

## ORAL HISTORY

### *Prelude to Nepal's First Jan Andolan*

Arvind Deo

*Arvind Deo, former Indian Ambassador to Nepal, narrates the complexities of India-Nepal relations during 1986–90 - that had to confront very ticklish and complex issues, that eventually led to a spill over of these issues into building public resentment against the system, and what became a prelude to Jan Andolan I.*

**Indian Foreign Affairs Journal (IFAJ):** Thank you, Ambassador, for agreeing to talk to us. India-Nepal relations have passed through several phases. One of the most important phases, I think, was your tenure as Ambassador of India in Nepal. Not only did the relations have to confront very ticklish and complex issues, but eventually led to a spill over of these issues into building public resentment against the system, and what became a prelude to Jan Andolan I.

We have seen the second form of Jan Andolan during 2006. We would be very grateful to you if you could enlighten our readers on the complexities of India-Nepal relations during that time.

**Arvind Deo (AD):** Thank You. It is very kind of you to have asked me to take my mind back and dwell on some major events with which I was associated during my stay of three years and eight months in Nepal as India's Ambassador. I had not dealt with Nepal either at the desk level in the Ministry or served in Nepal at any stages of my career. Therefore, to me this assignment was a challenge. I knew that I would have to educate myself about the complexities and intricacies of India-Nepal relations. When I say this, I have in mind my meeting with Jagdish Shamsheer Rana in Berlin in 1974 or '75 (He was earlier Nepal's Foreign Secretary and at that time Nepal's Ambassador to Moscow). Ambassador Rana asked me whether I had served in Nepal. When I said "No, not yet", he said, "Oh, it is a very ticklish assignment. We have a great deal of influence in your country. At any given time, we have 20–25 people as MPs and MLAs in various state assemblies, who can bring pressure to bear on the Government of India in favour of Nepal."

**IFAJ:** What were the critical issues during your time?

**AD:** During my time there were a few issues. The major one was of trade and transit arrangements. Then there was the issue of work permits. Other issues, which seemed to feature in public forums like the Zone of Peace and the 1950

Treaty seldom came up for discussion with us officially. They were carried on either through “back channels” or through media debate. I thought that the best way was to leave them at that level because then we were not called upon to react directly on these issues.

**IFAJ:** There was also the question of China selling arms to Nepal.

**AD:** Yes. An issue that came up and generated major debate in the media in late 1987 to early 1988 was Nepal’s decision to acquire sophisticated weaponry – anti-aircraft guns, AK-47s and small firearms from China in unspecified but large quantities. This led to some very interesting and very direct exchanges between the Ambassador and Nepal at the highest level, that is, directly with His Majesty King Birendra. Our leaders also took up the issue without receiving satisfaction.

**IFAJ:** In fact, these are the issues which spread around all sectors of life, i.e., economy, defence, social and public relations in the social realm. And you had it a sort of plateful in addressing the intricate issue of bilateral relations between the two countries.

**AD:** Even at the best of times, bilateral issues between neighbouring countries are the most challenging. When these happen to be with a country like Nepal, which has been linked with India organically over the last several decades, not merely politically but also through social linkages – marriages, cultural traditions and through a certain commonness of so-called Hindu character. I say so-called Hindu character for the simple reason that in India Hinduism had an age of renaissance and reform but Nepalese Hindu character seemed to have had a rather different outlook. You could experience in Nepal Hinduism as it must have been in India a hundred or two hundred years earlier.

When I took up my assignment in Nepal, Lokendra Bahadur Chand was the Prime Minister. Shortly thereafter, elections were announced and, as is the Nepalese custom, an interim government under N.P. Rizal took office for three months. After the elections, Marich Man Singh Shrestha, who was the Speaker in the previous dispensation, became the Prime Minister. There was, perhaps, an unwritten convention that the Speaker would be elevated to become Prime Minister in the Panchayat system.

