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Balancing Act in the Himalayas: Nepal's Foreign-Policy Hedging Between India, China, and the United States (2015–2026)

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ABSTRACT

The unique geographical location of Nepal between two giants of Asia; India and China; has always had an impact on shaping the foreign-policy making of the country. Kathmandu has been strengthening its external relations since the Constitution of 2015 and the unofficial blockade on the border since then, with a focus on diversifying links and maintaining strategic autonomy. The article analyzes foreign policy of Nepal between India, China, and the United States (U.S.) during 2015–2026. The study uses secondary sources such as official policy documents (Nepal Foreign Policy 2077), trade figures, project implementation records of the Belt and Road Initiative (BRI), and the Millennium Challenge Corporation (MCC) Compact, parliamentary statements, and recent scholarly analyses in order to employ the small-state theory and concept of strategic hedging. It claims that Nepal has adopted a calibrated approach to hedging between the three powers, has aligned itself with the countries on the infrastructure and energy fronts, and has not entered into exclusive security arrangements. This approach has been limited and facilitated by the turbulence in the domestic political landscape, such as the 2025 Gen-Z movement and the 2026 electoral realignment under Prime Minister Balendra Shah. The extension of policy space through hedging has enhanced policy room of Nepal, but the structural asymmetries in trade, transit and power have dampened the impact of hedging. The article suggests policy recommendations for strengthening institutional capacity, economic diplomacy, and multilateral engagement to sustain autonomy in an intensifying multipolar environment.

Keywords: Belt and road initiative, Nepal foreign policy, small-state diplomacy, strategic autonomy, strategic hedging,

INTRODUCTION

Nepal is one of the most sensitive geopolitically places in Asia in the heart of the Himalayas. Situated between India to the south and the Tibet Autonomous Region of China to the north, the country has traditionally played a role as a buffer state between the two, and more recently as a center of contestation and influence for emerging and dominant powers (Dar, 2025). Nepal's domestic political landscape and regional strategic landscape underwent significant changes between 2015 and 2026. These events, including the adoption of a new federal republic constitution in 2015, the unofficial Indian blockade on that same year, and the formalization of Belt and Road Initiative (BRI) cooperation with China in 2017, the ratification of the U.S. Millennium Challenge Corporation Compact in 2022, and the political upheaval around the Gen-Z protests of 2025 that eventually led to a new government in 2026, collectively altered the scope of Nepali foreign policy (Mainali, 2022).

In this context, the main purpose of this article is to answer the following question: How has Nepal tried to maintain strategic autonomy in its foreign policy in the context of India-China-US competition (2015-2026) and what has helped or hindered them in achieving this aim? The investigation is important on a number of points. First, small states at the intersection of great-power competition have unique dilemmas which are not fully reflected in the classic balance of power or bandwagoning models (Dar, 2025). Second, Nepal provides empirical evidence on the implementation of hedging in extreme asymmetric and domestic political uncertainty (Johny, 2024). Third, the findings are relevant for policy-makers in Kathmandu and external actors interested in engaging with the Himalayan republic.

The history of scholarship on small state foreign policy has been a very different one since the early post-Cold War era. Small states were frequently depicted as structurally constrained actors that had to balance against or bandwagon with stronger powers in classical works (Walt, 1987; Rothstein, 1968). However, more recent literature stresses agency by focusing on how multipolarity, institutional membership and economic diplomacy can be used to expand the room for maneuver of small states (Long, 2017; Thorhallsson & Steinsson, 2017). Strategic hedging has emerged as a unique third way in the Indo-Pacific and South Asia, balancing and bandwagoning are two extremes. In the Indo-Pacific and South Asian environment, the concept of “strategic hedging” has been highlighted as an alternative way of avoiding a binary choice between “balancing” and “bandwagoning”.

According to Cheng-Chwee Kuik, hedging is a package of policies that seeks to maximize returns and manage risk under high uncertainty (Kuik, 2008, 2016). Normally, they will do hedging, including limited bandwagoning (economic and diplomatic involvement with the emerging power), soft balancing or risk-contingency bargaining (finding alternative partners), dominance denial, and indirect balancing. This model has been adapted and extended to Southeast Asian states, Central Asian republics and, more recently, South Asian small states (Goh, 2005; Ciorciari, 2010; Jackson, 2014).

In the context of the Nepali state, a number of scholars have written about the country's efforts to deal with India and China. Initial studies were those concerned with the historical trend of “equiproximity” or non-alignment under the Panchayat system and the Treaty of Peace and Friendship with India of 1950 (Rose, 1971; Muni, 1992). After 2008, the republicans' scholarship gradually and more openly speaks of Nepal's hedging behavior. The Republicans' scholarship since post 2008 increasingly speaks of Nepal's hedging behaviour. Mainali (2022) contends that the 2015 blockade acted as an intentional hedging move aimed at China as a counter-strategic measure in case of pressure from India, but points out that this strategy still failed due to the fact that structural economic reliance on India restrained it. In his analysis, Dar (2025) places Nepal in the broader context of the Indo-Pacific great-power competition and argues that the degree and nature of Kathmandu's hedging behaviour is more likely to be explained by domestic political factors than by external geopolitical factors. Other papers address the issues of geopolitics of connectivity (Ghimire, 2025), the historical journey of the Zone of Peace and current issues of autonomy struggle (Thapa, 2025), and the dilemma of strategic silence and assertive autonomy (Pulami Magar, 2025).

