Environmental Resource Negotiation
Between Asymmetrically Powerful Nations:
Power of the Weaker Nations

By

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# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abstract</td>
<td>4</td>
</tr>
<tr>
<td>Acknowledgement</td>
<td>5</td>
</tr>
<tr>
<td>Preface</td>
<td>7</td>
</tr>
<tr>
<td>INTRODUCTION</td>
<td>9</td>
</tr>
<tr>
<td><strong>CHAPTER 1: SOURCES OF NEGOTIATING POWER</strong></td>
<td>22-53</td>
</tr>
<tr>
<td>A. Power Equilibrium</td>
<td>28</td>
</tr>
<tr>
<td>B. Weak Countries Negotiating Power</td>
<td>35</td>
</tr>
<tr>
<td>C. Enhancing Negotiating Power</td>
<td>47</td>
</tr>
<tr>
<td>D. Conclusion</td>
<td>51</td>
</tr>
<tr>
<td><strong>CHAPTER 2: NEGOTIATION BETWEEN</strong></td>
<td>54-88</td>
</tr>
<tr>
<td><strong>ASYMMETRICAL POWERS</strong></td>
<td></td>
</tr>
<tr>
<td>Nepal-India Negotiation</td>
<td></td>
</tr>
<tr>
<td>A. Mutual Interests</td>
<td>58</td>
</tr>
<tr>
<td>B. Kosi Project Negotiation</td>
<td>65</td>
</tr>
<tr>
<td>C. Gandak Project Negotiation</td>
<td>70</td>
</tr>
<tr>
<td>D. Negotiation for the Revision</td>
<td>73</td>
</tr>
<tr>
<td>E. Karnali Project Negotiation</td>
<td>81</td>
</tr>
<tr>
<td><strong>CHAPTER 3: USING NEGOTIATING POWER</strong></td>
<td>89-121</td>
</tr>
<tr>
<td>A. Power Balance</td>
<td>90</td>
</tr>
<tr>
<td>B. Risks and Uncertainties</td>
<td>113</td>
</tr>
<tr>
<td>C. Security Versus Sovereignty</td>
<td>118</td>
</tr>
</tbody>
</table>
### CHAPTER 4: FINDINGS AND IMPLICATIONS 122-141

<table>
<thead>
<tr>
<th>Subsection</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Links with the Stronger Opponent</td>
<td>123</td>
</tr>
<tr>
<td>B. Strategies and Tactics</td>
<td>127</td>
</tr>
<tr>
<td>C. Linkages and Trade-offs</td>
<td>132</td>
</tr>
<tr>
<td>Conclusion</td>
<td>137</td>
</tr>
<tr>
<td>Reference</td>
<td>142</td>
</tr>
</tbody>
</table>
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ABSTRACT

This dissertation analyzes the source of negotiating power available to weaker countries in bilateral negotiations. It explores ways in which the weaker country can enhance its negotiating power. It suggests that weaker nations have numerous sources of power that are often untapped.

Negotiation is a process aimed at influencing the decisions of others. In environmental resource negotiations weaker countries can use links with the opponent, appropriate strategy and tactics, and trade-offs to increase their negotiating power. This involves linking interactions in each of several spheres—political, economic and ecological. Attempts made by Nepal, a weaker country, to influence a stronger country, India, have been analyzed using three instances of water resource negotiation between 1954 and 1990.

Thesis Supervisor: Lawrence E. Susskind, Professor
Urban Studies and Environmental Planning
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JP
June, 1991
This work is dedicated to my father, Gobardhan Sharma, who helped me to stand on my feet and endure pressures of all kinds. He encouraged me to explore the enchanting world of knowledge, but did not live to see my work completed.

JP
1991
Preface

I believe that weak countries can improve their negotiating success in dealing with stronger nations. My focus is particularly on bilateral negotiations between Nepal and India. I lived in the region where the events discussed in this dissertation took place. I heard the stories directly from the participants involved. I have provided a list of names of the individuals involved, a chronology of their appearance, as well as a map. The negotiations on which I focused took place between Nepal and India over a forty year period beginning in 1950. I selected these negotiations because they are generally viewed as producing both "good deals" and "bad deals" from the weaker country's perspective.

I have used the terms "weak" and "strong" to characterize the bargaining strength of countries in an asymmetrical negotiating context. Nepal has historically been weaker politically vis a vis India. For purposes of my analysis, I have adopted the perspective of the weaker country. That is, I have examined the factors affecting the power of stronger nations as they are perceived by weaker countries.
My focus on natural resources differentiates my research from other works on negotiation. That is, I am interested particularly in environmental negotiations. Since water disputes share many characteristics with other environmental negotiations, I believe that my findings apply generally to all bilateral environmental negotiation between weak and strong nations.

I am aware of the shortcomings of research that relies heavily on interviews as a primary source of data. Getting information from those who have lived so long and who have made so many decisions in their lives is not easy. If nothing else, though, my face-to-face interactions with the individuals involved in the cases discussed in this dissertation has given me a sense of the human side of international negotiation that is so often lost in abstract theorizing.
Introduction

It was March 1963. India's Home Minister Lal Bahadur Shastri, later Prime Minister, arrived in Kathmandu, the capital of Nepal, on a special mission to normalize relations between the two countries. After his three-day stay in Nepal, it was announced that the two countries had agreed to resolve all outstanding issues and strengthen their relationship. This was the prelude to the revision of the two most disputed agreements between these nations—the Kosi and Gandak River agreements, signed in 1954 and 1960, respectively—which Nepal had been demanding for years.

By all measures it was a victory for Nepal, with a population of ten million and an army of a mere 20,000, over India, with its population of 500 million and an army of more than half a million men. How did a small, weaker nation convince a larger, stronger nation to meet its demands?

This study is about the negotiating power that weak countries can use to influence stronger countries. It examines the strategy of weaker countries in asymmetrical negotiation.
Weak and Strong Countries

Countries are labelled strong and weak depending on their size, military strength, economic capability, and natural resources. According to such classifications countries with more assets in each of these categories are considered more powerful. For instance, if China and Nepal were compared, China would be more powerful according to all of the above criteria. On the other hand, all categories are not necessarily equally important. The population of India is greater

1. In most international political science literature when a state is said to be weak it is weak in military power. When these studies define bargaining power their perspective is security related and the questions they ask are whether these countries can "survive" in the conflict; whether they "play any role" in making peace in the world; and similar questions which then lead them to assess the power of weak countries according to their ability to "attack", "resist", and "deter". Therefore, when they refer to success they are actually meaning success in either defeating, deterring, surviving, or escaping. See Vital (1971) Survival of Small States; Handel (1981), Weak States in the International System. All these concerns, though important, are not relevant for our purpose. But other perspectives that distinguish between "economic power," "technological power," "informational power" are useful criteria to assess the negotiating power of a weak country. See Singer (1972) Weak States in a World of Powers.

2. The definition of small states in international politics is based on their role in international peace and security. They have been addressed as "small states", "micro-states", "mini-states" and other similar terms. See Vital (1971); Vital (1967); Handel (1981); Clark et al (1986); for definitions and indicators of smallness of a state.
than that of the United States, but India would not be considered more powerful.

A country may be strong in some respects but weak in others. Which factors deserve greater weight? Is military power more important than economic capability? If we are talking about winning a war, military power should probably be scored first. If we are referring to the economic welfare of a country, then technological potential might be more important. It is not at all obvious how a country's natural resource endowment ought to compare to these other criteria of strength.

As military interventions become less feasible as a means of resolving differences (even for strong nations) other factors gain in importance. For instance, the economic power of Japan, Korea, and Singapore may be more important in negotiation than the military power of the Soviet Union. That is, if we exclude armed conflict, Singapore can wield greater bargaining power than the Soviet Union in certain actions. Thus, negotiating power is not synonymous with military power, but neither is it synonymous with economic power. For our purpose weak countries are those whose crucial policies are influenced by other countries but do not themselves exert influence over other countries.\(^3\)

\(^3\). This definition comes from Keohane and Nye (1977), who define weak and strong within a complex system of interdependence which is close to the framework of analysis in this paper.
When the equality of rights of nations was not an acceptable principle in international politics the use of coercive force was pervasive. Since nations, like human beings, are not all equal in size and physical strength, those with stronger military forces also made rules governing the world's resources. With the growing recognition of the rights of the nations, and passage of international rules applicable equally to every nation, weaker nations have achieved greater importance. Once nations, regardless of their size or military power, began to participate in making international rules, the criteria for dividing the spoils of nature among the nations also changed.

In today's world a country cannot easily exploit another country's resources unilaterally. The consent of the other country regardless of its military power is now the international norm rather than the exception.

The role of weak countries in the international arena was further strengthened with the emergence of concerns over issues like global warming, water pollution, air pollution, and global sustainability, which placed a new value on the protection of environmental assets, an endeavor in which military strength was not relevant.
International Negotiation

Countries often disagree on tangible and intangible issues of mutual interest. While disputes over intangible issues are related to ideologies, beliefs, honor, and prestige, disputes over tangible issues involve questions like who gets how much of a resource and when. Distributive disputes can arise over the share of man-made resources such as money and goods and also over natural resources such as water, clean air, natural aesthetics and other environmental amenities. Disputes over certain natural resources are influenced by both human decisions and natural laws, that govern them such as gravity and temperature.

International disputes can be resolved by force and by peaceful dialogue. The first method of resolution is costly and does not produce mutually acceptable agreements. It creates a loser and a winner. The loser always tries to reverse the settlement and the winner fights to maintain it, thus creating an instability in the relationship. The second method usually produces a

4. Northedge and Donelan (1971) suggest that despite the numerous issues, the territorial conflict has been the most prevalent. The root of conflict is the perception of right and entitlement and compensation.

5. In a distributive dispute, the goals of one party and the attainment of those goals are in fundamental and direct conflict with the goals of the other party. See Liwicki and Litter (1985).
mutually acceptable solution. In practice use of force and negotiation often complement each other. The negotiation process involves a series of decisions taken by the disputants for a mutually acceptable settlement.

Nations negotiate because they expect a greater benefit than they would attain otherwise. They usually want to achieve a specific goal and follow a specific method to achieve that goal.7

Finding two equally powerful countries is nearly impossible; therefore most international negotiations are asymmetrical. That is, unequal powers engage in influencing each other's decisions.

International negotiation can be carried out directly between the disputants or by a third-party facilitator. Typically it involves several stages: formula generation (or pre-negotiation), actual negotiation and post-negotiation. Pre-negotiation activities determine the tone of the negotiation and set the agenda. They include selection of venue, time, and persons to be involved, creation of a conducive environment, and more importantly, determination of the


7. The empirical evidence does not suggest that the bargaining process results in a series of calculated decisions about the strategy and tactics or about short-term and long-term interests; rather only a loose notion of strategy plays a role. (Rothstein, 1979).
agenda for discussion. The post-negotiation stage involves implementation of the agreement.

At every stage of negotiation participants assess their expected gain and the cost they are prepared to bear to marginally increase their gain. When they feel that they are within a tolerable range of their goal they agree to settle the dispute. They might make micro changes or even abandon the negotiation at any stage if they find a better option. The acceptable limit to which a country will go varies with its capacity to spend and its need for the resource. In reality the cost-benefit evaluation is neither clear nor simple but countries do have some methods of weighing benefits and costs. As countries' strategies depend on their power, weak countries follow a different strategy than strong countries.\textsuperscript{8}

\textbullet

\textbf{Environmental Resource Negotiation}

Negotiation for environmental resources follows the same basic philosophy and uses the same techniques, but is more complex than political and trade negotiation.

\textsuperscript{8} The weak countries succeed because of their focused allocation of effort and their quickness in response (Keohane and Nye, 1977; Handel, 1981).
Several factors that may not be important in political diplomacy can play an important role in negotiation for natural resources. A weak country's decision to dam a river affects any downstream nation permanently; even a militarily weak country can generate pollutants that affect the welfare of a strong country without infringing upon its political boundaries; some countries want to conserve their resources while others want to use them immediately.

The permanency of a decision is a critical factor in natural resource negotiation. Each generation's perceptions about the value of a resource and its benefits are different. This can lead to differences over time in the criteria used to judge the wisdom and fairness of decisions.\(^9\)

The difficulty of defining ownership of natural resources is another significant issue in environmental negotiation. The cost of preserving a resource may be borne by a limited number of people but the benefit enjoyed by an unlimited number. The question of fairness in sharing the costs and benefits of environmental resources is extraordinarily complicated. If one country spends to preserve clean air and another country

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benefits, should the first country be somehow compensated?

In all negotiation time is a critical factor but it is even more important in environmental resource negotiation. Because of the opportunity cost involved and also the possibility of technological innovation the timing of resource development becomes crucial. A resource's value can diminish over time.\textsuperscript{10} Or the decision of one generation to exploit a resource may deprive the next generation of making its own choice.

\textbf{Power in Negotiation}

Power is an elusive concept.\textsuperscript{11} Ever since Hans Morgenthau\textsuperscript{12} established the importance of power in international politics, it has enchanted both the theoreticians and the practitioners alike. Our

\textsuperscript{10}. For instance the value of natural rubber dropped significantly when artificial rubber was invented and the value of jute dwindled when artificial fiber was invented.

\textsuperscript{11}. See Galbraith (1983), \textit{Anatomy of Power}, for an elaborate study of power. In this study he differentiates power coming from three main sources--property, personality, and organization. He suggests that the ultimate objective of power is to \textit{condition} other people's minds and that organizational power is most effective among the three.

\textsuperscript{12}. See Morgenthau (1948), \textit{Politics Among Nations: The Struggle for Power and Peace}. 

17
intentions are limited. The power that concerns us here is that which a decision maker can use. Specifically, we are concerned with the power that a weak country can use to change the decision of a stronger country. It is the power to influence, to attract,\textsuperscript{13} and to agree with others that concerns us. Power can be understood only in context. In a conflict situation, the army and its armament is power. But in another context wealth may be a greater source of power. In some contexts knowledge becomes a source of power because it enables a decision maker to understand the problem better and to devise an appropriate strategy. Organizational capacity is a form of power because it makes execution of a decision possible. Often different sources of power complement each other.

Power in negotiating is separate from military and coercive power. The definition of power in negotiation differs with the objective of the negotiation. Two types of negotiators can be identified: those who view it as a win-lose game and those who view it as a mutual process leading to a mutually acceptable solution. Between these two are variations from game theorist strategists.

Some bargaining powers can be assessed in advance and others are generated as options open up in the negotiation process. Some negotiating powers are

\textsuperscript{13} See Singer (1972), \textit{Weak States in a World of Powers}. 

18
behavioral and difficult to assess and others are material and measurable. It is the relative power that matters in negotiation.

For our purpose negotiating power is the ability to influence another country's decision in favor of our objective. Our focus is on the opponent. The key is to make it easy for the opponent to make the decision that we want. This definition does not focus on what we can do, but rather on what the other country can do for us. Our negotiating power is measured by our ability to assess the difficulties of the opponent and relating to our capacity to decrease them.

The means or instruments of exercising power are many. Family is a means of exercising social power over individuals. Various state organizations are the medium through which a state exercises power over its citizens. The media can be the means of exercising power for businesses and politicians. A diversity of means increases the possibility of influencing others. For instance Japan, though highly successful in the economic sphere, is not as influential as the United States and some European countries because its means of exercising

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14. This definition is used by Fisher (1969).

15. This definition from Fisher (1983) to analyze power in negotiation differs from other conventional definitions in that its focus is on the opponent and its main concern is how to make it easy for the opponent to make the decision that we want it to make.
power are limited to economic institutions alone.

The type of available power and the purpose of exercising power also determine the method of exercising power. If a country has a strong army it might want to use force to achieve its demands. But a country with a small army would use other means. Countries that have many sources of power have a greater chance of being effective than those with limited options.\textsuperscript{16} and can use different methods to influence other countries.

Having power and using it are two different things. One must have a desire and a commitment\textsuperscript{17} to use the power. One might not use power for many reasons, although two stand out—ignorance and lack of commitment. Ignorance can be due to a lack of substantive knowledge about power itself and about methods of using power. Lack of commitment to a cause can be the result of a judgement that the cause does not warrant the expenditure of resources to achieve it. The capacity of a nation to exercise the power available to it depends on its relative freedom to use it.\textsuperscript{18} Therefore, independence

\textsuperscript{16} Galtung (1980) elaborates on the various ways strong (First World) countries can influence weaker (Third World) countries.

\textsuperscript{17} See Fisher (1983) about the uses and problems using commitment. He divides commitment into affirmative and negative.

