

DOMESTIC INSTABILITY, GLOBAL ORDER AND NEPALI FOREIGN POLICY

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Abstract

The foreign policy of Nepal is not hindered by a lack of understanding of its principles but rather by the complex relationship between domestic and external factors. In an ideal scenario, Nepal would define its interests clearly and engage with foreign powers in a rational manner to achieve its objectives. For example, if Nepal recognizes the need for foreign aid to improve its infrastructure, it would approach relevant external powers. Before doing so, Nepal would conduct thorough due diligence to assess the benefits of the project and ensure its economic viability. The entire process would be conducted transparently, allowing external actors to receive a similar deal and comprehend Nepal's reasoning. This approach would help Nepal maintain control over foreign influence. Unfortunately, Nepali leaders and policymakers have often treated foreign powers as tools to retain or gain domestic power, and at times, to serve their personal interests. This reliance on foreign powers makes them more dependent and impairs their ability to make decisions in the best interest of the nation. Therefore, it is crucial for Nepali policymakers to take matters into their own hands. The first step is to strengthen domestic unity concerning foreign and security policies, which may require leaders to sacrifice their personal or party interests. The future of Nepali foreign policy hinges on whether these leaders are willing to make such sacrifices.

Keywords: *domestic power, foreign policy, geography, global order, policymakers, politics*

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Introduction:

Nepal is a rare non-European state to enjoy formal independence from colonial domination even while civilizational powers such as China and India suffered direct or indirect colonial control until mid-20th century. The sovereign status Nepal enjoyed was the result of its geographical location and the kind of internal governance evolved within the country. In modern history, King Prithvi Narayan Shah's dictum 'yam between two boulders' has served as the base for Nepal's foreign strategies². Nepal has reached out to both China (and Tibet) in the North and India in the South, with some variations during different times.

During the Rana regime, Nepal pursued a policy of global isolationism, but largely bandwagoned with the British rulers of India, in exchange for Rana regime's autonomy at home³. Rana regime actively supported the British to maintain control over India. For instance, Jung Bahadur Rana led a Nepal Army to support the British in their efforts to put down the rebellion in 1857. Similarly, Nepal sent troops to fight alongside the British during the World War I.

The relations turned into 'special relations' between the Nepal and India after India got independence from the British colonizers and Nepal transitioned to democracy in 1951. It was signified by the signing of 1950 Treaty of Peace and Friendship between the two countries⁴. The agreement has formed the basis of Nepal's modern relations with India, though the agreement itself has come under scrutiny and criticisms from most quarters of Nepali foreign policy establishment⁵.

Nepal diversified its relations with the world since the mid-1950s, after then King Mahendra's takeover of the government. Besides establishing diplomatic relations with major powers, Nepal became a member of the United Nations in 1955. Nepal began to assert its independent foreign policy and sought to balance its relations not just with India and China, but also engaged with global powers to further its interest. The United Nations too became a critical element of Nepali foreign policy.

2 Shah, P.N. (1774-75). *Divyopadesh*. Available online at: <https://www.lawcommission.gov.np/en/wp-content/uploads/2018/09/dibbaya-upadesh-of-prithivi-narayan-shah.pdf>

3 Muni, S. D. (1973). *Foreign policy of Nepal*. Delhi: National Publishing House.

4 Muni, *ibid*.

5 Nayak, N. (2010). India–Nepal Peace and Friendship Treaty (1950): Does it Require Revision?. *Strategic Analysis*, 34(4), 579-593.

The 1960s and 1970s were the heydays of Nepali foreign policy. Nepal, a small and poor country, was able to engage with global powers and became a non-permanent member of the United Nations Security Council from 1969-70 (and later in 1989-90)⁶. Nepal was able to attract aid from India, China, the US, the Soviet Union and the European powers⁷. Nepal was a founding member of Non-Aligned Movement, a forum of countries from the Global South, which followed a middle-path in the global competition between the US and the Soviet Union. In the 25-year period between 1955-1980, Nepal established diplomatic relations with almost 70 countries⁸. The last major Nepal-led initiative in terms of Nepali foreign policy relating with the world was the ‘Zone of Peace’ concept. Though it could not succeed, more than 100 countries had signed up to it.

Nepali presence, status and influence in global arena have declined steadily since the 1990s. In the early 2000s, Nepal faced internal instability due to a Maoist insurgency, which led to a shift in its foreign policy towards seeking greater international support for peace and democracy.

