “inherently ill-equipped to forcefully promote a positive and forward-looking foreign policy.” (Khanal, 2006).

### **5.5 A Case for Strategic Partnership**

Nepal today is plagued by a triple whammy: it has neither a coherent foreign policy, nor competent diplomats nor the luxury of allocating adequate resources for diplomatic activities (Thapa, 2006). Nepal has not yet outlined the objectives and interests of the State and thus “rather than abiding to a cogent policy” has been “compelled to operate whimsical ad-ho-cism since time immemorial.” (Thapa, 2006). In the light of twin challenges of attaining political stability and achieving economic prosperity between two of the world’s fastest growing economies, Nepal needs to give a serious thought on planning and implementing strategic partnership with Japan. Such a strategic partnership is not possible with either of the neighbors because India is perceived as the more dangerous of its neighbors, whereas China has been considered physically and culturally too distant to pose any such threat but close enough to serve as a potential source of support (Rose, 1973).

Since 1951, India has different options to secure and defend its interests in Nepal. These options include (a) regime replacement with one friendly to New Delhi, (b) direct military intervention, (c) disguised intervention through the use of the Nepali Gorkha forces serving in the Indian army or India-based ex-servicemen, (d) indirect intervention through support to a Nepali revolutionary group, and (e) an all-out economic blockade. (Rose, 1973: 291). New Delhi has tried all these options except direct military intervention. On the one hand, India was the first country to describe the CPN (Maoist) as “terrorists” even before Nepal did so and yet allowed its top leaders to operate openly from India. Terrorism has long been used as a tool of diplomacy to produce results “the infiltration of saboteurs and guerrillas, who mine roads, blow up weakly guarded installations, and attack isolated officials or local agencies or minor centers of the government.” (Deutsch, 1989:182). The infiltrators work as catalysts for guerrilla forces recruited and led locally and are backed by foreign input of radios, propaganda, armed agents, special equipment and technical expertise to “augment or sustain or even trigger a genuine domestic civil war.”(Deutsch, 1989:183).

India has accepted Nepal’s pursuance of its independent stand as a *fait accompli* and tried to heal the wounds inflicted on bilateral relations as a result of the political and material support

extended to insurgent activities against the royal regime (Sharma, 1986). India insists on special relation with Nepal, Bhutan and Sikkim to guarantee India's security interests regarding China. Beijing, on the other hand, has insisted on its right to conduct the full range of regular state-to-state relations with those states and views Indian assertions as act of hegemony. India worries China's "strategic encirclement" of South Asia through an expanding military and political role. The growth of Chinese capabilities means further expansion of ties between China and her neighbors, making India increasingly vulnerable. Beijing has the capability of thwarting India's counter-measures. A heightened Sino-India rivalry thus cannot be ruled out (Garver, 2001).

Such a rivalry poses a particularly difficult challenge for Nepal, which both New Delhi and Beijing consider to be under their sphere of influence. The location of Nepal, Bhutan and Sikkim on the fringes of the Tibetan plateau has been "a chronic source of conflict between Beijing and New Delhi." (Garver, 2001: 26). India is apparently handicapped by a dearth of strategic thinking, while China has a historical tradition of strategic thinking that has been described as second to none in the world. India's failure to formulate appealing rationale for a preeminent Indian role in South Asia means China will easily establish its preeminence in the region. According to Garver:

... if China is able to sustain into the first quarter of the new century, rates of growth approximating those of the last two decades of the twentieth century, India will feel the heat of growing Chinese national capabilities. Unless India is able to alter its lackluster development record and to work out a skilled and confident program employing Indian national capabilities in the South Asian region, India could well conclude that the prudent way to enhance its security is to assume a role as junior partner to an emerging Chinese superpower (Garver, 2001: 389).

Traditionally, the state system of South Asia until recently operated around the dominant position of India (Kodikara, 1984). For example, during the 1950s and to a lesser extent even later, the tenure of the office of the Nepali Prime Minister who was persona non grata in New Delhi was likely to be short. The view from New Delhi became an important, even the most important, consideration in the Nepali foreign affairs. Another example is India's intervention in East Pakistan when Beijing gave only political support, declining military support to Pakistan in the conflict (Sisson & Rose, 1990).

This could possibly suggest Beijing will do the same if India decides for one reason or the other to annex or do a Bangladesh in Nepal. New Delhi has consistently attempted to exclude non-regional powers from any influence in the region except when such involvements are "unavoidable, and even potentially helpful..." (Sisson & Rose, 1990: 46). India used its war with

China in 1962 to elicit support from both Washington and Moscow for their policies to “contain” China but also in its difficult relations in the 1960s with both Pakistan and Nepal.” (Sisson & Rose, 1990: 53). The Indo Pakistan war of 1971 “brought to a close the first phase of modern inter-state relations in this region of the world. Regional as well as international actors now accept India as a regional hegemon.” (Sisson & Rose, 1990: 280).

In the light of Beijing’s recent active interest in South Asia, it is hard to believe that the Chinese strategists “profess to be unafraid of a united South Asia, which, they believe, would still be plagued by internal dissent and strife.” (Cohen, 1992: 65-84). The emergence of China and the Sino-Indian rivalry for the expansion of their sphere of influence in South Asia, especially after Beijing and Tokyo’s acceptance as observers in the SAARC, changes the entire strategic balance (Josse, 2005).

Strategic partnership with any of the neighboring countries is thus a difficult proposition because such a partnership with one will be construed, rightly or wrongly, as alliance against the other. It is critical for Nepal to have excellent political and economic relations with both India and China. India also continues to be perceived as the main threat, and such a partnership with India will further undermine Nepal’s independent standing. It will also be a wrong message for China. Strategic partnership with China, on the other hand, will be a red rag to the Indian bull.

## **5.6 Japan’s Strategic Interests in Nepal**

All major powers in Asia have a common interest in dealing with new, complex challenges like the financial crises, weapons rivalries, terrorism, environmental devastations, natural disasters, border conflicts, refugees and disruption of energy supplies (Vogel, 1998). It is often argued that Japan mainly looks at South Asia for supply of raw materials and the market for its finished products (Jain, 96: 5). Since Nepal has neither, Japanese interest in Nepal could be peripheral. This view looks at Japan as a mercantilist state, which could be mainly because its economic role has often downplayed, if not obfuscated, her political and strategic role. During his visit to South Asia, including Nepal, in August 2000, Prime Minister Mori explained Japan’s South Asia policy thus:

South Asian countries are advancing economic reforms through economic liberalization and deregulation, actively tackling issues for achieving socio-economic development. It is important for Japan to strengthen economic relations with all of these countries.

While there has been steady increase in trade and investment between Japan and South Asian countries, there still is great potential in this regard. Japan recognizes the importance of expanding

exchanges and dialogue between government and private sector. In future, both the Japanese government and private sector will cooperate to expand economic relations with all of these countries through investment, promotion and protection treaties and economic missions (Times of India, 2000: August 22).

This commitment was reiterated when the tsunami visited South and South East Asia in December 2004. The quick, decisive and large relief – \$500 million grant aid besides lending its expertise on tsunamis to set up a system to predict massive waves in the Indian Ocean – and deployment of defense personnel for relief operations is a further expression of Japan’s pro-active role. In economic terms, Japan is the largest source of ODA complemented by foreign direct investment in Nepal as elsewhere in the region. Trade has been growing and the economies linked by the Japanese transnational companies. Japan has extensive economic ties, and growing economic cooperation is creating grounds for closer political and strategic relations.

Japan’s contribution to the strategic dimension is mainly through the Japan-U. S. Security Arrangements signed in 1952 along with the Treaty of Peace with the Allied Powers (better known as the San Francisco peace treaty) and has since been revised as the Treaty of Mutual Cooperation and Security in 1960. Apart from Japan’s own security needs, the bilateral alliance has performed both regional and international security functions. Both Prime Minister Shinzo Abe and his predecessor Junichiro Koizumi and his seek a pro-active role for Japan in regional international affairs with focus on neighboring countries – China, Republic of Korea and Russia – as well as South Asia. In fact Abe in his New Year statement said Japan and China were moving toward a “mutually beneficial, strategic relationship” based on trust, called for changes in the Japan’s pacifist constitution and hailed the impending upgrade of the defense agency into a full-fledged Ministry of Defense (Rising Nepal, 2007: January 1).

Both Nepal and Japan need to engage in strategic dialogue to promote the mutual interest of peace, stability and prosperity based on common commitments of democracy, rule of law and market economy. On the basis of half a century of diplomatic relations and over a century of cultural contacts, both countries need to engage in strategic dialogue both at the government-to-government and people-to-people levels and at the levels of scholars and academics.

## **5.7 Nepal-Japan Strategic Partnership and Cooperation**

Nepal and Japan have a unique prospect of forging strategic partnership. The same may not be true with the U.S. with which Nepal has a long history of friendly diplomatic relations



dating back to 1947 and significant American economic and military support to Nepal. Indeed, it is the only superpower in the world, and has the necessary military and economic clout to help turn Nepal into an oasis of prosperity and stability in poverty-ruled South Asia. Both China and India have strategic partnership with the U. S., and the strategic partnership with the U. S. is most likely to be construed as designed against one of Nepal's immediate neighbors. Given Washington's minimal interest in South Asia in general and Nepal in particular and Nepal's lack of international personality and confidence to assure both her immediate neighbors that such a partnership is not against them, the prospects of such a partnership look remote.

Russia, too, has a minimal role in South Asia. Injured by the collapse of the Soviet Union, the Kremlin is striving to play a proactive role in the global and regional affairs. Unlike in the case of the U.S., Nepal's trade and economic cooperation with Russia is negligible and political contacts rare. Russia is struggling to establish its influence in the global affairs. Strategic partnership with Russia has dim prospects.

South Korea could be a strong possibility for strategic alliance. Korea is likely to emerge a global player to reckon with if the democratization process and economic growth continues. The unification of the Korean peninsula, bringing together economically prosperous South Korea and nuclear-powered North, when it happens, will bring a tectonic shift in the current balance of power in Asia. Nepal's political contacts and trade has been growing with Seoul, and it has been a favorite destination for Nepalis seeking jobs overseas. Cultural affinities are other advantages. A number of Korean companies are already popular in Nepal.

