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Nepal's Engagement in BRI and MCC: Implications on Nepal's Geopolitics and Foreign Policy

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Abstract

Nepal's Engagement in BRI and MCC: Implications on Nepal's Geopolitics and Foreign Policy discusses on Nepal's engagement in the Belt and Road Initiative (BRI) and the USA's Millennium Challenge Corporation (MCC). In doing so, it defines BRI, MCC, and the perspective of Heartland under Mackinder's geopolitical theories briefly. The paper critically analyzes the issues and consequences of BRI and MCC on Nepal's geopolitics and foreign policy. It examines the BRI and MCC at global arena briefly that how they have been going global. Meanwhile, the paper assesses the relation of the Indo-Pacific Strategy (IPS) and the MCC. In addition, the paper critically evaluates the legacy of Nepal's foreign policy and the implication of MCC as per the Nepal Constitution-2015. It adopts with qualitative method. Finally, the paper concludes that Nepal has three options about the MCC compact and the best one is making a serious diplomatic effort from the Nepalese side to re-negotiate with the USA to review some provisions of the agreement.

Keywords: *Theory of geopolitics, belt and road initiatives, millennium challenge corporation, indo pacific strategy, Nepal's foreign policy*

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Introduction

As Nepal is located between two Asian giants China and India having their contested regional and global interests, geopolitical position of Nepal has been described metaphorically as a yam between two boulders. This sensitive geostrategic location of Nepal has enforced a serious obstacle and complex phenomenon to make external relations harmonious with aspirations for prosperity, peace, security, and development. It also provides the way that how geopolitical factors can play a significant role for minimizing the perceived threats from neighbours at a particular and historical time period. The importance of Nepalese geopolitics is further increased in the present context for global powers and they tried to make involve Nepal in their global projects like the BRI and MCC.

When Nepal signed the BRI in 2017, it is widely expected that Nepal will get the economic benefits from game-changer projects to be conducted under the BRI. China requested to Nepal government to share some major game-changer projects with the Chinese government to be operated under the BRI however, Nepal has expected those major projects as the Chinese financial assistance to Nepal. Nepal has prioritized nine major projects (Giri, 2019, para. 1) and proposed to the Chinese government for support and investment but the projects are still pending whereas the Nepal government highly prioritized the MCC unlike starting the key projects under BRI. The MCC became the most debatable and controversial issue during the second stint of the KP Sharma Oli-led government. The problem of the research is that why the MCC became most controversial and why the Nepalese government did not begin the projects under the BRI as Nepal had signed four months before than the MCC.

This paper is focused on the following research questions:

1. What is the heartland theory under geopolitics and how Nepal can be one of the heartlands in the 21st century due to the rivalry of global powers?
2. How are the BRI and MCC evolved and why are they trying to influence the global power system?
3. Why the MCC became the most controversial issue during Oli's government?
4. What implications of the MCC will be reflected on Nepal's foreign policy

Methodology of the Study

The qualitative method is adapted in this paper to analyze the secondary data collected in the form of text. The authentic books, renowned journal articles, and some authentic websites are taken as the source of data. The central argument of the paper is that the MCC is a part of IPS which has become a rivalry of China's BRI and due to such rivalry especially in Nepalese geopolitics, Nepal's foreign policy and diplomacy will face a serious geopolitical complexity in the future. The paper is structured into five sub-topics except abstract, introduction, and discussion. The paper briefly explains about Heartland theory under geopolitics followed by dealing with the geopolitics of Nepal, BRI, and MCC debate. Controversial issues in the MCC agreement are the next major part of the paper and then BRI and MCC at the global arena are dealt. The Paper ends with assessing the legacy of Nepalese foreign policy before drawing the conclusion. The paper has some limitations also. It has not covered the whole history of the MCC in the global arena since its emergence and also not included enough elaboration on 'Heartland Theory' like in the dissertation.

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New Heartland Approach

Nepalese geopolitics has become further complicated as explained earlier. It is tried to analyze here from the perspective of Heartland theory. Heartland is a part of a theory of geopolitics. Mackinder (1942) claims, "The Heartland provides a sufficient physical basis for strategical thinking" (p.598). Strategy is the part of power politics which takes place in certain geography, can be known as political geography. The Political geography is developed as a branch of the discipline of geography and was in common in use until the invention of —geopolitics in 1899 (Gokmen, 2010, p.13). When the term 'geopolitics' is coined in 1899 by Rudolf Kjellen (Ibid, p.9), then it became more popular in the academic discipline. The distinction between political geography and geopolitics is clear: —geopolitics is concerned with the spatial *requirements* of a state, while political geography examines only its spatial *conditions* (Goodall, 2017, p.191). Geopolitics can be described as an analysis of the geographic influences on power relationships in international relations as many political developments have been taken place in the world. Similarly, it can be defined as "the study of the effect of a country's position, population, etc. on its politics", as per Longman Dictionary of Contemporary English. Likewise, Rudolf Kjellen who invented the term, defines geopolitics as "the theory of the state as a geographical organism or phenomenon in space (Cahnman, 1943, p. 57). It means the state behaves like an organism which expands or grows in nature. Geopolitics deals with such types of characteristics of a state. Moreover, the definition of Hagan (1942) is that "geopolitics is a contemporary rationalization of power politics" (p. 485). Gokmen elaborates, "Geopolitics can also be considered to be a combination of history (political process) and geography" (2010, p. 16). He has quoted from Cohen's Geopolitics of the World System about geopolitics which gives a new definition:

Geopolitics is the analysis of the interaction between, on the one hand, geographical settings and perspectives and, on the other hand, political processes. (...) Both geographical settings and political processes are dynamic, and each influences and is influenced by the other. Geopolitics addresses the consequences of this interaction. (Gokmen, 2010, p. 16)

Therefore, by summarizing all the above definitions of different scholars, geopolitics is all about the power exercise by any influential powers in a certain geography to control or influence over that territory explicitly or implicitly.