In recent years, Nepal has sought to balance its relations between its two giant neighbors, India and China, while also deepening its ties with other countries in the region and beyond. At the same time, the interest from global powers such as the US and Europe has increased rapidly. There is a perception that Nepal is increasingly at the center of global geopolitics in which Nepal finds itself with less control over its own policies and greater influence from external forces.

Conceptual framework

International relations theories help explain the predicament of Nepali foreign policy. On one hand, the strategic significance of Nepal in regional and global power politics has increased. On the other hand, Nepal’s status in global order is slipping. In this context, the neo-classical realism offers an explanation and the way forward. Neoclassical realism is a theory of international relations that seeks to explain how states behave in the

6 The Permanent Mission of Nepal to the United Nations, 2023. Available online at: <https://www.un.int/nepal/#:~:text=Nepal%20served%20twice%20in%20the,Nepal's%20involvement%20is%20ever%20increasing>.

7 Dixit, K. M. (1997). Foreign aid in Nepal: No bang for the buck. *Studies in Nepali History and Society*, 2(1), 173- 186.

8 Ministry of Foreign Affairs, 2023. Nepal’s Bilateral Relations. Available online at: <https://mofa.gov.np/foreign-policy/bilateral-relation/>

international system by taking into account both systemic factors (such as the distribution of power and the nature of the international system) and domestic factors (such as the role of domestic politics and institutions)⁹. Neoclassical realism builds on the insights of classical realism, which emphasizes the role of power and the competitive nature of international politics, but adds a more nuanced understanding of how domestic politics and institutions shape a state's foreign policy.

According to neoclassical realism, a state's behavior in the international system is not solely determined by its relative power or the nature of the international system, but is also influenced by the domestic political constraints and opportunities facing its leaders. Neoclassical realism argues that leaders must balance both domestic and international considerations when making foreign policy decisions, and that the balance between these factors can shift over time, depending on changes in the international or domestic context.

This perspective emphasizes the importance of understanding the domestic political dynamics within a state in order to fully comprehend its behavior in the international system. Overall, neoclassical realism provides a more nuanced and complex view of international relations than classical realism, by recognizing the role of domestic politics and institutions in shaping a state's behavior in the international system.



The following section will analyze Nepal's foreign policy dichotomy based on the neo-classical realist framework.

Goals and structure of Nepali foreign policy making

The fundamental objective of Nepal's foreign policy is to enhance the dignity of the nation by safeguarding sovereignty, territorial integrity, independence, and promoting economic wellbeing and prosperity of Nepal. It is also aimed at contributing to global peace, harmony and

9 Rose, G. (1998). Neoclassical realism and theories of foreign policy. *World politics*, 51(1), 144-172.

security. Nepal also aims to contribute to global peace, harmony and security¹⁰.

Nepal's foreign policy is guided by principles. They include the UN charter, principles of epalsheel, and values of world peace.

The constitution provides the guiding framework for the conduct of the foreign policy. Article 50.4 of the Constitution of Nepal, 2015 directs that 'Nepal conduct its international relations towards enhancing the dignity of the nation in the world community by maintaining international relations on the basis of sovereign equality, while safeguarding the freedom, sovereignty, territorial integrity and independence and national interest of Nepal.'¹¹ Article 51 State Policy states the following:

1. To conduct an independent foreign policy based on the Charter of the United Nations, non- alignment, principles of *Panchasheel*, international law and the norms of world peace, taking into consideration of the overall interest of the nation, while remaining active in safeguarding the sovereignty, territorial integrity, independence and national interest of Nepal,
2. To review treaties concluded in the past, and make treaties, agreements based on equality and mutual interest.

Article 51, Constitution of Nepal, 2015.

The directives in the constitution are clear, but the federal government is responsible for developing appropriate strategies and policies to the end. Ministry of the Foreign Affairs is the primary agency responsible for the conduct of the foreign policy, though other ministries and security agencies such as the Nepal Army also play critical roles.

In this context, the government's understanding and interpretation of Nepal's national interest, domestic political calculations and external factors affect the conduct of foreign policy.

