

Influence of Nepal's Foreign Policy on Domestic Political Dynamics

¹*Aswasthama Bhakta Kharel, PhD*

¹Assistant Professor of Political Science, Tribhuvan University
Ratna Rajyalaxmi Campus, Kathmandu, Nepal

[(Email: aswasthama.kharel@gmail.com), ORCID: <https://orcid.org/0009-0009-9203-4040>]

Article History: Received 25 Dec. 2023; Reviewed 30 Jan. 2024; Revised 25 Feb. 2024; Accepted 10 March 2024.

Copyright:  This work is licensed under a Creative Commons Attribution-Non Commercial 4.0 International License.

Abstract

This research explores the impact of Nepal's foreign policy on its domestic politics, analyzing how international relations shape internal political dynamics. Through a thorough examination of secondary sources, the study investigates key elements such as economic aid, trade agreements, military cooperation, and diplomatic relations with major global and regional powers. The findings reveal that Nepal's strategic location between India and China significantly affects its domestic political landscape, influencing political alliances and public opinion. Specifically, economic aid and foreign investments have a direct impact on domestic policy decisions, while international trade agreements affect local economic stability and political attitudes. Additionally, the role of the Nepalese diaspora and labor migration agreements reflects the complex relation between foreign policy and domestic labor markets. The research analyzes the importance of a balanced and nuanced foreign policy that addresses both geopolitical pressures and domestic needs to maintain political stability and foster development in Nepal. It recommends enhancing transparency in foreign policy decisions and increasing public engagement to reduce negative domestic impacts and promote a more inclusive political environment.

Keywords: Foreign Policy, diplomacy, domestic politics, international relation, political instability

Introduction

In recent decades, the intersection of foreign policy and domestic politics has become a pivotal area of study, particularly for nations strategically positioned within the global geopolitical landscape. Countries, regardless of their size, continually navigate the complexities of international relations to balance external engagements with internal stability. This dynamic is notably pronounced in nations like Nepal, which, after restoring democracy in 1990, has experienced significant political transformations influenced by its foreign policy. Nepal's strategic location between major powers such as India and China has made it particularly susceptible to external influences that impact its domestic political landscape. The role of economic aid, trade agreements, military cooperation, and diplomatic relations with these powers has been crucial in shaping Nepal's internal political alliances and public

opinion. Despite these influences, there is a notable gap in the comprehensive understanding of how these external factors translate into domestic political changes. The research problem at the heart of this study is to elucidate the specific mechanisms through which Nepal's foreign policy impacts its domestic political landscape. The central research questions guiding this investigation are: How do foreign policy decisions affect domestic political stability in Nepal? In what ways do economic aid and foreign investments influence domestic policy-making? How do international trade agreements shape local economic stability and political sentiments? What is the impact of diplomatic and military relations with major global and regional powers on Nepal's internal political dynamics? Additionally, this study seeks to explore how the Nepalese diaspora and labor migration agreements affect domestic labor markets and political landscapes.

The objectives of this research are to analyze the influence of Nepal's foreign policy on its domestic political stability, to investigate the role of economic aid and foreign investments in shaping domestic policies, to examine the effects of trade agreements on local economies and political sentiments, and to assess the impact of diplomatic and military relations on internal political dynamics. By addressing these objectives, the study aims to bridge existing gaps in the literature and offer insights for enhancing Nepal's approach to navigating its foreign policy challenges while fostering internal political stability and development.

Literature Review

Foreign policy and domestic politics are deeply interlinked, with each influencing and shaping the other in significant ways. Foreign policy refers to the strategies and decisions a state adopts to manage its interactions with other countries and international organizations. It encompasses a wide array of activities, including diplomacy, economic aid, military alliances, and trade agreements. Domestic politics, on the other hand, involves the internal political activities, decisions, and behaviors within a country, including the functioning of its political institutions, the roles of political parties, and the behavior of its citizenry. The relationship between foreign policy and domestic politics has been a central topic in international relations (IR) theory. Fearon (1998) discusses how domestic political considerations often drive foreign policy decisions, as leaders seek to maintain or enhance their political standing at home by pursuing specific international agendas. Kaarbo (2015) highlights that the foreign policy analysis has increasingly recognized the significance of domestic political factors in shaping international relations. This perspective, often termed the "domestic politics turn" in IR theory, posits that internal political dynamics, including public opinion, interest groups, and bureaucratic politics, play a crucial role in determining a country's foreign policy choices. This approach challenges the traditional realist view, which primarily considers states as unitary actors responding to external threats and opportunities.