\textsuperscript{18} The role of interdependence in the use of power is discussed by Keohane and Nye (1977). They suggest that because of interdependence even weaker countries in the system can impose their will on stronger members. They use the U.S. and Canada to
is a critical element in exercising power. Often it works as deterrence. The United States and the Soviet Union have nuclear power but they cannot use it against each other.

show that because of its persuasive demands and initiatives Canada often was able to take the lead on socioeconomic issues. (pp. 106-218).
Chapter 1

Sources of Negotiating Power

Negotiating power—our ability to influence others—emanates from several sources, both tangible and intangible.\(^1\) Tangible sources are measurable material items such as wealth, technology, and manpower. Intangible sources such as beliefs, culture, values, and mental conditioning are esoteric and cannot be readily assessed.

The size of a nation's population, its natural resources, its friendships with other nations, its army, its innovativeness, and its pool of scientists are all sources of power. But the relevance of these powers to negotiation are limited unless they are transformed\(^3\)

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\(^1\) The term *influence* is key to differentiating negotiating power from other powers.

\(^2\) Handel (1981) divides a weak country's power into internal and external. He further divides the internal power into mobilized and potential powers.

\(^3\) I say transformed because the indicators used for the classifications, such as organizational capacity, dependency, accumulated knowledge, and skilled manpower, are all as useful in their power to influence as they are in security related objectives. Vital (1967), in *The Inequality of States*, uses these criteria to assess the small and big powers in the international
into negotiating power. In negotiation our objective is to influence others. There can be numerous factors and combinations that can influence our opponent.

We cannot influence others if we do not know them; therefore knowledge of the other party is a source of negotiating power. We cannot influence others if we do not communicate properly; hence communication is a source of negotiating power. Knowledge of the substance of the issue under negotiation is a source of power because it allows us to make appropriate demands and offers. Therefore, knowledge as a source of power has two components—substance related and skill related. Knowledge can involve knowing about the individuals on the opponent's side, their interests, prejudices, values, habits and similar other personal characteristics. Also related is an understanding of the values, beliefs, fear, and aspirations of the opponent.

**Personal relationship** with the opponent is a source of negotiating power. It allows better

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politics. He uses them to see how lack of these powers affects the perception of weak states in international politics.

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The difference between personal relationship and working relationship must be clear. I can have a good working relationship without having a good personal relationship because of the institution I represent. I can have a good personal relationship but not have a very good working relationship. But having one helps the other, because we cannot expect to communicate better if we do not have good interpersonal relations. Fisher and Brown (1988) have dealt extensively with the issue of interpersonal relationship in negotiation.
communication and understanding of each other's interests. Interpersonal relationship between negotiators does not necessarily imply approval of each other's conduct. Two most critical elements of a working relationship are trust and ability to communicate easily and effectively. Trust built over time increases ability to exert influence. Personal relationship help build working relationship by increasing understanding of each other. It enhances communication. According to Fisher, "A good working relationship is so helpful to the negotiation of satisfactory outcomes that it is often more important than any particular outcome itself."\(^5\)

The best indicator of negotiating power is the number of alternatives available to a country. To a significant extent, a country's negotiating power depends on how well it can do for itself if it walks away. That is its "best alternative to a negotiated agreement" (BATNA).\(^6\) A country that has better alternatives to negotiation can influence its opponent more than one with less attractive alternatives. Ability to generate better alternatives is the main source of negotiating power. Virtually every negotiation tactic can be seen as a means of increasing one's alternatives or improving one's BATNA. The alternative is also relative to the other

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6. ibid.
side. The less attractive the other side’s BATNA is to them, the stronger our negotiating position is. In other words negotiation is also a process of making the other side’s BATNA less attractive.

Negotiating power is largely influenced by a country’s commitment that is, the resolution to bear the cost of a decision. There are two types of commitment, positive and negative. Positive commitment refers to an offer of what one is willing to agree to and an offer of what, failing agreement, one is willing to do under certain conditions. Negative commitment shows willingness to engage in certain negative conduct in the absence of agreement.

A commitment is an offer. All offers must be convincing to produce the desired result. An offer becomes convincing when the opponent believes that it is credible. Without credible support an offer is just a bluff—positive and negative. Therefore, a country that cannot back its offer of reward or threat with material and behavioral resources, is unlikely to appear strong to the opponent.

Often negative and positive commitments complement each other. Carrot and stick reasoning applies here also. But negative commitment is problematic. A high degree of commitment can result in rigidity and make it difficult to compromise when needed. Negative commitment
is paradoxical also in that if it is too low the opponent
does not find it credible, yet if it is high backing down
becomes difficult without face-saving measures.
Countries that make high-level negative commitments can
end up becoming prisoners of their own actions.

Negative commitment is problematic also for other
reasons. If the level of commitment on the other side is
also high, then the differences can escalate, and finding
solution becomes difficult unless one of them backs down
or some kind of face-saving is worked out. In such
situations often the side with a higher level of
commitment can steal the game.

Commitment and alternatives go side by side in
negotiation. Often lack of alternative works as a source
of power because it increases the willingness to
assert.7

We can attract our opponent to negotiate with us if
we come up with a good solution to the problem. Our
influence grows with the complexity of the problem to
which we provide a solution. Openness to the concerns of
the opponent increases the possibility of coming up with
solution. Our knowledge and information increases our
ability to come up with a good interpretation and
solution to the problem.

7. See Habeeb (1988), Power and Tactics in International
Negotiation.
We can also influence other people’s action if they have a stake in our position. The greater their stake in our decision, the greater will be their chance of being influenced by us. Therefore, interdependence is a source of power. In an interdependent relationship our ability to influence our opponent is less when our stakes are high.

Domestic cohesion, agreements on major national goals and symbols, unity, and in general absence of domestic conflicts increase our ability to negotiate from a position of strength. A country that is unstable and disintegrated cannot sustain external pressure. Our opponent is unlikely to engage with us in serious negotiation over an issue if it finds that the agreements thus reached would be questioned immediately. Therefore, our legitimacy and credibility at home affects our opponents decision to negotiate with us.

Besides these there are other factors that often help us make our opponent change its decision. We cannot predict these factors, we cannot asses them and plan their uses, but we can manipulate them when they occur. They include major events, natural or man-made, ideas, personalities and alliances. A major scientific innovation or natural hazard or world event can change our opponent’s thinking.

In order to differentiate these powers we will call them *intrinsic* and *ephemeral* sources of negotiating power. The total negotiating power of a nation is the sum of both intrinsic power and ephemeral power.

\[ P = P_i + P_e \]

Where \( P_i \)= intrinsic power, and \( P_e \)= ephemeral power.

It is intrinsic power that is important for a nation to negotiate effectively. The ebb and flow of ephemeral power can push the balance of intrinsic power in a negotiation in a new direction, but to sustain the balance, bargainers need to develop greater intrinsic power.

A. Power Equilibrium

Countries are complex and autonomous entities of an international system that comprises multiple spheres of interest. Weak countries can influence strong countries
because their interests are linked. Political, economic, and ecological spheres are the most common spheres of interaction. These interactions create an equilibrium between the interacting countries. Concerns for national security and sovereignty link countries in the political sphere; concerns for the common stock of environmental amenities such as water, air, and natural aesthetics link them in the ecological sphere; and trade interests determine the economic linkage between countries. Each sphere functions according to its own rules. The outcome of each interaction in each sphere is a function of these multiple relationships. Interacting countries are in some kind of equilibrium. The use of negotiating power changes the prevailing equilibrium in each sphere of interaction.

A.1. The Political Sphere

The links in the political sphere are those relationships that each country develops to secure its sovereignty, that is its right to secure its boundary and to govern itself as it sees fit. These links can have

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various forms. Some are historically inherited, others are purposely created as they become necessary, and still others are determined by factors beyond an individual country's control. For instance, members of a particular ethnic group can live in different countries, and one or more countries might be representing their interests. The United States cannot ignore the opinion of Israel whenever it decides on Middle Eastern problem. Some links are established as it becomes necessary for a country to pursue a certain policy. Treaties of peace and friendship are also such links.

Political links are also established because of ideological fraternity. If two governments have a similar ideological basis they might decide to make certain decisions together.

Links in one sphere help strengthen other links and vice versa. The country with greater military and economic influence might be in a position to control another country politically. Although military power alone is not a sufficient condition for political control of another country, its influence cannot be ignored.

A.2. The Ecological Sphere

"Our rivers will keep on flowing to the south; we
cannot reverse their direction," Dr. Dilli Raman Regmi, Foreign Minister of Nepal at the time of the Kosi agreement, kept on repeating during an interview.\textsuperscript{10} Dr. Regmi was referring to Nepal's ecological links with India. Dr. Regmi was only reiterating one of the rules that dominates the ecological sphere. Nepal's rivers, because of the land's contour, flow to India regardless of Nepal's desire to exert control over India's use of this resource; in other words, India could use the resource even if Nepal tried to deny access to it.

Whether resources are confined or unconfined, concentrated or scattered, scarce or abundant, renewable or non-renewable are critical factors that negotiating countries must consider before using their power. These factors can positively or negatively influence the negotiating power of a weak country.

Because ecological interactions are dominated by natural rules that involve a greater degree of uncertainty and risk, a country with more information and knowledge is more likely to make better decisions. The uncertainty, however, has another side. When many uncertainties are involved, any scientific evidence is likely to be disputed by the other country, even if it does not have more information. Therefore, no country can actually claim total control over the negotiating

\textsuperscript{10} Regmi (1989). Personal interview.
process on the basis of unilateral information generation. The permanent effects of ecological decisions make them complex, and by nature they require large resource investments. The decision to dam a river can have almost permanent effects on the ecological state of the lower riparian countries and also on the aquatic and other wildlife habitat of the inundated area. Also at issue is the cost that a decision made by a certain generation may impose on future generations. The effect of major pollutants on human beings can be detected only after many years or generations. The question of who should bear the cost of such an effect can raise serious debate.

A weak country can use the vulnerability of a strong country with regard to a particular ecological resource to influence the strong country's position. When the ecological links between two countries are determined by one or two resources then the vulnerability of each country's welfare to the resource linking the countries significantly affects its bargaining power. At times a strong country can be more vulnerable to a particular ecological resource than a weak country, which gives the weak country bargaining leverage. The vulnerability of the industrialized countries to the oil from the Persian Gulf countries significantly increased their bargaining power vis à vis otherwise strong countries.
But using the vulnerability of strong nations as a bargaining power must be done cautiously because a strong country that feels it has been pushed too far may use its military power. It is important to recognize the threshold of a strong country's tolerance. The United States and other western countries sent their troops to the Persian Gulf when they sensed that Iraq's likely control over the Persian Gulf oil-producing countries would threaten their vital interest, the flow of oil. It is important to remember that although coercive power is not part of negotiating power, it always is an alternative available to strong countries.

A weak country can influence the strong with information and innovative suggestions. Ecological elements are hard to assess in terms of monetary value; therefore, many subjective judgements must be made to propose any kind of trade-off. Because of this subjective basis of evaluation, there is always room for dispute between two countries attempting to share ecological amenities. Therefore, agreeing on the process of evaluation becomes as important as the result of a scientific or informational study. Weak countries with information and knowledge can influence the process.
A.3. The Economic Sphere

Economic interactions between countries are dominated by market rules. The interactions are artificial relations developed by human beings through transactions in the market. Trade and financial transactions are the key links. The flow of goods and services shows the volume and direction of the linkage. For instance, if a country has greater trade deficit with another country, the latter has greater control over the other country in this sphere. An attempt to change these links requires influencing the volume and the quality of the items exchanged with the other country. It is possible only by increasing the transactions with regards to the items desired by the strong country and produced in the weak country. Weak countries can diversify their economy to reduce interactions with one strong country. Thus they are diversifying both production and partners. Weak countries can diversify their economic links with other countries to influence their negotiating power with the strong country in the economic sphere.
B. Weak Countries' Negotiating Power

Weak countries can use both intrinsic and ephemeral sources of power, as described above, to change their power equilibrium with stronger countries.

B.1. Intrinsic Power

Knowledge: Weak countries can use their knowledge about substantive issues and their skills in negotiation to influence strong opponents. Knowledge allows them to understand the interests of the strong opponent and their own interest. It also allows them to effectively conduct negotiation. The Columbia River negotiation between the United States and Canada is a good example of how a weaker country can successfully use its knowledge as a source of negotiating power. Canadian negotiators were able to influence the decision by increasing their knowledge of water-related research and conducting the negotiation effectively. They were quicker and more informed than the negotiators from the United States. The flow of information to the U.S.
negotiators was slow mainly for bureaucratic reasons.³

Weak countries can use knowledge about the context such as the nature of the history, geography, economics, and scientific background of the problem; also they can accumulate information about the legal, social, and political implications of the problem at hand.

By increasing knowledge about the interests involved on the opponent's side a weak country can find ways to influence its strong opponent. In the same manner more information about the individuals involved in the decision making can enhance weak countries bargaining power. The interests, backgrounds, similarities, values, prejudices and other personal factors about the opponent can enhance the possibility of a weak country influencing them. Information can increase knowledge and increase the negotiating power of a weak country. It enhances understanding.

**National Wealth:** In a narrow sense national wealth is economic wealth but in a broader sense it is the

³ See Krutilla (1967). Canada-U.S. negotiation example may not be a very good example of asymmetrical negotiation as Canada is not a very good example of weak country, but there are elements which make Canada clearly a weak country compared to the United States. The United States often influences the policy of Canada, but the reverse is not true.

Since there are not many examples of asymmetrical negotiation I will be referring to this example and the Panama-U.S. negotiation over the canal frequently to illustrate my points.
nation's capacity to sustain itself economically. A nation's wealth can have different forms--its human, economic, technological, and entrepreneurial capacity. In a negotiating context the resources that matter most are skilled negotiators, experts on substantive areas, the technological capacity to take up the job, and innovativeness. A weak country can develop this form of wealth.

A weak country can use its national wealth that is all those resources that it can exchange with strong nations, to influence them. One does not have to be militarily powerful or overwhelmingly influential to develop such wealth. Japan, Singapore, and Hong Kong, are good examples of weak nations that have successfully increased their negotiating power by increasing wealth. Despite the fact that Taiwan's political decisions are influenced by the United States, its bargaining power in the economic sphere is nearly equal to that of the United States.

National wealth gives a country capacity to remain

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[4] See Hirsch (1983) *Who is in Charge of the Destinies of Small States?* where Luxembourg's status and problem in the European Community has been elaborated. He displays the dilemma of small the country, "Luxembourg's diplomacy is constantly confronted with the problem of evaluating how far it can go in order not to provoke an even stronger retaliation than the one it already has to cope with in a given situation. Most of the times its line of defence consists in neutralizing the attacks on its status", p.131.

[5] Because of its versatility national wealth is often considered the most important source of power.
independent and to pursue its own policies. Countries that do not have any of the above resources are unlikely to be effective in negotiation because they have to depend on others for basic support in a way that can constrain them from independent decision-making.

National wealth is related to the sustainability of a strategy. An opponent convinced that the other nation does not have the disposable resources--material and human--to sustain the strategy is not likely to change its position. In the Panama Canal negotiation with the United States, once the Panamanian negotiators were convinced that the U.S. was in no position to deploy 100,000 men to protect the canal, they negotiated with even greater determination. ⁶

B.2. Ephemeral Power

Weak countries can use ephemeral sources of power such as serendipitous events, alliances and personal relationships to influence the decisions of strong countries.

Serendipitous Events: Weak countries can use such

events to increase knowledge, understanding about the issue, and information, to change the prevailing perceptions and beliefs of strong countries and to influence them. Such events often help countries to enhance communication and cooperation. Often such events increase the need for a weak country's cooperation and thus lead to increased influence.  

The effect of such events is contextual. It often depends on the relationship that a strong country has to the event. In order to use it a weak country must understand the event itself, what its implications are, and how they are perceived, understood and conveyed in the strong country. A weak country can actually use individuals, organizations, institutions, and various means of communication to enhance the effect of such events on a strong country. The media and independent actors such as non-governmental organizations constitute important and inexpensive messengers for weak countries. For instance the Bhopal accident in India in 1985, in which nearly three thousand residents died in an industrial accident, was carried all over the world, which increased the bargaining power of those who had

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7 See Axelrod (1984) The Evolution of Cooperation in which he gives an example of cooperation between enemy soldiers during World War I.
been trying to argue for a ban on the chemical.\footnote{8}
Similarly the Chernobyl accident significantly increased
the world understanding about nuclear safety.\footnote{9}

Serendipitous events that weak countries can use do
not have to be disaster related. They can include
technological innovations and changes in ideas that are
beyond the control of the country manipulating the
events. Innovations can change the behavior of strong
nations. Because the effect of a serendipitous event is
not permanent the weak countries cannot rely on it as a
permanent source of power. In fact, it must be used
before the impact of the event on the strong country
debutes.