10 Ministry of Foreign Affairs, 2023. Foreign Policy of Nepal 2077. Available online at: <https://mofa.gov.np/wp-content/uploads/2020/12/%E0%A4%AA%E0%A4%B0%E0%A4%B0%E0%A4%BE%E0%A4%B7%E0%A5%8D%E0%A4%9F%E0%A5%8D%E0%A4%B0%E0%A4%A8%E0%A5%80%E0%A4%A4%E0%A4%BF%E0%A5%A8%E0%A5%A6%E0%A5%AD%E0%A5%AD.pdf>

11 Constitution of Nepal, 2015. Nepal Law Commission. Available online at: <https://lawcommission.gov.np/en/wp-content/uploads/2021/01/Constitution-of-Nepal.pdf>

Domestic political context

Domestic cohesion and foreign policy are closely intertwined. A country's domestic cohesion, or the level of unity and agreement among its citizens and policymakers, can have a significant impact on its foreign policy. When a country is internally divided or lacks domestic cohesion, its foreign policy decisions become less clear and less effective. Domestic divisions can lead to conflicting views on foreign policy, making it harder for a country to present a unified front when dealing with other nations.

On the other hand, when a country enjoys strong domestic cohesion, its foreign policy decisions may be more decisive and effective. A united domestic front can help a country project a stronger image to other nations and can make it easier for the country to pursue its foreign policy goals. Furthermore, domestic cohesion can also influence a country's approach to foreign policy issues.

There is general consensus among Nepali foreign policy makers about the principles and the larger goal. To reiterate, there is hardly any dissension that Nepal should have independent and non-aligned policy vis-à-vis major powers¹². There is also a universal agreement on the need for Nepal to have a 'balanced' foreign policy vis-à-vis India and China, Nepal's neighbors. This uniformity provides Nepali foreign policymakers and diplomatic partners with clarity and enhances Nepal's credibility.

However, there is no such agreement at policy level. The constant change in government/leadership¹³ with little institutional memory, and foreign policy based on political expediency, combined with a lack of transparency, have hurt Nepal's credibility.

Nepal had relatively stable government under unitary leadership during the Panchayat regime. While the government changed frequently, the King and the foreign policy remained stable. During the reign of King Mahendra, Nepal pursued a policy of diversification in foreign and economic policy, while enhancing nationalism at home. The reign was remarkably successful from Nepal's foreign policy. Nepal was able to

12 Khanal, G. (2019). Foreign Policy of Nepal: Continuity and Changes. *Journal of APF Command and Staff College*, 2(1), 97-102.

13 Nepal has seen 29 government changes since the restoration of multi-party democracy in 1990. Similarly, individual foreign secretary each has served for just over two years on average during the period. For details, see Former Secretary List, Ministry of Foreign Affairs. Available online at: <https://mofa.gov.np/former-secretary-list/>

punch above its weight in global affairs during the period. It expanded relations with all major powers, source of aid diversified and aid increased, and Nepal was able to participate respectably in multilateral forums. For the first time, Nepal became a non-permanent member of the United Nations Security Council in 1969-70.

King Birendra pursued Mahendra's foreign policy but with a more neutralist tilt. His foreign policy was focused on efforts to get them to recognize Nepal a 'Zone of Peace'. More than 130 nations acceded Nepal's request, and it became one of the central pillars of Birendra's foreign policy for more than a decade.

The principles established during the earlier period continued after Nepal democratized in 1990, and the Cold War ended globally. Prime Minister Girija Prasad Koirala outlined his foreign policy in 1992. He summarized Nepal's foreign policy as 'continuity in terms of stable relationship of trust and mutual benefit with immediate neighbors; central role for the UN; and changes in value for democracy and evolution in the traditional understanding of security'¹⁴. Yet, domestic political preoccupation among the major parties and political instability meant that the government could hardly have coherent policy.

Since 1990, Nepali governments have lasted barely a year in power.

In addition, the start of Maoist insurgency in 1996 brought entire attention to domestic security. In doing so, Nepal's foreign policy was the victim. During the period, there was no major foreign policy initiative or strategy. Most government conducted foreign policy on an ad hoc basis, and reacted to regional and global developments, rather than making any concrete efforts to change them to Nepal's national interest. Also, multilateral agencies and development partners assumed the role of investing in development, firstly for the Millennium Development Goals and later for Sustainable Development Goals. The country was ravaged by the insurgency and counter-insurgency and Nepal fell down steeply in global order.