Research on Nepal–U.S. relations has been conducted on the topic of development assistance, Indo Pacific framework and its securitisation of engagement, and the MCC Compact controversy (Nepal Public Policy Review and related journals, 2025). The literature together confirms that Nepal hedges, but the literature is not well-developed with regard to three dimensions: the systematic examination of the role of the United States as a third pole, the interaction between foreign-policy continuity and domestic political shocks (particularly the transition of 2025-2026), and a secondary-data analysis of concrete results in trade, infrastructure provision, and diplomatic signaling by mid-2026. This article addresses these gaps.

THEORETICAL FRAMEWORK

This study draws on two related theoretical traditions: small-state theory and strategic hedging, along with some neoclassical realist theory on domestic politics-related considerations.

The small state theory suggests that small states face a unique autonomy-security dilemma. They are unable to prevent or encourage the actions of neighbouring states and therefore their foreign policies focus on survival, recognition of sovereignty and maximising limited agency through diplomacy, institutions and diversification (Keohane, 1969; Ingebritsen et al., 2006). Nepal has the 'Lilliputian dilemma' as a small yet geopolitically significant state whose strategic location makes it both vulnerable and a bargaining chip (Dar, 2025).

The operational eye is strategic hedging. Hedging is interpreted as a complex approach which involves the following elements: (a) economic pragmatism and limited bandwagoning with the ascendant power (China); (b) continuing engagement and risk-contingency with the traditional partner (India); (c) diversification towards extra-regional powers (the United States and others); and (d) conscious avoidance of exclusive military or security ties that would close options. Pure equidistance does not exist in hedging, it is an active and calibrated management of asymmetric relationships that exist in an uncertain environment.

The intervening variable provided by neoclassical realism is domestic politics. The incentives to hedge are driven by systemic pressures (India–China rivalry and U.S. Indo-Pacific strategy), but the nature, strength, and longevity of the hedging strategy is shaped by domestic factors such as the degree of elite consensus or fragmentation, institutional capacity, public opinion, and political survival strategies of successive governments (Rose, 1998; Ripsman et al., 2016). The 2015-2026 period is a natural laboratory for the observation of the impact of these intermediate factors on foreign-policy outcomes.

METHODOLOGY

The article uses a qualitative design that only uses secondary data, fitting the requirements and opportunities of studying contemporary foreign policy. Primary sources comprise official documents of the Government of Nepal (Constitution of Nepal 2015, Foreign Policy of Nepal 2077, Ministry of Foreign Affairs reports, joint statements and records of the parliament), statistics related to trade and economy published by the Department of Customs, Nepal Rastra Bank, and international databases, project status reports from the BRI and MCC Compact and openly available diplomatic communications. Secondary sources include journal articles published in peer-reviewed journals, monographs, policy briefs from think tanks in Nepal and internationally, as well as trustworthy media analyses from the period 2015 to July 2026.

Thematic content analysis was used to analyse data, focusing on key themes of hedging, including economic engagement patterns, infrastructure and connectivity decisions, diplomatic signaling (visits, speeches, treaty ratifications) and domestic political debate. The critical junctures of the blockade in 2015, accession to the BRI, ratification of the MCC in 2018, and the political transition of 2025-2026 were matched to the subsequent policy changes using process-tracing methods. Multiple sources of official statistics, academic interpretation and current reporting can improve reliability. The limitations of secondary data – namely possible official opacity, lack of project-level financial data, and the recentness of the 2026 government – are noted and findings are therefore expressed as analytic and not as causal statements.

This is not an accident, but is intentional, because a purely secondary-data design is chosen. Access to high-level decision-makers for primary interviews is still limited due to political sensitivity and recent changes in government. Furthermore, a number of the most significant documents, such as the Cabinet decision, the negotiation documents and the internal analyses, have not yet been made public. In such circumstances, the best that can be done is to carefully combine available official documents, quantitative trade and project indicators, and peer-reviewed analysis. The gradual release of archival material and the fieldwork that can be done after 2026 when the political order is more stable will benefit future scholarship. The secondary record is adequate for the purpose of this study to conduct a graded analysis of the hedging behavior in the three bilateral relationships and the domestic intervening variables.

FINDINGS AND DISCUSSION

Evolution of Nepal's foreign-policy doctrine, 2015–2026

The Constitution of Nepal 2015, Article 5 and Article 51, enshrined national interest, which is defined as sovereignty, territorial integrity, independence, and economic development, and the state has been directed to pursue an independent foreign policy, based on the United Nations Charter, non-alignment, Panchsheel principles, international law and peace of the world. They served as constitutional supports to both the older traditions of non-alignment and room for strategic diversification.