Serendipitous events are source of negotiating power
only when they are effectively used to change the

\footnote{8} See the publications of various Non-governmental
organizations about the accident including the Asia Pacific’s
People’s Environmental Network (APPEN) report The Bhopal Tragedy-
One Year After; Asian Regional Exchange For New Alternative’s
(ARENA) report, Bhopal: Industrial Genocide?; Report of the
Council on International and Public Affairs by Morehouse Ward and
Commission on Bhopal.

See Lalit Shastri (1985). Bhopal Disaster: An Eye Witness
Account, for the description of the accident.

\footnote{9} OECD (1987). The Radiological Impact of Chernobyl
Accident in OECD Countries for the extent of impact that such
accidents can have; World Watch Paper 75 (March 1987) Reassessing
Nuclear Power: The Fallout From Chernobyl.

For the global impact of Chernobyl accident see Medvedev
Zhores (1990) The Legacy of Chernobyl where the author quotes that
the cancer incidents in the world will increase between 5000 and
75000 due to the accident.
prevailing thinking of the opponent. The event must be presented in a form that would touch the value system of the society. During the Vietnam War U.S. citizens initially supported the government action. They more or less agreed that the war was for a higher cause. This belief gave them moral justification to go to war. The belief was shattered when American media publicized pictures of dead children and women, half-burned bodies of the children, and photographs of massacre at My Lai. The idea that their soldiers were killing civilians put Americans in a moral dilemma. They began to question the basic premise of the war. Resentment against the war grew, and this resentment at home significantly weakened America's bargaining position with Vietnam in negotiations to end the war.\footnote{For the moral dilemma raised by the Vietnam War in the U.S. see O'Connor John (1971). \textit{A Chaplain Looks At Vietnam}; Power Thomas (1973) \textit{The War At Home: Vietnam and the American People 1964-1968}; Hamilton, Michael ed. (1967). \textit{The Vietnam War: Christian Perspectives}; Rosenberg, Milton and others (1970). \textit{Vietnam and the Silent Majority: The Dove's Guide}. For the details of the My Lai incident see Everett Arthur and others (1971). \textit{Calley}; and Tiede Tom (1971). \textit{Calley: Soldier or Killer}.}

**Personal Relationship:** Strategies and tactics of using power do not emerge by themselves. There are individuals who make and put them to work. Weak countries can use their personal relationship with a strong country's negotiators to influence their
decisions. Such personal relationship makes communication and mutual understanding easier.

**Alliances:** Weak countries can increase their power through alliance. An alliance increases bargaining power with a strong country in several ways; most of all it increases the options open to a weak country. The military alliance in which two or more countries agree to put their force under a joint command to fight a mutual enemy is a classic example. The prerequisite for the alliance to work is that countries have a similar interest and believe that their desired outcome is blocked by a country or organization. Alliances can be explicit and formal and also implicit and informal. Formal alliances are bound by a charter that governs the alliance; informal alliances are issue based. Supporting a proposal at the United Nations on the basis of the issue’s merit or in response to the request of some friendly nation is an example of such informal alliance. Countries have succeeded in resolving their bilateral problems by alliance with third countries. The alliance does not have to have military and security ramifications. Greater alliances have been formed with economic interest in mind. The European Economic Community is an example.

The power of alliance is not very reliable. Its
basic assumption is that the countries will continue to have similar interests, but with time and changing contexts countries develop different interests. The second assumption is that every member of the alliance is equally committed to the charter or cause. This is true only to the degree that the countries' interests merge and they are willing to commit resources for a common cause, and its ends when the cause becomes too costly for the nation to maintain. The Socialist International, which was based on tying nations to a socialist cause and downplaying their national interests, failed when its members could not go along with the principles and faced a dilemma of national interest versus international cause.

Also an important but frequently ignored assumption about the alliance is that of equality. The alliance is formed with an assumption of equality of rights vis a vis the charter of the alliance. Yet the differential capacity and differential control over the alliance of individual members make some privileged leaders and others less privileged followers. Such differences result in dissatisfaction and lack of commitment of the weaker members.

The issue-related alliance fails in that it does not bind its members to support the need of other members. The moment the member realizes that its interests are
best served by going a different path, it changes loyalty. If the alliance was against a powerful country, such betrayal leaves the remaining members extremely vulnerable to the rage of the strong. The benefit of an issue-related alliance is that a weak country can quit whenever the alliance does not serve its interest, which is not easy in a formal alliance.

Weak countries can use alliances to influence strong countries in two ways. They can threaten to break from the alliance, which raises the concern for strong countries that once a country leaves the alliance, others might follow suit and the so-called domino effect might take place. Therefore, strong countries try to keep the weak under their influence even if they have to pay a disproportional reward to do so. Or they can join an alliance against the strong country. This is a weakness of the strong that a weak country with appropriate strategy can successfully exploit.

Moral Appeal: Weak countries can use moral appeal to influence a strong opponent. Moral appeal basically challenges the opponent's values. It is important that the international community be informed of the negative behavior of the strong. The moral appeal is stronger when the action of the strong is dramatized and presented in a form that it shows cruelty. How the facts are
presented plays an important role in influencing opinion.

Moral appeal works if the action is prolonged in nature and the weak country has enough time to appeal to the international community. If the time is too short, then the strong may present a fait accompli. For instance, by the time the international community was informed of the Iraqi invasion of Kuwait, in August 1990, the country was virtually in the hands of the Iraqis. The international community had to react to a different situation.

A weak country cannot always take the moral appeal for granted. Timing and context make it work. It is possible that the attention of the international community or those countries that are counted on to condemn an action will be engaged in other more important and more dramatic incidents. In 1989 the declaration of independence by the Lithuanian republic from the USSR was reported to the world community as a major event, but when more dramatic events such as the unification of the two Germanys took place in other parts of Eastern Europe the Lithuanian event went unnoticed, and as a result its resistance became weaker relative to USSR's use of force.

The length of time required for a moral appeal to work requires that the weak country be able to sustain the pressure of the strong. If it is not able to do so,
then the moral appeal is not effective. When Lithuania declared independence the USSR used economic pressure to try to reverse its position. It stopped supplying basic items. When Lithuania ran out of gasoline, long lines of cars and people formed. Pictures were sent to the world community as an example of the hardship a weak country was going through due to the pressure of the strong. But the response of the world community came late. The situation was so bad that the Lithuanian parliament had to suspend the independence declaration. The next day the USSR supplied gasoline. The tool Lithuania was using did not succeed.

The use of passive resistance\textsuperscript{11} to make a moral appeal requires a very high level of commitment and determination to the cause. By not reacting to the use of force a less powerful nation can actually make the weapon of violence useless. Education or conditioning of the minds of the people is necessary for this strategy to work. Conditioning, however, requires caution. The self-immolation of Buddhist monks in protest of American use of force in Vietnam is an extreme example of such a strategy. A weak nation can raise the faith of its people to the level where they are ready to pay heavy costs, even self-destruction.

\textsuperscript{11} The successful resistance of Czechs is cited by Handel (1981).
C. Enhancing Negotiating Power

When weak countries do not have enough power to change the power balance in one sphere they can link the issue with another sphere to enhance their power. Issue linkage is the most common feature of negotiation in areas where the issues cannot be monetized and traded. Linking involves finding out the real interests of the opponent in spheres other than the one in which the weak country seeks to gain. The underlying philosophy behind linking is that there are interests behind each and every interaction and that with some ingenuity they can be found. Information and commitment are key to making good linkages. To find out what the other side is really interested in requires information.

There are several examples of linkages and trade-offs made by weak countries to successfully influence the bilateral bargaining behavior of strong countries. Iceland linked its dispute over fishing rights in the Icelandic sea to its membership in the North Atlantic Treaty Organization (NATO). It threatened to withdraw its support if the alliance did not convince Britain to concede to a demand for a 200-mile claim from its coast.
Although the issue was bilateral and did not have much to do with the alliance, Iceland wanted to use some of its leverage in the strategic sphere to influence its bargaining power in the economic sphere. The reason Iceland wanted to expand its coastal sovereignty was because it wanted to fish in a larger territory, as fishing was its main source of national income. Although the fishing rights were made a sovereignty issue, in fact the intention was to raise more revenue.  

Issue linkage conceals some traps that can lead to unstable agreements and animosity. Finding appropriate links is always a problem, because of the need to balance long-term versus short-term issues, to consider the degeneration of issues, and to find common denominators to measure relative values.

The three spheres have different working principles finding appropriate and legitimate linkage requires innovation and willingness. The links in the economic sphere are temporary and artificial whereas in the ecological area they are permanent and predetermined. When a weak country tries to draw its strength by linking its ecological sphere with the economic sphere it is

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13. See Farnsworth, David and James McKenney (1983). *U.S. Panama Relations 1903-1978: A Study in Linkage Politics*, for the various kinds of linkages used in settling the Panama Canal dispute at different historical periods of United States-Panama relations.
basically making a trade-off between long-term interests and short-term gains. Complex deals like leasing a portion of territory or perennial resource for an indefinite period of time, as with the Panama Canal, can emerge again and again. Often the trade-off such as financial aid is consumed and forgotten, whereas the ecological asset remains fresh.\textsuperscript{14} As an Indian diplomat who had been participating in the water-related negotiations between India and other countries in the region said, "Water has something special in it—the fact that it is perennial, becomes a part of human being, and sentimental. It is not like other resources where you consume and it is gone—like oil."\textsuperscript{15}

In order to strike a bargain in the ecological sphere some subjective judgements must be made. Often this requires establishing an exchange value between a political or ecological item and money or goods. Such valuation can be later disputed by those who oppose the deal. Once such an issue is linked with a political power struggle within a country it becomes a ritual for any government that comes to power to take up the issue of the dispute with the strong country as a political

\textsuperscript{14} See Sheldon, Liss (1967). The Canal; LaFeber Walter (1989); Summ, Harvey and Tom Kelly (1988). The Good Neighbors, Farnsworth and McKenney (1983); and other numerous publications about the changing views about the linkage between the U.S. and Panama on Panama Canal.

resource. Often challenging the strong becomes a symbol of nationalism and strength and the rationale becomes diluted.\textsuperscript{16} The real interest of Panama after the 1977 negotiated settlement with the United States was to make it attractive for the U.S. and U.S. investors to repair the Panama Canal, which would require billions of dollars. But as the return of the canal to the Panamanians approaches there is very little possibility of the U.S. investing billions of dollars in repair of the old and construction of a new canal when control will be in the hands of Panamanian rulers, whose legitimacy and permanency are questionable. Panama might have to go one step further to assure the U.S. that its investment would be safe and that an agreement signed now will not become as controversial as the 1903 treaty was for seven decades. But what would it take to make such an assurance credible? How would the U.S. be convinced that the new investment will not become a new hostage for negotiations by some dictator or ambitious general or even a true representative of impoverished people who have yet to benefit from the investment in the canal? Moreover, who would risk such a politically risky adventure, which would require a change in the thinking of the Panamanian people, who have learned to see the canal as a permanent example of U.S. oppression? The

\textsuperscript{16} See LaFeber (1989); Farnsworth and McKenney (1983).
linking of spheres in negotiation is relatively easy but once they are linked it becomes difficult to separate them.

Conclusion

Most countries interact in political, economic, and ecological spheres to satisfy their mutual needs. The nature of their relationships in each of these spheres determines the relative strength of each country. These interactions create an equilibrium. This equilibrium changes when the options available to one country change. Weak countries can enhance their power by using several techniques, including linking issues in two or more spheres, to change the BATNA of strong countries. The schema in Figure 1 summarizes these points.

The outcome of international negotiations reflects the balance of power between countries. Weak countries can use various sources of negotiating power to alter the equilibrium that exists in their relationships with strong countries.
Two kinds of power are especially important—*intrinsic* and *ephemeral power*. Knowledge and wealth are intrinsic sources of negotiating power. These sources of power can be supplemented with ephemeral sources of power.
such as personal relationships, coalitions, and serendipitous events (see Figure 2 below).

Fig. 2

Relationships in each sphere are dictated by their own rules. Certain power sources are more effective in increasing negotiating leverage in one sphere than in others. Political alliances for example with the enemies of a bargaining opponent, for example, can be a major source of power in the political sphere but are relatively unimportant in the ecological sphere.
Chapter 2

Negotiation Between Asymmetrical Powers:

Nepal–India Negotiations Over Water Resources

In this chapter I will examine three cases of bilateral negotiation in which a weak country tried to change the balance of power with a stronger adversary. My purpose is to test the propositions I made in Chapter 1. The key proposition is that a weak country must assess its power in several spheres of interaction to change the equilibrium.

Nepal's negotiations with India over water resources for the past four decades present an excellent context in which to examine the propositions about the negotiating power of weak nations. I discuss three cases: the agreement over the Kosi River Project, originally signed in 1954 and revised in 1966; the agreement over the Gandak River project, originally signed in 1959 and revised in 1964; and negotiations over the Karnali River, which were ongoing in December, 1989, when this research was concluded.

These rivers correspond to the three most important river basins in Nepal and form three sub-basins in the
Ganges River. The Kosi River originates in China and flows through Nepal and India and finally into the Bay of Bengal. The Gandak River originates in Nepal and flows through the Bihar and Uttar Pradesh states of India and ultimately into the Bay of Bengal. The Karnali River originates in Nepal and flows through India\(^1\) and then into the Bay of Bengal (fig. 3). More than 100 million people in Bangladesh, India, and Nepal directly depend on the ecological balance maintained by these three rivers. These rivers contribute almost 70% of the total dry season water flow in the Ganges River.\(^2\) Because of the ecological considerations action by any one country regarding these rivers involves the interests of the other countries. The three cases regarding these rivers have dominated relations between India and Nepal for nearly half a century. Interactions between numerous political personalities on both sides have affected the relationship over the period. The following chart (fig. 4) provides the chronology of their interaction in relation to the three cases.

In the Kosi River case Nepal did not strike a satisfactory agreement with India. In the Gandak River case the terms for Nepal were better. In the Karnali

\(^1\) The Karnali River is called Ghagra in India.

Personalities in Nepal-India Relations
(1950-90)

Nepal


Nehru

Shastri

Mrs. Gandhi

Desai

Mrs. Gandhi

Rajiv

Others

Birendra

Mahendra

B.P. Koirala

Mahendra

Matrika and others

Fig. 4

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River case, on which negotiations were still continuing in 1989, Nepal was hoping to do better than before.

Nepal’s attempt to influence India’s decisions in these cases presents a complex interplay of power manipulation in all three spheres of interaction between the two countries. Before analyzing the details of these negotiations it is important that we understand the interests of the two countries.

A. Mutual Interests

Nepal and India maintain strong political, ecological, and economic interactions. Thus each has developed a high stake in the other’s activities. Up until the mid-1950s their political interests seemed to be identical. The perception of Communist China as a common threat had forced them to devise common security arrangements. The most recent such agreement between the two countries, signed in 1950, strengthened their economic and political links. Under the treaty they agreed to treat each other’s citizens as their own.

3. In the security arrangement the Himalayan mountains were considered a natural barrier against Chinese invasion and the mountain kingdoms of Bhutan, Sikkim, and Nepal were considered buffer states (Joshi and Rose, 1966).
India's security interests in Nepal grew when Communist China asserted its right over Tibet in 1949. India viewed China's growing power as a threat. Keeping Nepal's loyalty became its main policy concern. Any trouble in Nepal could directly affect India's security in the north. Particularly vulnerable were the states of Bihar and Uttar Pradesh, where economic and social disparity were predominant. The prevailing Rana feudal system in Nepal, though totally loyal to India, was not capable of defending itself against the powerful ideological threat of Communism. As the ideological threat could not be countered with strategic maneuvering, India tried other means. It supported political groups with an ideology similar to its own. Thus in 1949, with India's help, the Nepali people and a dissatisfied king removed the Ranas from power in favor of a constitutional monarchy and multiparty democracy. India hoped that such a system in Nepal would be a more effective barrier against the ideological invasion from China, which had already consolidated its position in Tibet.

For Nepal India had been a source of political change. Time and again Nepali politicians had escaped political prosecution by seeking asylum in India. The underlying rationale for India's political help was to establish a stable democratic regime. India therefore felt secure to see a change towards multiparty democracy.
in Nepal. The general elections in Nepal in 1959 and the formation of the government by the Nepali Congress Party, many leaders of which had personal and ideological associations with Indian political parties, furthered India's security interests.

Often India's support was essential for maintaining Nepal's security and sovereignty. King Tribhuban, who had fled to India in 1949 was reinstated by India shortly thereafter, which obliged him to support India in the future. Nepal also received military help to suppress disturbances inside the country.