The end of Maoist insurgency also brought about a change in political system and constituent assembly elections for a new constitution, but not any change in political instability. Leaders preoccupation with trying to hold onto power if in government, and bring down the government if in

14 Koirala, GP (1992). Nepal's foreign policy: an outline, Nepal Council for World Affairs Journal, pp 1-5)

opposition or if it was disgruntled faction of the party in government, continued. Besides, the post-conflict reconciliation and constitution consumed the rest of the oxygen. In this period, the UN again became a critical part of Nepali foreign policy through the United Nations Mission in Nepal (UNMIN). Again, the country at large was preoccupied with internal issues.

Nepal first had its foreign policy, in form of Foreign Policy of Nepal 2077, when a supposedly strong leftist government came to power after elections in 2018. Yet, the constant politicization of the foreign policy establishment has weakened Nepal's diplomacy.

The debate on the Millennium Challenge Corporation (MCC) provides a stark example. Nepal and the US started negotiating about the compact since 2013 and the compact was signed in 2017¹⁵. The agreement was finally ratified in 2022. During the phase, all the three major establishment parties, namely Nepali Congress, CPN-UML, and CPN-MC led the government, and were aware of the development. However, all the major political party and leaders spurned the issue as it befitted their personal/party goals¹⁶.

Pushpa Kamal Dahal co-wrote a letter supporting the MCC in private, but continued to oppose the agreement in public until he did the volte-face at the last minute¹⁷. Oli championed the issue when he was in power, but was ambivalent when he was in opposition.

The narrative regarding the MCC almost exclusively focused on what U.S. intentions are. This can be read clearly by the kind of questions that the Ministry of Finance sent to the MCC for clarification. Of the nine questions asked, most related to U.S. intentions. For instance, questions interrogate the basis of U.S claims that its "support under MCC is selfless" or that its interest in Nepal is "not prioritized under military strategy" or Nepal's strategic location. These questions reflect

15 Millennium Challenge Account Nepal, 2023. Available online at: <https://mcanp.org/en/>

16 Poudel, SS (2022). Nepal's MCC debate reflects its flaws in decision-making. *The Diplomat*. Available online at: <https://thediplomat.com/2022/02/nepals-mcc-debate-reflects-flaws-in-its-decision-making/>

17 Poudel, SS (2022). What lies behind Prachanda's volte face on Nepal's ratification of the MCC. *The Diplomat*. Available online at: <https://thediplomat.com/2022/03/what-lies-behind-prachandas-volte-face-on-nepals-ratification-of-the-millennium-challenge-compact/>

the ministry's thoughts and mirror the public debate. Clearly, Nepali policymakers had no confidence that they negotiated in good faith and understood the US intentions when signing the agreement, nor do they have any confidence in their own ability to decipher the US intentions, thus the need to rely on American 'assurance' that the MCC is not part of the Indo-Pacific strategy or that it is self-less. Besides, the focus on policymaking was not on Nepal's ability to manage and minimize the potential implications of the US engagement. The saga reflected Nepal's inferiority complex and a lack of belief in its own decision-making.

It is safer to assume that even grants come with strings attached. The relentless focus on the U.S. intentions can be a result of the inferiority complex that Nepali decision-makers have. Some discount the agency of Nepal and argue that the superpower will get what it wants; therefore, it is better to focus on their intentions. Others believe that Nepali institutions are very weak; therefore, Nepalis cannot trust their own institutions to allay fears of American meddling, and hence need to seek assurance from the

U.S. itself. The debates also showed that the leaders were insecure in bringing the issue up for vote in the parliament and trust the sovereign parliament to make the right decision. This reflected the institutional weakness of every institution involved.

Such weakness lies with the political parties and the bureaucracy. Since 2008, Nepal has seen fragile coalitions. Therefore, keeping a grip on power has sucked the energy of all the prime ministers. There has been almost a government every year since the 1990s. Besides, Nepal's foreign policy establishment lacks the continuity in policy formulation and implementation due to frequent changes in government and leadership. Another challenge is the lack of capacity and expertise among government officials responsible for foreign policy. This has hindered the country's ability to effectively navigate complex international issues and engage in strategic partnerships with other nations.

This is reflected in Nepal's inability to implement agreements with foreign countries. Nepal's political leaders have sold the idea of a trans-Himalayan road/rail network for decades now. They have touted the connectivity with the Northern neighbor as the way to end Nepal's India-lockedness¹⁸. Accordingly, Nepal signed the Belt and Road Initiative

18 Poudel, SS, 2023. With China's help, Nepal chips away at its India lockedness. The Diplomat. Available online at: <https://thediplomat.com/2022/12/with-chinas->

(BRI) agreement with China in 2017. However, not a single project under the BRI has been concretely implemented despite the concern of every visiting Chinese delegation to Nepal.