Hussain (2011) elaborates on the effect of domestic politics on foreign policy decision-making, noting that political leaders often face pressures from various domestic constituencies, such as political parties, business groups, and the media. These pressures can lead to foreign policy decisions that are more reflective of internal political needs than of strategic international considerations. Role theory in foreign policy analysis, as discussed by Cantir and Kaarbo (2012), further illustrates how domestic politics shapes a country's international behavior. This theory suggests that political actors within a state assign specific roles to their country based on historical, cultural, and political contexts. These

roles, in turn, influence how the country interacts with others on the global stage. The contested nature of these roles within domestic political arenas can lead to significant shifts in foreign policy, depending on which internal actors prevail. Small states, in particular, often exhibit pronounced interactions between domestic politics and foreign policy, as demonstrated by Doerer (2011) in his study of Denmark's "footnote policy." Changes in domestic political coalitions and leadership in small states can lead to substantial alterations in foreign policy, reflecting the high sensitivity of these states to internal political shifts. Lindsay (2000) discusses the concept of "leadership" in the context of domestic politics and foreign policy. He argues that effective foreign policy leadership requires not only a keen understanding of international affairs but also the ability to navigate and leverage domestic political landscapes. Leaders must build coalitions, manage public opinion, and negotiate with various political actors to implement foreign policy decisions effectively.

Historical Overview of Nepal's Foreign Policy and its Domestic Impact

Nepal's foreign policy has evolved significantly, influenced by its strategic positioning between two major powers, India and China, as well as its historical and political contexts. Historically, Nepal maintained a policy of isolationism until the mid-20th century. This began to change following the fall of the Rana regime in 1951, marking the beginning of Nepal's efforts to engage more actively in international relations (Khanal & Paudel, 2021). Indo-Nepal Treaty of Peace and Friendship in 1950 marked the start of formal diplomatic relations between Nepal and India, allowing for free movement of people and goods and mutual defense cooperation. This treaty solidified Nepal's ties with India but also set the stage for future complexities in their relationship (Khanal, 2019; Adhikari, 2018). The treaty has been a source of both cooperation and contention. It facilitated strong economic and cultural ties but also led to concerns about sovereignty and unequal relations, influencing nationalist sentiments and political discourse within Nepal. Nepal joined the United Nations, signaling its intent to participate in the global community. This move marked a departure from its isolationist past and paved the way for broader international engagement (Baral, 2018). During King Mahendra's reign, Nepal adopted a non-aligned foreign policy, aiming to balance its relations between India and China without aligning formally with either bloc. This period saw Nepal seeking to maximize its strategic autonomy by engaging both neighbors (Dahal, 2018). Nepal-China Boundary Treaty of 1960 demarcated the boundary between Nepal and China, further solidifying bilateral relations. It reflected Nepal's effort to balance its dependency on India by fostering a strong relationship with China (Atique, 1983). The treaty strengthened Nepal-China relations, providing Nepal with an alternative to Indian influence. This move was instrumental in promoting a sense of strategic balance and national sovereignty but also required careful diplomatic management to avoid alienating.

Nepal played a pivotal role in the establishment of South Asian Association for Regional Cooperation (SAARC) in 1985, promoting regional cooperation in South Asia. This move was aimed at enhancing regional stability and economic development. By fostering regional cooperation, SAARC has contributed to economic development and regional stability, indirectly benefiting domestic political stability. It has also provided a platform for Nepal to address bilateral issues with its neighbors in a multilateral context (Baral, 2018). The new atmosphere pointed out between bloc rivalries have made the policy of Non-Alignment redundant and obsolete. They have not realized that many dangers that could derail these positive processes still exist. Indeed, the growing understanding and rapprochement between the superpowers have contributed significantly to security and peace at the global and regional

levels (Kharel, 2020). Nepal expanded its diplomatic footprint by establishing embassies and consulates worldwide, participating more actively in international forums, and seeking development aid from diverse sources (Ghimire, 2023). The restoration of democracy by 1990 People's Movement led to significant shifts in Nepal's foreign policy, with a greater emphasis on economic diplomacy and development aid (Khanal & Paudel, 2021). Nepal sought to diversify its international partnerships beyond India and China, engaging more with Western countries and international organizations for development assistance and economic cooperation (Adhikari, 2018). Comprehensive Peace Agreement (CPA) of 2006 ended the decade-long Maoist insurgency, leading to significant political changes and impacting Nepal's foreign policy priorities, particularly in seeking international support for peace and reconstruction (Dahal, 2018). The CPA's successful negotiation was partly facilitated by international mediation and support, showcasing the role of foreign policy in domestic peace-building. It led to the end of the Maoist insurgency, paving the way for political reforms and the establishment of a federal republic. Abolition of the monarchy and declaration of a republic marked a new era in Nepal's foreign policy, with increased focus on consolidating democracy and federalism, and fostering international partnerships to support these transitions (Khanal, 2019). The constitution of Nepal 2015, influenced by various international norms and supported by international partners, aimed to create a more inclusive and federal political system. However, it also sparked domestic protests and tensions, particularly among marginalized groups, reflecting the complexity between foreign support and internal political dynamics.