In the early 1950s Nepali and Indian leaders held similar beliefs regarding economic development, which strengthened their need for each other. As a result the borders between them were nebulous and issues of national sovereignty, ownership and control over the resources by either country were secondary to those of development. Towards the middle of the 1950s Nepal had come to feel that such a grand commitment at an early stage of development was rather unproductive. It realized that it had put itself in a precarious negotiating position. It also realized from its own experience and that of other countries around the world that nations were indeed motivated by self-interest and that the distributive result of ideologically motivated alliance was not favoring the weak and small nations like Nepal. The fall
of new democracies based on international fraternity and the rise of nationalism in almost all the newly colonized countries revealed the need for reasserting Nepal's sovereignty.

Nepal began to develop independent interests. Its renewed relations with China were an example. This relationship decreased Nepal's security needs with regard to Communist China, and thus changed the sense of identity regarding security that existed between India and Nepal. India's stand, however, remained the same. It continued to view China as a major threat. By the early 1960s the two countries were moving in different directions politically. Nepal was consolidating an autocratic monarchical system and India was becoming involved in wars and conflicts with its neighbors. By the 1970s the old generation of leaders had almost disappeared in both countries, and perceptions of each country regarding the other had changed. By the late 1970s India was emerging as a military power in the region and was defeating its prominent challenger, Pakistan. Towards the beginning of the 1980s their interests on security issues had deviated to the extent that Nepal was viewing India as the main threat to its national security and receiving military help from
China.\textsuperscript{4}

The political developments were also related to developments pertaining to natural resources. India is a lower riparian country for all of Nepal's rivers,\textsuperscript{5} which are also the main tributaries of the Ganges basin, where millions of Indians live. Because of its geographic location and terrain India is dependent on the water resources of Nepal. India began by using Nepal's forest and wildlife resources in the early eighteenth century and had expanded to using its water resources towards the end of the eighteenth century.\textsuperscript{6} India recognized that its ecological interests were tied to Nepal's economic conditions. With the population growth and increased demand for economic development that followed India's independence from the British Empire its pressure on Nepal's ecological sphere also increased. India protected its ecological interests in Nepal through reciprocities and the cultivation of a political understanding with the government of Nepal. A development-oriented government in Nepal that would seek India's help was therefore best suited for India's interests. Lacking other resources of

\textsuperscript{4} India had not endorsed Nepal's Peace Zone Proposal and Nepali officials showed concerns over India's military build up leading Nepal to seek arms purchase from third countries including China. See Kumar, Dhruba (1988); Kumar. D.P. (1980).


\textsuperscript{6} See Rose (1971).
economic importance, Nepal had to use its water to generate revenue for development. Thus Nepal sought to trade energy and water with India. Such trade required a stable and friendly government in Nepal. Thus economic development, political stability and the use of ecological resources grew inseparable in India-Nepal relations. With the increasing demand for resources, conflicts over the fairness with which resources were shared also increased. Past agreements began to look unfair to Nepal. Many resources had been traded for short-term economic and political support from India. The criteria for the trade-offs began to be questioned, and India's perennial use of water resources on the basis of past agreements became the focus of dispute. As a result, finding an acceptable formula for exploiting the resource became difficult. As time passed it became obvious that the two countries could not enter in any kind of significant agreement related to water development. Fairness, equality, and control became major issues.

Nepal's economic ties with India began with India's commercial interests in the early eighteenth century. Colonial India sought to establish a monopoly over Nepal's market. Several commercial treaties signed between British India and Nepal were designed to protect
British traders in Nepal. After 1949 modern Nepal’s economic interests vis a vis India began to emerge. In the early 1950s one of its main interests was to obtain economic aid from India. The amount of economic aid to Nepal increased until the late sixties, then it began to decline as Nepal developed other sources of support. Since the early 1970s Nepal’s sources of economic support have diversified and its trade partners have increased in number. India’s total export to Nepal in 1988 had declined to 2% of the total external trade and its share in Nepal’s total foreign imports had declined to 34%. Thus towards the end of 1980s Nepal’s prime interest in India was its port facility and as a market for energy from its water resources.

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7. The first treaty established custom rules, tariffs, and treatment of British goods and merchants by Nepal. As the British commercial interests were threatened by Nepal’s independent policy towards other countries like Tibet, another treaty was signed in 1808, which forbade Nepal from having independent economic and political alliances with other countries (Bhasin, 1970).

8. This aid ranged from direct economic support such as foreign exchange and bank reserves, to Indian investment in industries and infrastructure. Nepal’s first road to connect the capital with the outside world was constructed by the Indian army in 1956. Other development projects were initiated with the help of India (Joshi and Rose, 1966).


10. Since Nepal did not have a port its export and import were conducted through India. Nepal wanted a long-term agreement to use the facilities on a perpetual basis. The agreements were renewed every 10 years, but there were problems with each renewal.
B. Kosi Project Negotiation (1954)

Nepal and India signed the Kosi River agreement in 1954. The agreement was revised in 1966 but remained as an example of an unsatisfactory agreement\(^\text{11}\) between the two countries.

The concern for the control of the Kosi River started as early as British Colonial rule in India.\(^\text{12}\) Every year its floods destroyed thousands of acres of land and many human lives in the plains of Nepal and mostly in India. Its banks were subject to abrupt oscillations.\(^\text{13}\) India had approached Nepal's government in 1946 to do preparatory works on a flood control project.\(^\text{14}\) Following India's independence the problem was taken up more seriously and a scheme was developed to

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\(^{11}\) Retrospective calculations showed that Nepal received only 5% of the total benefit, and control over the project was left to India (Sharma, 1983).


\(^{13}\) In the past 200 years the river had moved about 160 kilometers laterally Sharma (1983), p. 49.

\(^{14}\) See Mishra (1978) p. 46.
construct flood protection structures inside Nepal.\textsuperscript{15} After the political changes in 1949 in Nepal its popular government also felt a need to do something about the river. Prime Minister Matrika Koirala had been in office for only five days when he visited New Delhi and discussed the proposed scheme. He demanded economic concessions in exchange for a Kosi agreement but Nehru thought that India had done enough already. Koirala had to convince Nehru that such economic help was necessary if he wanted see a democratic government stay in power in Nepal.\textsuperscript{16} The meeting ended with several trade and economic-development agreements between the two governments that would be executed in parallel with the Kosi project. This included highway construction, a hydroelectric power project, and an airport construction project, all at India's expense and for Nepal's benefit as well as India's commitment to return the excise duty that it imposed on goods imported by Nepal.\textsuperscript{17}

In the meantime opposition to Koirala's commitment to India was rising in Nepal. He was accused of being too submissive to India.\textsuperscript{18} On April 23, 1954, an Indian

\textsuperscript{15} The scheme also generated 9,000 kilowatts of power. Two irrigation canals, running east and west from the dams would facilitate irrigation in both countries.

\textsuperscript{16} Koirala, Matrika (1989). Personal interview.

\textsuperscript{17} Mishra (1978) p. 50.

\textsuperscript{18} Devkota (1979); Shrestha, Hiranya Lal (undated monograph).
delegation arrived in Kathmandu to confer with the Nepali officials and obtain formal consent for the Kosi project scheme.\textsuperscript{19} Prime Minister Matrika P. Koirala led the final talks. Although the Indian delegation had expected to return to India the same day, the discussion lasted for two days. The last day of discussion was intensive.\textsuperscript{20} The Indian delegation tried to ignore the commitment Nehru had made about the collateral projects that were to be constructed for Nepal's benefit. Koirala threatened to break the discussion if India's commitments to those projects were not fulfilled.\textsuperscript{21}

As Nepal did not have the technical expertise to make substantive comments on the scheme, the discussion between the Indian and Nepali teams focused on the questions of management, control, and further concessions in exchange for the benefit that India would derive from the project. Nepal's chief engineer suggested that the life of the project was short, not even fifty years of effective use, and that its value for irrigation was even

\textsuperscript{19}. The actual term used was "conference" rather than negotiation which shows that Indian government had been previously assured of the agreement.

\textsuperscript{20}. Koirala, Matrika (1989). Personal interview.

lower because the river carried heavy silt and boulders.\textsuperscript{22}

Opposition to the agreement was widespread in Nepal. It focused on two clauses\textsuperscript{23} that restricted the use of water above the project site and the ownership of the acquired land. The loss of control over the land was interpreted as a loss of Nepal's "sovereignty". Some political organizations accused Matrika P. Koirala's government of bending under India's pressure and trading the sovereignty of Nepal.\textsuperscript{24} Others such as B.P. Koirala, leader of the Nepali Congress, commented on the

\textsuperscript{22} According to the agreement (1) India would bear the total construction cost, (2) India would administer the project, (3) Nepal would facilitate the construction, supplying construction material (rocks, timber, etc.) and land, (4) Nepal would get 50% of the power generated from the project, and (5) India would control the water flow and manage the project facilities (Sharma, 1983).

\textsuperscript{23} These two clauses stated: (1) Without Prejudice to the right of Government to withdraw for irrigation or any other purpose in Nepal such supplies of water may be required from time to time, the Union will have the right to regulate all the supplies in the Kosi river to the barrage site and to generate power at the same site for the purpose of the project (Mishra, 1978, p. 48).

(2) The Union shall be owner of all lands acquired by the Government under the provisions of Clause 3 hereof, which shall be transferred by them to the Union and of all water rights secured to it under Clause 4(1). Provided that the sovereignty rights and territorial; jurisdiction of the Government (Nepal) in respect of such land shall continue unimpaired by such transfer (Ibid. p. 48).

\textsuperscript{24} "Rastra Bani", a national weekly wrote, "If Kosi agreement is accepted then, according to the clause 13-15, it is clear that India will become the master of project area and Nepal will remain the door keeper" (Devkota 1979, p. 248).
weakness of the agreement.  

Matrika Koirala defended his agreement and justified the project on the grounds that without the project some Nepali cities and villages in Kosi would disappear within a few decades. He criticized the opposition as being "politically motivated" and irresponsible. Shortly after the Kosi agreement the king replaced Matrika Koirala with Tanka Prasad Acharya as the new Prime Minister. The project went ahead as planned.

In 1959 King Mahendra formally inaugurated the Kosi project in the presence of Jawahar Lal Nehru, the Prime Minister of India. In his speech the king justified the project on humanitarian grounds and highlighted the opportunity for future cooperation between India and Nepal. Later assessments showed that Nepal had derived very little benefit from the project. Even without such assessments the feeling among the Nepali people was that they had not received fair treatment in the Kosi

25. B. P. Koirala said, "We have heard some criticism regarding the agreement. Probably those complaints are based on facts. Probably from engineering point of view also the project would have been better further North than where it is located. But before the gigantic attempt and courage for the welfare of the human being, every thing is negligible" (Devkota 1979, pp. 246-47).

26. Matrika Koirala himself came from the affected region.


28. There was no direct relation between the Kosi agreement and Koirala's replacement but the agreement had not helped Koirala politically.
agreement.

C. Gandak Project Negotiation (1959)

The Gandak agreement was signed by Nepal and India in December 1959 and later revised, in 1964. Despite revision the Gandak agreement, like the Kosi agreement, has remained as an example of an unfair settlement between the two countries.

In 1957 India proposed a dam on the Gandak River for irrigation purposes. At the time Dr. K.I. Singh was Prime Minister of Nepal. Shortly after appointing a team to study the Indian proposal, Singh was replaced. In 1959 B. P. Koirala (hereon addressed as B.P.) became the Prime Minister of Nepal. He was a socialist by ideology and one of the founding members of the Socialist

29. The Kosi project was still in progress.

34. Singh's cabinet was accused of having an excessively generous attitude towards India.

35. His Nepali Congress Party had won 74 out of 108 parliamentary seats in the election. The second largest political party had only 12 seats. B. P. Koirala, like his half brother Matrika Koirala, was a leader who had lived and worked with Indian political leaders in India's freedom movement. After the independence of India he had led the movement to overthrow the existing autocratic regime, the Ranas, in 1949.
International.

Within a few months of B. P. coming to power, the Indian ambassador in Nepal submitted the same Gandak proposal\(^{36}\) for Nepal's approval. B. P. led the negotiation on the Gandak project. The project, which came after the much debated and controversial Kosi project, went through much scrutiny.\(^{37}\) B. P. was convinced that eventually Nepal would have to settle with the Government of India regarding the Gandak project. He thought that the popularly elected government in power would be an advantage in securing more benefits and that the Government of India would favorably react to any claim made by a democratically elected government.

Nepali engineers were not sure how to structure a demand that would avoid rejecting the project but would maximize Nepal's benefit from it. B. P. instructed his engineers to assess Nepal's water needs from the Gandak River in the foreseeable future, even if Nepal switched to a pattern of cultivation requiring maximum use of

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\(^{36}\) This multipurpose project, located in Bhainsalotan on the border between the two countries, would irrigate about 37,000,000 acres and generate 20,000 kW electricity from two power houses, one in each county. Nepal would bear no direct cost. Instead it would irrigate 150,000 acres of its land and get electricity at the actual cost of production and transmission. The project would cost 500 million Indian rupees (approx. $50 million) and would take 10 years to complete (Joshi and Rose, 1966).

\(^{37}\) B. P. wanted to avoid the political outcry that followed the Kosi agreement. He solicited advice and opinion from as large a group of technical personnel as was available in Nepal (Personal interview with Upadhaya, Y.P. 1989).
water. His aim was to substantiate his demand in negotiation with technical reasoning. The agreement\(^{38}\) was signed in Kathmandu on December 4, 1959, after substantial amendments to meet all Nepali demands. Six days before becoming Prime Minister B.P. had stated that Nepal had lost from the Kosi project agreement and that his government would be cautious about concluding agreements on the Gandak,\(^{39}\) and he thought that he had avoided the previous problems when he signed the Gandak agreement.\(^{40}\)

Nepali opposition to the agreement was immediate. Both left and right-wing political parties rallied against the treaty.\(^{41}\) Indian officials were accused of meddling with Nepal's sovereignty.\(^{42}\)

To the opposition in Nepal Nehru, the Prime Minister

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38. The project would be located right on the border and would inundate Nepalese land, for which India would provide compensation. The sovereignty and territorial jurisdictions of the affected area would remain intact (Rose, 1971).


40. Rose (1971).

41. They accused the Koirala government of subservience to India, and predicted that the elected government, if allowed to continue in office, would hand over "all streams and rivers and the areas around them to others". They suggested that the Nepalese government should seek funds from other, richer countries and build the project itself (Devkota, 1979).

42. K.I. Singh, whose government had in principle accepted the treaty, threatened to file a case against the Indian government at the International Court of Justice for seizing territory from another country (Joshi and Rose 1966, p. 325).
of India, responded that India could build the dam in her own territory but had proposed to build in Nepal because it was cheaper and would give Nepal water and power.\textsuperscript{43} India viewed the project as a model of aid to her small neighbor, but in Nepal many viewed it as a symbol of India's exploitation.

B.P. argued for the project, and it was ratified by the parliament by a margin of three votes.\textsuperscript{44} He accused the opposition of being politically motivated. In 1960 the elected government of B.P. was replaced by King Mahendra himself. The project was delayed for almost a year and began only in 1962, inaugurated by the King in the presence of Nehru.

\section*{D. Negotiation for the Revision of the Kosi and the Gandak Agreements (1960–63)}

From the time the Kosi and the Gandak agreements were signed, Nepal wanted to revise them. The Gandak agreement was revised in 1964 and the Kosi was revised in

\textsuperscript{43} See Mihaly (1965).

\textsuperscript{44} Given the overwhelming majority that B.P.'s party had, the small margin showed the division within the party ranks.
Several factors led to these revisions. Most important were the improved relations with China. Other factors, such as personality and individual determination, helped change Nepal's negotiating power relative to India. The war between India and China in 1962 assisted Nepal in achieving its goal.

After the death of King Tribhuban in 1955 his son Mahendra became the king of Nepal. Mahendra believed in balancing his country's relations with India and China. He began by opening up relations with China. The king had two objectives in mind: to develop a countervailing force and to develop an alternative source of economic support for his country and thus decrease Nepal's dependency on India and increase its bargaining power. In 1956 he appointed a pro-Chinese politician, Tanka Prasad Acharya, as his prime minister and immediately sent him to China. Acharya did not secure much economic support but the visit later proved to have significant political value. China, as a Communist country and an adversary of India, balanced the Indian influence in Nepal.

India criticized Nepal's move. It thought that opening to China would hurt India's national security,

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46. Joshi and Rose (1966)
47. Chaturvedi (1990), pp.36-37.
and it viewed the security interests of Nepal and its own as being identical. The king tried to downplay the importance of his actions by replacing his Prime Minister Acharya with the pro-Indian Dr. K.I. Singh. The relations with China continued to become stronger, even after the elected government of B.P. came to power in 1959, but ties to India did not decrease. Immediately after his election B.P. paid an official visit to China. This visit carried special significance for two reasons. First, he was a friend of Nehru, and second, he carried legitimacy to the relations as the first popularly elected prime minister of Nepal. During his visit B. P. signed several agreements on economic and technical cooperation. But he rejected the Chinese proposal to construct a road connecting China with Nepal. The relations with China further expanded when the Chinese prime minister, Chou En Lai, visited Nepal the same year.