As mentioned above, the Heartland is the part of geography, which attracts geopolitics, and covers the Eurasian territory. Through his "Heartland" theory, Mackinder argues that any state that was able to control the heartland would control world politics and thus pose the threat of a worldwide empire (Deudney, n.d., Para. 4). Mackinder (1943) explores the idea of Heartland based on the British war in South Africa which was ended in 1902 and the Russian war in Manchuria around 1904. (p. 596). The concept of Heartland was emerged based on the geographical significance of the pivot position. In history, the significance of the territory from the northern part and the interior Euro-Asia, the Arctic coast down to the central deserts, Baltic and Black Seas was vital as Mackinder puts these areas under the area of the Heartland which is quite strategic. In Heartland, there are three aspects of physical geography which are reinforced to another. First is the lowland plain on the face of the globe, second is some great plain navigable rivers, and the last one is the grassland zone of the Heartland. These all are categorized based on the global politics for power exercise, strategic part for offensive and defensive measures, and ideological influence for global

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domination. As the Heartland is the part of geopolitics, it changes its form and shifts from one to another geography in the changing context. Many historical and political incidents including World War-I, World War-II, and Cold War were evolved due to shifts in geopolitics. As the major causes, actors, geography, and geopolitical circumstances of those historical incidents were different, it is proven that geopolitics is changing in nature and the Heartland is also dynamic and shifting in nature. Thus the Heartland has been shifting towards Asia especially in the region of China, and India where Nepal is located in the middle part of those countries which is one of the New Heartlands in the 21st century.

Results and Discussion

Geopolitics of Nepal, BRI, and MCC Debate

As Nepal is emerging as a new Heartland having significant changes in its geopolitics, the global and regional powers are concentrated in Nepal differently having their new strategic and economic interest in the changing context. Nepal is the central geopolitical actor itself which attracts super and great powers to Nepal (Nayak, 2014). Nepal not only covers the massive engagement of India and China but also the involvement of the European countries and the USA as well. Similarly, Kumar (2017) claims, "...Nepal has also been drawing attention of world powers... both India and China are taking interest in Nepal mainly because of its natural resources base and for security concern" (p. 30). Likewise, Khadka (1992) makes clear that "Nepal's situation provides an interesting example of how geopolitics has imposed an extremely serious obstacle for harmonizing external relations with aspirations for peace, security, and development" (p. 134). As Khadka claims, Nepal has been facing critical challenges to expand and diversify her relations in wider horizon of global arena basically because of neighbours' contested concerns and some other powers' Nepal interest. Moreover, Arvind Gupta states that Nepal is well-known for its strategic location in the Himalayas. It is situated at the meeting point of East Asia and South Asia, and between two big and powerful countries—India and China—who have gone to war with each other in the past (2014, p. xi). Therefore, the regional and global powers are concentrated in Nepal's geopolitics.

The complex geopolitics of Nepal has provided the ground for those concentrated regional and global powers to be engaged under their global interest. The priority to Nepal in Belt and Road Initiatives (BRI) and Millennium Change Corporation (MCC) is the consequence of the strategic importance of Nepal's geopolitics. Nepal is almost 69 times smaller than the USA, 68 times smaller than China, and 23 times smaller than India (Agarwal & Upadhyay, 2006) quoted in (Kumar, 2017, p. 30) however; its strategic importance for those powers is significantly higher than other bigger states in South Asia. China began BRI in 2013 aiming to promote economic engagement and investment along two main routes; the New Silk Road Economic Belt and the 21st Century Maritime Silk Road (The Economic Intelligence Unit, 2015, p. 3). Nepal signed the BRI on 12 May 2017 (The Himalayan Times, 2017, Para. 1). After four months of signing BRI, Nepal signed an agreement on USA's MCC project on 14 September 2017 for building 400 KV high voltage transmission line and upgrading roads (Millennium Challenge Corporation, n. d., Para. 3). India and the European Union are other regional and global actors which have long been engaged in Nepal covertly and overtly. Hence, Nepal's geopolitics has been the fertile ground for external actors for a long time.