**IFAJ:** And that depended on the palace?

**AD:** The palace saw to it that a convenient dispensation would take place in the Panchayat. Now, it is a strange coincidence that although the Panchayat system was an effective form of government since the days of King Mahendra, and subsequently during King Birendra, Marich Man Singh Shrestha is the only person who served almost the full term of five years as Prime Minister. Many of his predecessors had been voted out by the Panchayat under “advice of the palace” and replaced by “the next man”.

**IFAJ:** But then, directly it also brought the end of the Panchayat system.

**AD:** To Marich Man Singh must go the credit for having steered the Panchayat system through its five years and subsequently to its fall. But I was not a witness to the decline and fall that took place four months after I left in early January 1990.

Be that as it may, one of the issues that came up very early during my stay was that of trade between India and Nepal. India offers exceptionally favourable preferential treatment to Nepal through a Trade Agreement in which India treated Nepal as if it were a part of India in terms of commerce. No special licence was required if any goods or services were exported from India to Nepal; a part of the excise duty was refunded to Nepal as a kind of subsidy so that the goods were available in Nepal both in plenty and at comparative costs to compensate the element of transport. In its 1986 budget, presented sometime in May–June, the Government of Nepal without informing us allowed the same kind of preferences to Tibet as were available to India, which in effect meant it had allowed to China the same preferential regime. Now, Chinese trade with Nepal was comparatively insignificant; but the new preferences would have meant that low-priced Chinese consumer goods would come into Nepal, and these would finally be diverted to India, which would entirely defeat the entire meaning and purpose of the India-Nepal preferential trade regime.

The matter was taken up with the Nepal government. We were assured by Nepal's Finance Minister that this would be rectified in the Panchayat through necessary amendment to the budget in the next few months. The matter was also taken up when the Commerce Secretary visited in 1986. But nothing was done. This state of affairs continued in the 1987 budget: the Nepali authorities repeated assurances of the previous year but nothing was done. The assurances

given to us were simply ignored, although in 1987 the then Commerce Secretary, Amarnath Verma, was assured that Indian preferential treatment would be restored.

This was repeated in the 1988 budget. At that point of time we knew that there was no point in taking this up as a routine matter. We, therefore, wondered if we should not take this matter more seriously. When I raised this subject with Nepal's Foreign Minister S.K. Upadhyaya, his response surprised me. He said, "Excellency, we are not particularly interested in a trade agreement as such. We think that trade with India will take place naturally. We are more interested in the transit agreement" (which was scheduled to end before the trade agreement). So we decided that we would as well examine the Trade and Transit Agreements together and once again synchronise them.

Another development had taken place which had a major bearing on India-Nepal relationship – the introduction of work permit. The reason given was transparently specious, that work permits were being introduced for Indians and others to ensure greater security for the Kathmandu SAARC Summit in 1987. At least this is what Nepal's Foreign Secretary N.B. Shah was instructed to tell us.

**IFAJ:** Is that the kind of attitude that led to the collapse of the treaty and eventual closing down of this special facility?

**AD:** In 1987, when Nepal introduced work permits for Indians, most of the people seeking work in Nepal were from Bihar and Uttar Pradesh. Many were school teachers or lecturers in small mofussil colleges and they would teach for a year or two till they landed a job in India. I suggested to Mr. Shah that this was not causing a big dent in Nepal's economy. If there was a qualified Nepali citizen the job should go to him but to introduce work permits for Indians on par with other foreigners would go against the letter and spirit of the 1950 Treaty. Mr. Shah said that this was being done as a temporary measure in order to ensure security for the SAARC Summit. In our assessment this was at best a specious argument.

In December 1989, a fortnight before I was due to leave, Mr. Shah told me that he had a confession to make: "When I told you that the work permits were

temporary and were for a short time that was not really so". I could do no better than smile and tell him that we knew this all along but had no alternative but to believe him for the time being.

Prime Minister Rajiv Gandhi took a serious view of the work permit policy. He took it up with every delegation from Nepal visiting India. Most important was the Speaker Navraj Subedi's delegation. Rajiv Gandhi took it up very forcefully and said, "If this is how Nepal wants it, we'll have to examine ways and means of introducing work permits in India for the Nepalese. For, there were many more Nepalese in India than there could ever be Indians in Nepal." The Nepalese Speaker couldn't have missed the point. Nepal nevertheless pressed ahead and continued with the system.