The Role of India and China in Nepal's Foreign Policy

Nepal's relationship with India has deep historical roots, characterized by cultural, religious, and economic ties. The 1950 Treaty of Peace and Friendship established a formal framework for bilateral relations, allowing for open borders and mutual security arrangements (Dahal, 2018). However, this treaty has been a point of contention, with critics arguing that it compromises Nepal's sovereignty and benefits India disproportionately (Shukla, 2006). Over the decades, India has been a key player in Nepal's political affairs, supporting democratic movements and influencing major political changes, such as the 1990 People's Movement and the 2006 Jana Andolan II (Rana, 2013). In contrast, Nepal's relations with China have been less extensive historically but have grown significantly since the 1950s. The Sino-Nepal Treaty of Peace and Friendship in 1960 marked the beginning of a formal diplomatic relationship, emphasizing mutual respect for sovereignty and territorial integrity. China has strategically engaged with Nepal to counterbalance Indian influence, providing economic aid, infrastructure development, and military cooperation (Dahal, 2018). The construction of the Arniko Highway and other infrastructure projects has symbolized China's growing presence and influence in Nepal (Pankaew & Kaewkhunok, 2022).

In recent years, Nepal has adopted a hedging strategy, balancing its relations with both India and China to maximize national interests and autonomy. This approach is evident in Nepal's active participation in both the Indian-led South Asian Association for Regional Cooperation (SAARC) and the Chinese-led Belt and Road Initiative (BRI) (Mainali, 2022). While India remains a dominant trade partner and cultural influences, China's role in Nepal's economic development has expanded, particularly through investments in infrastructure and energy projects (Pankaew & Kaewkhunok, 2022). Nepal's strategic location between India and China makes it a focal point in South Asian geopolitics. This positioning provides Nepal with both opportunities and challenges in its foreign policy. Historically, Nepal has

served as a buffer state between the competing interests of India and China. This status has required Nepal to navigate a delicate balance, avoiding over-reliance on either neighbor while leveraging their interests to enhance its own strategic autonomy (Dabhade & Pant, 2004). The geopolitical competition between India and China in Nepal is particularly evident in their respective investments and influence campaigns, each aiming to secure Nepal as an ally in the broader regional power dynamics (Rana, 2013).

Economically, Nepal benefits from its ability to attract aid, investment, and trade from both India and China. Indian aid has traditionally focused on smaller development projects and humanitarian assistance, while Chinese investment has targeted large-scale infrastructure projects such as highways, hydropower plants, and airports (Pankaew & Kaewkhunok, 2022). These investments not only drive economic growth but also enhance Nepal's strategic importance in regional logistics and trade networks. In terms of security, Nepal's military cooperation with both India and China reflects its balanced approach. India has historically been the primary source of military training and equipment for Nepal, maintaining close defense ties through regular joint exercises and strategic dialogues (Shukla, 2006). Meanwhile, China has increased its military engagement through training programs, defense supplies, and strategic support, reinforcing its commitment to Nepal's sovereignty and stability (Dahal, 2018). Diplomatically, Nepal's foreign policy aims to maintain friendly and cooperative relations with both India and China, emphasizing non-alignment and mutual respect. This balancing act is crucial for Nepal to prevent any single power from exerting undue influence over its domestic affairs (Mainali, 2022). The recent emphasis on multilateral engagement, such as participation in regional organizations and international forums, also highlights Nepal's efforts to diversify its diplomatic partnerships and enhance its global standing (Rana, 2013).

Impact of International Trade Agreements on Political and Economic Landscape of Nepal

The impact of international trade agreements on Nepal's economic stability and political sentiments has been significant, marked by both opportunities and challenges. Since joining the World Trade Organization (WTO) in 2004, Nepal has been integrated into the global trading system, which has influenced its economic landscape profoundly. Thapa (2010) notes that WTO membership brought about the necessity to comply with global trade standards which has aimed to open up markets and increase the competitiveness. While this integration has facilitated access to international markets, it has also exposed domestic industries to intense competition, leading to both growth and hardship. Sauvé (2005) highlighted that the social adjustment costs of WTO accession were substantial, with sectors like agriculture and manufacturing facing significant pressure to modernize and adapt. Moreover, trade liberalization policies have aimed to attract foreign investment and stimulate economic growth. Khadka (2019) points out that these policies have had mixed outcomes; while there has been a notable increase in foreign trade and investment, the benefits have not been evenly distributed, often exacerbating regional and social inequalities.