This is not to suggest that the Nepali foreign policy establishment has been toothless. When there is national cohesion on a specific agenda, it has been able to thwart major regional powers. In 2019, India released a new map that included the disputed Lipulekh-Limpiadhura-Kalapani region as part of its own territory, further escalating tensions between the two countries. Nepal responded by issuing a statement rejecting the Indian map and calling for a dialogue to resolve the dispute. In June 2020, Nepal's parliament passed a constitutional amendment that officially included the disputed region in Nepal's map. This move was seen as a significant escalation of the territorial dispute and drew strong criticism from India. Despite India's pressures, Nepal remained steadfast in its claims. Though Nepal has not taken any further activities to lay the claim on ground, and the area remains under the 'de facto' Indian control, the episode shows that Nepal can stand up for its national interests and territorial integrity when there is political consensus among the establishment.

Global order and Nepal

Nepal is a small power situated between two large neighbors with whom it shares deep historical, cultural, and economic ties. The competition between India and China for regional dominance has created a complex environment for Nepal, forcing it to navigate carefully between the two powers. Besides, Nepal also had to contend with 'external' powers, and their influence.

Nepal had to manage regional and global power balance at the same time, though the regional power balance has larger impact on Nepali foreign policy. In the immediate aftermath of Nepal's democratization, the US was the first to engage Nepal via aid. However, the Soviet Union soon followed suit. Nepal engaged with both the superpowers without leaning one way or the other. She also developed relations with the rest of global powers to diversify her diplomatic and strategic interests. Neither of the superpowers had any 'direct' interest in Nepal during the Cold War¹⁹. South Asia was hardly of primary interest to them. However, given

[help-nepal-chips-away-at-its-india-lockedness/](#)

19 McMahon, R. J. (1994). *The cold war on the periphery: The United States, India, and Pakistan*. Columbia University Press.

Nepal's strategic position, both the superpowers wanted to maintain their presence in Nepal. The American engagement in Nepal ebbed and flowed depending upon its relations with China²⁰. After the rapprochement with China in the 1970s, its engagement, if measured in terms of aid, declined significantly.

The Sino-American cooperation and competition continues to have a significant impact on Nepal in the post-Cold War era²¹. As they compete for economic dominance, this has resulted in a trade war and the imposition of tariffs, which has had an impact on the global economy. Additionally, the two countries have differing ideologies and approaches to governance, which has led to tensions in areas such as human rights, cyber security, and territorial disputes²². This has created a divide in the international community, with countries being forced to choose sides or navigate between the two superpowers. The competition has also had a significant impact on global supply chains, with many companies rethinking their reliance on China and the US.

The evolving global order, caused by rising China (and India in recent decades), affects Nepal in two ways. First, the cooperation and competition between the US and China largely sets up the global agenda²³. They are dominant in the international institutions and creating norms. For instance, the rise of China has challenged the 'universality' of the 'Washington Consensus'²⁴ or Western understanding of human rights. Meanwhile, the cooperation between China and the US is critical towards reaching any substantive progress in mitigating climate change²⁵. In this context, the relations between them shape the global debate.

20 Poudyal, B. (2022). Why Nepal Matters in the Geopolitical Chessboard. *Unity Journal*, 3(01), 13-26.

21 KC, K. (2023). Changes in global power relations and Nepal. *The Annapurna Express*. Retrieved from: <https://theannapurnaexpress.com/news/changes-in-global-power-relations-and-nepal-39011>

22 Fels, E. (2017). *Shifting power in Asia-Pacific?: The rise of China, Sino-US competition and regional middle power allegiance* (pp. 225-340). Cham: Springer.

23 Allen, S. H., & Yuen, A. (2022). *Bargaining in the UN Security Council: Setting the Global Agenda*. Oxford University Press.

24 Jisi, W. (2021). The Plot against China?: How Beijing Sees the New Washington Consensus. *Foreign Aff.*, 100

25 Lianhe, W. (2015). Sino-US Cooperation on Climate Change. *China Int'l Stud.*, 50, 96.

Second, it has an effect on the regional dynamics. China's rise has challenged the South Asian regional order, where India was the de facto hegemon. China's economic and strategic engagement in India's

Neighboring countries such as Sri Lanka and Pakistan has changed the South Asian dynamics altogether²⁶. China has substantially increased its economic engagement and investment in the region, investing in some strategic assets such as the Hambantota Port in Sri Lanka and Gwadar Port in Pakistan. It has invested heavily in infrastructure projects and the China-Pakistan Economic Corridor is the largest project under the Belt and Road Initiative (BRI). The changed regional dynamics has an impact in Nepal.

