



The Geo-Strategic Himalayas: Navigating Nepal's Path to Stability and Sovereignty Amid China and India's Influence

By: Irfan ul Haq | May 26th, 2024



Introduction

Located in the heart of the Himalayan region, Nepal is ensnared in a precarious geopolitical position. Beyond the geological fault lines that lie beneath its surface, the country must also grapple with the escalating web of geo-strategic competition between its two influential neighbors, India, and China. The stakes

are towering, and tensions are mounting as these nations aggressively vie for influence in the region. The recent reopening of [all fourteen traditional border trading points between Nepal and China in the Tibet autonomous region](#) will have significant implications for the Himalayan region. China aims to enhance its influence in the area through trade and connectivity, constructing ports, and developing infrastructure. The growing Chinese presence in this region, particularly near India's border, is likely to add complexity to the already strained relations between the two countries, especially in the aftermath of the Galwan Valley clash in 2020. This has thrust Nepal into a challenging situation, one that demands meticulous navigation and deft diplomacy to ensure stability and security for its people.

The devastating earthquake of 2015, and more recently in 2023, also underscored its unenviable position in the tenuous balance of power [between two regional giants: China and India](#). This piece details Nepal's diplomatic efforts to assert sovereignty against the backdrop of environmental and political pressures and investigates the broader implications for regional stability and international diplomacy. The article investigates the dual challenges Nepal faces: the threat of natural calamities and the complexities of balancing ties with India and China. Through this analysis, Nepal emerges as a poignant example of a small state leveraging its strategic location and diplomatic posture to navigate the complexities of international relations in a rapidly changing global landscape.

Seismic Shifts After 2015

A decade after the 2015 earthquake's devastation, Nepal has embarked on a transformative journey, reshaping its domestic policies and diplomatic posture amidst the challenges of reconstruction and regional diplomacy. The earthquake catalyzed a [re-evaluation of disaster management and infrastructure resilience](#), leading to the enactment of stringent building codes and the establishment of the National Reconstruction Authority. These measures signify Nepal's commitment to fortifying its infrastructure and institutions against future calamities. Simultaneously, Nepal's diplomatic endeavors have evolved, reflecting a nuanced strategy to balance its relations with China and India. Nepal has sought to diversify its international partnerships, [leveraging its strategic position to attract investments in infrastructure and development projects](#) from both neighboring giants. Nepal's foreign policy aims to maximize autonomy and economic recovery by engaging with China's Belt and Road Initiative (BRI) while maintaining strong ties with India through bilateral agreements and trade partnerships. The recalibration of domestic policies and international relations illustrates Nepal's adaptive strategy in the face of adversity, positioning itself as a resilient and astute player in the complex geopolitical landscape of South Asia. More recently, in 2023, an earthquake in Ramidanda killed 123 people, the deadliest earthquake since 2015. It was as a painful reminder of Nepal's geographic endowments and also a test of its newly established approach to foreign policy to manage the foreign aid overtures and disaster relief diplomacy of states in its neighborhood.

Navigating the Sino-Indian Discord

Straddling a rising China and India, Nepal occupies a unique strategic position in South Asia. This positioning subjects it to the fluctuating dynamics of Sino-Indian relations, compelling Nepal to skillfully balance its diplomacy to uphold [sovereignty and advance its national interests](#). The complexities of this balance are magnified during crises, such as the 2015 and 2023 earthquakes, which exposed Nepal to the geopolitics of international aid, where humanitarian efforts are closely intertwined with strategic interests.

The earthquake's aftermath illuminated the dual-edged nature of foreign aid, revealing its role as a soft power tool for China and India to wield as influence in Nepal. This scenario placed Nepal at the heart of a soft power tussle, necessitating a tightrope act to manage relations with both benefactors without compromising its autonomy. Furthermore, the earthquake and subsequent overtures underscored the strategic significance of Nepal's infrastructure and trade routes, especially those entwined with India. The disruption of these lifelines is not only hindered disaster recovery but also accentuated Nepal's economic vulnerabilities. The disruptions had far-reaching impacts, [affecting the flow of essential goods and amplifying](#) the challenges in Nepal's diplomatic and economic spheres.