There was another matter on which Nepal took a decision and, in retrospect, one must wonder whether it served Nepal well at all. Nepal decided to import sophisticated weaponry such as anti-aircraft guns and automatic weapons including AK 47s and small firearms from China in unspecified but large quantities. This happened after India's Sri Lankan airdrop in May 1987. We got a first indication of this decision from "a highly reliable source" in Nepal. I reported this matter to Delhi for further instructions.

I was asked to verify the report further. I thought that on such a sensitive problem the best was to approach King Birendra himself. I enquired if the reports we had received were true. The King confirmed that Nepal had made a request to India many years ago but India had not given a positive response; therefore, Nepal turned to China. I responded that as far as our records showed there was no such request pending and, in any case, this was the kind of weaponry which might not be required for Nepal because it really appeared to face no threat from either of its neighbours necessitating the use of such weaponry. Acquisition of such equipment from one neighbour could only cause misunderstanding and create problems with Nepal's other neighbour. If India had provided such weapons it would have caused problems with Nepal's northern neighbour; supply of these weapons from China could cause Nepal problems with its southern neighbour.

**IFAJ:** Did you, at any stage, ask the King from where he expected this threat and danger?

**AD:** Not in so many words. However, I implored (the exact word I used) the King to reconsider this decision and review it. He said that it would be “very expensive” to review the decision. I tried to repeat our request but the King remained fixed in his position. Then I decided that the time had come to speak rather plainly. I submitted to the King that to go ahead with the decision would prove much more expensive in the long run. I left it at that. Our conversation ended on this note. I came away and reported this to Delhi.

Shortly thereafter, I had an opportunity to meet a high-ranking palace official who had the ear of the King on foreign affairs and I asked him whether he had heard what I had told the King since he was present in the room. He said he hadn’t, since he was sitting at a distance. Then I told him about our request to reconsider this decision, since to go ahead could prove more expensive in the long run. He asked, “What do you mean by expensive?” I told him that these were sophisticated weapons and in large numbers. “Some of these automatic weapons falling into wrong hands could cause unnecessary violence and turbulence in Nepali polity. And you could have Bhaktpur burning in less than ten years.” (Bhaktpur is a Maoist stronghold.)

Subsequently, the Minister of State, Mr. Natwar Singh visited Kathmandu and took up the matter with both Prime Minister Marich Man Singh and Foreign Minister Shailendra Kumar Upadhyaya. Mr. Upadhyaya told Mr. Natwar Singh, “Your Ambassador listens to rumours and then reports them to you”. Mr. Natwar Singh shot back and asked, “What do you mean believing in rumours? He heard it authoritatively. He heard it from no less a person than the King himself.” He asked him if he meant that the King was spreading rumours. Mr. Upadhyaya looked crestfallen and said that he didn’t know about this decision.

**IFAJ:** What you are saying is critical because this kind of decision emanated only from the palace and nobody else was really taken into confidence. Why I am underlining this is because in India we have had an image in many sectors that the King is the best suited for India’s interests and he is probably the friendliest person in Kathmandu whom we can look towards.

**AD:** No doubt a person can be very nice and very pleasant and he can take decisions directly either under advice of his government or of his palace officials. I think whosoever advised the King did him (and ultimately the monarchy) a very bad turn. Slowly but steadily Nepal was charting a course

which affected India-Nepal relations adversely.

**IFAJ:** Indian policy has defended monarchy all around. But Ambassador, I don't know if you have this opinion. Indian policy has always been soft to the monarchy.

**AD:** You might have come across a recent article which compares India and China, saying that India lacks the will and vision. The last Indian leader to have a will and vision was Jawaharlal Nehru. After that it has had a will but not always a vision, and sometimes not even the will. Now, why did India prefer a monarchy in Nepal? I sometimes wonder whether Republicanism for ourselves has not been a happy accident.