Japan has a unique advantage. Neither Japan nor Nepal has any interest in "containing" China's rise. But most significant, both Nepal and Japan celebrated the 50th anniversary of the establishment of diplomatic ties in September 2006 and this offers a unique opportunity for both to launch a strategic dialogue aimed at establishing strategic partnership and cooperation to serve mutual interest. Apart from China, Japan is the only other major economic power in Asia with which Nepal has long history of socio-cultural, political and economic contacts. They indicate deep understanding and appreciation of each other's aspirations. Both countries have traditionally friendly relations, which have entered a new phase with the end of the Cold War and Japan's entry into the SAARC as observer together with China. They point to the possibilities both at the bilateral and multilateral levels. Nepal's pro-democracy movement and its efforts towards democratic and market reforms open up prospects for further cooperation on the basis of shared

socio-cultural, political and economic values. Nepal is also being integrated into the global economy with her membership of the WTO, BIMST-EC, and SAFTA.

Both Nepal and Japan have shared values of expanding economic freedom and democracy, enhancing security, promoting cheap, clean and reliable energy and promoting science and technology. Both also share views on a number of regional and global issues, and have been working together at the United Nations, including in the peacekeeping missions. Both stand to benefit through political dialogue at all levels to further promote cooperation under the framework of the proposed strategic partnership.

## **5.8 Objectives of Nepal-Japan Partnership and Cooperation**

Nepal and Japan need to underscore that their strategic partnership is directed against none. It should reaffirm the long-standing friendly and cooperative relations between the two countries and the two peoples. These relations have been nurtured since the establishment of formal diplomatic relations in September 1956. It should also resolve to work together to create a promising future for regional and global peace and security, and express their determination to elevate the excellent bilateral relations to a higher plane by further deepening and expanding the socio-cultural, political, economic and strategic dimensions of such a relationship based on the letter and spirit of the Joint Communiqué issued at the end of King Birendra's 1978 state visit.

The strategic partnership should adhere to the constitutions of the two countries and should be guided by the Nepali and Japanese obligations under the United Nations Charter, the SAARC Charter and other international agreements and conventions. Nepal-Japan strategic partnership should focus on the mutually recognized new and non-traditional security threats like terrorism, natural disaster, transnational crimes, HIV/AIDS pandemic, tuberculosis and avian influenza in order to promote human security. These areas could be expanded in future on the basis of experience of working together as the two countries meet new challenges and come across new opportunities.

### **5.8.1 Cultural Exchanges and Cooperation**

Bilateral cultural exchanges and cooperation and academic exchange should be further increased between Nepal and Japan to promote closer cooperation in the field of education,

culture as well as science and technical research between Nepali and Japanese universities and research institutions. Both the countries share many socio-cultural traits but they also have several and serious cultural differences. Cultural exchanges help promote mutual understanding and contribute to a vision of strategic partnership.

Secondly, there should be greater people-to-people exchange, especially among younger generation, designed to provide a solid foundation for strengthening the future-oriented relationship, mutual understanding and friendly cooperation. Scholarship programs should be redesigned to develop human resources in higher education in Nepal. Scholars from Nepal and Japan should conduct seminars and symposiums to facilitate increased communications and exchanges between academics. A scientific and technological cooperation agreement needs to be explored.

### **5.8.2 Democracy Building**

The political dialogue between Nepal and Japan should aim at building common values and interests like democracy, political and economic freedom, human rights, and rule of law. This will help promote effective democracy in Nepal with a government accountable to the people and capable of ensuring long-term peace, stability and prosperity. The dialogue should aim at (a) helping build strong government and civic institutions and support political traditions in order to make them efficient and responsive to the needs of the ordinary people; (b) promote growth and development of a vibrant civil societies, including genuinely independent media and non-partisan NGOs; (c) help increase the frequency of summit level meetings between the leaders of the two countries as well as high level consultation at the bilateral, regional and multilateral levels; and (d) the foreign ministers of the two countries should have regular consultation in further promoting strategic partnership.

### **5.8.3 Economic Cooperation, Trade and Investment**

The economic objectives of the strategic partnership should be to promote economic cooperation designed to fight poverty, create income and employment opportunities by promoting economic growth and development, develop bilateral investment and business climate and improve market access for goods and services.

For this purpose, the formulation and implementation of a Nepal-Japan Comprehensive Economic Partnership Agreement need to be discussed at the official level, including the representation of major stakeholders. Such an agreement could consider wide-range of economic activities including agriculture, fisheries and forestry, industrialization, energy and water resources, and business and FDI environment. For example, much of the investment in infrastructure such as hydropower development has not been planned and integrated with the objective of reducing Nepal's dependence on imported petroleum products. Nor has the investments in hydropower been designed to create market for goods and services like electricity-based mass transit system.

In order to promote bilateral trade and investment opportunities, both Nepal and Japan need to engage in serious economic dialogue to reduce barriers to boosting trade and investment. Such a dialogue could cover both agricultural and industrial products on the basis of mutual benefit. A framework could be worked out for further enhancing protection of investments, repatriation and dispute settlement. Japan also may consider providing assistance in enhancing Nepal's capacity in these areas. Economic disadvantages to Japanese investments need to be addressed adequately. It must ensure stable environment for trade and investment in the long-term without the prospects of abrupt policy changes.

The present visa system is discriminatory to non-Indians. There should be no hassle for visa or travel restrictions for professional and technical workers from Japan and other countries. Perhaps realizing this fact, the Home Ministry announced that visa fees would be exempted for Japanese nationals for four months between December 2006 and March 2007 on the occasion of the golden jubilee celebrations of their diplomatic relations (Gorkhapatra, 2006: December 23). However, the decision underlined the need for a review of the existing visa system. Universities, technical institutions and business sectors of both the countries could be linked to support high priority education, research and capacity-building.

Japan, on the other hand, could undertake a number of initiatives. It could facilitate and support Nepal's integration into regional and world economies and appropriate international organizations. Japan already has supported Nepal's entry into the WTO and SAFTA. Import-dependency deserves rethinking because trade volume has been growing but imports far outstrip exports. Rising trade deficit with Japan is a major concern. Nepal and Japan could work together to not only narrow down the deficit but also help promote trade diversification in areas where

Nepal enjoys comparative advantage. Projects that can create gainful employment, enhance exports and develop a production structure based on mass-demand could be identified and implemented (Sharma, 1992).

Second, it should help promote second generation of reforms for further strengthening legal and institutional framework for a thriving private sector and an environment favorable to Japanese investment in Nepal. Nepal needs to set up investment promotion office in Japan to help promote FDI from Japan to Nepal. Japan has already been involved in modernizing agricultural sector. It should also focus on learning lessons from Japan's experience in land reforms that aimed at increasing production and productivity because land reforms in Nepal suffer from a highly politicized agenda that ignores productivity. Industrialization has limited prospect mainly because of favorable import regime, investment-unfriendly environment, geopolitical limits like land-locked nature to constrain transit, absence of identification of high value, and low volume products for exports. These are the areas where the two sides need to focus.

Third, Nepali tourism need to be marketed in Japan by establishing a National Tourism Office in Tokyo. The office should, in addition to promotional activities, also undertake research on the trends of the Japanese tourists in order to help policy interventions for attracting a growing number of visitors on both directions.

Last but not the least, both countries need to work together to continue Nepal's reconstruction and promotion of investments in human resources. It has been argued that aid regime has nothing to do with humanitarian or philanthropic considerations but is tied with the statecraft of the donor nation-state (Baldwin, 1985). Both the sides should work on promoting sustainable development. Japan has the required expertise and interest in supporting sustainable development goals in other countries and Nepal is in a unique situation to benefit because it is in an early stage of development. Corporate Japan has been making rapid strides in promoting environment-friendly global initiatives such as the Kyoto Protocol. Japan is the leader in saving energy and in energy efficiency, an area Nepal benefits tremendously. Tokyo finances projects for a greener economy under the New Energy and Industrial Technology Development Organization, which is part of the powerful Ministry of Economy, Trade and Industry.

#### **5.8.4 Strengthening National Security**

Nepal does not have a coherent and modern National Security Policy. The flaws of national security were exposed with the expansion of the Maoist movement in Nepal and the assassination of King Birendra and his entire immediate family members at the royal palace. These are some major developments that underline the need for the modernization of the security agencies, which need to be strengthened institutionally and as well as in terms of human resources capacity to cope with the challenges to national security.

First, Nepal and Japan should work on formulating a coherent, long-term national security plan and support common strategic and security interests. Second, Japan should help re-organize, train, equip, and sustain Nepal's security forces. Third, both should pledge to consult for taking appropriate measures as and when Nepal perceives that its territorial integrity, sovereign independence, or national security is threatened or at risk. Fourth, Japan assists in national security reforms, including enhanced intelligence gathering, new technology and capacity-building training for meeting the challenges of counterterrorism, including in the areas of bio-terrorism and cyber security.

Japanese military sales to Nepal are inconceivable at the moment but cannot be ruled out in future after Tokyo ended its decades-old ban on military exports in December 2004 when it sold missile defense to the U. S. (Rising Nepal, 1985: December 11). The decision is no doubt a major turning point for Japan whose constitution has forever renounced war and in 1967 banned all weapons sales to communist countries and other states perceived to threaten world peace. Pending military sales, Nepal and Japan could begin with an agreement for combined training and exercises for disaster relief operations in which the national armies of the two countries have always played an important role.

The proposed strategic partnership between Nepal and Japan, guided as they are with the ideals and principles of the United Nations Charter and the SAARC Charter, will make significant contributions to promote peace, stability and prosperity.