Political sentiments in Nepal have also been shaped by the impacts of international trade agreements. The increased economic activities and opportunities resulting from trade agreements have, on one hand, garnered support for further liberalization and integration into the global economy. On the other hand, Samanta and Yadav (2021) argue that the perceived threats to local industries and jobs have fueled nationalist and protectionist sentiments among various political factions. The trade agreements,

particularly with neighboring countries like India and China, have often been viewed through the lens of geopolitical competition, affecting domestic political discourse and alignment. According to Chaudhary et al. (2018), the gravity model analysis of Nepal's trade reveals that while trade agreements have bolstered economic ties and growth, they have also necessitated careful management of bilateral relations to avoid economic dependencies. Kohl et al. (2016) further emphasize that the effectiveness of trade agreements in stimulating trade varies, with Nepal needing to navigate the complexities of multiple agreements to maximize benefits. Overall, the impact of international trade agreements on Nepal's economy and politics underscores the delicate balance required to harness global opportunities while safeguarding domestic interests and maintaining political stability.

Despite extensive literature on Nepal's foreign policy and its bilateral relations with neighboring countries, there remains a significant gap in analyzing the ways in which these foreign policy decisions directly impact Nepal's domestic political dynamics. Existing studies primarily focus on the historical evolution and strategic dimensions of Nepal's foreign policy, often overlooking the immediate and long-term domestic political implications. The intersection of foreign economic aid, trade agreements, and domestic policy shifts has not been thoroughly explored, leaving a gap in assessing how international engagements influence internal political stability and public sentiment. This research addresses these gaps by providing a comprehensive analysis of how Nepal's foreign policy, particularly its interactions with India and China, affects domestic political alliances, economic policies, and public opinion. It also explores the role of the Nepalese diaspora and labor migration in shaping domestic political discourse, offering a holistic view that integrates economic, political, and social dimensions.

Research Methodology

The research methodology for investigating the impact of Nepal's foreign policy on its domestic politics employs a comprehensive analysis of secondary data sources. This approach involves collecting and analyzing existing literature, historical records, government documents, policy papers, scholarly articles, and relevant databases to gather insights into the relationship between foreign policy and domestic political dynamics in Nepal. The study reviews key texts on Nepal's foreign policy, including academic journals, books, and reports from international organizations, to understand the historical and contemporary developments in Nepal's foreign relations. This analysis extends to examining economic aid, trade agreements, military cooperation, and diplomatic relations with major global and regional powers, particularly India and China. By synthesizing data from various secondary sources, the research aims to identify patterns and correlations between foreign policy decisions and their domestic impacts. The methodology also includes a comparative analysis of similar case studies from other small states to contextualize Nepal's experiences within a broader framework of international relations theory. This methodological approach analyzes how external geopolitical pressures and foreign engagements influence Nepal's internal political landscape. However, it is essential to consider the limitations too. Reliance on secondary data may have resulted in biases or gaps in the available information. The lack of primary data collection means that real-time perspectives and contemporary insights from key stakeholders are not directly incorporated into the study. Despite these constraints, this approach provides a broad and insightful overview, with the limitations being addressed through careful selection and critical evaluation of the secondary sources used. Future research could benefit from incorporating primary data collection methods, such as interviews and surveys, to complement and validate the findings derived from secondary sources.

Findings and Discussion

Nepal's strategic positioning between the two major powers, India and China, profoundly influences its domestic political landscape. As a landlocked nation bordered by these two giants, Nepal's foreign policy decisions are often a balancing act aimed at maintaining favorable relations with both. This geopolitical reality has led to significant shifts in political alliances and public opinion within the country. Nepal's relationship with India has historically been strong, with cultural, economic, and political ties deeply embedded in its domestic affairs. However, periods of strained relations, such as during the 2015-2016 economic blockade by India, have pushed Nepal to strengthen its ties with China, leading to significant Chinese investments in infrastructure and trade agreements. These shifts are not merely diplomatic but also affect domestic politics, as political parties align their strategies to either favor Indian or Chinese support, influencing electoral outcomes and government policies (Dahal, 2018; Pankaew & Kaewkhunok, 2022). During the economic blockade, there was a significant public and political shift towards pro-China sentiment, with the Nepal Communist Party (NCP) leveraging this sentiment to gain political ground. The Belt and Road Initiative (BRI) agreements with China have further solidified this shift, with public opinion favoring enhanced connectivity and economic cooperation with China. Conversely, when relations with India are more favorable, pro-India factions, such as those within the Nepali Congress, tend to gain more influence. This dynamic creates a complex political environment where foreign policy decisions directly influence domestic political stability and public sentiment. The geopolitical tug-of-war also manifests in infrastructure projects, economic policies, and cultural exchanges, further embedding the influence of these neighboring powers in Nepal's domestic affairs (Rana, 2013; Shukla, 2006).