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After signing the BRI, the avenue for diversifying the relations for Nepal has been opened up theoretically. One of the historic agreements made during Oli's visit to China in 2018 is the signing of the MoU on railway connectivity...which is the second milestone in the diversification and opening up policy of Nepal (Chand, 2018, Para. 4/6). He further argues that both countries underscored it as the most significant initiative in the history of bilateral cooperation and hoped that it would herald a new era of cross-border connectivity. Other key agreements during his visit are: 1) to cooperate for development and prosperity under the framework of Trans-Himalayan Multi-Dimensional Connectivity Network, 2) Protocol on the utilization of Highways in Tibet Autonomous Region, China, by Nepal, for cargo transport, 3) MoU on energy cooperation, 4) Agreement on economic and technical cooperation, 5) Deal on human resource development (Ibid). Similarly, China has included the Nepal-China Trans-Himalayan Multi-Dimensional Connectivity Network, including Nepal-China cross-border railway in point no. 23 of the annex of Joint Communique of the Leaders' Roundtable of the 2nd Belt and Road Forum for International Cooperation (The Second Belt and Road Forum for International Cooperation, 2019, Para. 42). Likewise, the Joint Communique says, "...we support policy and activities that help land-locked countries to transform into land-linked ones, including by strengthening connectivity and cooperation on transit arrangements and infrastructure" (Ibid, Para. 16). Nepal has access to Tianjin port, the Eastern part of China, after the deal of 'Treaty of Transit Trade' made in March 2016 (Chand, Para. 11). Moreover, China and Nepal are agreed to cooperate for the construction of Koshi Economic Corridor, Gandaki Economic Corridor, and Karnali Economic Corridor which was committed during the state visit of the Chinese president Xi Jinping in 2019 (Bashyal & Chand, 2019, p. 29). On top of that, China has agreed to provide the transit facility to Nepal from four Chinese ports named Tianjin, Shenzhen, Lianyungang, and Zhanjiang and three dry ports named Lanzhou, Lhasa, and Xigatse as well as roads to these facilities (Sharma, 2018, Para. 4/5). These all the things are under the agreement signed on BRI by Nepal. Thus, if all the agreements made are implemented, the way of Nepal to access the rest part of the world will be opened as Nepal will have the opportunity to use all the seven economic corridors of BRI being its signatory country.

Strategic and economic competition between China and the USA seems taken place in the world. From 2000 to 2015, the global region of US and Chinese investment looks almost the same (for detail, see World Investment Report published by UNCTAD from 2000 to 2015). Both countries are focused on African countries, Latin America, West Asian nations, and South East Asian nations. The USA basically invests under MCC in agriculture, education, energy, health, land and property rights, roads and transportation infrastructure, water-sanitation, and irrigation (see the website of MCC). Similarly, China invests in agriculture-forestry and fishing, communications, industry-mining-construction, transport-storage, and energy generation and supply (see the website of Aiddata). The sectors of investment of both countries seem thus similar. Not only in economic areas but also they compete in geopolitical dimension. The former US president Barack Obama announced 'Pivot Asia' policy which is also termed as re-balancing Asia in 2009 (Manyin, et al., 2012, p. 2). They claim that "...many countries in the region have encouraged the United States to step up its activity to provide a balance to China's rising influence (Manyin, et al., 2012, p. ii). It means the American allies in the region have supported the USA to balance China. Likewise, Schiavenza (2013) believes "The United States is the only country with enough muscle to check China's rise, and many of the smaller countries in East Asia have sought reassurance from Washington that it remains invested in the region" (Schiavenza, 2013, Para. 6). When Donald Trump came into the power in the USA, he announced the America

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First policy and initiated Indo Pacific Strategy (IPS) aiming making free and open Indo Pacific region (Department of State, 2019). In the mean time, we can see the trade war between the USA and China since a year. Swanson on 5 July (2018) writes "A trade war between the world's two largest economies officially began on Friday morning ... to impose tariffs on \$34 billion worth of Chinese products..." (Para. 1). China also has imposed tariffs on US products in China. Therefore, geopolitical competition is ongoing between the USA and China.

China and the USA are competing also in Nepal for their strategic and economic interest (Wagle, 2021, Para. 1). The US's MCC compact is quite controversial in Nepal as many intellectuals have perceived it as US economic project having strategic interest in its hidden part which aims to balance China in Nepal (Chand & Karki, 2020, Para. 6). Four months later of signing BRI by Nepal, the USA signed an agreement on MCC compact project on 14 September 2017. The USA claims that the MCC is an innovative and independent U.S. foreign assistance agency that is helping lead the fight against global poverty (see MCC website) whereas the anti-US bloc considers it as the part of IPS which aims to fight against common security challenges among its member countries. Russian foreign minister Sergey Lavrov criticized the United States for introducing a new Indo-Pacific concept which was aimed at excluding China. He questioned that "Why do you need to call Asia-Pacific as Indo-Pacific? The answer is evident – to exclude China" (Sharma, 2020, Para. ¼). The USA has put the MCC under Indo-Pacific Strategy. The report published by the Department of State of the USA mentions "To date, support has included \$2.9 billion through the Department of State and USAID for the economic pillar of the Indo-Pacific strategy...and hundreds of millions more through other agencies, including the U.S. Millennium Challenge Corporation (MCC)..." (The Department of State, 2019, p. 13). The US embassy has been lobbying in Nepal with different power centers to be passed by parliament. As per Himal Khabar, US Ambassador Randy Berry met some influential leaders of the Communist Party of Nepal and Nepali Congress like Madhav Kumar Nepal and Sher Bahadur Deuba (THT, 2021, Para. 1/4). Some Chinese professors had asked this author about possible adverse consequences of the MCC after its implementation. Jha (2020) argues that "...the process of ratification of the MCC is getting delayed. One of the major factors that has led to this situation is due to the rivalry between the US and China in Nepal (Para. 1). In this way, the USA and China are highly concentrated for their economic and strategic benefits from the BRI and the MCC. Thus, Nepal is an emerging country as the center of New Heartland in Asia due to global power competition through 21st century global projects BRI and MCC.