### **5.8.5 Constraints of Nepal-Japan Strategic Partnership**

The proposed strategic partnership and cooperation between Nepal and Japan has potential but also have serious constraints. The first major constraint is the continued political uncertainties and instability in Nepal. The country reverted to constitutional monarchy and multi-party parliamentary democracy in 1990 but the failure of the political leadership created a mess in the economic, political and foreign policy fronts. The king intervened but without much success either. The political changes have taken place in Nepal almost every 10 years, doing a long-term damage to the prospects of building strong political and economic institutions. The political unrest in Nepal provides a breeding ground for direct and indirect foreign intervention with major global and regional powers exploiting the situation to serve their own strategic interests. If the political situation remains fluid – and there is little hope that it would not given the interplay of domestic and extraneous interests and most important absence of a leadership with a vision – one wonders whether strategic partnership is the priority in the first place.

The second major constraint is related to the first. Although there seems to be a broad consensus on the basic principles that guide the kingdom's foreign policy such as friendship with all countries in the world, adherence to the principles enshrined in the United Nations Charter and SAARC Charter as well as the Non-Aligned Movement, the choice remains mainly between the tight embrace of one neighbor against the other or walking on a tight rope for balanced relations. The continued political feud and power struggle among the political actors and the interplay of extraneous forces will deprive the possibility of any consensus on specific foreign policy goals such as strategic partnership with any country including Japan. Each of the political actors in Nepal, mainly the political parties, seeks blessings of one or the other foreign powers in order to be able to politically survive in office. The situation is further murky because Nepal's major donors have no coherent and unified response because of their conflicting interests.

The third major constraint is the role of Japan itself in relation to her economic recovery and the role it envisages to play in the region. Japan, the second largest economy after the U. S., is recovering from a decade of stagnation, and its future economic growth will shape the emerging balance of power in South and Southeast Asia. It will also depend on the political stability and continued economic growth in China, the emergence of Korea with or without unification, and the economic rise of a united Europe and how the United States responds to these changes.

Finally, China-Japan rivalry, if it intensifies, could jeopardize such a prospect. China and Japan are both competing for control of resources, with Japan limiting itself to being a staunch ally of the United States. Fears of being eclipsed by China are forcing Japan to focus on Asia (Pesek, 2005). India is also cultivating constructive relations with the U. S., China as well as Japan. Since Nepal has few resources, and virtually no issues of direct conflict between Beijing and Tokyo, this poses no significant constraint to the prospect of strategic partnership between Nepal and Japan.

Despite the constraints discussed above, the advantages of Nepal-Japan strategic partnership and cooperation are far more meritorious for consideration. The strategic and political dialogue between the two countries should aim at bolstering the ever-growing and expanding socio-cultural, political and economic relations to take the friendly cooperative relations to a new height. Such a serious strategic rethink of Nepal's foreign policy in general and Nepal's relations with Japan in particular is in the mutual interest of peace, stability and prosperity of both Nepal and Japan.



## CHAPTER VI

# FINDINGS AND RECOMMENDATIONS

The analysis of the socio-cultural, political, economic relations between Nepal and Japan as examined above show that bilateral relations have always been marked by a deep sense of mutual understanding, goodwill and cooperation. There is a perfect appreciation of each others aspirations. Japan today is Nepal's major development partner and has been making significant contributions to the modernization of major sectors of the Nepali economy and society. Nepal shares many of the ideals of Japan such as democracy, freedom and rule of law, and in fact looks at Japan as a role model for socio-cultural, political and economic modernization.

Yet the vast potentials for further strengthening friendly cooperation between the two countries remain untapped. This is mainly because of the absence of a strategic thinking to realize the full potential of the bilateral relations with Japan. There are a number of areas where Nepal-Japan relations could be further strengthened in the mutual interest. The following findings and recommendations will help further strengthen Nepal-Japan relations in the common interest of common peace, stability and prosperity.

### **6.1 Socio-Cultural Relations**

#### **6.1.1 Cultural Policy**

Nepal does not have a clearly defined cultural policy as an instrument of foreign policy. The cultural heritage and monuments themselves stand as testimony to the kingdom's rich and diverse socio-cultural history. Nepalis today take pride in the cultural heritage created essentially by the Lichhavi and Malla rulers but very little has been added since the Gorkha conquest of the Kathmandu Valley. This is not to suggest that the Kathmandu Valley alone represents Nepal. The current foreign policy of Nepal emphasizes on "enhancing Nepal's reputation abroad." Yet the main challenge for Nepal today is the national integration by appropriately addressing the issues of caste, ethnicity and nationalities in a manner that not only satisfies all sections of the society but also benefits everyone equally. Unless the cultural policy is defined in precise terms, it is difficult for any Nepali diplomatic mission to operate and engage in cultural diplomacy.

## **Recommendation**

A clearly defined cultural policy needs to be formulated stating the objectives of the policy as part of Nepal's foreign policy and the tasks to be accomplished along with specifically assigned job responsibilities. The people of Nepal have the right to know the rationale of such a policy and how the required investments in promoting cultural policy are justified. Appropriate arrangements for manpower and resources should be made to implement such a policy in an effective and result oriented manner. It is not necessary to have such a policy implemented by all diplomatic missions. A study can be conducted to find out a few priority countries where such a policy can be implemented in the mutual interest. If it produces desired results, it could be expanded to other countries as well on a gradual basis. Japan is the ideal country where such a policy can be implemented to begin with given the close cultural affinities and contacts.

### **6.1.2 Cultural Exchanges**

A key function of the Nepali missions abroad is to disseminate cultural information and establish close contacts with cultural groups or societies including the members of the Press and Media. The Nepali mission in Japan as elsewhere has neither the resources nor the manpower to undertake the job. As a result, the images of Nepal are built by individual experiences of the Japanese rather than any effort by the government to produce a desired result in terms of enhancing cultural understanding and cooperation. This perhaps reflects lack of political commitment.

## **Recommendation**

People-to-people contacts, especially among the younger generation and among universities and scholars, would greatly enhance cultural understanding and cooperation. This could be done by recruiting young officers in the Ministry of Foreign Affairs to be assigned in the Ministry or Nepal's mission in Japan. Such young officers need to be familiar with Japanese language and culture and could be trained in Japan where they should be encouraged to specialize in the Japanese or East Asian affairs. As for the financial resources, investments in such efforts would have a higher rate of return if the policy is prudently formulated and implemented.

### **6.1.3 Cultural Cooperation**

The education sector has been doing poorly in Nepal, and despite the century old cultural interactions Nepal has learnt little from the Japanese efforts at modernizing her education system. Education in Nepal has little, if nothing, to do with industry or market. This makes education largely irrelevant to the actual needs of the society.

### **Recommendation**

Cultural cooperation between Nepal and Japan should aim at closer cooperation in the fields of education as well as science and technology. Education system should be reoriented to make it relevant to the society and industry. Unless the quality of human resources increases, patriotism and love for the country and society will be feeble. The goals of the education system should be linked to the development of science and technology, modernization of the agricultural sector, harnessing of the water resources, and promotion of tourism. These are the areas where Nepal can benefit from Japan's rich expertise. A social-cultural code of conduct also needs to be formulated and strictly observed in order to reduce waste of resources on social events like marriages, thread ceremonies and other occasions so that more resources are free for productive purposes.

## **6.2 Political Relations**

### **6.2.1 Coherent Japan Policy**

Nepal does not have a coherent policy on Japan. As has been argued, Nepal's Japan policy is formulated on an ad hoc basis on the whims of key actors without any vision or strategic thinking on Nepal's national interest defined in terms of the prosperity of the Nepali people. Both Nepal and Japan are committed to democratic governance, and Japan has been providing assistance for peace-building by contributing its Self Defense Force contingent for United Nations Political Mission in Nepal. Yet the kind of political relationship Nepal wants to have with Japan has never been clearly spelled out. Despite the limits of Nepal's tricky relations with India, there is no reason to believe that political rapport cannot be built between Nepal and Japan in the mutual interest of both the countries. This effort will have the full support of the Nepali people so

long as such a relationship promotes Nepal's political and social stability and economic prosperity.

### **Recommendation**

Nepal needs a coherent Japan-specific policy that explains the objectives of the political relationship between the two countries. Such a policy should affirm the common values of democracy, freedom, human rights and rule of law as well as common commitments to peace, stability and prosperity. Nepal's national interest needs to be clearly and precisely defined in terms of the well-being and prosperity of the Nepali people. Nepal needs to engage experts in various areas to study and recommend specific measures in order to further promote and deepen political relations between Nepal and Japan. A public relations program should explain to the Nepali people broad goals of Nepal's Japan policy and how they stand to benefit. Unless people understand the nature of such a relationship, there will be little public support to such efforts.

### **6.2.2 Political Dialogue**

Nepal's ad hoc nature of the decision making weakens even exchange of visits at various levels and agreement reached to bolster bilateral relations such as the one during Mori's Nepal visit. There is poor preparation for the talks, and there certainly is poor follow-up of the discussions. Instead of begging for more aid, Nepal needs to focus on seeking assistance on enhancing the country's capacity in different areas. It is the process of institution-building and the decision-making process where Nepal stands to benefit substantially from Japanese expertise and technology. This is an area for greater political cooperation between Nepal and Japan in view of the growing Japanese interest in peacebuilding and democracy-building in Nepal.

### **Recommendation**

In view of the rapidly changing security environment, it would be prudent for Nepal's political leadership to initiate political and strategic dialogue with Japan focusing on all aspects of their bilateral relations including sociocultural, political, economic and national security. Such a dialogue should be based on a long-term perspective and a clear vision for Nepal's modernization, political stability and economic prosperity benefitting all sections of the Nepali society. It is on this basis that Nepal's foreign policy could be formulated to serve the interest of the Nepali society and the Nepali people instead of serving only the ruling elite. Such a

proposition may sound somewhat Quixotic under the present circumstances in view of the political unrest crying out for political leadership. However, if Nepal is blessed with enlightened leadership with honesty, courage, vision and commitment, the proposition to launch strategic and political dialogue with Japan or for that matter other rising economic powers like South Korea would be in the genuine interest of prosperity and stability of Nepal and the Nepali society.

### **6.3 Economic Relations**

#### **6.3.1 Economic Cooperation**

Economic relations between the landlocked and the least developed kingdom and the prosperous archipelago has been growing even as Nepal is neither a source of raw materials for Japanese industry nor a market big enough for Japanese industrial products. The bilateral economic relations assume significance because of Nepal's determination to continue the process of integration of her economy into the global one. Nepal's priority matches those of the Japanese ODA to Nepal. However, the full potentials have not yet been realized, as discussed above.