Impact of Economic Aid and Foreign Investment in Nepal

Economic aid and foreign investments have had significant direct effects on Nepal's domestic policy decisions, often shaping the country's development trajectory and political landscape. Foreign aid has been pivotal in financing infrastructure projects, healthcare, and education, thereby influencing government priorities and policy directions. Empirical evidence shows that foreign aid has contributed to Nepal's economic growth, although its effectiveness varies depending on the management and implementation of these funds (Pradhan & Phuyal, 2020). Policies related to economic development, poverty alleviation, and social welfare are frequently influenced by the conditions attached to foreign aid, compelling Nepal to align its domestic policies with the strategic interests of donor countries. For instance, Japanese aid has significantly impacted Nepal's economic development, fostering advancements in technology and infrastructure, which are critical for sustaining long-term economic growth (Upadhyaya, 2020). The influx of foreign investments has also led to observable changes in local economic stability and political sentiments. Foreign investments, particularly in sectors such as hydropower, tourism, and manufacturing, have created job opportunities, improved local infrastructure, and stimulated economic activity, contributing to overall economic stability. However, the dependency on foreign aid and investments can sometimes lead to political and economic vulnerabilities, as domestic policies may need to cater to the interests of foreign donors and investors, potentially at the expense of national priorities (Bhattarai, 2005). This dynamic can influence political sentiments, with public opinion often swaying based on the perceived benefits or drawbacks of foreign economic involvement. Increased foreign investment has sometimes sparked debates about sovereignty and economic autonomy, reflecting broader concerns about the long-term implications of relying heavily

on external funding (Karki, 2019). The effectiveness of foreign aid suggests that while it can catalyze growth, it also necessitates robust domestic governance frameworks to ensure that such aid translates into sustainable development outcomes (Bhattarai, 2009).

Role of the Nepalese Diaspora and Labor Migration Agreements

The role of the Nepalese diaspora and labor migration agreements is pivotal in shaping Nepal's domestic labor markets and political decisions. The Nepalese diaspora, estimated to be in the millions, is primarily concentrated in the Middle East, Malaysia, India, and other countries (Subba & Sinha, 2016). This diaspora has become a cornerstone of Nepal's economic framework through the remittances they send back home, which significantly contribute to the country's GDP (Hutt, 2012). These remittances are vital for many Nepalese households, providing essential financial support that helps lift families out of poverty and funds critical expenditures such as education and healthcare. This economic support, however, comes with a degree of vulnerability. The Nepalese economy has become highly dependent on these remittances, making it susceptible to global economic fluctuations and the political and economic climates of the host countries (Seddon et al., 1998). Such dependencies necessitate effective labor migration agreements to ensure the protection and rights of Nepali workers abroad. Labor migration agreements are central to facilitating and regulating the flow of Nepali workers to foreign labor markets. These agreements with countries like Qatar, Saudi Arabia, and Malaysia often include provisions that directly impact labor rights, wages, and working conditions (Kunwar, 2020). Effective labor diplomacy, which is becoming increasingly important in Nepal's foreign policy, aims to secure favorable terms for Nepali workers, ensuring their welfare and safety (Bashyal & Subedi, 2021). For instance, improvements in labor agreements have resulted in better wages and working conditions for Nepali migrants, which in turn support higher remittance inflows. These agreements also influence domestic labor policies, prompting the Nepalese government to adapt its labor laws to better align with international standards and ensure that the workforce is prepared for overseas employment. The interplay between labor migration policies and domestic labor markets is significant, as these policies determine the scale and nature of labor exports, affecting domestic employment rates and economic stability.

Beyond economic contributions, the political influence of the diaspora is also profound. The Nepali diaspora actively participates in the country's political processes, advocating for policy changes and supporting national interests abroad. Diaspora diplomacy has emerged as a critical component of Nepal's foreign policy, reflecting efforts to engage and mobilize Nepali communities globally (Sharma, 2021). As an instance the diaspora played a vital role in disaster relief efforts following the 2015 earthquake, providing substantial financial and logistical support, which influenced domestic policies on disaster management and highlighted the importance of diaspora engagement (Pariyar et al., 2014). Furthermore, the lobbying efforts of the diaspora in host countries have led to significant shifts in bilateral relations, impacting Nepal's foreign policy decisions. Advocacy for better working conditions and rights for Nepali workers has prompted revisions in labor migration agreements, enhancing protections for migrant workers (Adhikari, 2023).