As Nepal navigates this geopolitical rift, its evolving strategies reflect a deeper understanding of the regional power play. By leveraging its strategic position, Nepal seeks to foster balanced engagement with China and India, aiming for harmonious coexistence that safeguards its interests in the tumultuous South Asian geopolitical landscape.

China's Economic Footprint in Nepal: A Path to Indebtedness?



China's expanding influence in Nepal, marked by substantial infrastructure investments under the Belt and Road Initiative (BRI), is a strategy to enhance regional connectivity and foster economic growth. China's BRI footprint includes critical projects such as roads, airports, and hydropower plants like the Marsyangdi Hydropower Station, a cross-border optical fiber link, and the Pokhara International Regional Airport. The Kerung-Kathmandu cross-border railway project is most critical as it offers Kathmandu a way out of the so-called [India-lockedness](#). It grants Nepal much needed alternative access to the rest of the world. Additionally, It signifies a move towards modernizing Nepal's infrastructure and stimulating economic development. However, these investments also raise concerns over the sustainability of the debt burden and

the risk of "debt-trap diplomacy," a term used to describe the predicament where a [country becomes overly indebted to China](#), potentially leading to a compromise in its financial independence and sovereignty.

Critics of the BRI argue that China's investments, while beneficial, often entail loans with higher interest rates and unfavorable repayment terms compared to those offered by multilateral lenders like the World Bank or the Asian Development Bank. For example, the loan for the Pokhara International Airport [carries a 2 percent interest rate](#), significantly higher than what multilateral lenders offer. This financial dilemma raises apprehensions about Nepal's future autonomy, especially considering its ongoing recovery from natural disasters like the 2015 earthquake. The discourse around China's investments in Nepal reflects a critical examination of whether these infrastructural advancements pave the way for economic prosperity or ensnare the nation in a cycle of indebtedness that could impinge on its sovereignty.

On the other hand, India is Nepal's main trading partner and foreign investor. It is the only country that provides trade transit for landlocked Nepal, via twenty-two recognized routes to Kolkata/Haldia. Around [two thirds of Nepal's trade](#) passes through Birgunj-Raxaul. New Delhi seeks to expand its influence in Nepal, and like China is also investing in infrastructure like including hydropower plants, roads, and railways. Nepal's engagement with China's BRI and its financial policies could have profound effects on its relationships with India. By increasing economic ties with China, Nepal may gain infrastructure development and economic growth opportunities but also risks falling into a debt

trap, [potentially increasing China's influence over Nepal's domestic and foreign policies](#). Furthermore, the Chinese are putting pressure on the Nepalese government to rectify the Belt and Road Initiative and also, at the same time, accept the Global Security Initiative and Global Development Initiative, which have been recently proposed by the Chinese side to counter the Indo-Pacific

for Nepal to manage its ties with India. The relationship between China and Nepal was further strengthened with [the visit of Chinese President Xi Jinping](#) in September 2019. During his trip, the bilateral relations were upgraded from a "[Comprehensive Partnership of Cooperation Featuring Ever-lasting Friendship](#)" to a "Strategic Partnership of Cooperation Featuring Ever-lasting Friendship for Development and Prosperity." The benefits that Nepal has obtained from the inclusion of the term "strategic" in its diplomatic approach remain uncertain, but it undeniably resulted in a victory for China both in letter and spirit. Narayan Kaji Shrestha, who has recently been appointed as Nepal's deputy prime minister and foreign minister, [visited China on March 24](#) for his inaugural tour instead of India. The visit occurs within three weeks of the formation of the new government in Nepal on [March 4, due to a prompt invitation](#) from the Chinese Foreign Affairs Ministry and the Chinese Communist Party (CCP) Politburo. On May 24, 2024, Mr. Shrestha visited Chentang Town, Shigatse City, Tibet Autonomous Region, his second visit to China in two months. During this visit, he honored the event as the Chief guest for [reopening trade routes](#). On the occasion, he stated, "This landmark decision will greatly contribute to make the daily lives of the bordering peoples easier and comfortable, facilitate cross-

border trade, foster economic ties, and further elevate the exemplary bilateral relations." China's strategic move in the Tibet Autonomous Region and the development of infrastructure along the border will likely enhance India's security concerns in the region.