#### **Recommendation**

Nepal and Japan should pledge to intensify their mutually beneficial bilateral cooperation by signing Nepal-Japan Economic Partnership Agreement with the objective of forging closer economic relations through cooperation for capacity-building to further modernize the Nepali economy.

#### **6.3.2 Water Resources**

The development of infrastructure is a major part of Japanese ODA to Nepal. However, several priorities are misplaced. First, the electricity is mainly targeted for exports but has not found the market because of high cost of production. Secondly, the Japanese ODA is conditional on procurement of Japanese goods and services, which are many more times higher than locally available goods and services. Third, there is no link between the hydropower generation and vision and strategic plan that aims at reducing import of petroleum products and developing more market for power by promoting electric-based mass transit system. Finally, there is no effort to build local capacity for even ordinary maintenance of the completed hydropower projects, which adds to the financial burden on Nepal.

## **Recommendation**

Nepal and Japan should give serious considerations on taking a review of the hydropower policy to address these issues. First, they should discuss ways and means of reducing the cost of hydropower generation so that electricity is cheap locally and competitive in the international market, mainly India and possibly Bangladesh. This involves a number of measures. For example, components could be manufactured in Nepal by training human resources. Second, investment should be promoted in hydropower in order to create local market for the electricity thus generated. Investment in electricity-based transportation networks in selected areas, for example, could reduce the consumption of imported petroleum products while at the same time boost local industries. Third, plan to harness water resource in Nepal is at the mercy of India. India did not give the nod in case of Arun III because it desperately wanted the Tanakpur and Mahakali treaties signed. The message is loud and clear: India wants water for irrigation with no interest in electricity and Nepal wants hydropower to sell to India. This conflict of interest between Nepal and India affects all future plans for harnessing of water resources, including the Japanese investment.

### **6.3.3 Road Building**

A major share of Japanese ODA has gone into road building. Here again, the Japanese seem to be sensitive about the Indian strategic interest. The Japanese would have never built the single-lane B. P. Koirala “Highway” if there was no nod from India because it reduces the traveling distance between China and India via Nepal. The Japanese road construction has been designed to link the market to the farmers. However, the road conditions in general are very bad because of the substandard construction and poor budgetary allocation for routine repair and maintenance. Even the choice of road construction is made under political considerations.

## **Recommendation**

Japan and Nepal need to focus on formulating road standards to ensure its quality. During the negotiations for new road projects, Japan should even exert diplomatic pressure to allocate

adequate resources for regular repair and maintenance. This will set an example for other donors to do the same. Bad roads do not promote efficiency and economy.

#### **6.3.4 Trade Relations**

Trade contacts between Nepal and Japan are older than diplomatic relations. The flow of cheap and high quality Japanese textiles destroyed Nepali indigenous handloom industry. Today, bilateral trade is small but growing. A key problem is the growing trade deficit because Nepal imports from Japan more than it can possibly export to that country. This is mainly because of high value imports and low value exports. Even the surge in the Nepali exports to Japan the same year Prime Minister Mori visited Nepal was neutralized by surge also in imports from that country. It is impossible to turn trade deficit in Nepal's favor, but it is possible to narrow it down.

#### **Recommendation**

Nepal should engage a group of experts to identify key areas to boost exports to Japan, and recommend measures to address the problems of boosting trade relations by addressing tariff and non-tariff barriers, among others. On the basis of such serious study, there should be trade negotiation with Japan to promote Nepal's exports in order to narrow down the yawning trade gap. Nepali mission in Japan should be mobilized with required resources to promote economic diplomacy.

#### **6.3.5 Foreign Direct Investment**

Major constraints in attracting FDI in Nepal have been poor infrastructure, poor resource base, unpredictable trade and transit relations with India, conflict and political instability and slow pace of reforms. Some of the factors are beyond the control of Nepal as they depend on the international and regional environment. However, legal and operational framework provide stable policy environment for attracting FDIs from Japan.

#### **Recommendation**

A high level committee consisting of top trade officials and private sector entrepreneurs should be formed to recommend Strategic Investment Action Plan in order to identify areas of

potential FDIs in Nepal, problems in attracting FDIs and specific policy measures to address the problems. A framework for enhancing protection of investments, repatriation and dispute settlement should also be provided. There should also be an immediate end to Nepal's pro-Indian and anti-Japanese, anti-West visa policy to make Japanese businessmen and investors to travel to Nepal with ease.

### **6.3.6 Foreign Employment**

There is no authentic figure on the number of Nepalis living and working in Japan. However, the number of Nepali migrant workers in Japan has been growing. Japan has been discouraging migrant workers, but this may change in future because of the demographic nature of the Japanese population which is projected to experience decreasing birthrates and therefore overwhelmingly older.

#### **Recommendation**

Nepal should undertake a study of manpower needs of Japan to identify areas where Nepali manpower can be employed. Accordingly, training programs, including Japanese language training, should be designed and implemented so that Nepalis compete with manpower from other countries for semi-skilled jobs and make better income.

### **6.3.7 Tourism**

Since Nepal opened up her doors to the outside world, the growth of tourism has been rapid and dramatic: from fewer than 6,179 visitors in 1962 to 385,297 visitors in 2004. Japanese make the largest visitors after Indians. Apart from the individual efforts of some tourism entrepreneurs, the country's rich cultural heritage and natural beauty has itself created market for tourists. There is limit to such goodwill, especially hampered by political unrest. There is a vast untapped market in Japan.

#### **Recommendation**

A Japan-specific tourist marketing strategy should be a priority to attract the untapped Japanese market. A well-defined business plan delineating the number of Japanese tourists



visiting Nepal each year, the amount of investment needed for developing infrastructure and offering Nepal as a most attractive destination will go a long way in tapping the Japanese market.

## **6.4 Strategic Partnership and Cooperation**

### **6.4.1 Political and Strategic Dialogue**

The year 2006 marked half a century of the establishment of diplomatic relations between Nepal and Japan. The bilateral relations have been characterized by friendship and cooperation, which have been growing. In order to realize the full potentials of the bilateral relations, political and strategic dialogue should be launched with the objective of forging strategic partnership and cooperation between Nepal and Japan. The objective of such a partnership and cooperation should be to engage in long-term strategic thinking and planning to further enhance cultural exchanges and cooperation, democracy-building, economic cooperation including trade and investment, and strengthening national security, among others.

### **Recommendation**

In view of the rapidly changing strategic environment, it would be prudent for Nepal to initiate political and strategic dialogue with Japan focusing on all aspects of their bilateral relations including socio-cultural, political, economic and national security. Such a dialogue should be based on a long-term perspective and vision for Nepal's modernization, political and social stability and economic prosperity benefiting all sections of the society. It is on this basis that Nepal's foreign policy could be formulated to serve the interest of the Nepali people and society instead of only rulers and the ruling elite. Such a proposition may sound Quixotic under the present circumstances in view of the political unrest and uncertainties crying out for political leadership, but if in future Nepal is blessed with enlightened leadership with honesty, courage, vision and commitment, the proposition to launch strategic and political dialogue with Japan and other rising economic powers like South Korea in the long-term interest of Nepal and the Nepali people is indeed possible.

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Gorkhapatra  
 Nepal Samacharpatra  
 Kantipur  
 The Rising Nepal  
 Today  
 Nepali Times  
 People's Review

The Kathmandu Post  
The Independent  
The Himalayan Times

### **News Agencies**

Agence France Presse  
Associated Press  
Rashtriya Samachar Samiti  
Reuters

### **Magazines**

Harvard Business Review  
Rural Sociology  
Journal of Asian Studies  
Organization  
Asian Survey  
The Indian Journal of Political Science  
Foreign Affairs  
Pacific Affairs  
Asia Pacific Perspectives

### **Others**

Nepal Gazette  
Nepal Press Digest

### **Internet Sources**

#### *Newspapers and Media*

Asahi Shimbun	<a href="http://www.asahi.com/english">http://www.asahi.com/english</a>
Mainichi Shimbun	<a href="http://www.mainichi.co.jp/english/index.html">http://www.mainichi.co.jp/english/index.html</a>
Yomiuri Shimbun	<a href="http://www.yomiuri.co.jp/index-e.html">http://www.yomiuri.co.jp/index-e.html</a>
Japan Times	<a href="http://www.japantimes.co.jp">http://www.japantimes.co.jp</a>
Kyodo News Agency	<a href="http://www.kyodo.co.jp">http://www.kyodo.co.jp</a>
Japan Echo	<a href="http://www.japanecho.co.jp">http://www.japanecho.co.jp</a>
Gaiko Forum	<a href="http://www.gaikoforum.com">http://www.gaikoforum.com</a>
International Herald Tribune	<a href="http://www.iht.co">http://www.iht.co</a>
The Economist	<a href="http://www.economist.co">http://www.economist.co</a>
Foreign Affairs	<a href="http://www.foreignaffairs.org">http://www.foreignaffairs.org</a>

#### *Political Institutions*

House of Representatives	<a href="http://www.shugin.go.jp">http://www.shugin.go.jp</a>
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Diet Library	<a href="http://www.ndl.go.jp">http://www.ndl.go.jp</a>
Prime Minister's Residence	<a href="http://www.kantei.go.jp">http://www.kantei.go.jp</a>
Cabinet Office	<a href="http://www.cao.go.jp">http://www.cao.go.jp</a>
Ministry of Foreign Affairs	<a href="http://www.mofa.go.jp">http://www.mofa.go.jp</a>

*Other Sites*

<http://www.constitution.org/mac/prince14.htm>  
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# ANNEXURE

## **ANNEX I: List of Persons Interviewed/Consulted**

### *Ministers for Foreign Affairs*

Pashupati Shumshere J. B. Rana  
Narendra Bikram Shah  
Kamal Thapa  
Ramesh Nath Pandey

### *Officials of the Ministry of Foreign Affairs*

Dinesh Bhattarai  
Pradip Khatiwada  
Mohan Krishna Shrestha  
Dipak Dhital  
Paras Ghimire

### *Former Officials of the Ministry of Foreign Affairs*

Yadav Kant Silwal  
Lila Sharma  
Shri Ram Sharma  
Murari Raj Sharma

### *Former Ambassadors to Japan*

Yadav Prasad Pant  
Bishnu Hari Nepal  
Kedra Bhakta Mathema

### *Former Royal Palace Officials*

Chiran Shumshere Thapa  
Narendra Raj Pandey

### *Japan International Cooperation Agency*

Shinji Yoshiura  
Megushi Nishimura

### *Strategic Thinkers*

Mana Ranjan Josse  
Sridhar Khatri  
Dev Raj Dahal  
Ananda Aditya



## **ANNEX II: Interview Guide**

### *Socio-Cultural Relations*

1. What is Nepal's socio-cultural policy?
2. Is socio-cultural policy an instrument of Nepal's foreign policy?
3. Who formulates such a policy?
4. How would you assess Japan's socio-cultural cooperation?
5. Has the Japanese cultural cooperation contributed to Nepal's cultural mode
6. Has the Japanese cultural cooperation contributed to Nepal's cultural modernization? How?