Socio-Political Dynamics of Nepal Influenced by Foreign Policy

Nepal's foreign policy has significantly influenced its governance structures and political leadership over the years. The strategic positioning of Nepal between two major powers, India and China,

necessitates a diplomatic balancing act that profoundly affects domestic political alignments and leadership decisions. Historically, Nepal's monarchy maintained a neutral stance to leverage the benefits of good relations with both neighbors. However, the transition to a republic in 2008 marked a shift in this approach, with successive governments oscillating between pro-India and pro-China policies to suit their political agendas (Adhikari, 2018). This geopolitical balancing act has resulted in the formation of coalition governments and frequent changes in leadership, as political parties realign themselves based on the prevailing foreign policy stance. For example, the tenure of Prime Minister K.P. Sharma Oli saw a pronounced tilt towards China, exemplified by agreements on the Belt and Road Initiative (BRI) and significant Chinese investment in infrastructure projects. Conversely, other administrations have sought to restore and strengthen ties with India, affecting domestic policies and governance structures to align with these international partnerships (Khanal, 2019).

Public perception in Nepal regarding its foreign policy decisions is a potent force that shapes political activism and domestic policy. The populace often views foreign policy decisions through the lens of national sovereignty and economic benefit. For instance, the perception of excessive Indian influence, particularly during the 2015 unofficial blockade, galvanized nationalist sentiments and anti-India protests, influencing the government's foreign policy to adopt a more China-friendly stance (Baral, 2018). Political activism in Nepal frequently intersects with foreign policy issues, with youth movements and civil society organizations playing pivotal roles. The 2015 Constitution, which was seen by some as being influenced by Indian interests, led to significant domestic unrest and political mobilization. Activists and political groups demanded a foreign policy that would assert Nepal's sovereignty more robustly, illustrating how domestic political activism can be a response to foreign policy dynamics (Ghimire, 2023). The media and civil society in Nepal are crucial in shaping the discourse around foreign policy. Media outlets, ranging from traditional newspapers to digital platforms, regularly debate and critique government foreign policy decisions, providing a channel for public opinion to be heard. Civil society organizations, including think tanks and advocacy groups, also play a critical role by conducting research, publishing reports, and engaging in public dialogue about the implications of foreign policy decisions (Dahal, 2018). The role of media was particularly evident during the 2015 blockade, where extensive coverage and critical reporting highlighted the humanitarian and economic impacts, fostering a national debate on the direction of Nepal's foreign policy. Civil society groups have similarly been influential in pushing for transparency and inclusivity in foreign policy-making, advocating for policies that reflect the interests of the broader populace rather than those of political elites alone (Rana, 2013).

Discussion

Nepal's foreign policy is continually adapting to the shifting geopolitical landscapes of South Asia and beyond. As global power dynamics evolve, with China's rise and India's assertive regional policy, Nepal finds itself navigating a complex web of diplomatic relations. This adaptation often involves recalibrating its diplomatic strategies to maintain a delicate balance, ensuring that it does not become overly dependent on either neighbor while also seeking to maximize benefits from both. The global shift towards multi-polarity and the increasing influence of middle powers like Japan and South Korea also impact Nepal's foreign policy. Engaging with a broader array of international partners helps Nepal diversify its economic and political dependencies, thereby enhancing its strategic autonomy. Such

engagements are visible in Nepal's participation in various multilateral forums and its efforts to attract investment from countries beyond its immediate neighborhood.

International norms and agreements significantly influence Nepal's foreign policy and domestic politics. Nepal's commitments to international organizations like the United Nations and the World Trade Organization (WTO) necessitate domestic policy adjustments to align with global standards on human rights, trade, and environmental protection. These international commitments often drive legislative and policy reforms within the country, shaping its governance structures and political priorities. Trade agreements, in particular, have profound implications for Nepal's economic stability and political sentiments. The country's accession to the WTO and subsequent trade agreements has required significant reforms in trade policy, impacting local industries and employment. These changes often spark political debate and activism as different sectors of society respond to the economic shifts brought about by these international commitments.

In the context of existing literature, the findings of this research explains the significant impact of foreign policy on domestic political stability, economic development, and governance reforms in Nepal. Previous studies have highlighted the influence of international relations on Nepal's domestic policies, but this research provides a more nuanced understanding of how economic aid, trade agreements, military cooperation, and diplomatic relations specifically shape the political landscape. For instance, the study corroborates Sharma's (2021) argument that a balanced foreign policy, fostering greater transparency and public engagement, is essential for Nepal's political stability. Additionally, it aligns with the broader discourse on the need for diversified international partnerships to enhance strategic autonomy and mitigate risks associated with geopolitical dependencies.