At the same time, the global competition, which some have even called a new 'Cold War', between China and the US has also affected Nepal's security policy²⁷. However, in recent years, China has increased its involvement in Nepal's economy and infrastructure development through initiatives such as the Belt and Road Initiative (BRI), while the US has been increasing its engagement with Nepal through development assistance and strategic partnerships.

The competition between China and the US in Nepal can have both positive and negative implications for Nepali foreign policy. On the one hand, increased competition between these two global powers can provide Nepal with greater opportunities for economic growth and development. For instance, China's BRI initiative could help Nepal develop its infrastructure, which could in turn boost economic growth.

Nepal has already seen the direct impact of the competition. Last year, Nepal had to reject the State Partnership Program (SPP) fearing that the disaster mitigation program between the Nepal Army and the State Guard of Ohio state of the US would antagonize China²⁸. At the same time, Nepal also refused to participate in the Global Security Initiative, a Beijing-led security forum. President Bidhya Devi Bhandari participated

26 Chung, C. P. (2018). What are the strategic and economic implications for South Asia of China's Maritime Silk Road initiative?. *The Pacific Review*, 31(3), 315-332.

27 Koirala, K. R. (2020). Managing national security interests amidst military major powers' military engagements. *Unity Journal*, 1, 66-73. <https://doi.org/10.3126/unityj.v1i0.35696>

28 Balachandran, K, 2022. Nepal backs away from the US State Partnership Program. *The Diplomat*. Available online at: <https://thediplomat.com/2022/06/epal-backs-away-from-us-state-partnership-program/>

in the forum despite the government's reservation²⁹. It sent the wrong message to Beijing and the world because of the conflicting signals sent by different government agencies.

Similarly, the US has been providing development assistance to Nepal, which could help support Nepal's development priorities. On the other hand, increased competition between China and the US in Nepal could also create challenges for Nepali foreign policy. For example, Nepal may face pressure to choose sides in the competition between these two powers. This could lead to a situation where Nepal is forced to choose between its historical ties with India and its growing relationship with China.

Similarly, increased competition between China and the US could lead to increased instability in the region, which could have negative implications for Nepal's security. In order to navigate this complex geopolitical environment, Nepal will need to adopt a pragmatic and balanced foreign policy approach that takes into account its national interests and priorities. This may involve engaging with both China and the US in a manner that promotes economic growth and development while safeguarding Nepal's sovereignty and security interests.

The regional order, defined by Sino-Indian competition, too has an impact in Nepal. India and China are two civilizational powers with both on the path to be major global powers. The Nehruvian doctrine, whereby New Delhi considers Nepal a buffer zone between India and China, and considers Nepal within Indian sphere of influence, still dominate the Indian foreign policy establishment in the South Block in New Delhi. China had been tacit, and engaged with Nepal at a much smaller scale compared to Nepal. However, it has changed in recent decades.

With China's 'look west' policy, devised to bring development to its impoverished inland, it is increasingly engaged in Nepal. One of the key drivers of this engagement has been China's Belt and Road Initiative (BRI), a massive infrastructure project aimed at enhancing connectivity and trade between China and other countries. Nepal is a key part of this initiative, with China investing heavily in projects such as the construction of highways, railways, and hydropower plants³⁰. In

29 The Kathmandu Post. Bhandari attending Beijing's GSI event after foreign ministry's bungle. Available online at: <https://kathmandupost.com/national/2022/09/21/bhandari-attending-beijing-s-gsi-event-after-foreign-ministry-s-bungle>

30 Adhikari, M., & Ma, Z. (2022). The Belt and Road Initiative as a Gateway to the

addition to the BRI, China³¹ has also increased its political engagement with Nepal. In 2017, Nepal signed a memorandum of understanding with China to participate in the BRI, and in 2018, the two countries signed a transit agreement allowing Nepal to use Chinese ports and roads for international trade. China has consistently been the biggest source of Foreign Direct Investment (FDI) in Nepal in recent times³².