India considered Nepal’s ties with China as a breach in the understanding between the two countries. Indian decision makers believed that a democratic government in Nepal would strengthen relations with India and effectively protect its northern states of Bihar and Uttar Pradesh from communist influence coming from China. B.P. tried to convince Indian leaders that he did not intend to develop relations with China at the cost of

India's friendship.

In December 1960 King Mahendra overthrew the Nepali Congress government, which changed the trend in India-Nepal relations in political and economic affairs. The king believed that the popular government of B. P. was not suitable to take strong stands to protect national interests both within and outside Nepal. India reacted to the king's move as a "setback to democracy" and helped an insurgency and propaganda campaign launched by the deposed Nepali Congress Party against the king. A non-democratic government in Nepal, Indian decision makers thought, would be unable to eliminate the social disparity in Nepal, which would make it susceptible to the communist influence and thus endanger India's northern states.

The king opposed India's actions as interference in Nepal's internal matters. He demanded that India extradite Nepali Congress followers who were in India. India rejected the king's demand, and Nepali Congress followers continued their activities. The differences

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49. There were disturbances within the country the first few months of Nepali Congress Government. The opposition had accused the government of not being able to maintain law and order (Devkota 1979).

continued to escalate.\footnote{Following this incident Nepal demanded that India remove its army posts from the border region with Tibet and also reduce the size of its diplomatic core in Nepal (Chaturvedi, 1990).}

In April 1962 the king went to China and endorsed the previously rejected road construction proposal to connect Kathmandu with Lhasa.\footnote{Kumar, D.P. (1980).} When India reacted to his decision to allow the road the king justified it on the grounds of its economic importance.\footnote{B.P., during his 1960 visit to China (March 11-14), had said that it was economically infeasible.} Indian policy makers thought that the king had opened a crack in India's traditional security system. To the Indian fear of communist influence in their northern states the king replied, "Communism does not come riding in a taxi",\footnote{Kumar, D.P. (1980).} thus implying that India would have to eliminate the roots of communism within these states.

King Mahendra's move had important implications for India's economic interests in Nepal. The economic relations of Nepal with China would make Nepal's market more competitive for Indian goods. The second and more feared implication was the stationing of Chinese experts and other personnel in Nepal, especially in its border region.

Immediately after his return from China the king was
invited to India. The invitation was promptly accepted, and in two months the king and the queen were on an official trip to India. India wanted Nepal to distance itself from China and Nepal wanted India to stop the Nepali Congress insurgency. There were some agreements, but on the insurgency issue the differences remained.\(^5^5\)

India disrupted the supply of goods to Nepal passing through India's port in Calcutta.\(^5^6\) The disruption of supplies was a blow to Nepal's economy. It could not resist such pressure for long. This action of India, however, increased anti-Indian sentiments in Nepal and raised nationalist feelings among the Nepalese people.

In October 1962 a major event took place which changed the political power equation in South Asia. An undeclared war broke out between India and China. The conflict began with small border skirmishes but evolved into a major war that lasted for a week and ended only with China's unilateral declaration of cease fire. The

\(^{55}\). At the conclusion of the trip the king said: "The insurgency of antinational elements against Nepal from the Indian soil was the main topic of our discussion. On this issue the Prime Minister of India was unaware of the reality".

On the proposed Lhasa-Kathmandu road it seems the king had convinced India that the link was going to be there no matter what. He said, "I found that India had perceived this road as a threat to Indian security. This road has a great economic significance and I think Mr. Nehru now agrees with this view". (Gorkha Patra, April 1962/ ** B.S. Baisakh 12, 2019 **Nepali Calendar).

\(^{56}\). As Nepal had no other access to ports it was using Calcutta's port under a perpetual agreement.
impact of the war on India was devastating.\textsuperscript{57} This war had proved that India and China could not coexist.\textsuperscript{58} It also proved that India was no longer the major power in South Asia. The greatest immediate benefactor of the event was Nepal. Nepal, officially, remained neutral throughout the conflict and offered to mediate it.\textsuperscript{59} But the event had increased its negotiating power with India.

In November of the same year, Nepal's Foreign Minister went to India and announced that there were no major differences between the two countries and that the existing differences could be resolved amicably.\textsuperscript{60} Then in December, just two months after the war, the king and queen paid an unofficial visit to India. At the conclusion of the visit he said that the relationship between the two countries had been improving and that the Gandak project would begin before the following year.\textsuperscript{61}

\textsuperscript{57} India had lost almost 80,000 square miles of its land in the northern front with China and was militarily humiliated.

\textsuperscript{58} The two countries had signed "panchashila", the five principles of peaceful coexistence, in 1954. This agreement changed India's stand over Tibet and Nepal's position about Chinese occupation of Tibet. Nepal went by India's decision to recognize China's sovereignty over Tibet. Until then Nepal had not recognized Chinese sovereignty over Tibet (Rose 1971, pp.204-5).

\textsuperscript{59} Shah, Rishikesh (1975).

\textsuperscript{60} Gorkhapatra (November 1962/ B.S. Mangshir 28, 2019).

\textsuperscript{61} The Gandak project had not progressed because of the escalation of differences between the two countries since 1960 (Gorkha Patra, December 1962/ B.S. Magh 16, 2019).
Following the visit of Nepal's foreign minister to India major policy changes were unveiled. In 1963 Indian Home Minister Lal B. Shastri arrived in Kathmandu to "redefine the relationship". In a joint communique the visiting Indian minister emphasized the need for strong ties between the two countries for their mutual benefit. This visit was a precursor to renewed economic and political cooperation. Immediately after Shastri's return from Nepal an Indian delegation led by the Secretary of Irrigation and Power arrived in Nepal to discuss the proposed hydroelectric and irrigation projects in Nepal. The two countries agreed to exchange information and data necessary for the comprehensive development of Nepal's water resources. India's support of the Nepali Congress insurgency against the king stopped, though the exiles still remained in India and their leaders remained in jail in Nepal.

62. See Kumar, D.P. (1980).


64. They decided to form a four member board to coordinate the matter. The board would include the secretaries of the Ministries of Irrigation and Power from both countries.
E. Karnali Project Negotiation (1963-89)

For nearly three decades Nepal had been trying to strike a deal with India to dam the Karnali River in order to generate hydroelectric power. It needed India's commitment to buy the surplus hydroelectric power. They had difficulty agreeing on a formula that could lead to a detailed negotiation. This study ends with the status of negotiation in December, 1989.

In the early 1960s, when India first proposed to develop the Karnali River, Nepal rejected the proposal. The two previous river negotiations--Kosi and Gandak--had resulted in unfair deals for Nepal. Nepal wanted a more equitable settlement in the Karnali River negotiation and wanted to limit India's involvement to that of a buyer. In addition, Nepal wanted to ensure that the Karnali project was Nepal's project on its soil and not an Indian project on Nepal's soil, as many Indian policy makers would like to see.\(^{65}\)

In 1961 Nepal, with the help of the United Nations Development Program (UNDP), was able to hire a consultant from Japan to conduct a feasibility study of the project. While the feasibility study was going on several events

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took place that stalled any communication between India and Nepal regarding the Karnali project. Nepali Congress exiles were conducting an insurgency from India, and the king had misgivings about India supporting them. The king had allowed China to construct a road connecting Nepal's capital with Tibet. This annoyed India.

Following India’s defeat at the hands of China in 1962 new opportunities for progress on the Karnali project opened up. Lal Bahadur Shastri, Home Minister of India, visited Nepal to normalize relations between the two countries. Immediately after his return to India, the Nepali Congress insurgency stopped and a high-level Indian technical delegation visited Nepal to draw up a comprehensive plan for Nepal's water resource development. This meeting also set up a permanent board including the secretaries of ministries in both countries to coordinate the Karnali project. With Lal Bahadur Shastri's becoming Prime Minister the opportunities for negotiation further increased. King Mahendra and Lal Bahadur Shastri\(^6\) had worked out comprehensive political agreements in 1963 that had created a personal understanding between the two leaders. Shastri had shown great flexibility to the Nepali king's demands on

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\(^6\) Shastri, a less ambitious politician, a believer in the Gandhian way of simple life, was a contrast to the dominating and ambitious personality of Nehru. Shastri was more accommodating to the Nepali king's interest than Nehru.
political and economic matters. But Shastri’s tenure was short. He died in 1965. Despite all the effort from both sides not much was achieved on the Karnali project.

The prospects for cooperation continued to improve even after Mrs. Indira Gandhi became the Prime Minister of India. Mrs. Gandhi visited Nepal in her effort to consolidate the gains made by Shastri. But as time went by the relations became strained again. Mrs. Gandhi’s approach to Nepal was different from that of Shastri. She emphasized the "special relations" embodied in the 1950 Treaty of Friendship between the two countries, which Nepal viewed as an expansion of India’s domination.

Although the personal relations between Mrs. Gandhi and King Mahendra seemed to be improving, he was not able to convince the Indian leader to extradite the Nepali Congress exiles still living in India and challenging the legitimacy of the regime he had imposed following his dismissal of the Nepali Congress government in 1960.

The consultants, in the meantime, submitted a report on the Karnali project estimated the electricity gain to be 1800 megawatts (MW). Nepal presented the report to

67. Nepal’s demands included the revision of the Kosi and Gandak agreements, withdrawal of India’s support to the Nepali Congress and increased economic and technical support to Nepal.


India for its concurrence. The pricing and cost calculations were to be based on this document. India rejected the report as being unreliable. Nepal then hired an Australian consulting firm to review the previous report and make necessary corrections. The revised version was still not acceptable to India. According to Indian experts the power potential of the project was less than what India had estimated. Since India had more information about Nepal's geological structure there was not much Nepal could do to convince Indian experts otherwise. Nepal's attempt to increase its knowledge continued, however.

Further negotiation on Karnali was hampered again because of regional political developments. In 1971 India used its army to create a new nation, Bangladesh. In January 1972, King Mahendra died. His son, Birendra, 33, educated at Harvard and Eaton, became the king of Nepal. This created a fresh opportunity to further the Karnali negotiation. Birendra sent his Prime Minister to Delhi and received assurance from Mrs. Gandhi that India would help to build the Karnali project.

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But in April 1973, India annexed Sikkim, just a month after Mrs. Gandhi’s return from Nepal, where she had emphasized the special relations of Nepal with India. This event created an uproar in Nepal. Nepali officials expressed fear about India’s military expansion. The following years were very turbulent in Nepal-India relations. Several terrorist activities took place in Nepal. Most of these activities were blamed on Nepali political exiles in India.

These and other developments drew the attention of the Nepali officials away from technical and economic issues. They were more concerned with the security of the country. In 1976 King Birendra appealed to the international community to declare Nepal a "zone of peace" while he was on a state visit to China. India neither rejected nor endorsed this appeal.

But political changes within India helped to revive

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73. Sikkim, Bhutan, and Nepal were the three Himalayan kingdoms between China and India. Sikkim’s status was less independent than that of Nepal and Bhutan. It was a protectorate of India.

74. On August 11, 1974, Nepal’s Foreign Minister said that Nepal was concerned over the events of past year in Sikkim (Kumar, D.P. 1980, p. 205).

75. According to the proposal no country which endorsed the proposition would send its army into Nepal or infringe upon Nepal’s domestic political tranquility.

76. Although more than 100 countries, including the United States, France, China and other European countries endorsed it, in 1990 India had not endorsed the proposal. The Soviet Union endorsed it and later withdrew.
the Karnali negotiation again. In spring 1977, the Janata Party, a coalition of many smaller political parties, defeated Mrs. Gandhi. Murarji Desai, who wanted to undo some of the fears of the smaller neighbors of India, became the Prime Minister of India. He tried to resolve the differences that had made the cooperation of smaller neighbors difficult.\textsuperscript{77} The Janata Party did not stay in power for long. It was replaced by Mrs. Indira Gandhi again.

In the meantime Nepali officials, dissatisfied with the way bilateral negotiation on water resources was proceeding with India, looked for other options. In December 1977, King Birendra called for a regional approach to the question of harnessing the water resources of Nepal.\textsuperscript{78} In 1977, at the request of Bangladesh, Nepal was included in the Joint River Water Commission that existed between Bangladesh and India to resolve differences on water issues. The need for Nepal’s inclusion was felt because India had dammed the Ganges River at Farakka and that had created a water shortage in Bangladesh during the dry season.\textsuperscript{79} To

\textsuperscript{77} He agreed to Nepal’s demand for two separate treaties for trade and transit. He also resolved the water-related dispute with Bangladesh on Farakka Barrage (Begum, 1988).

\textsuperscript{78} HMG Nepal (1985).

\textsuperscript{79} Begum (1988).
augment the flow Bangladesh and India would have to construct reservoirs upstream, which would require the cooperation of Nepal. Also in 1977 Nepal and Bangladesh made a joint proposal to manage and develop Nepal's rivers. The formation of the regional organization South Asian Association of Regional Cooperation (SAARC) created a new forum for Nepal. Bangladesh and other smaller countries in the region supported the king's proposal. The cooperation with Bangladesh did not help Nepal in its Karnali negotiation. Despite the new regional approach, India was still the only potential buyer of electricity. Other members were either geographically inaccessible or did not have a demand for Nepal's hydropower.

In the early 1980s new progress was made when India assured Nepal that it would buy all the hydroelectric power rendered surplus to Nepal. Several meetings between Nepali and Indian officials followed. Yet nothing significant was achieved. After Mrs. Gandhi was assassinated, new efforts were made by Rajiv Gandhi, who

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80 Nepal's Finance Minister said that the agreement was aimed at bringing a deeper understanding among the countries of the region for optimum development of their water resources. (Kumar, D.P. 1980 p. 213).

81 The South Asian Association of Regional Cooperation (SAARC), an organization which besides Nepal included the six other nations of the region, India, Bangladesh, Pakistan, Bhutan, Sri Lanka, and Maldives, limited its objectives to technical and cultural matters and would not deal with any bilateral disputes.
succeeded her. The new hopes did not last long. Nepal’s relations with India again began to deteriorate. With India sending her troops to Sri Lanka and Maldives in 1987 and 1988, the hope for talks gave way to fear, resulting in the rise of anti-India sentiments in Nepal. Nepal began to import arms from China, which resulted in strong reaction from India. India accused Nepal of disregarding the treaties that tied the two countries. As a result, in March, 1989, India let the Trade and Transit Treaties with Nepal elapse and would not agree on a new treaty, which created economic chaos. On the personal side the relationship between King Birendra and Prime Minister Rajiv Gandhi was at its lowest level. 82 

The political situation within Nepal was hampering Nepal’s negotiation with India. The king was challenged by opposition political organizations that wanted a democratic regime in the country. India supported the opposition. Although Nepal’s third report on the Karnali project, prepared by a Canadian firm with the World Bank’s support, was nearly complete in November, 1989, Nepali officials did not hope for any kind of breakthrough on Karnali negotiations.

82 Nepali officials said that the two leaders did not see eye to eye even in international meetings and Indian officials often made comments that they did not trust the king.
Chapter 3

Using Negotiating Power

The water resource negotiations between Nepal and India touch nearly all aspects of Nepal-India relations. They affect their trade, domestic and international politics. Beginning with its independence and its desire for economic development, India has steadily increased its demand for Nepal's water. As Nepal also is counting on the vast water resource for its economic development, their interactions have become more intense.

The three cases of negotiation examined here show how a weaker country, despite its limited options, can try to influence its stronger opponent. The outcome of the three negotiations reflects the context as well as a conscious attempt made by Nepal to change the power balance in the three spheres of interaction. It shows how by making changes in its relations with the opponent a weaker country can change its bargaining power.
A. Power Balance

The Kosi project agreement was less favorable to Nepal because the power balance in all three spheres--economic, political, and ecological--favored India. Several factors contributed to the disadvantaged position of Nepal. In the economic sphere Nepal depended on India for financial support. India was its main trade partner and the supplier of Nepal's foreign reserve.