However, the leftist parties, such as the Communist Party of Nepal-Maoist Centre and Communist Party of Nepal-Unified Marxist Leninist (CPN-UML), have proposed shifting away from India's dominant role in Nepali foreign policy. This aligns with their political agenda and ideological affinity with China. Consequently, Nepal must carefully navigate these relationships to maintain its sovereignty and leverage benefits from both neighbors without alienating either, which demands a balanced approach that respects historical ties with India while engaging with China's offer of economic opportunities.

The Balancing Act: Crafting a Sovereign Future

Nepal's strategic balance between China and India is pivotal in crafting its sovereign future. Diversifying its international relations is essential for reducing dependency on any single nation, thereby enhancing Nepal's diplomatic leverage and economic stability. Adopting a 'multi-aligned' diplomatic strategy, Nepal can engage both neighbors in a manner that avoids favouritism, fostering a balanced relationship that prioritizes Nepal's national interests. Economically, fostering an investment-friendly environment to attract a broad spectrum of international investors is crucial. This diversification can mitigate the risks of heavy indebtedness and ensure that investments are aligned with Nepal's sustainable development goals.

Strengthening ties with multilateral institutions and engaging in regional cooperation frameworks, like the South Asian Association for Regional Cooperation (SAARC), can further augment Nepal's [bargaining power on the international stage](#). For instance, the E.U. authorized a €2 million aid package that will provide shelter, potable water, sanitation, healthcare, and other materials. Similarly, a U.S. development agency announced that Nepal would receive up to USD 85 million over five years for the education [of marginalized and early grade pupils](#). Moreover, Washington and Kathmandu signed the Millennium Challenge Corporation Nepal Compact (MCC-Nepal) grant in 2017 to improve infrastructure. Domestically, investing in internal capacities such as workforce skill enhancement and institutional capabilities is fundamental for self-reliance and effective management of external influences. Additionally, economic resilience through infrastructural improvements and economic diversification is vital for mitigating the impacts of natural disasters and thereby diminishing the necessity of foreign aid.

Conclusion

Nepal's foreign policy shifts reveal resilience and diplomatic agility following its experience of foreign aid and the maneuvers of larger Asian powers. In responding to geopolitical challenges, Nepal has taken significant steps to balance its ties with China and India, leveraging investments to bolster its economy while carefully navigating the complexities of 'debt-trap diplomacy.' This delicate balancing act has involved enhancing disaster preparedness, diversifying economic partnerships beyond its immediate neighbors, and

engaging in multi-aligned diplomacy. These efforts reflect Nepal's commitment to maintaining sovereignty and fiscal autonomy, showcasing its success in fostering a stable, prosperous future amidst the dynamics of regional power play.

The effectiveness of Kathmandu's strategy to hedge its bets in the Indo-Pacific region relies heavily on the level of domestic political stability. Hence, the primary obstacle that lies ahead for Nepal is to build a bipartisan consensus among the political parties and leadership over its foreign policy aims. Nepal's crucial national interests must not be compromised, regardless of any shifts in government and leadership. Ultimately, Nepal's ability to navigate geopolitical complexity hinges on the determination of its leaders to effectively handle them in order to protect the country's national interest. Therefore, Kathmandu must proceed cautiously in its internal politics and external relations to guarantee stability in both areas, which is sine quo non for its pursuit of strategic autonomy.

Author's Bio: Irfan ul Haq, is Ph.D. Political Science, University of Kashmir, Srinagar, India. He also worked as a senior research fellow. The author has published research papers in reputed journals like sage and Routledge.

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