**IFAJ:** That's true, but Nehru was the one who asked and supported an elected constituent assembly for a Republican constitution.

**AD:** ... which, of course, did not happen.

**IFAJ:** But the idea came from him as far as Nepal was concerned.

**AD:** I am saying even about India, that we have not got out of the monarchical flavour in politics.

Security was an issue, which really caused a great deal of problems and uneasiness because Nepal's policies made a gaping hole through the 1950 Treaty. Nepal had ignored India's vital security concerns. I recognise that we had to show security concern for Nepal's vital interests, and Nepal in turn should have reciprocated. However, these issues went on and in 1987 the SAARC Summit took place in Nepal. By autumn of 1988, the trade and transit issues had not been resolved and Nepal had shown no interest in a preferential trade treaty agreement.

In 1988, I was asked by the government to examine the whole gamut of India-Nepal relations and suggest what course of action could be taken to bring those on a more even keel. I suggested that we could not force our affections on any country. If Nepal did not want a trade treaty so be it. We could continue trade as with other countries like Bangladesh or Sri Lanka or any other country. On more than one occasion, Upadhyaya had mentioned that Nepal had no objection to MFN (most favoured nation) treatment from India. I don't think that

Nepal had thought through what an MFN trade regime with India would mean. But when we informed Nepal in February 1989 that when the trade agreement came to an end on 23 February 1989 our trade and transit relationship would proceed on MFN basis, I was conscious that this arrangement would not work in Nepal's favour.

**IFAJ:** This is an interesting observation. There is a general perception outside that the collapse of the Trade and Transit agreement was a kind of punishment inflicted by India on Nepal. But what you are saying is far more relevant in that it was a response to what the Nepalese wanted.

**AD:** It was absolutely a response-oriented decision. If Nepal did not want a trade treaty India was not going to impose one; if it wanted a Trade and Transit agreement we were prepared to sign one. But if nothing was possible then we could continue trade and transit on MFN treatment basis.

One of the brave remarks made by Finance Minister Bharat Bahadur Pradhan in the Panchayat after the collapse of the Trade and Transit Agreement was: we don't seek any favours from India; all we want is MFN treatment. But that meant that all goods and services coming from India under the preferential regime without licensing and without permit, whether onions or antibiotic medicines or foodstuff or whatever, would cease. Under MFN, an importer who wanted to buy a strip of aspirin would have to go through the procedure of obtaining several clearances, customs clearances, import-export licences, and nothing could be sent on a commercial basis as in the past. This really hit the people of Nepal hard. In January 1989, the cost of many of those things in Nepal was not more than 5 to 10 per cent higher than in India. Once the Trade and Transit agreement difficulties began, the prices started soaring, and by April 1989, the economic realities began to hit the people hard.

Nepal had an agreement for importing and refining crude oil in India at Barauni. Nepal could pick up appropriate quantities of its POL products from any of the Indian Oil depots at twenty-one different points along the India-Nepal border. Once the preferential arrangements came to an end, India was not obliged to continue this POL delivery arrangement. Nepal decided to import oil from Singapore, transport it all the way from Calcutta, which was the importing port to Biratnagar or Raxaul, which were the two transit points under MFN, and



then transport it all across Nepal so that a large amount of it was consumed in the process of transport. The prices of petroleum products shot up and their availability decreased. Cooking gas, which used to be imported from India, stopped. All of this was the consequence of Nepal's decision to have MFN status. In my considered opinion, the trade and transit impasse had nothing whatsoever to do with the arms acquisition from China.

During the course of the next few weeks after the trade arrangement had broken down, one thing became very clear, that Nepal had not really thought through the consequences of not having a very close and effective economic relationship with India.

One such issue was the water resources. Nepal is very rich in water resources but because of our own wrong behaviour in the early years of the Kosi project and subsequently niggardly attitude in negotiations on both sides there has been little progress on hydroelectric projects. At one stage, during one of my various conversations with King Birendra, I had taken up this issue and regretted that there had been little real progress on this subject of hydropower. He turned very sad and said that he had been "hearing about this since 1964 that I remember as a young boy and I am afraid I will not see any effective project coming through during my own lifetime."