Controversial issues in the MCC Agreements

There are some controversial articles, sub-articles, and provisions in the agreement on which some of the intellectuals, political leaders, activists, and academics have disagreed. First, this is unequal agreement. The signatories in the agreement from the side of the MCC and Nepal government are the Chief Executive Officer and Finance Minister respectively (Ministry of Finance, 2017, p. 15). There is written in the agreement under Article 1 that one of the project objectives is to maintain road quality across the strategic road networks (Ministry of Finance, 2017, p. 1). Nepal government has not categorized the highways and roads in Nepal exactly as strategic road. The term 'strategic' is defined in Merriam-Webster Dictionary that "of or relating to a general plan that is created to achieve a goal in war, politics, etc., usually over a long period of time". The MCC compact project in Nepal is claimed by the government entirely as a developmental project but there is a high possibility to be interpreted it later on from a security perspective from this provision. Section 2.4

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under Article 2 includes "... MCC will make the proceeds of Disbursements available to the Government either by (a) deposit to one or more bank accounts established by the Government and acceptable to MCC..."(Ibid, p. 2). Why the bank accounts should be acceptable to MCC in Nepalese territory? Nepalese therefore have suspicions to this point. Section 2.7 under the same article has mentioned "The Government will ensure that MCC Funding is not used for any purpose that would violate United States law or policy..." Ibid, p. 3). This provision argues that MCA-Nepal should apply the US laws and policies unlike operating the project under Nepal's constitutional law. The same section (b) says Nepal government should assure "for any activity that is likely to cause a substantial loss of United States jobs or a substantial displacement of United States production" (Ibid, p. 4). What kind of US jobs and US production should be assured in Nepal? Does the USA want to produce some commodities in Nepal for the Nepalese or the US nationals? It is unclear. Similarly, there is provisioned of tax free to all the project activities to be implemented under section 2.8 (a). Nepal not only will lose the tax of \$500 million of MCC's assistance but also provides its own contribution amounted \$130 million to the project without deducting its tax. Section 3.2 (b) under Article 3 mentions about MCA-Nepal as an entity ...as the accountable entity to implement the Program and to exercise and perform the Government's rights and obligations to oversee, manage and implement the Program...(Ibid, p. 5). The high risk of conflict rising will be there between MCA-Nepal and Nepal government in the future about the rights and obligations because the MCA-Nepal is directly linked to MCC. Section 3.2 (f) claims that all the intellectual property right shall belong to the United States only. Section 3.6 (a) has the provision of adopting "the MCC's Program Procurement Guidelines" for all the procurement process under the project (Ibid, p. 6). What will be the role of Nepal's own procurement guidelines? Moreover, section 3.8 (a) under the same Article states, "...audits are conducted by an independent auditor approved by MCC and names on the list of local auditors approved by the Inspector General or a United States-based certified public accounting firm selected in accordance with MCC's Guidelines..." (Ibid, pp. 7-8). Nepalese intellectuals opine that it should be unacceptable such provision for the audit of the project. In addition, the Article 4, section 5.1 (b, iii &iv) contains the condition of discontinuation of the project if on the one hand program violates applicable law or United States Government Policy and on the other hand if it engaged in activities that are contrary to the national security interests of the United States (Ibid, p. 10). Most controversial point is that there is written in section 7.1 under Article 7 "...the Parties understand that this Compact, upon entry into force, will prevail over the domestic laws of Nepal" (Ibid, p. 13). There are also other controversial points in the agreements which are not as per Nepal's national interest. Therefore, the compact is quite controversial which will implicate seriously on Nepal's sovereignty, economy, foreign policy, security, and diplomacy.

In addition, from the perspectives of Nepalese intellectuals, the MCC agreement in Nepal is also controversial. Nepali intellectuals, some political leaders, political activists, and academics have stood for and against the MCC project. Some of them argued that many of the provisions in the MCC may threat to Nepal's sovereignty in the long run. Yubaraj Sangroula claims during a television debate that Nepal should amend many articles and sub-articles written in the agreement. He focuses on a major issue from the law perspective that Millennium Challenge Account (MCA) Nepal (which was formed by a cabinet level executive order in accordance with the Development Board Act 2013 BS), as an independent governmental agency may not be obliged to obey the decisions and orders of the government of Nepal (Sangroula, 2020). There is written on the website of MCA Nepal