### *Political Relations*

7. Is there a threat to Nepal's independence? If yes, how has Nepal's foreign policy responded to such threats?
8. What is Nepal's national interest? Who defines it? In whose interest? There is the criticism that Nepal's national interest is often defined in terms of the interest of the rulers, who want nothing but power. How would you respond to such a criticism?
9. Should not the political stability and the well-being of the Nepali people, in addition to protecting and promoting sovereign independence and territorial integrity, be defined Nepal's national interest?
10. Who formulates Nepal's Japan policy? In whose interest? Who in Japan decides Nepal policy and on what basis?
11. Has political relations with Japan helped Nepal's political modernization? If yes, in what way?

### *Economic Relations*

12. Who formulates Nepal's policies trade, investment and economic cooperation with Japan?
13. What are the key determinants, if any, of such a policy formulation?
14. Has there been any proposal put forward by Nepal that has been rejected by Japan? If yes, on what grounds?
15. Is there any economic proposal made by Japan that has been rejected by Nepal? On what grounds?
16. How would you assess Japanese economic cooperation and its impact on Nepal's economic modernization and conflict mitigation?

### *Strategic Relations*

17. Should Nepal forge a dialogue for strategic partnership and cooperation with a major power like Japan in view of the strategic challenges and needs?
18. What opportunities, in your views and experience, such a partnership offer for Nepal?
19. What are the prospects in real terms?
20. Are there any limitations of such a strategic partnership between Nepal and Japan?
21. Are there any suggestions/recommendations you would like to make in order to further strengthen the bilateral relations between Nepal and Japan?

### **ANNEX III: Text of the Letter from Ekai Kawaguchi to Prime Minister of Nepal**

Peace and Glory  
Bodha 22 Oct. 1905

To  
His Highness the Maharajah the ruler of the Holy Land of Nepal

Sire

I beg your pardon to submit some suggestions to Your Highness in consequence of our last conversation, which I had the honour to enjoy in your company. Your Highness knows very well that I have been acquainted with your nation since these last seven years and have found so many similarities in them with the Japanese, (as pointed out many times by me already,) that naturally I could desire nothing more in my heart than that this nation shall have the same union and enlightenment that has raised my country to this greatness, more-over it is meet for us – that the land in which Budha had sprung – the land that sent us light and moderation should receive back from us science and wisdom so that it may retain its positive glory and be worthy of us. I am moved very deeply with the lucky chance that has enabled me to offer my heart felt wish my desire to Your Highness who has the sole power in the land and desires earnestly to keep up with the times. In this laudable intention I see Sire much you have done but more yet remains. No doubt in this out of the way corner unaided, unadvised without a model to copy from, to shape one's destiny in among un-sympathetic if not hostile nation is hard but your determination to carry on, to move on, in spite of all obstacles fighting manfully in noble indeed. O Maharajah it gives me a thrill of pleasure to imagine how the posterity will think about you the father of life and liberty – you who braved all storms for them – you who brought orders where none was before – you who taught them the meaning of home, their native-land, their king and their Gods. Your memory in short will be engraved on their heart and a monument there-in will be raised to it shedding light and glory not less further and wider than that given out by the proposed Tsushima light-house, admired and revered alike by outsiders that come across its way. Such, O Sire, such potentialities are in your hands. To use it and be a name and a blessing to your people should be your motto. Yes, short may be our lives but much could be done in the shortest time; and you remember well that year before last the millennium of Alfred (King of England) was celebrated and all the present day improvements were ascribed to him that day who laid the foundation. Regarding the similarities of the two nations I can not say much on this point, yet I can't help giving vent to my impression of the land and people. Its glories are not only picturesque sceneries and nice equable climate but it has a history and a tradition. The appearance, the intelligence, the industry, the obedience and bravery of the people bears startling resemblance to the Japanese. What is more I acknowledge they have the strong will which is essentially requisite for all the improvements. Over and above this I notice that they simply follow and worship Your Highness with a loyalty and devotion worthy of our own people. Things being so, it makes me hopeful of its future and we are anxious to see that the Asiatics are up to the Europeans in civilization and other kindred matters to attain which we are willing to undergo any amount of trouble for them. The matter standing thus it will explain to Your Highness that why I am interesting myself so much in your affair. We want to see the day when the Asiatic will be combined and act as a body in concert and be a guarantee to the independence of Asia. We should like to see

this great Pan-Asiatic feeling fostered everywhere. To this object I beg to offer the briefest outline of the methods for the national improvement and progress.

First and foremost is the education that develops the love of country and gives a turn to the public mind, second it is the application of the people educated in general knowledge in your works. The education must be worked under the national principles with a view of the development of civilization, enriching of the country and promoting the happiness of the people. You know well that in the college the men are trained and a perfect engineer or a military officer or a diplomat is turned out from it. So once you perfect these, you will secure all at one sweep. You remember what Wellington said of Waterloo – that it was won at Eton (college).

But there is education and education. The Indians are being educated for the last two-centuries and you know the quality of stuff turned out and with the perfect system what wonders we have done in less than half a century. You shall have to give education in your own language under experienced teachers whom if you would like I could secure from my country and I can assure you that my countrymen would be simply too glad to serve you in any capacity such as the instructors of medical and military sciences, engineering, agriculture, laws and political economy. If you do not like this idea you could send a number of picked men to Japan to finish off their education. Of course they must have English for their second language and you could fix certain grades with post carrying salaries at different rate so that the men with mother tongue alone or with two languages or with the foreign finishing off be suitably recruited. This is a slow but certainly a cautious method and I could understand your positions.

The organ of the national improvement that is the schools you should try to establish in your country at least 500 within 5 years, with a great college located centrally with workshops and classes for technical arts attached to it. The schools shall give the people the general knowledge training them for the college where Engineering, Agriculture, Botany and other Sciences could be taught and artisans and other classes trained in technical arts. All these if given in your own tongue will be easy enough. If knowledge be disseminated this way you will very soon reap a rich harvest. Even now however much you might have tried for the improvement of a department you must have been handicapped for want of proper educated persons, because in every civilized country men get proper training in the schools and they understand what they have to do before they join the service.

Second, the industry of the country should be fully developed, improved and not only receive your good will and moral support but should be helped even materially at the commencement by you. Surely, the safest place to reinvest your money is nowhere else but in your own country. Supported thus both with moral and money it is bound to go on. You should not look for a profit, if the concern just balances itself it is well and good. It supports so much of your people and the people's money is your own. To effect this a bank should be established. I hear you have one already viz. "The Tejareth" but to have a beneficial result it should be worked with a wider scope and a greater intelligence. Great wonders could be done on this principle. Make the people take interest in trade and give them the zest and you will see revolution in your market tomorrow.

It is said that either the most bold or the most ignorant leaves the beaten track and strikes out a passage for himself. But so long your predecessors have been following the old method and maxims with what result we are well acquainted. So it will be wise too on your part not to do the same. You want to be rich and why do not you try to open up mines. I am sure you are likely to get at even precious stones. The Himalayas are famous for mines. Leaving precious stones and metals alone it is a matter of wonder that Your Highness possessing such a mountainous country with such big waterfalls and possessing such a vast number of copper and iron mines that you should not be able to export them

and flood the Indian markets. To do so things should be done on grand scales. Now a days electricity could be taken any distance and no furnace is equal to electric one. So you could take your furnace where your mines are and to reduce ores to metals you require nothing more than fluxes for the matter of transport which is not a very heavy item. Even for traction you should be able to use electricity.

Again, I find that the trade in your country is standing still. It is sad to see that no attempt is made to improve it. If a trunk road be opened from the capital to the heart of the country and cart traffic at least be used, it will do a lot good to it as it is one of the greatest sources of wealth. There is so much to be done in this line. As for instance there is a tannery – you have skins. You have got all the tanning materials and yet you are satisfied with a nominal export duty. You are a great forest king, you should have been able to beat down all the paper and other mills in India yet you sell out raw materials whereas if you had aimed at providing the world's market even that you could have been able to cope with. I see again forest is managed on no principles here and I found that your mountains are almost bare and treeless and no step is taken to reforest them. It pays just as well to do so and cut by rotation and sell off as the ordinary rice field. If you go on like this you will soon exhaust the natural resources and like a prodigal man you shall have to repent here after. Again you have got such nice varied climates and why should you be behind Afghanistan to export fruits. In connection with this, you should establish a great Botanical Garden. It will do after reaching benefit. It is no good for me to remain long on one subject. There is cotton, cardamom, tea, flax and other fibres. There is cinchona, rubber, camphor, teak and other valuable timbers. All should pay very well. Again there is horse and mule-breeding and dairy keeping etc. you are wise and you understand what I mean. You cannot develop all these yourself. You must encourage your people and help them on. Even in civilized country the paid servant gets a bonus or a commission to make them take more interest in their duty. You cannot expect your people work all for the Government. The country's strength lies in people's wealth. Look at all the civilized countries and you will find the people very rich forming the backstay of the Government. This and nothing but this is the secret of the development of trade. I can assure you if you will enquire you will find from other sources also that it is so. There is much to say on this head but the space forbids me. However, I will just glance over them. There are mica-works, marble quarries, sulphur and saltpeter refineries, lime, porcelain and stone works, lead, copper and iron mines, saw, cotton, flour, jute, oil, paper, rice, wool and silk mills. Again there is tea, cardamom estate and sugar factories potteries and distilleries. All these industries are paying all over the world and why it should not do the same up here. If you could only persuade the people to take interest in these matters and invest their money in them, they are sure to succeed. You shall have to give all sorts of concessions to them, because even in civilized countries the Governments are guided by the voices of chambers of commerce and Planter's Association. In building up I believe you shall have to give them long leases say 5.10.20 even 50 years, then the company will be firmly established and success guaranteed. You should try to get money invested within the country, otherwise it will cause tightness in the market. Beside it will compel the nobles to take more interest in their country. Why do not you make the nobles take an interest in trade and farming. These are paying professions. Here I notice people look only for the Government appointments as in India. I wonder how long you could provide them. If you will give them patches of land say 200 acres each and teach them the way of farming; I think once they see that it pays and is well-worth doing, they will go over to that profession. This will relieve the tension on your coffers and at the same time divert the attention of the most dangerous section of the state to another source. I have to say something to you on this point. You are the de facto ruler – the real king. Why should your succession go to brothers – thus leaving the well-