**IFAJ:** It was prophetic.

**AD:** Yes, he was almost prophetic because if Nepal had developed surplus electric power it could have saved part of its bill on POL products by using electric trolley-bus transport in the Terai where such transport was feasible. And surplus power could have expedited economic developmental plans within Nepal itself and would have made it one of the more prosperous countries in South Asia.

To revert to the economic crisis; once prices started going up people's anger began to rise and the government tried to divert it by turning it into an anti-India issue. I was invited to the Nepal Commerce Secretary's office one day where the Foreign Secretary was also present. He told me that the people were getting very restive and there was talk of demonstrations against the embassy. Clearly enough, the two were trying to bring pressure on me. I gave them an equally unambiguous response, that if the people were going to protest we could do little

to stop them gathering and venting their anger. But if anybody came to us we would be obliged to tell them the whole story, namely, that the entire failure and the MFN treatment was because of Nepal government's insistence that it did not want a trade agreement with India. I didn't see any reason why they should demonstrate against India, I would tell them.

Secondly, these were temporary issues that had arisen in our relationship and these would no doubt be sorted out. "But let me assure you", I added, "if there is any demonstration against the Indian embassy we will take a very serious view. And for every demonstration that takes place there would be a delay of one week in the final implementation of the agreement." The cautionary note was not lost and the net result was that from March 1989 (when this conversation took place) till 31 December 1989 when I left Nepal there was not a single demonstration against our mission. I think the message had reached home that India would not hesitate to act.

**IFAJ:** I remember, there have been press reports saying that it was the Nepalese government which was responsible for the mess that had been created.

**AD:** Subsequently, everybody in Nepal realised that it was an ill-thought and unprepared decision that landed them in this mess. Other subjects of interest were the Zone of Peace and the 1950 Treaty, and they never came up for serious discussions with us at any official level. Either there were back-channel talks, which came to naught because both these ideas were ill thought out. The 1950 Treaty revision was totally uncalled for. It began as an academic exercise by some newspaper people. We could have taken an initiative and said, "If you don't like the 1950 Treaty, feel free to revise it. Prepare a draft and publish it in the print media so that the people of both India and Nepal can see what a balanced draft looks like." But such a step never materialised.

As far as the Zone of Peace was concerned, here is something for the record. During the second half of 1988 there was a rumour that the Indian government was softening upon this proposal. During one of my meetings in a ministry in Nepal, after the meeting, the minister himself took me aside and said, "Ambassador, we have heard that India is thinking of endorsing the Zone of

Peace idea. For God's sake, don't do it. It would destroy whatever chances we have of real democracy in this country."

**IFAJ:** There again they were playing politics. This is what it underlines. They wanted such issues on the table.

**AD:** I took note of this remark. I reported it but I offered no comments. In our considered view there was no reason why our government should need to endorse the Zone of Peace proposal. Nepal was free to call itself what it wanted.

**IFAJ:** What kind of pressures or counter-factors function on some of the critical policy decisions taken in New Delhi vis-à-vis Nepal? What kind of stakeholders are there on India's Nepal policy?

**AD:** India's Nepal policy is governed by a very complex web of relationships, particularly in Uttar Pradesh, Bihar, Madhya Pradesh. People are interlinked by marriages. All of them feel a sasural attitude towards the royalty in Nepal and its Rana families. And these people feel that anything that damages their sasural's prospects should be stopped.

**IFAJ:** When Rajiv's policy was pursued four sets of people went to Rajiv to tell him to be soft on Nepal. One was our Army Chief, who said, "My Gorkhas and their families are suffering". Second was the old princely order who were both in the Congress and outside the Congress. Third were business lobbies that probably felt that their interest would be hit. And the fourth were the Sankaracharya and Hindu religious vested interests.