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that MCA-Nepal is...formed in order to manage the Compact/program developed by the Office of the Millennium Challenge Nepal (OMCN) in coordination with the Millennium Challenge Corporation (MCC), USA. It means the situation may create the MCA-Nepal as a parallel body of the Government of Nepal and run directly by the MCC. Similarly, Bhim Rawal, one of the party leaders of the Communist Party of Nepal (CPN), continuously debated during his television debate that the MCC compact project in Nepal will pose a big challenge to Nepal's sovereignty and independence (Rawal, 2020). Some of the key leaders of the ruling party like Pushpa Kamal Dahal, and Jhalanath Khanal, etc. have similar suspicions like Rawal has. On the other hand, few key leaders including Prime Minister K. P. Sharma Oli, Minister for Foreign Affairs Pradeep Kumar Gyawali, and Minister for Defense Ishwar Pokhrel have different viewpoints. They have been continuously arguing that the MCC is entirely developmental project in Nepal which do not have any hidden strategic interest of the USA. Prime Minister Oli further claims during his speech delivered on 19th May, 2020 in the federal parliament of Nepal that being an uninterrupted succession of the previous government which signed the MCC agreement, the present government has to continue the agreement for Nepal's international image¹. Likewise, my Republica reports "As the debate over the ...Millennium Challenge Corporation (MCC) rolls on, major political actors in the country appear sharply divided along the ideological lines of their respective parties rather than over the substance of the compact" (Dahal, 2020, Para. 1). Because of hot debate on MCC within ruling party of Nepal, CPN formed a three-member committee to study the grant agreement (Republica, 2020, Para. 1) whether it is beneficial for Nepal or poses threats to Nepal's sovereignty. The committee studied the pact for 20 days and recommended some points of amendments to Millennium Challenge Corporation's Nepal's compact. "But experts believe that any significant changes to the compact could violate the Vienna Convention on the Law of Treaties", (The Kathmandu Post reports, Ghimire, 2020, Para. 1). Thus, the agreement has become controversial in Nepal.

BRI and MCC at Global Arena

The 'One Belt, One Road' (OBOR) later termed as the Belt and Road Initiative (BRI), is Xi Jinping's main foreign policy innovation, which represents his administration's attempt to lay the basis for a more active and distinctive long-term foreign policy (Ferdinand, 2016, p. 942). It is a global initiative of China which was introduced in 2013 during Xi's visits to Kazakhstan and Indonesia (Chand, 2016, Para. 2). The 'Belt' refers to the 'Silk Road Economic Belt', which is revival of ancient overland silk routes of China to Central Asia, the Middle East, and Europe which is also called the 'Modern Silk Road'. It is based on existing and new rail lines, highways, ports, airports, and pipelines². The next one is the 'Road' which refers to the '21st Century Maritime Silk Road', also known as 'Maritime Silk Road'. It is envisioned that it will connect China with Southeast Asia, South Asia, Africa, the Middle East, and Europe (Enright, 2016, p.3). The BRI connects almost 138 countries³ (Green BRI Center, 2020, Para. 2) including two thirds of the world's

¹ <https://www.youtube.com/watch?v=2hWvhGtI4Fc>

² <http://nepalforeignaffairs.com/obor-chinas-dream-or-reality/>

³ Countries involved in BRI: 38 from Sub-Saharan Africa, 34 from Europe and Central Asia (including 18 from the European Union), 25 from East Asia and Pacific, 17 from Middle East and North Africa, 18 from Latin America and Caribbean, and 6 from South East Asia.

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population⁴(Development Reimagined, 2019, Para. 5) and \$8 trillion total estimated budget. Hillman (2018) writes for Center for Strategic & International Studies (CSIS) that popular estimates for Chinese investment under the BRI range from \$1 trillion to \$8 trillion, hardly a rounding error (Para. 1). He further writes, "... the *Hong Kong Economic Journal*, which noted, 'The financial experts at the State Council have estimated that 'One Belt, One Road' would cost as much as \$8 trillion if it was fully implemented following Xi's orders' " (Hillman, 2018, Para. 11). But, Chatzky and McBride write, "Morgan Stanley has predicted China's overall expenses over the life of the BRI could reach \$1.2–1.3 trillion by 2027, though estimates on total investments vary (2020, Para. 9). Many western scholars criticize the project that this is quite impossible to manage the whole budget based on China's unilateral approach however Chinese think tanks do not believe the Westerners' claim on BRI. Hillman claims, "The best available data suggest that China's \$1 trillion promise has not been met, and at current trends, will not be met for several years" (2018, Para. 8).

The BRI was mainly initiated by China aiming building infrastructure and boosting economy of developing and underdeveloped countries as Chinese scholars say. But some American and western scholars argue that China has revived the ancient Silk Road in different form to establish her strategic, geopolitical, and economic influence in Asia, Africa, and the Europe (Chatzky & McBride, 2020, Para. 10). Peter Ferdinand (2016) writes, "...Xi Jinping is proud of his hard-line posture towards China's rivals, big and small, and is keenly aware of the popular domestic support for his stance. He strongly prefers the strategic and operational approach of "pushing towards the bottom-line without breaking it"" (p. 949). As per Ferdinand's claim, China in the leadership of Xi Jinping is going global through BRI strategically unlike building common destiny of mankind as Xi claims. Some western scholars seem still confused about the BRI's economic and strategic outcomes. Hillman (2018) writes, "Without a clearer sense of the BRI's scale, it is difficult to assess its economic and strategic implications" (Para. 1). In contrast, Chinese professors like Dai Yonghong, and Zhang Subin say that the BRI is not unilateral project and it only aims to build the economy of developing and underdeveloped countries. Dai Yonghong had told with this author in 2016 that how China can maintain its economy and prosperity without building the economy of its neighbours? If citizens of China's neighbours became richer, they could buy the Chinese products in higher range and ultimately China can sustain on economic prosperity of other partner countries. So, BRI wants to uplift poorer families in developing countries.