China has also increased its political engagement. High-level visits, both at government-to-government and party-to-party, between Beijing and Kathmandu have become thicker and at a higher level. Beijing largely refrained from engaging in domestic politics overtly, but it changed in recent times. China has traditionally had close ties with the communist parties in Nepal, and there were reports that Chinese officials were involved in negotiations to bring the two parties together in 2018. Chinese officials reportedly met with leaders from both parties, and there were allegations that China was exerting pressure to facilitate the merger. Even when unified Communist Party of Nepal (CPN) was on the verge of split, China sent a high-level delegation to keep the communist unity intact. Such overt interference by Beijing in Nepal's political development is a new phenomenon. It partly reflects increased Chinese stake in Nepal's political development as its economic engagement grows, but it also reflects an emboldened Beijing not hesitant to pull its weight.

China also pulled its weight in response to the MCC grant, a USD 500 million grant by the US for infrastructure development. It argued that the MCC was part of broader American strategy to increase its strategic presence in South Asia. It called the MCC a 'Pandora's box' and insinuated that the US was coercing Nepal to ratify the deal³³. Beijing's attempt at keeping the Communist parties together and MCC unratified, but they clearly point to a more 'active' role for Beijing in Kathmandu.

Therefore, owing to the global and regional order, Nepal's challenge can be summarized in the following areas:

Sea for Land-Locked Countries: With Reference to Nepal. SAGE Open, 12(1).

31 Lamichhane, D. P. (2023). American Engagement with Nepal: Concerns of China and India. *Unity Journal*, 4(01), 280-301.

32 Choudhury, R. N. (2023). Chinese Investment in Nepal: Capturing the Himalayan Hills. In *Mapping Chinese Investment in South Asia* (pp. 121-144). Singapore: Springer Nature Singapore.

33 The Global Times (2022). How can US 'gift' to Nepal be delivered by ultimatum, asks Chinese FM. Retrieved online from: <https://www.globaltimes.cn/page/202202/1253002.shtml>

1. **Balancing act:** Nepal needs to maintain a balance between India and China to avoid getting caught up in their power struggles. Nepali foreign policy has traditionally favored India due to their close historical, cultural, and economic ties. However, Nepal has been increasingly engaging with China in recent years, which has created concerns in India. As a result, Nepal needs to navigate carefully between these two powers and maintain a delicate balance to safeguard its sovereignty and interests.
2. **Economic implications:** China has been investing heavily in infrastructure projects in Nepal, including the construction of roads, airports, and hydropower plants. However, India has been traditionally Nepal's largest trading partner and source of remittances. Nepal needs to balance its economic ties with both India and China to maximize the benefits and avoid being overly dependent on either country.
3. **Geopolitical implications:** Nepal's strategic location between India and China makes it a significant player in the region's geopolitics. India sees Nepal as part of its sphere of influence, while China sees Nepal as an essential partner in its Belt and Road Initiative. Nepal needs to ensure that its foreign policy decisions do not undermine its national security and interests in the face of geopolitical competition between India and China.
4. **Regional implications:** The India-China competition has regional implications that could impact Nepal's foreign policy. For example, the ongoing border dispute between India and China has created tensions in the region, and Nepal has been caught in the middle of the standoff. Nepal needs to navigate carefully to avoid being dragged into any conflicts between these two powers and ensure regional stability.

The reverse logic and cause for concern

Nepali foreign policy-makers, and hence the foreign policy, suffers not from a lack of understanding of the principles, but from the reverse relationship between the domestic and external factors.

In an ideal case, Nepal would clearly identify its interests and engage with external powers in a rational way to achieve those targets. For instance, if Nepal identifies the necessity of foreign aid in improving its infrastructure, then Nepal would reach out to relevant external powers.

Before reaching out, Nepal would carry due diligence about the benefits of the project and ensure that it is economically viable. It will also make the process 'transparent' so that any external actor gets a similar deal and understands Nepal's rationale. It would help Nepal maintain its grip on foreign influence.

However, Nepali leaders/policymakers have often used foreign powers as tools to hold onto power or gain power domestically or, at the worst, serve their personal interest. It makes them more beholden to foreign powers, and hence obscures their ability to make the best decision on behalf of national interest.

Therefore, it is time that Nepali policymakers take matters in their own hands. The first way to do that is enhance domestic unity in matters of foreign and security policy. That would require some sacrifice of personal/party interests from the leaders. The future of Nepali foreign policy rests on whether the leaders are willing to make such sacrifice.

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