In the political sphere India's influence was even more predominant. The need for India's support to maintain rule in Nepal also affected the negotiators' ability to bargain hard. Between 1949 and 1955 Nepal had to invite Indian soldiers to control internal rebellions on two occasions. India had a strong influence over Nepal's domestic politics, to the extent that an Indian diplomat would "nominate Nepal's cabinet" and even attend the cabinet meetings.¹

In the 1950s Nepali political leaders, including the king, were so overwhelmed by India's favors to Nepal in the economic and political spheres that they could easily became complacent. The king had been reinstated. India had been Nepal's main source of economic help. They were

¹. Personal interview with one of the Matrika Koirala's Cabinet members.
only too aware that without a good relationship with Indian leaders they would not be able to rule the country. Hence the negotiators mixed their personal relationship and sentiments towards India with the substantive negotiation. King Mahendra’s later statements that the Kosi project was a "humanitarian work" and that it was a "good will gift" from the people of Nepal to the people of India substantiate this view. The Indians, however, took the agreement as a negotiating problem and used their personal relationship with the Nepali negotiators to extract a more favorable deal. They were following a strict rule of negotiating, that bargaining hard does not harm a personal relationship, but rather strengthens it. The Nepali decision makers were worried about their personal relations; hence, agreeing, rather than negotiating, became their main focus. As a result they did not strike a good bargain. The implication of this unfavorable agreement was that they felt deceived and the relationship deteriorated as time passed.

Nepal’s domestic political situation in the 1950s also contributed to Matrika Koirala’s inability to negotiate from a position of strength. He was heading a government that had come to power shortly after India had helped the Nepali king and Koirala’s political party to
abolish the Rana regime. In the first five years after democratic rule began in 1949, the country had seen nine different governments. In some parts of the country there were frequent disturbances. Nepal's government did not have enough administrative and police power to impose order at home. Major political parties including the Nepali Congress Party, to which Matrika Koirala belonged previously, were opposing his decisions.

The regional political context pressed Nepal toward a certain form of alliance with India, which did not increase its bargaining power. Despite the Cold War and Nepal's proximity to Communist China, other countries' interests in Nepal were limited. Both Nepali and Indian rulers were cautious about accepting outside support openly. They feared Western influence. The dependency justified the outcome of the Kosi agreement.

Nepal's intrinsic power sources such as knowledge and wealth could not influence India. Nepal had very limited knowledge of the resource being negotiated: in 1954 Nepal had less than a dozen engineers and did not have a single technical college or a university. Nepal depended on India for the higher education and technical training of its people. To hire foreign consultants was

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2 Ranas had established a family rule in Nepal. The Prime Minister used to have all the power and came from the same family. The King remained a titular head. The Ranas ruled Nepal for 104 years until they were removed from power in 1949 with the help of India.
not feasible, because at the time there were no international donors helping Nepal.

Nepal lacked certain negotiating skills, which reduced the effective use of the available power. In retrospect Indian officials also claimed that they were surprised by how little Nepal demanded: "We accepted everything that Nepal asked for."\(^3\) Even Koirala himself realizes that more could have been achieved.\(^4\) This raises the question of whether Koirala used his personal relationship to increase Nepal's benefit in Kosi. Matrika Koirala states, "Had I not been there even this much could not have been achieved. It was because of my personal relationship with Nehru and other political leaders that we could achieve as much as we did in the Kosi agreement."\(^5\) If he used his personal relationship in the negotiation and as indicated in comments made by Indian officials, there was more room for negotiation, then the question arises of why Koirala did not go further. The answer is apparent in Koirala's statement, "Those days we did not see our interest as much different from India's".\(^6\)

Ephemeral power in the form of personal relationship

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\(^5\) Ibid.

\(^6\) Ibid.
was largely available to Nepal in the political sphere, but had serious limitations. Often Nepali negotiators confused substance and sentiments. The retrospective comment by Koirala, "We never thought that India would ever do bad to us", only strengthens this argument. Of course, personal relationships alone could not have increased Nepal's benefit from the Kosi project, but the negotiation demonstrates the opportunity and limitations of using personal relationship as a source of power for weaker nations. It also is clear, however, that personal relationship alone is not a strong enough basis on which to bargain successfully.

Despite limited power sources Matrika Koirala tried to increase Nepal's power by linking the Kosi project with other projects of economic benefit to Nepal. He also used sovereign rights as a basis for not signing the agreement if certain commitments were not fulfilled by India. Whether these negotiating powers were used to their maximum extent is an issue that needs some discussion.

But as Nepal was pressed by immediate needs the long-term benefits were compromised. Matrika believed in quick economic development. Since it was unthinkable for Nepal to execute the Kosi project on its own, he chose to make an agreement even if it did not bring equal

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7. Ibid.
benefits. For a country which did not have any basic infrastructure such as roads, electricity, or airports, the agreement looked promising. Moreover, the package included trade and tariff concessions to Nepal. Matrika Koirala, therefore, thought that he had done his best.

The trade-offs that were made were due mainly to the lack of viable options to making a deal with India. Matrika could reject the proposal, accept it as it was, or accept it with concessions from India. The first option was ruled out because his predecessors (the Rana rulers) had already given consent for the project to the Indian government.\(^8\) Only formal signing was necessary. Moreover, to reject the scheme without any counter-proposal would look as if he was willing to allow the Kosi River to continue destroying land and human life in India and Nepal. Since Nepal did not have the knowledge and resources to develop a viable alternative to the Indian scheme, he opted to agree on the existing scheme with some concessions from India.

In the Gandak project negotiation Nepal did better than it had done previously because the power balance was more favorable to Nepal than it was during the Kosi project negotiation. In the political sphere it was less susceptible to India's influence. It had a newly elected government in the country which had greater legitimacy to

take decisions. It had established bilateral diplomatic relations with several countries including China as a source of support. In fact China had been eager to develop economic and technical cooperation with Nepal. The United States had become a donor to Nepal. Internally, Nepal was politically stable. By all indications Nepal was in a stronger position than when the Kosi agreement was signed. In the economic sphere it had increased allies through bilateral and international institutions and reduced its dependency on India to some extent.

Yet the outcome was not very favorable because Nepal's capacity to influence India's decisions had not increased significantly. This was obvious in both the political and economic spheres. The Indian army patrolled its border with China. Indian instructors were training the Nepali bureaucracy. Although Nepal had increased its diplomatic relations with international organizations and other countries, it could not replace India as its economic and political ally.

Of the bargaining power available to Nepal in 1959 the negotiators used knowledge, personal relations, and their legitimate right to reject the Indian proposal to enhance their negotiation. The importance of knowledge as a source of power became evident when the Nepali negotiators, despite their efforts, could not come up
with better alternative proposals to maximize the benefit to Nepal. Despite Nepal's weaknesses the technical team believed that there was room to influence India's decision on the Gandak project. In fact their recommendations were all accepted, which suggests that even in a weak position countries can use knowledge as a source of power. Also important to the negotiation were the personal relations involved. Still the lack of substantive knowledge had weakened Nepal's position. As one negotiator later commented, "We were embarrassed when they brought a room-sized model to convince us that the location of the project was best suited at the border. We did not have anything to counter".  

B. P. Koirala could use his personal relationships with the Indian leaders to influence their decision but it could not offset other weaknesses. Although B. P. was a good friend of Nehru and other political leaders, which allowed him to express his views directly without going through mediators and which he used to have India's influential ambassador recalled, the limitations were

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10. B.P. Koirala's political career began in the early 1940s in India. He worked together with the Indian leaders for India's freedom. He then led the movement to overthrow the Rana regime in Nepal. In spite of his ties with India, six days before becoming Prime Minister he had assured the people that what happened in the Kosi case would not be repeated. He would be very cautious about striking a deal on Gandak.
obvious. Personal beliefs of the negotiators also affected the outcome of the Gandak negotiation. He viewed the Gandak project as a gain for his party’s political advantage. B. P. once said, "Sooner or later India is going to build this dam, why not in our time". Development was necessary to fulfill his party’s promises, and such development would not be possible without India’s cooperation; therefore, he had to accept the Gandak agreement.

Lack of alternatives to negotiating with India reduced Nepal’s ability to use its available power. In the Gandak negotiations B. P. had two options: (1) to reject the proposal and let India construct the dam on her own territory as Nehru had threatened; (2) to maximize the benefits from the project. To reject the proposal without any viable alternative would have been against the development position to which his party was committed. He opted for the second choice. Despite a lack of knowledge and resources his technical team, under his instruction, tried to maximize the benefit to Nepal by relying on a hypothetical scenario. His goal was to produce a proposal that would generate serious

11. According to Ganesh Man Singh (1989, Personal interview) the ambassador was called off because he was putting undue pressure on B.P. to get the Gandak project approved. He went to the king and some opposition political leaders to speed up the decision.

bargaining. But when the proposal was produced Indian negotiators accepted all demands without much bargaining. The only exception was the duration of the lease. The Indian ambassador was insisting on 999 years while B. P. was adamant on 99 years, as common international practice suggested.\textsuperscript{13}

The use of a serendipitous event by Nepal to enhance its negotiating power was evident during 1960-63 when it attempted to revise the Kosi and Gandak agreements. It used new international opportunities to reduce India's influence over its economic and political affairs. Most importantly it used political alliance with China, India's opponent, to achieve its goal. This, combined with other factors such as King Mahendra's commitment, Nepal's domestic politics, and India's fear of communism, contributed to Nepal's bargaining power \textit{vis a vis} India in 1963. All this, combined with a skillful linking of interests, led to Nepal's success.

A serendipitous event significantly helped Nepal change India's position. The India-China war enhanced King Mahendra's ability to influence India's actions in several ways. The war had strengthened Nepal's argument that for India to continue its destabilizing policy towards the king would be harmful to India's own security. It is also clear that Nepal had to remain

\textsuperscript{13} Singh, Ganesh Man (1989). Personal interview.
friendly with both neighbors not so much to use one against another, but for its very survival as a weak country.

Nepal succeeded in convincing India that its interests were better served if it changed its position. India had two main interests in Nepal: strategic and political security from China, and a secure access to Nepal's water resources. Both of these interests were hurt by the Nepali Congress insurgency and growing differences between the two countries. The king had denied access to water resources, including delaying commencement of the Gandak project signed by B. P.14 Meanwhile, political and security interests were not being served either. The king's power was becoming destabilized and anti-Indian sentiment was on the rise among the Nepali people.15 Nepal's government-controlled media and anti-Indian political groups were exploiting the opportunity. In the absence of the Nepali Congress the Communists were getting stronger as a political force inside Nepal and the king was exploiting their growth. The Bihar and Uttar Pradesh states were in greater danger of being influenced by the Communists, and the efforts of the Nepali Congress to regain power were

14. Even in the Kosi project that the king himself had commenced in 1959, work was not progressing as expected. The Nepali administration was not cooperating.

not producing the quick results India had expected.

The India-China war had created a new urgency on the part of India in the political sphere. In order to protect its interests in Nepal immediately it had to make political compromises. That is what it did when it greed to reduce its commitment to a democratically elected stable government in Nepal led by the Nepali Congress. It had become clear to India that pursuance of the Nepali Congress insurgency would work against its own security interest. A stable king in Nepal was a far better option than a weak king, which would mean an unstable northern front. King Mahendra was willing to respect India's security interests.

The war had demonstrated the common interest of King Mahendra and India. He wanted to rule Nepal peacefully with some economic development. For that he needed stronger cooperation with India on water resource development. He wanted the Nepali Congress to stop its activities. He also wanted to have a stronger army to control domestic disturbances. Moreover, he wanted to continue a mature relationship with India whereby India would not interfere in Nepal's internal affairs. In the final agreement all these interests were fulfilled.\(^\text{16}\)

\(^{16}\). It took a few years to become public that the terms of the agreement were: (1) the Nepali Congress insurgency stopped, (2) Kosi and Gandak agreements were revised, (3) an understanding to exploit other rivers was reached, (4) the Royal Nepali Army was to be trained in India at India's expense.
The king had used his new negotiating power successfully. He had linked issues in economic, political, and security matters. The linking helped the king to maximize his benefit as well as satisfy India's interests to make a mutually acceptable settlement possible. He also protected his long-term interests. By making agreements in secret he saved his image as a strong nationalist leader in the eyes of the Nepali people.

Although Nepali officials on several occasions had warned India of the consequences of supporting the rebels, the value of the threat suddenly increased with the Chinese invasion of India. Once completed the Lhasa-Kathmandu road would directly connect India's Bihar and Uttar Pradesh states with China. This was a chilling scenario. India had understood the message correctly: the king was determined to distance himself from India's security system. The road scheme was convincing proof that he was ready to impose a cost on India in the security sphere if it continued to support insurgency.

The credibility of Nepal's threat had historical backing. The fact that Nepal had opened up relations with China in the 1950s was not in itself enough to led India to make concessions, because India had reason to believe that Nepal's king would not be able to sustain the marriage of convenience between a monarchy and an
orthodox communist state. But when the king demonstrated that he was willing to take the risk, India had to be convinced. Nepal successfully escalated the issue of the Gandak and Kosi agreements by making it synonymous with the sovereignty of the nation. Nepali government media and popular forums had encouraged such escalation. This escalation raised the commitment of the Nepali people to resist India's real and perceived pressure and remain behind the king. Nepal's commitment increased with its reduced options. India's decision to support the Nepali Congress movement had left the king with two choices: to relinquish his power or to develop relations with China and thus survive. Both were bad for him, but he chose the second. The lack of a better alternative had increased Nepal's commitment to fight against India's pressure even more vigorously than it had done in the past.

Although after the India-China war it appeared that Nepal wanted to play China against India, in reality Nepal was trying to create alternatives. By building political and economic relations with China, Nepal had increased the alternatives which it could use in its negotiation with India. Since in negotiation it is not the absolute value but the impact it has on the perception of the opponent that matters, Nepal's receiving Chinese help in itself had a significant
effect on India's position. The opening up of the Lhasa-Kathmandu road was not important in terms of its absolute economic value but its symbolic implications were such that India could not remain uninterested. This grew apparent after India's defeat.

The increased bargaining power in the political sphere also enhanced Nepal's bargaining leverage in the ecological sphere through linkage. The revision of the Kosi and Gandak agreements became possible because of the linkage Nepal made between India's support of the Nepali Congress insurgency and India-China relations. The formula for negotiation that Nepal and India agreed upon included all three spheres: a political settlement to stop Nepali Congress insurgency, economic support for Nepal, and an ecological settlement including revision of the Kosi and Gandak agreements and cooperation on new projects.

The individual personalities played both positive and negative votes. The fact that Nehru was a strong believer in modernization and viewed kings as representatives of feudalism and therefore a major enemy, and the fact that Mahendra was a king, made it difficult for both to compromise and come to an early solution. They compromised only when the situation pressed them. But the king's continued relations with India made it easy to come into agreement with Nehru when the situation
required. The strong personality of King Mahendra strengthened Nepal's position when Lal Bahadur Shastri succeeded Nehru. Shastri was less assertive than Nehru, particularly on the issue of establishing democratic government in Nepal.

The legitimacy of the negotiators also enhanced Nepal's bargaining power. The fact that Mahendra was the heir of a dynasty\(^\text{17}\) that had ruled the country over the centuries made him the best choice when it became obvious that India had to conclude an agreement with a legitimate government. To support the king became a good choice when India had to decide between ideological experimentation and pragmatic stability in the region. The fact that historically India had maintained stability in the northern border with the cooperation of the Shah kings helped make the decision. The India-China war increased the value to India of Nepal's stability and hence the bargaining power of the king as an institution. The reality of India's defeat at the hands of the Chinese meant it had to cooperate with the existing regime in the neighboring countries for its own security.

One of the keys to India's eagerness to come to the negotiating table in the early sixties was the desire to protect its long-term benefits. India had other

\(^{17}\) Prithwi Narayan Shah formed the kingdom in 1775. His dynasty has ruled the country ever since (Rose, 1966).
benefits in mind when the Gandak and Kosi agreements were revised. In particular it had the Karnali project in mind. Therefore, at the conclusion of the revision both sides stressed that it was the beginning of an "era of new cooperation".

The outcome of, the Karnali negotiation is a result of gradual changes in Nepal's intrinsic power. Whereas in the early sixties the balance of power was in India's favor, by 1989 the relative power balance had changed in Nepal's favor. Nepal tried to influence India through increased knowledge, and economic and political independence, and used the alternatives that it had created in the international arena.

Since the Sixties it had given much importance to knowledge building, which had increased confidence among the Nepali negotiators. They were sure that if India ever came to the table they would be able to assess the true value of what was being traded.\(^\text{18}\) Nepal used other countries like Bangladesh to influence India.

Nepal also looked for greater political and economic alliance with its neighbors like Bangladesh, Bhutan, China, and Pakistan. It also sought collective support under regional organizations like the South Asian Association of Regional Cooperation (SAARC). But the small neighboring countries could not substitute for

India as buyers of Nepal's electricity and water. Moreover, all the members of the alliance had strong economic and political ties with India, which reduced their capacity to influence India.

Economic alliance with other countries and international agencies such as the World Bank had increased Nepal's bargaining leverage. International financial support had increased Nepal's alternatives. The World Bank was willing to finance the Karnali project. As both Nepal and India borrowed from the World Bank there was a possibility of using the World Bank to influence India's decision. Nepal's trade diversification to other countries had reduced its dependency on India. It had reduced its imports from nearly 90% in the early 1950s to less than 35% in the late 1980s. Despite all these increases in Nepal's power it had not been able to convince India to come to the table for serious negotiation on the Karnali project.