The Indian government, one of the largest trading partners of China, has also suspicions on BRI as China and Pakistan signed an agreement on China-Pakistan Economic Corridor (CPEC) on 5th July 2013 in Beijing (CPEC website) which passes through the disputed territories with India named 'Gilgit', and 'Baltistan'. Haidar writes in *The Hindu*:

...the MEA issued a comprehensive statement on its objections to the B&RI, which were three-fold: the corridor includes projects in land belonging to India; the projects could push smaller countries on the road into a crushing debt cycle, destroy the ecology and disrupt local communities; and China's agenda was unclear, with

⁴ World's population which is covered by BRI: 61.5% of the Caribbean, 66.7% of South America, 42.6% of Central America, 100% of the Middle East, 97% of Asia (Excluding the Middle East), 57.1% of Oceania, 72.7% of Africa, 56.8% of Europe.

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the implied accusation that this was more about enhancing its political influence, not just its physical networks. (Haidar, 2017, Para. 2)

Likewise, Indian Naval Chief Admiral Karambir Singh claimed that the China-Pakistan Economic Corridor impinges on India's sovereignty (Aamir, 2020, Para. 1). Like Singh and Haidar, many Indian intellectuals have perceived the BRI this way however they have different opinions regarding joining the BRI formally.

Similarly, some western scholars have raised the issue of the debt trap due to BRI project in developing countries. Chatzky and McBride report, "The Belt and Road Initiative has also stoked opposition. For some countries that take on large amounts of debt to fund infrastructure upgrades, BRI money is seen as a potential poisoned chalice" (2020, Para. 14). They further write, "... Mahathir bin Mohamad in 2018... campaigned against overpriced BRI initiatives, which he claimed were partially redirected to funds controlled by his predecessor. Once in office, he canceled \$22 billion worth of BRI projects (Ibid, Para. 15). But, he later on, had announced 'full support' for the initiative in 2019 after the formation of his government. According to a 2018 report by the center for Global Development, notes that eight countries involved in the BRI including Sri Lanka are vulnerable to debt crisis nevertheless, China does not accept this argument. The Chinese scholars argue that the BRI countries have a greater debt of the World Bank, Asian Development Bank, the USA, and other European countries than of China. Thus Chinese intellectuals counter the western arguments made on BRI.

When the BRI was announced by China, the USA initiated Indo Pacific Strategy (IPS) in 2017 by the Trump administration to counter China's economic and strategic influence in the region. Geographically, the IPS is related to the large portion of the Pacific and Indian Ocean which is a biogeographic region of Earth's seas containing the tropical waters of both Oceans. The general area of Indonesia connects the water of both Oceans. The region has an exceptionally high species richness, including 3000 species of fish, compared with around 1200 in the next richest marine region, the Western Atlantic, and around 500 species of reef building corals, compared with about 50 species in the Western Atlantic (Helfman, Collette & Facey, 1997, pp. 274-76). The Indo-Pacific has mainly three different parts: Central Indo-Pacific, Eastern Indo-Pacific, and Western Indo-Pacific. The Central Indo-Pacific region has included the huge seas and straits connecting the Indian and Pacific oceans. The Eastern Indo-Pacific region expands the mostly volcanic islands of the central Pacific Ocean which is extended from the Marshall Islands⁵ through central and southeastern Polynesia⁶ to Easter Island and Hawaii⁷. The Western Indo-Pacific region covers the western and central portion of the Indian Ocean which includes east coast of Africa, Gulf of Aden, the Red Sea, Arabian Sea, Persian Gulf, Bay of Bengal, and Andaman Sea, as well as the coastal waters surrounding Madagascar, the Seychelles, Comoros, Mascarene Islands, Maldives, and Chagos Archipelago. Since being such regions of Ocean geo-strategically very important, the USA and her allies have agreed to develop the region free and open in the name of IPS (The Department of Defense,

⁵The Marshall Islands are a sprawling chain of volcanic islands and coral atolls in the central Pacific Ocean, between Hawaii and the Philippines.

⁶*Polynesia* is a sub-region of Oceania, made up of more than 1,000 islands scattered over the central and southern Pacific Ocean.

⁷Hawaii is a state of the United States of America located in the Pacific Ocean. It is the only U.S. state located outside North America and the only island state.