**AD:** True. I cannot say about the business lobby because the business was comparatively insignificant. There were no major business house stakes. Sankaracharya turned up pretty late in the day as an element but he did try to influence policies without much success. In fact, all the four major Sankaracharyas had been invited for the thread ceremony of the crown prince Deependra.

**IFAJ:** Ambassador, you know all over the Western media they were saying that India had imposed a blockade on Nepal and was squeezing that poor country. Was there anything like that in terms of India's policy substance?

**AD:** A trade impasse was brought upon itself by the government of Nepal. It had not thought through the consequences of saying that they were not really interested in a trade treaty. What India did was simply to oblige Nepal by taking it up on its word. India did not impose a blockade. India allowed the flow of goods freely from any outside country through two transit points; internationally we were required to give only one transit point.

The Nepal government's policy was like shooting a hole through one's head for better ventilation to cure a headache. This is what in effect was done by a minister, a technically qualified man, Bharat Bahadur Pradhan, who was both an engineer and an economist. I wonder why Nepali officials had not done adequate homework on this subject. Nepal did not seem to know what India's import-export regulations were since these were of no relevance during the days of preferential regime. This talk of blockade as far as Nepal was concerned is not fair. There was no trade embargo: Nepal had got the kind of trade regime it wanted. And if that caused them grievous hurt it was not of our doing.

**IFAJ:** Is it possible that they thought that India would never really put its foot down? Were they taking India for granted?

**AD:** Subsequently, Foreign Minister Upadhyaya, in his memoirs about his time as Foreign Minister, called *Tryst with Diplomacy*, admitted that the ambassador had told us that all along of what would happen. We did not believe it because we never thought that India would carry out what it said it would do.

**IFAJ:** So, for the first time India had really asserted itself on critical policy issues which were in India's overall interest.

**AD:** Let me say, India had only carried out whatever it said it would do. If this is an assertion so be it. India had responded to what Nepal said it wanted, and if this caused Nepal problems it was entirely Nepal's choice. India had no intention of imposing a blockade or hurting it in any way.

**IFAJ:** Was there any effort on India's part to take up the question of arms with China directly?

**AD:** Not to my knowledge. But I wouldn't be surprised if India had taken it up. But that was nothing. China could have said it was something that the

Nepalese wanted. But otherwise, our relationship with China was not great at that level.

**IFAJ:** Rajiv Gandhi had visited China in December 1988. I wonder if at that time Nepal figured anywhere.

**AD:** Nepal had, however, been told by China, both in public and in private, during the visit of the Chinese top man to Nepal in 1988 – that while we would like very friendly relations with you, we would like you (Nepal) to do nothing that would prejudice your relations with your other neighbours. And that was a clear message about India.

**IFAJ:** Did the King at that time, since he was using the arms card from China, also play the Pakistan card during that critical period of trade revision with India?

**AD:** Up to a point, yes and no. To the best of our knowledge there was no import of arms from Pakistan, perhaps because it was neither practical nor feasible.

**IFAJ:** Did they offer concessions to Pakistan as offered to Tibet?

**AD:** In fact, no. Pakistan was a part of SAARC, and if it had been given any preference which was also given to other SAARC countries, we could not have legitimately raised objections to that beyond a point saying that our preferential differential margin should remain. Beyond that they could have thrown open their trade to other SAARC countries. How could we have stopped them? But the intention was not to allow Pakistani imports for ultimate diversion to India. Pakistan did not have to use the Nepal corridor for exporting things to India. If Pakistan wanted they could have exported things to India and India would probably have accepted them gladly.

**IFAJ:** Again, it is said that there was something personally amiss between Prime Minister Rajiv Gandhi and King Birendra that brought about some changes in the policy. Would you react to that?

**AD:** I do not believe there was anything personally amiss between the Indian Prime Minister and the King. My impression of King Birendra was that he was gentle in his speech and manner but far too much under the influence of his Queen Aishwarya. The less said about it the better.

**IFAJ:** Thank you very much, Ambassador, for giving us insights, which are not available to students of India-Nepal relations.

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