The changes in the individual leaders in India directly affected Nepal's ability to influence India's policy, but such opportunities did not last. Similarly important events such as India's invasion of Bangladesh, annexation of Sikkim, and its military presence in Sri Lanka made Nepal wary of cooperating with India on the Karnali negotiations. When Lal Bahadur Shastri succeeded Nehru, Nepal's success increased. The success declined
with Mrs. Gandhi's accession to power and again increased with Morarji Desai's rule. The ups and downs continued throughout other rulers and reached the lowest point towards the end of the 1980s with Rajiv Gandhi in power.

Increased Power Is Not Enough

Despite its increased intrinsic power in relation to India Nepal was unable to bring India to the bargaining table on Karnali, until 1989. In the economic sphere Nepal ran a trade deficit with India and still depended on India's port facilities and land route for the import and export of goods. This dependence nullified Nepal's bargaining leverage in other spheres. The land route connecting Nepal with China was insignificant as a trade route at the time. Therefore Nepal had not developed viable alternatives to its links with India, which reduced its negotiating power.

The geographic location of the country made India the only possible buyer of Karnali's surplus power, giving it the veto power to reject Nepal's offer. This argument becomes stronger when we consider that the closest alternative buyer, the Tibetan region of China, was not yet developed enough to consume the power. Also it was economically infeasible to transfer power across the Himalayas. The other argument comes from the nature of the resource itself--the natural tendency of water to
flow downwards to India decreased Nepal’s ability to influence India. Even if Nepal developed the power itself and sold it to China, the water would still be running to India free of charge.

A more serious reason was the way negotiating power was understood and exercised by Nepal. In the Karnali negotiation Nepal wanted (1) no linkage, (2) to keep the project under its control, and (3) to limit its relation to India to that of buyer and seller. Nepal’s position had significantly reduced its negotiating capacity against India.

Past experience and perceptions affected Nepal’s position on the Karnali negotiation. Nepal drew from its Kosi and Gandak experience and had strengthened its dislike for the linkages involved over three decades. Nepal’s persistence on no linkage reduced its flexibility to use power from one sphere of interaction to enhance another. A pure seller-and-buyer relation is difficult to achieve in the ecological sphere, in which resolution of disputes often requires linkages. By insisting on making Karnali a purely economic deal based on market rules Nepal gave up important linkages in other spheres, thus undermining its negotiation efforts. It persistence in not compromising on the issue of control reduced its effectiveness, because it did not meet India’s main interests in Karnali: to have secure access to Karnali’s
power and water. By not being able to provide credible assurance, Nepal reduced its own bargaining leverage. Even more harmful was the interpretation of the desire to control the project as a sovereignty issue. This made bargaining difficult.

A pure buyer-seller relationship was possible only if purely market rules were used to assess the actual costs involved. Since Nepal was interacting with India in several other spheres the pure buyer-and-seller relation was not possible. Furthermore, natural resources can be assessed only subjectively, and any price structure attached to them can always be doubted and questioned.

Serendipitous events like the flooding in Bangladesh did not alter the equilibrium. The Bangladesh flood in 1986 brought world attention to the problem of flood control. Since the flooding was initially attributed to the Ganges basin supplied by Nepal´s rivers, India and Bangladesh officials were sent to Nepal to address the problem. But with time the impact of the flood decreased and with it the hope for progress in the Karnali negotiation. Two factors played an important role in reducing the impact of the event on Nepal´s negotiation with India. First, other events eclipsed the flood in Bangladesh in terms of world attention. Second, the experts questioned the initially held belief that Nepal´s
rivers were the cause of the disaster in Bangladesh.\textsuperscript{19} There were indications that the flood might have been due to overflow in another basin that did not have Nepal's rivers' input, suggesting that the real solution to the Bangladesh problem was in proper control of its own coastal lands and thus shifting the world focus from Nepal's rivers to Bangladesh and India.

The nature of the dispute itself made Nepal's strategy in the case of Karnali less effective. The negotiation on Karnali included a high degree of uncertainty about cause and effect. The impact of the decision was difficult to reverse. It was difficult to estimate specific costs and benefits of different agreements. Moreover, it involved intertemporal and intergenerational differences and involved other critical issues like sovereignty and control. These concerns require a special treatment of the issue which was not given appropriate consideration in the negotiation.

The Nepali consultants' report on Karnali was rejected by Indian experts not because it was incorrect but because of its underlying assumptions. The nature of the Karnali project was such that scientists were bound

\textsuperscript{19} See Ives, Jack and Bruno Missereli (1990). The experts in this volume suggest that flooding in Bangladesh was due to Bangladesh's own mismanagement of its coastal zone. This opinion is different from the previously held belief that the cause of disaster in Bangladesh was mainly due to deforestation in the mountains of Nepal and India.
to make several assumptions, especially about the flow of water. The estimated flow of water determined the potential of the project to generate hydroelectric power; the assumptions about the geological structure of the dam site determined the height of the dam and the volume of accumulated water in the dam. In addition, the available technology determined the optimal level of power generation. All these determinants had different impacts on the outcome of a study experts made on the subject.\textsuperscript{20} If one disagreed with these assumptions, as the Indian experts did, an agreement on the projected result was not possible.

Several factors had contributed to the different assumptions made by the experts. The Indian scientists were trained in different schools than Nepal's consultants; hence their method of scientific inquiry could be different. The other possibility was that the Indian scientists had a different agenda in mind which they wanted to support with their scientific study. While the Nepali experts argued that the project was economically feasible and would yield lower-cost

\textsuperscript{20} Nippon Koei had estimated 1800MW with 377m crest elevation, Snowy Mountain had estimated 1800 MW with 384m crest elevation, Nor Consult estimated 1800 MW with 383 m crest elevation, and Himalayan Power Consultants estimated 3600 MW with 390m crest elevation on the upstream alone. On the downstream embankment estimates differed depending on the crest elevation (see HMG Nepal, 1989).
electricity\textsuperscript{21} than India could get from alternative sources, the Indian experts argued the contrary. They made different assumptions about the flow of water and also proposed different heights for the dam and other structures, which led to different estimates of capacity to generate power and a different unit cost of power. Since the scientists were not value neutral, they took different positions and used their data and methodologies to support their position. It was, therefore, natural for the Nepali and Indian experts to differ. As the differences among the scientists could not be resolved with more data and information, an understanding had to be reached before the data were collected and analyzed.\textsuperscript{22} In the absence of political means Nepal's technical knowledge alone could not influence Indian decision makers.

B. Risks and Uncertainties

Uncertainties about the social and environmental

\textsuperscript{21} The 1988 estimate was $600.00/kW capital investment, i.e. 3.2 cents/kWh generation cost, which was much lower than the alternatives India had (HMG, Nepal, 1989, pp. 1-2).

\textsuperscript{22} See Ozawa and Susskind (1985), Mediating Science-Intensive Policy Dispute on scientific dispute in public policy making.
impact of the project also affected Nepal's power in the Karnali negotiation. Indian decision makers were not certain what effect the project would have on the poor and heavily populated states of Bihar and Uttar Pradesh, which had remained relatively stable under the prevailing conditions. The injection of millions of dollars into the region was likely to upset such stability. There were political risks involved in the decision. The sudden industrialization of the region that might follow the Karnali project raised concern for the political leadership in Delhi. The sudden empowerment of the region could change India's national political landscape.

This was not an unrealistic scenario for the Indian political leadership in the 1980s. Punjab, one of the regions where a large amount of foreign aid had been invested during the "green revolution", in the early 1960s, was demanding autonomy and threatening national security. Once a project as large as Karnali is introduced the impact cannot be reversed. Nepali negotiators should have realized that India's political leadership would not take such a risk without first making sure that they would have control over the new situation. All these uncertainties contributed to Indian experts' unwillingness to engage in serious negotiation with Nepal.

Besides these uncertainties, the difficulty in
estimating costs and benefits of the project affected all the negotiations between Nepal and India on water resources. The influence of this difficulty on Nepal's bargaining power was most obvious in the Karnali negotiation. It was difficult for Nepal to know the actual cost of electricity and water flowing from the Karnali dam after its construction. The only possible way to establish the cost was to make various assumptions and judgements. The cost of ecological destruction such as the extinction of dolphins\textsuperscript{23} and other animals in the Karnali resulting from the dam\textsuperscript{24}, both the upstream and downstream, could never be accurately assessed. Moreover, the cost of displacement of the nearly 60,000 people who lived in the project area would be even more difficult to assess. Even when the costs of resettlement were assessed the loss of intangible resources such as culture, social structure, and the psychological impact on the people could be assessed only subjectively. If India disagreed on the pricing of these ecological resources, the estimated cost could not become the basis for negotiation. By nature the prices put on these resources would differ. For Nepal they might carry more

\textsuperscript{23} The Karnali River is a habitat for a Gangetic dolphin and a unique crocodile called Gharial (HMG Nepal, 1989).

\textsuperscript{24} The depth of water and the 60 kilometer long accumulation of water in the gorge was likely to deprive the fish and other species in the river of oxygen.
value than for India. In either case Nepal's ability to influence India was significantly affected by the difficulty in determining the cost of the project.

The role of future generations in the decision making indirectly affected the Karnali negotiation. The difficulty in predicting the perceptions of future generations regarding water resources added to Nepal's difficulty. Indian officials believed that a future generation of Nepalese people might think of the resource differently and might question the agreement made with India. The Kosi and Gandak experience strengthened this belief. In these cases Matrika Koirala and B. P. thought that their agreements were fair at the time but the generation that succeeded them questioned their judgement. Therefore, even if the Nepali decision makers agreed in the 1980s on a deal with India on the Karnali project, it was very likely that the deal would be disputed by later generations. In order to persuade India, Nepal would have to come up with additional assurances. It would have to convince India that a decision taken on Karnali in the 1980s would not be questioned in the future, which was not possible.

Even within the same generation considerable differences over the method of exploitation of the water resource persisted, which added to the complexity of making an environmental decision. The size of
displacement of human population, the loss of aquatic species, and the irreversible effect on the ecological balance in the area had led many Nepali experts to believe that the Karnali project was not worth undertaking. Instead they were suggesting smaller projects with lesser impacts, but others believed that a large scale project like the one being negotiated between Nepal and India would be financially more cost effective than smaller projects. The debate generated disputes about the project within Nepal. Although the opposition to the Karnali project within Nepal (in the 1980s) was not as intense as it was with the Kosi and Gandak projects, it was likely to change. There was no way for Nepal to come up with a credible assurance that such change would not harm India's interest in Karnali. This inability reduced Nepal's bargaining power with India.

The size of the project itself contributed to the uncertainty. The Karnali Chisapani project, being the largest in Asia and one of the three largest undertakings of this nature in the world, involved a high level of institutional, political, economic, and social risk. The estimated capital cost, in 1988, of $4,694 million, nearly 68% of which came from foreign sources, and the length of time required for the implementation of the project (15 years) added to the uncertainties and

required major commitment and assurances about the future.

C. Security Versus Sovereignty

The question of control over the process of exploitation and distribution of environmental resources presented new difficulties for Nepal. This was mainly because of the nature of water, which defied the politically defined boundaries and economic rules and flowed according to physical laws. As the negotiation on Karnali involved tangible, perennial, and visible issues, it also became an issue of sovereignty for Nepal. Increasingly the decision makers were confronted with the value attached to water. The negotiation on water generated feelings like "We will never surrender our sovereignty". Devising a system of control over the project during construction and management over the resource in the post-construction period looked like a

26. Marna maarna tayar chhaun des bechna didainau. Yo sarkar kasto chha des bechna jasto chha. Des bechna kasto chha yo sarkar jasto chha. Gandak samjhausta dhokha ho" : We are ready to die and kill but we will not tolerate the selling of the country. This government is a seller of the country. The seller of this country looks like this government. Gandak Agreement is a deception" was the slogan of the demonstration organized by the Communist Party of Nepal to oppose the Gandak agreement in 1959.
technical problem, but in reality carried other values and symbols. Decision makers were daunted by the sensitivity of the issue of control and were not prepared to make any decision. In the Kosi and Gandak agreements the most contentious and debated issues were not the total economic benefit to Nepal, but the "loss of sovereignty". The clauses in the original agreement that gave India control over the project installation and over the water were the main focus of dispute and were changed in the revised version. Although the immediate benefit from the changed clauses was not significant, it satisfied the "psychological needs" of the Nepali people. In the Karnali case the issue of control remained one of the most difficult to resolve. These sentiments of the people often helped Nepal. They demonstrate commitment and increase negotiating power. But eventually the bargaining power of the decision makers was reduced as the people's position became rigid and expectations grew too high. Those who decided to go against the popular sentiment paid a high political price. The Kosi agreement had cost Matrika Koirala his popularity and the Gandak deal had made B.P. Koirala an easy target for his opponents, who accused him of working against national interests.

The debate over control, which often was a matter of interpretation, increased the conflict and strengthened
the respective positions of the two countries. In the Karnali case India's desire to have control over the project was interpreted by Nepal as an issue of sovereignty and independence, whereas for India it was a concern for the secured supply of the resource once India made a commitment to the project. Since India feared that Nepal might use this commitment to extract more concessions in the future, its interest was to strengthen current rules and obtain a greater legal guarantee against hostile actions of the future government of Nepal. This stemmed largely from India's perception of Nepal's political uncertainty. India feared that Nepal might use its dependency on Nepal's electricity to extract greater benefit. If this occurred India would have to use force to protect its interest in Nepal, which would be more costly than letting things remain as they were. These assumptions and conclusions on the part of Indian decision makers demanded greater efforts on the part of Nepal to devise means to assure India of its commitment to guarantee a secured supply of electricity and water after construction. Instead the issue was confused with the more complex issue of sovereignty, making it nearly impossible to resolve. With the growing commitment of Nepal to its nationalism and sovereignty the negotiators were finding it increasingly difficult to make concessions and trade-offs.
In summary Nepal tried, often successfully, to use intrinsic and ephemeral sources of power to influence its equilibrium with India. Certain sources of power that were useful in one sphere were not as effective in other spheres. In political and economic spheres alliance with other countries and international organizations was useful to reduce India's influence over Nepal but in the ecological sphere such alliances were not as effective. At times negative commitment was useful but more often it reduced the bargaining power of Nepal. Personal relationship was an important source of power. It was useful whenever political decisions had to be made. The importance of making trade-offs was evident. Often Nepal's failure to strike a deal was due to its inability to make trade-offs. Therefore, key to weaker countries' ability to change the equilibrium with a stronger opponent are (1) links with the opponent, (2) an appropriate strategy, and (3) the ability to make trade-offs.
Chapter 4

Findings and Implications

I suggested initially that weak countries have various sources of power that they can use in negotiation with stronger nations. The Kosi and Gandak negotiations between Nepal and India showed that Nepali negotiators were able to use personal relations and knowledge even when they were weak in most other areas. Nepal's alliance with China and the war between India and China significantly increased Nepal's bargaining power. The Karnali case showed that Nepal gained negotiating power through independence from India in economic and political terms. It also showed that despite its economic independence from India, Nepal was not able to bring India into serious negotiations on the Karnali River project. Instead the Nepali negotiators considered tabling the project until India was ready to negotiate. In this chapter I will review the findings from the Kosi, Gandak and Karnali cases and explore their implications for the ways weak nations can best increase their power in environmental resource negotiations.
Given the characteristic of international environmental resource negotiation the keys to increasing the negotiating power of weaker nations are: links with the stronger opponent, appropriate strategies and tactics; and ability to make linkages and trade-offs.

A. Links with the Stronger Opponent

A strong opponent is not monolithic, and its decisions are not taken by one individual or by a homogenous interest group. Especially if the country is large and diverse, many of interest groups will be involved in the decision making, and among them a weak country should be able to find allies whose interests coincide with its own. But using the links requires appropriate strategy.

In the Karnali case Nepal took the position that India is a delinquent state with which it is difficult to do business. This perception might have had some basis; often the Indian state had not fulfilled its obligations and promises to Nepal.¹ But such assertions ignored the

¹. Matrika Koirala had complained to the Indian delegation that they had not fulfilled the promise made by Nehru in the package deal on Kosi. Later it was found that the projects constructed by India for the benefit of Nepal were qualitatively inferior to what had been promised. When these complaints were
fact that the opponent comprised numerous decision makers and diverse interests groups. In the Karnali case the negotiators ignored the fact that India's central government, with which they were negotiating, was not the real benefactor of potential development in Uttar Pradesh, where the power from Karnali was to be exported. By viewing India as a single entity vis a vis Nepal the Nepali negotiators overlooked the fact that India is a union of more than two dozen states. Only two of them, Bihar and Uttar Pradesh, would benefit directly from the project.