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2019). It means the IPS wants to contain China's aggression in the region. Dolven and Vaughn (2020) report, "China's growing confidence in asserting itself regionally and internationally, combined with longstanding concerns about whether the United States has the capacity or commitment to remain the region's dominant actor, is leading U.S. allies and partners to adjust their strategic posture (p. ii). Similarly, Dingding (2018) claims, "The 'Indo-Pacific' used by Trump means that India, the United States, and other major Asian democracies, especially Japan and Australia, will join in curbing China in the new framework of growing "Cold War" influence (Para. 1). Likewise, He and Li argue, "...China seems to be reluctant to identify itself as part of the Indo-Pacific; Chinese leaders believe that the US-led Indo-Pacific strategy aims to contain China's rise" (2020, Para. 1). In addition, Amane writes that the Indo-Pacific Strategy... has become a significant keyword in an evolving and dynamic series of geopolitical developments which includes the U.S.-China, Japan-China, or India-China power struggles; Beijing's Belt and Road Initiative (BRI); and geostrategic competition among regional countries in land, maritime, and other new domains... (2020, Para. 6). Thus, based on the claims and analysis of many global scholars, the IPS was formulated to contain China's rising influence in the region however western diplomatic missions often say that China is also part of Indo-Pacific region and can play the role of making the region free and open.

There is a huge debate that whether the MCC is part of IPS or not. Nepalese politics and society is divided into two parts as explained earlier. Some argue that the MCC is a separate project of the USA which aims at the economic prosperity of developing countries through financial assistance whereas some other intellectuals claim that the MCC is a part of IPS and it serves the purpose of IPS throughout the globe. Some authentic documents of MCC and IPS prove the later claim that the MCC is part of IPS. David J Ranz⁸ said that the Millennium Challenge Corporation (MCC) Compact programme was one of the most important initiatives being implemented in Nepal under the US Indo-Pacific Strategy (Nepal, 2019, Para. 1). He further said, "the MCC Compact was valuable not only because it was going to provide critically needed infrastructure to boost Nepal's energy sector, but also because it would boost regional connectivity... which is another critical aspect of our goals in the Indo-Pacific Strategy", Nepal reports in *The Himalayan Times*. In addition, he elaborates that whole-of-government effort was underway to expand US engagement with the Indo-Pacific region, including Nepal, to ensure it is free, open, and operates on a rules-based system. He said the efforts were focused on three areas economics, security, and governance — and the US had launched several new programmes and initiatives under these themes to help achieve the vision for the Indo-Pacific. Millennium Challenge Act of 2003 supports the David's claim that article 611 (a,1) of the act says that the country or entity is engaged in activities which are contrary to the national security interests of the United States, the Chief Executive Officer may suspend or terminate assistance in whole or in part for a country or entity under section 605 (p. 14). National security interests of the USA throughout the globe in general and in Asia Pacific region in particular is the part of IPS. IPS report (2019) clearly mentioned that within South Asia, the USA is working to operationalize her Major Defense Partnership with India, while pursuing emerging partnerships with Sri Lanka, the Maldives, Bangladesh, and Nepal (p. 21). Sri Lanka and Nepal are included in the MCC in 2019. The same report says "... the United States seeks opportunities to broaden and strengthen partnerships with India, Sri Lanka, the Maldives,

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Bangladesh, and Nepal to respond to shared regional challenges" (p. 33). Basically, the regional challenges are more focused on security challenges and the USA's effort is to build wider cooperation with South Asian countries including Nepal. In addition, the report further emphasizes, "Our growing defense partnership can be seen in the establishment of the U.S. Army Pacific-led Land Forces Talks in June 2018, our senior-most military dialogue with Nepal" (p. 36). Finally report concludes that by the end of FY 2019, the United States will have 79 partnerships with 86 nations, 12 of which are in the Indo-Pacific (p. 38). Nepal and Sri Lanka are added in the report as newly involved countries from South Asia. These all the authentic texts prove that the MCC is part of IPS undoubtedly.

MCC was created by the U.S. Congress in January 2004 with strong bipartisan support, MCC has changed the conversation on how best to deliver smart U.S. foreign assistance by focusing on good policies, country ownership, and results (see MCC website). MCC provides time-limited grants promoting economic growth, reducing poverty, and strengthening institutions ... which enhance the American interests (Ibid). It has three primary types of grants: First, Compacts- large, five-year grants for selected countries that meet MCC's eligibility criteria. Second, Concurrent Compacts for Regional Investments- grants that promote cross-border economic integration, and increase regional trade and collaboration. Third, Threshold Programs- smaller grants focused on policy and institutional reform in selected countries that come close to passing MCC's eligibility criteria (see MCC website).

From 2004 to 2019, MCC has signed 37 grant agreements, known as compacts, with 29 countries worth more than \$13billion, targeting poor but well-governed states with good prospects for poverty reduction through economic growth as per the claim of CRS report (Congressional Research Service, 2019, p. ii& 3). The report claims:

"MCC is now a well-established component of U.S. foreign assistance, with several countries having completed two compacts. The 115th Congress passed legislation that facilitates MCC entering into multi-country regional compacts (P.L. 115-167). Though MCC funding was originally envisioned at \$5 billion annually, Congress has appropriated about \$900 million annually for MCC activities since FY2011, including \$905 million in FY2019 (P.L. 116-6)" (2019, p. ii).