Looking ahead, Nepal's foreign policy strategy must continue to navigate the relationship between global and regional influences while prioritizing national interests. A more balanced foreign policy should include fostering greater transparency and public engagement in policy-making processes. This involves not only government-led initiatives but also active participation from civil society and the media to ensure that foreign policy decisions are inclusive and reflective of the broader public interest. Additionally, strengthening institutional frameworks for foreign policy implementation is crucial. This can be achieved through capacity-building initiatives within the Ministry of Foreign Affairs and other relevant bodies, ensuring that Nepal has the expertise and resources to effectively manage its international relations. Maintaining a diversified portfolio of international partnerships can help Nepal mitigate the risks associated with over-reliance on any single country, promoting a more resilient and autonomous foreign policy.

Conclusion

The impact of Nepal's foreign policy on its domestic politics is both profound and dynamic, influencing governance structures, political leadership, and public sentiment. Positioned strategically between the regional powers of India and China, Nepal's foreign policy decisions often necessitate a delicate balancing act that directly affects its internal political landscape. Trade agreements and economic aid from these neighboring giants have led to significant shifts in domestic policy, swaying political alliances and influencing public opinion. Economic aid and foreign investments have played pivotal roles in shaping local economic stability and political sentiments, demonstrating that foreign policy is not merely an external affair but a crucial determinant of internal dynamics. The Nepalese

diaspora and labor migration agreements reflected the deep interconnection between foreign policy and domestic labor markets, further emphasizing the critical nature of foreign relations in shaping national policy. The role of media and civil society in Nepal also cannot be overlooked, as they play a crucial part in shaping foreign policy debates and advocating for transparency and inclusive policymaking. As global and regional geopolitical landscapes shift, Nepal must adapt its foreign policy strategies to maintain balance and stability.

The findings suggest that a balanced, transparent, and diversified foreign policy, which takes into account both geopolitical pressures and domestic needs, is essential for fostering political stability and national development. For policymakers, this implies prioritizing the creation of robust institutional frameworks and mechanisms for greater public engagement in foreign policy decisions. This will ensure that foreign policy aligns more closely with domestic priorities and public interests. Enhanced public engagement and the integration of efficient institutional frameworks can mitigate negative domestic repercussions and promote a more inclusive political environment. This research has advocated the necessity of a nuanced approach to foreign policy that supports Nepal's political and economic resilience in an increasingly interconnected world.

References

- Adhikari, A. P. (2023). The Nepali diaspora's role in national development. *Policy Design and Practice*, 6(3), 357-380.
- Adhikari, D. R. (2018). A small state between two major powers: Nepal's foreign policy since 1816. *Journal of International Affairs*, 2(1), 43-74.
- Atique, F. (1983). Nepal's foreign policy. *Pakistan Horizon*, 36(4), 94-108.
- Baral, B. N. (2018). Changing dynamics of Nepalese foreign policy: Patterns and trends. *Journal of Political Science*, 18, 25-45.
- Bashyal, K., & Subedi, B. (2021). Labour Diplomacy and Migration governance in Nepal. *J. Foreign Aff.*, 1, 107.
- Bhattarai, B. P. (2009). Foreign aid and growth in Nepal: An empirical analysis. *The Journal of Developing Areas*, 42(2), 283-302.
- Bhattarai, B. P. (2005). *The effectiveness of foreign aid: A case study of Nepal* (Doctoral dissertation, University of Western Sydney (Australia)).
- Cantir, C., & Kaarbo, J. (2012). Contested roles and domestic politics: reflections on role theory in foreign policy analysis and IR theory. *Foreign policy analysis*, 8(1), 5-24.
- Chaudhary, S. K., Xiumin, L., & Khan, M. K. (2018). The factors affecting Nepal's trade: gravity model analysis. *European Academic Research*, 5(12), 6766-6782.
- Dabhade, M., & Pant, H. V. (2004). Coping with challenges to sovereignty: Sino-Indian rivalry and Nepal's foreign policy. *Contemporary South Asia*, 13(2), 157-169.
- Dahal, G. (2018). Foreign relation of Nepal with China and India. *Journal of Political Science*, 18, 46-61.
- Dahal, R. K. (2018). The need of change in contemporary Nepalese foreign policy. *Journal of Political Science*, 18, 82-113.