These states were among the poorest in the union, with very little influence over the central government bureaucracy. As potential benefactors of the project they wanted to see the negotiation completed as much as Nepali officials did. Had Nepali negotiators considered the above factor they would have given due consideration to the common perception in Bihar and Uttar Pradesh that the central government did not understand their problems. Furthermore, they might have realized that India's allocation of resources, as in other democratic countries, is often determined by political considerations. India's position on the Karnali negotiation had much to do with its domestic power

made to the Indian authorities the common response was to blame the bureaucracy. The central government officials blamed the state officials and vice versa.

124
balance, in which Bihar and Uttar Pradesh, were weak players.\(^2\) Nepali negotiators ignored the fact that Bihar and Uttar Pradesh being the most populous states, also concealed tremendous latent political power which, if used properly, could exert significant influence on India’s national decision making.\(^3\) This understanding of India’s domestic power balance would have provided new opportunities for Nepal’s negotiators to influence the central decision makers in India. In other words, Nepal might have found in Bihar and Uttar Pradesh allies who would work together with Nepal to influence Delhi to come to the negotiating table. Such opportunities did not emerge because Nepali decision makers treated India as a monolithic opponent and did not try to develop links with possible allies.

Nepal could have increased its ability to influence the Indian decision makers if, while reducing formal links, it had strengthened its informal links with India, such as ties with universities, research centers, individuals, nongovernmental organizations, religious institutions, and private business enterprises that could

\(^2\) This opinion about Bihar’s weak lobby in Delhi was repeatedly projected during interviews with both retired and current officials in Bihar.

\(^3\) The fact that from India’s independence in 1947 until 1990 only one elected prime minister has not come, from these two states also shows the importance of these states power in India’s national politics.
have helped influence the Indian government. The opportunities for informal links were many, particularly among the population of India's bordering regions, the potential beneficiaries of the Kosi, Gandak, and Karnali River projects, whose dependence on Nepal was increasing.

Despite the possibility of using these links Nepal did not attempt to do so because it would have involved several costs, some real and others perceived. The diversification of links required going beyond the formal state-to-state relationship and finding links with other social, economic, and political connections. But Nepal was already in the process of trying to reduce such connections. Also the fear that increased links would dilute certain values highly regarded in Nepal, such as nationalism, ownership, pride and control, kept it from developing links with India. But in doing so Nepal also reduced its ability to influence India. Beginning early in the 1960s Nepal had tried to assert its independence from India, diversify its economic relations with third countries, differentiate its political system from that of India, build a different national identity, and take different positions in international forums. All these attempts helped Nepal to reduce formal links with India, but in the process it also reduced links that could have been useful as a source of influence. The reduction of links did not increase its influence over India's
decisions on several critical issues. Towards the end of the 1980s, when it had become apparent to Nepal that it had to reestablish its links with India if it wanted to influence Indian decision makers, there were no viable links left.\(^4\)

B. Strategies and Tactics

A weak country can choose from a range of negotiating tactics to influence its strong opponents. The tactic used will affect the outcome of negotiation as well as the negotiating sources available. While a strategy of consensus building and openness helps build relationship, avoid crisis and promote long term interests, negative commitments and escalation of conflicts can damage trust, personal relationship, and long-term interests, develop rigidity, and sharpen conflict. Moreover, making threats escalates conflicts and limits the options available to a weak country.

In environmental resource negotiation the objective is not to defeat one's opponent, but rather to build a relationship that can generate cooperation and ensure a

\(^4\) Singh, L. P. (1989). Personal interview. When India imposed an economic embargo in 1989, Nepal tried to use private links to make Delhi change its stand. Some of the links were faculty from universities, businessmen, and religious leaders.
future working relationship. In other words weak countries want to achieve a system where continuous dialogue and problem solving are possible, as shown in Figure 5.

![Diagram showing Expected Outcome of Using Negotiating Power]

**Fig. 5**

Weak countries can develop a system of continuing relationship if they try to understand and communicate with the opponent by asking themselves several questions about the opponent. What factors keep the strong country from changing its decision? What aspect of the weak country's ephemeral and intrinsic power could influence the strong country to change its decision? What implications does the use of one source of power have for
the weak country's ability to use other power sources? Once they ask these questions, several alternatives open up for action and exercising their power.

In the Karnali case Nepal could have come up with several options for action had it asked these questions about India's decision-making problems. It could be that Indian policy makers were unaware of the benefits from the project; that the actual benefactors from the project were not aware of the potential benefits and therefore were not putting pressure on the decision makers; that India had better alternatives, or other priorities. Nepal could have even asked whether its own increased knowledge enhanced its capacity to listen to the opponent. Had its knowledge increased Nepal's awareness about India's emotional and psychological concerns? Had the knowledge increased Nepal's capacity to communicate clearly and effectively with India? Was it aware of the way decisions are made in India?

Each of these questions would have helped Nepal to generate new options and enhance its negotiating power. The third report on Karnali, due in 1989, was more detailed than the previous ones, but Nepali officials were not at all sure that it would be acceptable to the Indian negotiators because they had not tried to relate it to India's problems. Had Nepali negotiators explored the Indian scientists' method of study on the Karnali
problem they would have realized that the method Indian scientists used to estimate the power was different from the method that the international consultants hired by Nepal used. With this information they could have focused on the underlying assumptions about the flow of water and tried to modify their to make it proposal acceptable to their opponent. How to influence the Indian experts would have become the new focus.

In the same manner the following information about the Indian decision makers' perception of the problem would have helped Nepali negotiators devise a different negotiating strategy: Ever since British Imperial India brought Nepal under its influence Indian decision makers have viewed Nepal's water resources as their own, and often Nepali rulers strengthened this belief in order to use the resource to their own advantage. Various agreements, often made willingly and other times by force, have strengthened this belief.

But instead of using these options Nepal chose a strategy that escalated the differences, the climate of secrecy, and the misgivings between the two countries. As differences escalated, the real interests of both countries were obscured and Nepal's ability to change India's decision declined. India's interests were to have a "secured" flow of water and electricity once the commitments were made. Nepal, however, connected this
demand with an Indian motive to curb Nepal's sovereignty. Nepal could have defused the differences by focusing on the interests to India. But its preemptive statements related to sovereignty and control decreased Nepal's ability to make its promise of secured supply credible India. Since India's political influence over Nepal was declining, its concerns were relevant. Indian negotiators felt that they could not get a positive commitment from Nepal. The response of Nepali officials to India's concerns, that they would protect their sovereignty at any cost, did not increase their bargaining power. The position that Nepal would not make further assurances for security because it would not compromise its sovereignty did not help to persuade India. To that position Indian policy makers responded that India would not want to create a situation where it would have to intervene militarily to protect its interest, and thus wold be better off without the project. Nepal's stand could have been useful had there been no affirmative commitments on India's part. That was not the case. India had often made affirmative commitments to purchase the power generated by the Karnali project; their differences on the price of the power and the water could have been resolved without escalating other differences.

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5. Negative commitment helps when there is no affirmative commitment on the table (Fisher 1983).
Despite the obvious advantage of increased links to enhance negotiating power Nepali decision makers could not use the tactic for several reasons. They foresaw India's influence and feared that they would lose in the absence of an adequate mechanism to counter such influence. More specifically, Nepal often viewed conflicts with India in terms of sovereignty and independence. This was particularly true because of the strong ties between the countries and the dominant role India played historically. Negotiations often became synonymous with a struggle against exploitation and domination. The ties obscured other substantive issues. Decision making became difficult for both Nepal and India. To disentangle these confusing bonds required an environment of trust and cooperation, which was absent.

C. Linkages and Trade-offs

Linkage is key to increasing the negotiating power of a weak country. With linkages a weak country can make its offer to the strong country more attractive and thus increase the likelihood of influencing its decision. Key to successful linkages are finding out about the interests of the strong country and devising ways to match them by making trade-offs between several issues.
The success of Nepal in convincing India to revise the Kosi and Gandak agreements is a good example of such linkages. Nepal had agreed to meet India's security interests by modernizing its army with India's help. A stronger Nepali army under India's guidance could serve as a first line of defense for India in case of a Chinese invasion like the one in 1962. In exchange Nepal received several economic and political concessions from India that included the revision of the Kosi and Gandak agreements and control over the Nepali Congress Party insurgency being staged from India.

But achieving good linkage is not easy. In the Nepal-India deal of 1963 the condition about the training of troops was kept secret. It became public through Indian media only after 23 years, in 1988 when Nepal bought arms from China and the relations between the two countries had deteriorated. The disclosure of the secret linkage by the Indian government was a surprise to many Nepalese who did not believe that King Mahendra would have made such compromises with India. Although King Mahendra no longer lived, the disclosure did harm the image of Nepal's royal institution as a vanguard of nationalism.

On the other hand, the total denial of linkages can reduce bargaining power. Given the fact that Nepal had strong interactions with India in several spheres
including the use of India's port facilities for its trade with other countries, its negotiating power would have been greater had it been able to come up with an acceptable linkage.

In the Kosi agreement the linkages were not made explicit. When the news of the agreement became public, critical observers thought that there were no linkages. The fact that it was an understanding reached at the personal level became known when Matrika Koirala wrote a paper explaining what had happened. But few people ever read the article. By the time the paper came out people remembered only that Matrika had "sold" the Kosi. There was no concrete evidence to show that other projects had been linked with the Kosi project and thus vindicate Koirala. Moreover, the Rs. 600000 ($60000 approximately in 1954) annual return from excise duty that Nepal was receiving as a result of the agreement was becoming insignificant as Nepal's trade with India declined. Those who witnessed the agreement were not interested in telling the whole story. Few people knew about it except for Matrika Koirala, his Minister of Irrigation, Mahabir

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6. Although on paper there was no mention of linkage, according to Koirala these linkages existed. They were (1) refund of the excise duty collected by Indian government on goods Nepal imported from India; (2) conversion of the Indian loan into a grant to build the Trishuli Hydroelectric Project for Nepal's benefit; (3) conversion of highway construction costs into a grant (Koirala Matrika 1989, personal interview; Koirala, Matrika 1988).
Sumsher, and Bhadra Kali Mishra, Minister of Construction. Sumsher died shortly thereafter, and Mishra was living in Patna, India. In 1989 when asked about the deal and linkage, Mishra replied that he did not remember the details. Koirala’s Foreign Minister, Dr. Dilli Raman Regmi, was even less informed about the deal. He said, "I was like a mailman. Everything was done by Matrika Babu. So even if there were deals I am not aware of these linkages."

In spite of the problems inherent in this strategy an environmental resource negotiation can succeed only by using linkages and trade-offs. In the Karnali negotiation the most sensitive issues were control over the project and pricing of the water and electricity. This involved making institutional arrangements for control of the project to guarantee a secured supply of electricity and water to India, as well as costing of the natural resources for fair pricing of the output. Since both of these tasks involved political judgement, linkage would have helped Nepal. Nepal’s vital interest with India had always been India’s port facility and the land route connecting Nepal with it. This interest could have been linked with the Karnali or any other water related negotiation with India. Nepal could have explored leasing land in the Karnali Chisapani Project site in exchange for land in an Indian port for an equal number
of years. It could also have leased a strip of land connecting India for the power supply in exchange for a strip of land needed to connect it with the port in India. Such a linkage would have, naturally, raised equality and fairness issues, as people in both countries would have valued their land and resources differently, and the change in the value of the resources would have added to the uncertainty. Yet these issues could be resolved with some political understanding. Nepal could use certain questions to assess the appropriateness of the linkage.

* Does the linkage provide an elegant solution?

* Is the linkage legitimate?

* Does it improve future cooperation?

A solution is elegant when the interests of both sides are met and both sides feel that they have won. Legitimate linkage meets the basic norms of being legal, ethical, institutional and so forth. A linkage is legitimate when we feel that it is fair. The principle of fairness is not fixed; an agreement is fair when the disputants and the observers feel that it is fair.\(^7\)

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\(^7\) Fisher (1983) acknowledges the difficulty of setting the rules for fairness. He suggests, "A tension exists between advancing a highly favorable principle that appears less legitimate to the other side and a less favorable principle that appears more legitimate. Typically there is a range within which reasonable people could differ" (p. 158).

Susskind and Cruikshank (1988) suggest that a "negotiation process" is fair when the "approach most likely to be perceived as
These criteria would have helped Nepal to assess the appropriateness of both the substance and process of trade-offs made with India.

Conclusion

Weaker nations that want to increase their power in environmental resource negotiation should incorporate the following components in their strategy:

- Diversify and strengthen links with the stronger opponent.
- Increase knowledge about the issues and the opponent.
- Understand and focus on the difficulties faced by the stronger opponent.
- Avoid escalating the conflict.
- Have a comprehensive perspective of the benefits in all spheres of interaction with the opponent.
- Be creative and innovative in devising offers.
- Make offers that the opponent will consider attractive, credible and reliable.

These suggestions are not entirely new. Scholars on the theory of negotiating power have underscored the

fair" is used (pp. 21-25).
importance of these factors. In particular Roger Fisher, in his paper "Sources of Negotiating Power," suggests five types of power sources that he thinks are key to negotiating power: knowledge, commitment, an elegant solution, alternative, and legitimacy. The importance of building relationship has also been extensively dealt with by Fisher and Brown in Getting Together.

Fisher's suggestion that the effectiveness of negotiating power should be determined by its contribution to other sources of power is important to increasing negotiating power, as it suggests a comprehensive understanding of the power sources and their uses. This integrated view of negotiating power is not common to other approaches. I have added certain elements to Fisher's list of power sources to suit a weak country. I have also examined these powers in light of the complexities of environmental resource negotiation since Fisher did not explicitly address this issue. I have tried to combine the complex interdependency model developed by Keohane and Nye with Fisher's model of power and Susskind's consensus building model, to come up with these suggestions.

On the other hand, what I have suggested is totally different from strategies that emphasize the merits of

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conflict for weak countries in negotiation. I have tried to argue against those who have suggested that the preferred way to gain from the unequal international system is to pursue aggressive tactics, to use force or other sources of power that will result in the opponent's defeat.

A comprehensive assessment of power in all spheres of interaction is not uncommon, but the emphasis is often on issue-specific bargaining. What I have tried to show is that such a limited focus obscures a more comprehensive view of interests and forfeits the opportunity to pursue new ideas and power sources.

The suggestion made here to strengthen links with the strong opponent is opposite to some of the most popular theories in international politics, which hold that in order to increase their influence weak countries must seek to sever relations with a powerful country by which they are dominated. Eradication of links and isolation from the strong opponent are implicit in these suggestions. These strategies might have been relevant for countries attempting national independence from colonizing powers and in similar extremes of domination, but their utility is limited in negotiations where the main objective is to develop working relations for greater future cooperation. As strengthening links with a strong opponent involves working across national
boundaries the sensitive issue of infringement on sovereignty is likely to arise. There have been political alliances on the basis of major ideologies through which even weak countries have increased their collective power. Many weaker states have actually used lobbies to influence stronger countries decisions in their favor, and the international development agencies have been functioning transnationally. In the economic sphere such transnational activities are even more visible. Proponents of international free trade have actually suggested even stronger ties among nations.

The suggestion made here for greater links differs from the above examples in that it proposes that weak countries make a conscious attempt, with full understanding of the consequences and limitations of the approach, to find allies within the strong country that have interests similar to those of the weak country. It also differs in recommending that the weak countries are not just recipients of the influence of strong countries but they too seek ways to influence. The links envisaged here actually result from the impetus of the weak countries.

Focusing on the difficulties of the opponent and on helping the opponent to make a favorable decision is an unconventional approach to enhancing negotiating power. Those who have been emphasizing the need for a consensual
approach to negotiation and those who have emphasized the need for post-negotiation relationships have always suggested focusing on the difficulties of the opponent and making demands in such a way that it becomes easier for the opponent to reach a decision. Here I have recast the idea in the light of environmental resource negotiation, where cooperation is crucial to success. The key is to ask why the stronger opponent cannot accept a decision that the weak country favors, rather than asking the conventional question of how the weak country can increase its power to make the strong opponent accept its demands. The focus is on the internal institutional structure and political power balance within the strong country. The value of this approach for weaker countries is that it opens up new avenues for action.

Common examples of successful negotiation by weaker countries have highlighted the value of assertiveness, escalation, determination to fight, threats to retaliate and imposition of cost on the strong country. These suggestions are drawn primarily from the context of conflict and war, where the ultimate objective is to defeat the opponent. Despite their merits in such situations these tactics limit weak countries' options to act and can lead them to become prisoners of their own actions. In fact, I have argued that they often decrease weaker countries' negotiating power.
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