Since the creation of MCC, it has contributed to build over 800 educational facilities, nearly 1,900 miles of roads, installed nearly 1,200 water access points, and laid almost 3,000 miles of power lines (Ibid, p. 3) in implementing countries. Based on data of March 2019, 11 percentages active MCC compacts are in West Asia and North Africa, 20 percentage in Asia, 6 percentage in Western Hemisphere, and 63 percentage active compacts are in Sub-Saharan Africa. In this way, not only the BRI, but also the MCC are going global from one and another area of the globe.

Legacy of Nepal's Foreign Policy

Nepal's foreign policy has been guided by basic principle of non-alignment. All the previous constitutions of Nepal were based on this principle. The new constitution of Nepal promulgated in 2015, includes:

To conduct an independent foreign policy based on the Charter of the United Nations, non-alignment, principles of Panchsheel, international law and the norms of world peace, taking into consideration of the overall interest of the nation, while

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remaining active in safeguarding the sovereignty, territorial integrity, independence and national interest of Nepal (Article 51, m, 1). (Second Constituent Assembly, 2015, p. 41)

This provision is not new for Nepal and just it is the continuation of the legacy of Nepal's foreign policy. In all the previous constitutions of Nepal, the similar provision was there. Even in the very critical geopolitics of the cold war era, Nepal had maintained this legacy. Nepal became a member of the Non-Aligned Movement (NAM) from Bandung Conference. King Mahendra's participation at the Afro-Asian Conference, in Bandung, Indonesia in April 1955, was Nepal's first foray into the international arena (NNW TEAM, 2015, Para. 3). Nepal has also been working for the promotion of the five principles of Panchasheel adopted by the conference. Nepal is one of the founding members of the movement. Moreover, Nepal maintained the neutrality with Sino-Indian war and relations too. Adhikari analyses "Neutralizing India and China uneasily and addressing their interests and insecurities simultaneously has been Nepal's foremost foreign policy challenges" (2012, p. 83). It is clear that though facing series of external challenges in foreign relations of Nepal, she has been able to maintain the legacy of neutrality and non-aligned foreign policy. Therefore, it is proven that the legacy of Nepal's foreign policy is entirely based on neutrality, non-alignment, and independence.

The BRI and MCC have emerged from different bases. BRI is China's global project which has not included any military and strategic goals as per Chinese scholars' claim and is only for economic cooperation and for win-win situation through economic integration, as per Dai Yonghong. Countering this argument, western scholars perceive the BRI differently. They consider BRI as a strategic project in the name of economic cooperation as elaborated earlier. Therefore, the USA has not joined yet the BRI. Total trade between China and other Belt and Road countries has exceeded \$6 trillion, and China's investment in these countries has surpassed \$80 billion, with Chinese companies generating over \$2 billion in tax revenue and 300,000 jobs for locals (Tiankai, 2019, Para. 2). It supports the arguments of those scholars who argue that the BRI is economic cooperation. On the other hand, MCC is part of Indo-Pacific Strategy as explained above which is based on security partnerships among the USA, Australia, Japan, India, and their aligned countries. In other words, the IPS is developing as an alliance between the USA and her ally countries. Therefore, the BRI and MCC have different bases of economic and security cooperation respectively. In this condition, joining BRI doesn't violate the legacy of Nepal's foreign policy whereas involving in the MCC is not like that.

Discussions and ways forward

Analyzing all the above arguments, claims, theoretical insights, textual evidences, and interpretation, Nepal should not pass the agreement of MCC as it is based on practices and provision of non-aligned foreign policy in the Nepalese constitution. As the authentic documents have proven that the MCC is part of IPS, Nepal's involvement in the MCC without revision in some articles and sub-articles mentioned above will be a violation of Nepal's non-aligned foreign policy. Next thing is that Nepal's simultaneous engagement in BRI and MCC creates critical challenges and risks in foreign policy of Nepal as global powers will make their effort to influence the Nepalese government, leaders, and officials during their project implementation. Its direct implications will be reflected in Nepal's diplomatic capability to cope up with the newly developed contested environment

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and to balance both the global powers in Nepalese geopolitics. Due to high engagement of the USA and China in this region, particularly Nepal will be emerged as one of the New Heartlands for global power competition in 21st century power politics. In this context, Nepal has three clear options. First, Nepal can pass the agreement as it is from the federal parliament which is a quite risky way for Nepal. Second, the Nepalese parliament can decide not to pass the agreement which may also affect Nepal's economic diplomacy and relations especially with some global institutions like the World bank, IMF, and the WTO, and some major global power in the West. Third, Nepal can adapt a balanced way that some serious diplomatic effort from the Nepalese side may need to re-negotiation with the USA to review some provisions of the agreement. As this author believes, Nepal's diplomatic capability should be proven now to convince the USA to review some controversial provisions and then can pass the agreement from the federal parliament which will be win-win situation not only for Nepal and the USA but also for the USA and China. In this situation, Nepal will be able to handle the diplomatic crisis to be raised in the future and can maintain the balance and harmonious relations with both global powers for her economic benefits and prosperity. In case, if Nepal passed the agreement as it is, the government, political parties, think tanks, diplomatic missions, and government officials should prepare to mitigate the future crisis in three frontiers: first- geopolitical crisis, second-foreign policy crisis, and third-diplomatic crisis. From now on, Nepal should start to prepare in those three frontiers to safeguard Nepal from future crisis.

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