tried method. The country suffers for it. The old method is a wise one – the son being the successor of the entailed property he inherits all, so he starts with full coffers and his aim will be at the improvement of the country. If the brother comes in he with his hungry heart will be spending his time simply in collecting and providing for his family as he is no better than a bird of passage and the country is ruined for the fleeing and want of interest taken in it. You should make only the ruler's eldest son to succeed otherwise the evil will not be eradicated. I am sure as soon as the country gets a thoughtful ruler or a wrong respite of peace or the natural process of weeding is stopped, the ruler will be confronted with this problem and will be compelled to adopt this. Those who are likely to suffer from this could very well be compensated.

Once you could establish the succession on proper footing and peace secured for a term of years, the country develops itself, as it is the natural outcome. For once a disturbance occurs the abler hands that have gradually worked up to the heads are swept off and new party in its ignorance and party feelings goes on pulling down what the other party had built up in course of time causing thus a great national loss. It is all very well of talking that party strife should be merged into national principles and things should be guided always according to it. But when one's life is in jeopardy little he can think of his country and duty. To attain this object your mind should first of all be directed. In doing this you will be doing your duty to the country. The country cares nothing so long its ruler is its countryman who has a deep abiding interest in it. I believe the cause of disturbance could be traced to place intrigues in all cases which I am firmly of the opinion is due to your "chakary" system. Familiarity breeds contempt and to keep such a lot of persons nearly one's own equal standing and otherwise about him, who are zealous of his influence is to goad them to commit thing which in their sober moments they will hardly entertain of. Being always in contact with you, they could gauge your feelings very well and so they are emboldened. Had they been deprived of your company your intentions and of the exciting order of things it will strike terror in their hearts keeping them always in awe which will act as a tonic on them. They may attend the morning salaams and your court on business alone. This will leave ample time at your hands which you could very well utilize by spending it in going through official papers. The abolition of "chakary system" will tend the people to direct their attention to business, as they can not hang about you or dog your footsteps wasting thus their time. I notice the ruling heads have always come to grief through their kinsmen and so why I want you to take particular care of this section. With your spy system you should have full knowledge of their movements and yours they should not get even a scent of. I notice again they have always used army as the instrument to secure their object and it strikes me very much that why you do not try to keep your army distributed all over the country as a check or precaution against attempts on your person. Without the army your opponent will not be able to take the reins of the government in his hands, so his attempt on your person will be a senseless one. This will at the same time conceal the nature composition and number of your troops and will reduce also the tension on the local market. It will be also a great check on your army commanders once the stations, they are in connected by the telegraph with the headquarter you have them in the palm of your hand, any attempt against you being crushed in no time. This "chakary" – the relic of feudalism is cause of the failure of official business. Isolation – the very essence of officialism – to foster which all the civilized Governments are doing their utmost are honored in breach in this. So no wonder you find yourself now at sixes and sevens, and you have to thank the system for it. Try to make one language in your whole country and then you will get at the root of the strength. It seems simple enough but it requires thoughtful consideration for ages as old ideas and prejudices are hard to kill. Again your neighbours might not like to see you put your house in order and they might have something to say on it and might even try to

interfere with it, but if you will go on with your mind fully made up with patience and perseverance persuading her in the meantime she is gaining by her doing so you may in time attain the object of your heart.

Now in the last but not the least important is the army. If you will think over this problem carefully you will wonder why you have kept the present number of the army. It is too large for the resource of the state and it cripples its development and as a fighting machine its value is nil – however much you may rely on your old tradition and valour. In these days of modern arms and their scientific application you will be seriously handicapped. To seek an instance you have not to go far. The Manchurian war shows clearly what I mean. The Russians were equally armed and even then the result was so disastrous to them. If you shall have to fight against a power, why, you shall not be able to come within your shooting range even you will be pounded up at a distance of miles away and scattered before you could ever come in contact with them. This is not the way for a petty state. You should have reserves well-trained that could be called out in times of war arranged in such a way that you could draw more than a hundred thousand easily. These if they get a proper training will up their work and will be cheaper to the state. Beside this system fosters the national spirit and you may with great advantage reduce the number of costly regular troops. In doing this your neighbour might think that you are politically not ambitious and may not be so suspicious and vigilant. (However I advise you not to give up the old well-tried system for the new one until you are quite sure of the old and so know where we are, but new may land us in inextricable difficulty which might even prove fatal.) In the meantime you could establish a great arsenal in the interior of the country where your neighbour may not be able to find out what you are doing. With electricity and Japanese engineers (if you are afraid of the friction with your neighbour you may bring them through China with your mission) you may do wonders. A factory just to turn out rifles and guns with enough cordite ammunition for it should be ample for your present need. My countrymen will do for you anything. Once they have put on Nepalese dress and picked up Nepalese language it is hard to find out who they are so closely they resemble your people. Your men are clever imitators so I think a small number of staff will be sufficient. I think the whole cost of the scheme will not be much. I think you can not do this without outside help, as for the army instructors, these could be trained in Japan. Your men after they complete their college education may be sent to Japan where they could learn the art thoroughly. This is a slow method but a wise one. I could understand your peculiar position and the careful and cautious way, you are managing things hold out a lot of hope to me.

On the score of domestic economy I find your people not thrifty. They spend more than their income. The greatest method of enriching one's self is to practice economy which is the strength of the country. In this also if you will lead the way the people will follow you. This saves so much going into the pocket of other nations of import. Beside your people do not know the use of money. All the rich men seem to be satisfied with 3 per cent interest for their money where as with shares in their own country, they could have secured a larger dividend and the development of their country at the same time. For this the people are not to be blamed. It is the duty of the Government to win their confidence and keep up their credit. You must use gentle means and persuasion to attain your ends. I need not point out to Your Highness that there are different modes of governing – the Czar thinks unless he rules the way he does harm will befall him and yet there is my Mikado whose renunciation is well-known and who none-the-less is loved and respected by us as the veritable "Little Father". So after all the iron may hammer and batter but it is the will that gives shape to the things.

I have something to say to Your Highness on the division of labour. I could very well imagine owing to the party – reasons and chakary system all the departments being filled

up with worthless men. Why should they undergo hard studies for which they are likely to get while rollicking about. This is of course natural. But in the long run you will find that you will not be able to secure the services of able persons unless you could offer guaranteed posts. To aggravate this evil there is only one head department through which all the papers must pass. To try to make improvements with this is to wage war with the Hydra-headed monster. You may strike off his head but it grows again there so better strike at the root and give up lopping branches. You had better follow the European methods having so many cabinet ministers to take charge of the several departments. This will facilitate business and bring responsibility on everybody's shoulder. The idle big man will be bound to work for his pay and the petty official who may be hard working but harder persecuted will be protected. Henceforward he shall have to please one man – his department chief behind whom he could shelter himself.

To sum up

1<sup>st</sup>, you have to establish your country on a firm footing.

2<sup>nd</sup>, The continuity of the succession to the reins of the Government should be assured.

3<sup>rd</sup>, The check on the army and on your subjects should be placed.

4<sup>th</sup>, Isolation of officers and officials from the ruling head and the ruled should be attained.

5<sup>th</sup>, Education and training of the people.

6<sup>th</sup>, Means to be adopted for fostering the national spirit and the love of country.

7<sup>th</sup>, Development of the trade and industries

8<sup>th</sup>, Distribution of labour and bringing home of the responsibility of duty to your men.

9<sup>th</sup>, Construction of arsenals.

10<sup>th</sup>, Opening up of the country with the roads and telegraphs.

11<sup>th</sup>, Army reorganization.

12<sup>th</sup>, Utilization of time.

The last item might look superfluous but Sire, I noticed the other day when I presented myself at your salaams that you were hearing petty cases personally. This may appear very good and it is really very good and it is really very kind of Your Highness and may be according to shastras and of the ancient usage but it looks very strange to me. If you will sacrifice your valuable time in this way, how could you get time to go deeply in the state matters. You may do good to a petty individual in listening to his case but you could do in the same time good to the whole community. Thus you will be doing injustice to your nation. Such things could be easily relegated to another person say a Chief Justice. For the present I must rest satisfied with what I have written. I am afraid, I have already taken a good deal of your valuable time. I beg to be pardoned for aught I might have happened to put down amiss. I have given you my impressions straight from my heart. My observation may be faulty as I am yet a stranger. However I hope Your Highness will take it for good as I am a well-wisher of Your Highness and of the land you rule.

Banzai, Your Highness.

Banzai, the noble idea of Your Highness.

Banzai, the Happy Nation in the holy Himalayas.

Banzai, the similarities between the Japanese and the Nepalese.

Banzai, Peace and Glory of Japan, Nepal and Asia.