- Doeser, F. (2011). Domestic politics and foreign policy change in small states: the fall of the Danish 'footnote policy'. *Cooperation and Conflict*, 46(2), 222-241.
- Fearon, J. D. (1998). Domestic politics, foreign policy, and theories of international relations. *Annual Review of Political Science*, 1(1), 289-313.
- Ghimire, T. N. (2023). The Evolution of Nepal's Foreign Policy in a Dynamic Political Landscape. *Historical Journal*, 14(2), 101-109.
- Hussain, Z. Z. (2011). The effect of domestic politics on foreign policy decision making. *E-International Relations*, 7.
- Hutt, M. (2012). Being Nepali without Nepal: reflections on a South Asian diaspora. In *Nationalism and ethnicity in a Hindu kingdom* (pp. 101-144). Routledge.
- Kaarbo, J. (2015). A foreign policy analysis perspective on the domestic politics turn in IR theory. *International Studies Review*, 17(2), 189-216.
- Kant, R. (1971). Nepal's Foreign Policy and China. *India Quarterly*, 27(3), 203-212.
- Karki, Y. (2019). *Impact of Foreign Aid on Economic Growth in Nepal* (Master's thesis, Universitetet i Agder; University of Agder).
- Khadka, R. B. (2019). Impact of Trade Liberalization on Economic Growth of Nepal. *Janapriya Research and Consultancy Center (JRCC)*, 126.
- Khanal, G. (2019). Foreign Policy of Nepal: Continuity and Changes. *Journal of APF Command and Staff College*, 2(1), 97-102.
- Khanal, P. R., & Paudel, I. (2021). Nepal's Foreign Policy since 1950. In *Routledge Handbook on South Asian Foreign Policy* (pp. 66-80). Routledge.
- Kharel, A. B. (2020). Non-Aligned Movement: Challenges and Way Forward. *Molung Educational Frontier*, 10, 1–12. <https://doi.org/10.3126/mef.v10i0.34053>
- Kohl, T., Brakman, S., & Garretsen, H. (2016). Do trade agreements stimulate international trade differently? Evidence from 296 trade agreements. *The World Economy*, 39(1), 97-131.
- Kunwar, L. S. (2020). Foreign labour migration and governance in Nepal. *Journal of Population and Development*, 1(1), 115-129.
- Lindsay, J. M. (2000). Looking for leadership: domestic politics and foreign policy. *The Brookings Review*, 18(1), 40-43.
- Mainali, R. (2022). Analysing Nepal's foreign policy: A hedging perspective. *Journal of Asian Security and International Affairs*, 9(2), 301-317.
- Pankaew, A., & Kaewkhunok, S. (2022). The new equation of South Asia region: The rising role of China in Nepal's foreign policy. *International Area Studies Review*, 25(2), 121-137.
- Pariyar, M., Shrestha, B. G., & Gellner, D. N. (2014). Rights and a sense of belonging: Two contrasting Nepali diaspora communities. *Facing Globalization in the Himalayas: Belonging and the Politics of the Self*, 5, 256.
- Pradhan, C., & Phuyal, R. K. (2020). Impact of foreign aid on economic growth of Nepal: An empirical evidence. *International Journal of Finance and Banking Research*, 6(3), 44-50.
- Rana, M. S. (2013). China meets India in Nepal: A historical and future perspective. *Indian Journal of Asian Affairs*, 59-73.

Interdisciplinary Journal of Management and Social Sciences (IJMSS)

Vol. 5, No. 2, July 2024. Pages: 24-36

ISSN: 2738-9758 (Print), ISSN: 2738-9766 (Online)

DOI: 10.3126/ijmss.v5i2.69441

- Rana, P. S. J. (1971). India and Nepal: The political economy of a relationship. *Asian Survey*, 645-660.
- Samanta, P., & Yadav, A. (2021). Determinants of Foreign Trade in Nepal. *Anjali, Determinants of Foreign Trade in Nepal (October 21, 2021)*.
- Sauvé, P. (2005). Economic impact and social adjustment costs of accession to the World Trade Organization: Cambodia and Nepal. *Asia-Pacific Trade and Investment Review*, 1(1), 27-49.
- Seddon, D., Gurung, G., & Adhikari, J. (1998). Foreign labour migration and the remittance economy of Nepal. *Himalaya, the Journal of the Association for Nepal and Himalayan Studies*, 18(2), 7.
- Sharma, P. (2021). Diaspora Diplomacy: Emerging Priority of Nepal's Foreign Policy. *Journal of Political Science*, 21, 86-99.
- Shukla, D. (2006). India-Nepal relations: Problems and prospects. *The Indian Journal of Political Science*, 355-374.
- Subba, T. B., & Sinha, A. C. (Eds.). (2016). *Nepali Diaspora in a Globalised Era*. New Delhi: Routledge.
- Thapa, B. (2010). World trade organization and its impact to Nepal. Available at SSRN 1621756.
- Upadhyaya, Y. M. (2020). Impact of Japanese Foreign Aid: An Analysis on Economic Development of Nepal. *Review of Socio-Economic Perspectives*, 5(4), 95-107.