I am

Your Highness

Most obedient servant

The Japanese priest

Ekai Kawaguchi

## **ANNEX IV: Associations and Organizations involved in Cultural Promotion**

1. Japan University Students Association, Nepal (JUSAN)  
Kantipath, Kathmandu  
P.O. Box: 19778  
Tel: 977-1-4249268, Fax: 977-1-5522899  
Email: jusan@enet.com.np

2. Japanese Language Teachers Associations, Nepal (JALTAN)  
C/O T.U. Campus of International Languages  
Exhibition Road, Kathmandu, Nepal  
Tel: 977-1-5534933

3. JICA Alumni Association of Nepal (JAAN)  
Gurju Chour, Dilli Bazar GA-2-23-7, Kathmandu, Nepal  
P.O.Box: 4707  
Tel: 977 - 1 - 4429176  
Fax: 977 - 1 - 4421597  
Email: jaanmilan@wlink.com.np

4. Nepal AOTS Alumni Society (NAAS)  
P.O.Box: 20994, Tel: 977 - 1 - 4478467  
E-mail: naasytg@mail.com.np

5. Nepal-Japan Friendship & Cultural Association  
Kalilasthan, Kathmandu  
Tel: +977-1-4410291, 4271022, Fax: +977-1-4282733  
Email: njfca@mail.com.np

6. Nepal - Japan Friendship Council (NJFC)  
G.P.O. Box: 9293, Kathmandu, Nepal  
Tel: 977-1-5525353, Fax: 977-1- 4271807

7. Nepal -Japan Children Library  
Ward No. 29, Lainchaur, Kathmandu  
P.O. Box No.19326  
Tel/Fax: 977-1-4415813  
Email: njcl@infoclub.com.np



**ANNEX V: List of Countries having Diplomatic Relations with Nepal**

<i>Number</i>	<i>Country</i>	<i>Date</i>
1.	United Kingdom	1816
2.	United States	April 25, 1947
3.	India	June 13, 1947
4.	France	April 20, 1949
5.	China	August 1, 1955
6.	USSR/Russia	July 20, 1956
7.	Japan	July 28, 1956
8.	Sri Lanka/Ceylon	July 1, 1957
9.	Egypt/UAR	July 16, 1957
10.	FR of Germany	April 4, 1958
11.	Austria	August 15, 1959
12.	Italy	August 31, 1959
13.	Switzerland	August 10, 1959
14.	Poland	November 25, 1959
15.	Malaysia	January 1, 1960
16.	Greece	February 2, 1960
17.	Philippines	February 12, 1960
18.	Australia	February 15, 1960
19.	Myanmar/Burma	March 19, 1960
20.	Pakistan	March 20, 1960
21.	Netherlands	April 2, 1960
22.	Laos	May 20, 1960
23.	Israel	June 1, 1960
24.	Sweden	June 10, 1960
25.	Thailand	November 30, 1960
26.	Indonesia	December 25, 1960
27.	Mongolia	January 5, 1961
28.	Hungary	January 15, 1961
29.	New Zealand	May 1961
30.	Afghanistan	July 1, 1961
31.	Chile	1962
32.	Argentina	January 1, 1962
33.	Turkey	November 15, 1962
34.	Lebanon	August 18, 1963
35.	Belgium	August 19, 1963
36.	Iran	December 14, 1964
37.	Canada	January 18, 1965
38.	Jordan	August 20, 1965
39.	Denmark	August 15, 1967
40.	Bulgaria	April 15, 1968
41.	Romania	April 20, 1968

42.	Algeria	April 29, 1968
43.	Spain	May 13, 1968
44.	Iraq	October 30, 1968
45.	Singapore	March 25, 1969
46.	Sudan	July 11, 1969
47.	Syria	February 26, 1970
48.	Ethiopia	April 15, 1971
49.	Kuwait	February 25, 1972
50.	Bangladesh	April 8, 1972
51.	Albania	May 23, 1972
52.	Norway	January 26, 1973
53.	DPR of Korea	May 15, 1974
54.	Republic of Korea	May 15, 1974
55.	Finland	September 21, 1974
56.	Tanzania	January 10, 1975
57.	Morocco	February 18, 1975
58.	Cuba	March 25, 1975
59.	Cambodia Kampuchea	April 18, 1975
60.	Vietnam	May 15, 1975
61.	Kenya	June 3, 1975
62.	Mexico	November 25, 1975
63.	Luxembourg	November 27, 1975
64.	Nigeria	December 20, 1975
65.	Libya	December 30, 1975
66.	Peru	January 28, 1976
67.	Brazil	February 7, 1976
68.	Portugal	September 1, 1976
69.	Bahrain	January 13, 1977
70.	Oman	January 21, 1977
71.	Qatar	January 21, 1977
72.	United Arab Emirates	January 22, 1977
73.	Saudi Arabia	March 15, 1977
74.	Costa Rica	August 16, 1977
75.	Maldives	August 1, 1980
76.	Cyprus	August 18, 1980
77.	Mauritius	February 12, 1981
78.	Iceland	May 25, 1981
79.	Bhutan	June 3, 1983
80.	Holy See	September 10, 1983
81.	Malta	September 25, 1983
82.	Brunei	February 3, 1984
83.	Panama	February 15, 1984
84.	Tunisia	April 14, 1984
85.	Somalia	October 24, 1984

86.	Zimbabwe	November 27, 1984
87.	Gabon	June 17, 1985
88.	Yemen	December 25, 1985
89.	Fiji	June 12, 1986
90.	Zambia	September 10, 1986
91.	Mozambique	September 30, 1986
92.	Nicaragua	October 5, 1986
93.	Venezuela	April 28, 1987
94.	Colombia	May 7, 1987
95.	Bolivia	May 21, 1987
96.	Estonia	April 20, 1992
97.	Latvia	April 20, 1992
98.	Ukraine	January 15, 1993
99.	Armenia	March 26, 1993
100.	Kyrgyzstan	March 26, 1993
101.	Belarus	July 19, 1993
102.	Moldova	July 20, 1993
103.	Czech Republic	March 2, 1994
104.	Slovak Republic	March 4, 1994
105.	Guyana	June 22, 1994
106.	South Africa	July 28, 1994
107.	Azerbaijan	February 28, 1995
108.	Seychelles	October 10, 1996
109.	Slovenia	December 2, 1997
110.	Macedonia	January 6, 1998
111.	Croatia	February 6, 1998
112.	Ireland	August 19, 1999
113.	Bosnia Herzegovina	January 12, 2000
114.	Lithuania	February 8, 2005
115.	Sanmarino	August 10, 2005
116.	Tajikistan	September 13, 2005
117.	Georgia	September 22, 2005
118.	Turkmenistan	October 17, 2005
119.	Ecuador	June 21, 2006
120.	Paraguay	August 2, 2006
121.	Guatemala	August 9, 2006
122.	Honduras	August 16, 2006
123.	Vanuatu	September 19, 2006
124.	Congo	September 22, 2006
125.	Andorra	September 22, 2006
126.	Haiti	May 23, 2007
127.	Saint Vincent and the Grenadines	September 27, 2007
128.	Dominique Republic	September 28, 2007

*Source: Ministry of Foreign Affairs, 2007*

**ANNEX VI: Exchange of Notes on Establishing Diplomatic Relations between Nepal and Japan**

Embassy of Japan  
India  
New Delhi, September 1, 1956

Monsieur le Charge d'Affaires,

Under instructions from my Government, I have the honour to inform you that the Government of Japan, desirous of promoting further friendly relations which have traditionally existed between Japan and the Kingdom of Nepal, have decided to request the agreement of the Government of Nepal to the establishment of diplomatic relations between the two countries. The Government of Japan propose that the status of the respective chiefs of mission will be that of Ambassador Extraordinary and Plenipotentiary.

The Government of Japan further propose that for the present the Ambassador Extraordinary and Plenipotentiary of Japan to India will hold concurrently the position of Ambassador Extraordinary and Plenipotentiary of Japan to the Kingdom of Nepal.

If the above proposal of my Government is acceptable to your government, I have the further honour to suggest that the diplomatic relations between our two countries will be established as of the date of your note expressing the agreement of the Government of Nepal to the proposal.

Accept, Sir, the renewed assurances of my high consideration.

(Seijiro Yoshizawa)  
Ambassador of Japan

Mr. B. R. Bhandary  
Charge d'Affaires a. i.,  
Embassy of Nepal

Barakhamba Road  
New Delhi (India)  
September 1, 1956.

Excellency

I have the honour to acknowledge the receipt of Your Excellency's note of today's date, which reads as follows:

(Text as above)

In reply, under instructions from my Government, I have the honour to inform Your Excellency that the Government of Nepal, sharing the same desire to promote further the friendly relations between Nepal and Japan, have accepted the proposal of the Government of Japan on the establishment of diplomatic relations between the two countries.

I have the further honour to propose that for the present the Ambassador Extraordinary and Plenipotentiary of Nepal to India will hold concurrently the position of Ambassador Extraordinary and Plenipotentiary of Nepal to Japan and to confirm that the diplomatic relations between our two countries will be established as of today's date.

Accept, Excellency, the renewed assurances of my highest consideration.

(B. R. Bhandary)  
Charge d' Affaires a. i. of Nepal

H. E. Mr. Seijiro Yoshizawa  
Ambassador Extraordinary and Plenipotentiary  
Embassy of Japan  
New Delhi

## **ANNEX VII: Chronology of Major Exchange of Visits**

### **Before the Establishment of Diplomatic Relations**

- 1899 Ekai Kawaguchi, the first Japanese, sets foot on Nepal on way to Tibet
- 1902 Eight Nepali students leave to Japan to study technical subjects
- 1912 Bunkyo Aoki visits Nepal on his way to Tibet
- 1913 Junjiro Takakusa, Ryutei Hasebe and Kawaguchi visit Nepal
- 1933 Kousetsu Nousu and Tetsuzo Ide visit Nepal
- 1936 Syun-ichi Amanuma visits Nepal to survey damages by earthquake
- 1951 Exchanges between Nepali and Japanese sports delegates at the First Asian Games in New Delhi
- 1952 King Tribhuvan receives in audience Eizaburo Nishibori
- 1956 Ambassador Seijiro Yoshizawa attends King Mahendra's coronation  
Japanese alpinists successfully conquer Mt. Manaslu  
Exchange of Notes for the establishment of formal diplomatic relations between Nepal and Japan on September 1

### **After the Establishment of Diplomatic Relations**

- 1960 King Mahendra and Queen Ratna's State Visit to Japan  
Official visit by Crown Prince Akihito and Princess Michiko
- 1964 Inauguration of Japan Nepal Society
- 1965 Inauguration of Nepal Japan Society  
Establishment of Nepal Embassy in Tokyo
- 1967 Crown Prince Birendra studies at Tokyo University
- 1968 Hidemichi Kira named Japan's first residential Ambassador  
Establishment of Japanese Embassy in Kathmandu
  
- 1970 Prince Hitachi attend Wedding Ceremony of Crown Prince Birendra  
King Mahendra visits Japan to attend Osaka Expo'70
- 1974 Minister for Foreign Affairs Gyanendra Bahadur Karki visits Japan  
Japan assists Janakpur Agriculture Development Project
- 1975 Crown Prince Akihito and Princess Michiko attend King Birendra's coronation  
Junko Tabei becomes first woman to challenge Mt. Everest  
Princess Gyanendra and Dhirendra visit Japan
- 1977 Minister for Foreign Affairs Ichiro Hatoyama visits Nepal  
Minister for Foreign Affairs Krishna Raj Aryal visits Japan
- 1978 King Birendra and Queen Aishwarya pay State Visit to Japan
  
- 1980 Parliamentary Vice Minister for Foreign Affairs Kazuo Aichi visits Nepal
- 1983 King Birendra and Queen Aishwarya visit Japan
- 1985 Princess Chichibu visits Nepal  
King Birendra and Queen Aishwarya visit Tsukuba Expo'85
- 1986 Prince Gyanendra visits Japan
- 1987 Crown Prince Naruhito visits Nepal

- Minister for Foreign Affairs Shailendra K Upadhyay visits Japan
- 1988 Japan-China-Nepal Joint Expedition scales Mt. Everest
- 1989 Prince Gyanendra attends Emperor Hirohito's Funeral Ceremony
- 1990 Crown Prince Dipendra attends enthronement ceremony of Emperor Akihito
- 1991 Acting President of Nepali Congress Krishna Prasad Bhattarai visits Japan  
Finance Minister Ryutaro Hashimoto visits Nepal  
Keiwa Okuda leads Parliamentary Election Observation Mission to Nepal
- 1995 Minister for Foreign Affairs Prakash C. Lohani visits Japan  
Deputy Premier and Foreign Minister Madhav K. Nepal visits Japan
- 1997 Prince and Princess Akishino visit Nepal
- 1998 Vice Speaker of House of Representatives Kozo Watanabe leads a parliamentary delegation to visit Nepal  
Prime Minister Girija Prasad Koirala visits Japan  
Chairman of National Assembly Beni Bahadur Karki leads a Nepali parliamentary delegation to visit Japan
- 2000 House of Representative Speaker Taranath Ranabhat leads a parliamentary delegation on a visit to Japan  
Prime Minister Yoshiro Mori visits Nepal
- 2001 Crown Prince Dipendra visits Japan  
Secretary General of Nepal Japan Parliamentary Friendship League Wataru Kubo visits Nepal
- 2002 Foreign Secretary Madhu Raman Acharya visits Japan  
Minister of State for Science and Technology Bhakta Bahadur Balayar visits Japan  
Former Prime Minister Ryutaro Hashimoto visits Nepal
- 2003 Parliamentary Secretary for Public Management, Home Affairs, Post and Telecommunications, Rokuzaemon Yoshida visits Nepal  
Chief Justice Kedar Nath Upadhyay visits Japan  
Deputy Speaker Chitra Lekha Yadav visits Japan  
Minister for Information and Communications Ramesh Nath Pandey visits Japan
- 2004 Chief of Army Staff Pyar Jung Thapa visits Japan  
Chief Commissioner of CIAA Surya Nath Upadhyay visits Japan  
Member of the House of Representatives and Secretary General of Japan-Nepal Parliamentary Friendship League Tadahiro Matsushita visits Nepal
- 2005 Crown Prince Paras and Crown Princess Himani visit Japan  
Parliamentary Secretary for Foreign Affairs Katsuyuki Kawai visits Nepal  
Home Minister Purna Bahadur Khadka visits Japan  
Finance Minister Madhukar Shumshere J. B. Rana visits Japan
- 2006 Senior Vice Minister for Foreign Affairs Yasuhisa Shiozaki visits Nepal
- 2007 Chichiro Atsumi, Director General of Southeast and Southwest Asian Affairs Department of the Japanese Ministry of Foreign Affairs visits Nepal  
Senior Vice Minister for Defense Takahide Kimura visits Nepal

**ANNEX VIII: Text of the Joint Communiqué published at the end of King Birendra's State Visit to Japan, May 21, 1978.**

His Majesty King Birendra Bir Bikram Shah Dev and Her Majesty Queen Aishwarya Rajya Laxmi Devi Shah paid a State Visit to Japan from 15th to 21st May 1978. Their Majesties were accompanied by Her Royal Highness Princess Shobha Shahi, Mr. Krishna Raj Aryal, Minister for Foreign Affairs, Kumar Mohan Bahadur Shahi, Dr. Y. P. Pant, Royal Nepalese Ambassador to Japan and other officials. Their Majesties visited, besides Tokyo, places of cultural, historical and industrial interest including Nagasaki and Fukuoka. Their Majesties the King and Queen of Nepal were greeted with warmth and cordial respect which reflected the genuine feelings of friendship and mutual respect between the peoples of Nepal and Japan. During their stay in Tokyo Their Majesties the King and Queen of Nepal met Their Majesties the Emperor and Empress of Japan in an atmosphere of great warmth and affection characteristic of long prevailing ties between the Imperial Family of Japan and the Royal Family of Nepal. Their Majesties the King and Queen of Nepal were welcomed by Their Imperial Highnesses the Crown Prince and Crown Princess of Japan and exchanged pleasant memories of their past contacts. Their Majesties the King and Queen of Nepal visited Tokyo University, a place where His Majesty, as Crown Prince, had spent part of his time as student and were warmly welcomed by the university authorities and professors at a special ceremony in honour of His Majesty.

His Majesty the King received the Prime Minister of Japan in audience and had friendly exchange of views with him in an atmosphere of cordiality and mutual understanding. The talks which covered both the bilateral relations and international issues of common concern marked a high degree of understanding and closeness of views. Both sides expressed their satisfaction over the existing state of relations between the two countries and particularly over the fact that Nepal-Japan ties have, of late, been steadily growing. In this connection, they noted the increasing exchange of visits and development of contacts between the Royal Family of Nepal and the Imperial Family of Japan and at various other levels which have been responsible in further enhancing the friendly feelings prevailing between the two peoples for a very long time. They stated their common desire to continue and accelerate this process and reaffirmed their common resolve to deepen and consolidate these bonds of friendship which are based on many values and traditions similar to each other.

The Nepalese side highly appreciated the qualities of the Japanese people which contributed to the remarkable success of Japan in industry, science and technology and expressed deep conviction about the important role Japan has been playing in the maintenance of world peace and a stable world economic order. The Nepalese side acquainted the Japanese side with the efforts being made in Nepal for an all round development of the country. The Nepalese side highly appreciated Japan's sincere efforts to develop its relations with countries of Asia and the world with a policy of increased economic cooperation aimed towards a peaceful world order, and expressed its gratitude for the friendly assistance being rendered by Japan and for their continued interest in broadening the area of cooperation in Nepal's development with major programme of development currently being envisaged.

The Japanese side conveyed to the Nepalese side the high appreciation by the Japanese people and government of Nepal's determined efforts under His Majesty's leadership to bring about speedy social and economic advancement and expressed its readiness to make every effort to increase substantially economic and technical assistance in the development of the Nepalese economy. It was mutually agreed to maintain high level consultations, with a view to further promoting the existing friendly relations and



cooperation between the two countries. The two sides noted that educational and cultural exchange between the two countries played an important role in deepening mutual understanding and strengthening ties between the two peoples, and agreed that the two countries should continue their efforts to further promote educational and cultural exchanges between the two peoples at all levels.

The Japanese side highly praised Nepal's policy of peace and friendship with all the countries of the world and her policy of good neighbourly relations in the region. The Japanese side expressed its deep understanding and appreciation of and respect for Nepal's proposal to declare herself a zone of peace.

Both sides reaffirmed that the peace and stability in Asia and the prosperity of the region are of utmost importance to the maintenance of peace and prosperity of the world. Both sides expressed the determination of their governments to cooperate in constructive efforts to achieve this common goal. In this connection, both sides welcomed the recent developments towards the betterment of relations among the South Asian countries in general and emphasized that such developments would also contribute greatly to the promotion of peace and development in Asia as a whole. Both sides expressed their support for the efforts and aspirations of the nations in Southeast Asia to live in peace and cooperation in the region.

Both sides reaffirmed their faith in the purposes and principles of the United Nations and observed that relations among nations should be based on respect for territorial integrity, non-interference in each other's internal affairs and prohibition of the threat or use of force in accordance with United Nations Charter. Both sides reconfirmed that progress in the field of disarmament was of fundamental importance to the maintenance of international peace and confirmed that the two countries, both being signatories of nuclear nonproliferation treaty, would cooperate at the forthcoming special session of the general assembly of the United Nations devoted to disarmament so that tangible progress might be made in the area of nuclear disarmament and that international efforts might be initiated in order to deal with the problems of the international transfer of conventional weapons, with ultimate objectives of achieving general and complete disarmament and facilitating channelisation of resources for development.

Both sides reaffirmed their total opposition to colonialism, racism and apartheid, and held the view that such policies should be terminated as soon as possible. Both sides expressed their satisfaction at the positive results of the friendly exchange of views and noted that the visit of Their Majesties to Japan is a great event contributing to the further development of Nepal-Japan relations. The Nepalese side expressed its sincere thanks for the warm welcome and hospitality extended to Their Majesties and the royal entourage during their stay in Japan.

Tokyo  
May 21, 1978