The Government of Nepal officially presented the Foreign Policy of Nepal 2077 in December 2020. The document reiterated the constitutional principles and highlighted economic diplomacy, multidimensional connectivity with neighbours, protection of Nepali people living abroad, peaceful settlement of the border dispute based on historical treaties and evidence and the non-acceptance of use of Nepali territory against any other neighbouring state. It clearly defined foreign policy as a means of socio-economic change. The policies of independent, balanced, and diversified engagement have been continually reiterated by subsequent governments, such as the 2026 government headed by Prime Minister Balendra Shah.

There is a continuity of doctrinal continuity. Despite the high degree of polarization within the country and pressure from outside, successive governments have not formally renounced the doctrine of non-alignment or alignment with any particular power. But in reality, policy has also evolved since this unofficial blockade in 2015.

Relations with India: Structural interdependence and persistent friction

India is by far the biggest economic partner of Nepal. The recent trade statistics show that India was the top destination market for Nepal's imports, capturing around 57 to 60 percent of the total trade, and for exports, over 80 percent of Nepal's exports went to India during the first ten months of FY 2025/26. The concentration is due to proximity, the open border regime, the Treaty of 1950 and transit dependence. The structural interdependence is further deepened by trade in energy, supplies of petroleum products, fertilizer and consumer goods.

But the 2015 unofficial blockade, during Madhesi protests against the new constitution, marked a crucial moment. This led to a shortage of fuel and other essential commodities, fostering a general anti-India sentiment and instilling a sense of vulnerability in a significant portion of the Nepali elite towards sole reliance on southern routes. In response, Nepal has taken steps to diversify, such as the Transit and Transport Agreement with China in 2016 and the BRI engagement.

Kalapani, Lipulekh, and Limpiyadhura have been some of the regular flash points, especially in the border dispute. Territorial integrity as a political issue in Nepal is highlighted in the constitutional amendment of 2020, which included these territories on the official map of Nepal, and in the debate in the Parliament during the Shah government of 2026. India has always been adamant in pressing for bilateral dialogue and not engagement with third parties. Such tensions have not dampened the practical collaboration between the two countries in areas of connectivity (roads, cross-border transmission lines, petroleum pipelines), nor in people-to-people relations. The early high-level contacts with New Delhi, including that of the Foreign Minister, also suggest the government had an interest in normalizing the relationship without giving up any negotiating leverage.

Nepal's India policy is characterized by a blend of economic pragmatism and risk contingency, a characteristic of hedging. Kathmandu does not subordinate nor sever ties completely with New Delhi, it uses the relation as a benchmark while actively fostering alternatives. The open border, the amount of illegal trade, the presence of a large Nepali community in India and cultural-linguistic similarities make any sudden turnaround more difficult. Meanwhile, the Nepalis themselves have often appealed to the concept of sovereign equality and have called for a reinterpretation or revision of the 1950 Treaty framework, which they have long wanted to put on a more modern basis. The early sequencing of dialogue with India by the 2026 government while keeping high-level engagement with China going is a signpost of the continued push to manage this foundational relationship without it becoming exclusive.

Energy cooperation constitutes another important dimension. Nepal's hydropower has always been considered as a strategic asset that can earn foreign currency from exporting to India and possibly elsewhere. Though cross-border transmission lines and power trade deals have taken off, the development of big multipurpose projects like Pancheshwar has been sluggish. The India-Nepal relationship is multifaceted, involving energy diplomacy, water resource concerns, and geopolitical factors. Overall, the relationship is one that is deeply interdependent and dependent on political tensions that persist. Overall, the relationship is one of deep interdependency and interdependence with recurringpolitical tensions, a context that requires and makes difficult hedging.

Relationship with China: Connectivity, BRI and strategic insurance

The presence of China in Nepal's foreign-policy portfolio grew significantly since 2015. Northern connectivity was enabled by the 2016 Transit and Transport Agreement and the 2017 Memorandum of Understanding on the Belt and Road Initiative (MOU BRI). The Framework for Belt and Road Cooperation was signed in December 2024 for transport, energy, customs, finance and trade, and is more detailed. Roads through Tatopani and Rasuwagadhi, proposed railway feasibility studies and electricity transmission have been consistently discussed in bilateral dialogues.

The implementation has been less consistent, though. The financing modalities, environmental and social safeguards, domestic political instability, and capacity limitations on the Nepali side have been some of the reasons for delays in the many projects associated with the BRI. Trade patterns show that there is a systematic mismatch, as China is the second biggest market for Nepal's imports (around 20 per cent of the total in the latest figures) but only a small proportion of Nepal's exports are sold to the country. There are more opportunities for engagement, including tourism and possible cooperation for hydroelectric power.

But the relationship remains constrained by security concerns in Tibet. Beijing has always wanted to be reaffirmed with the One-China principle and assured that the Nepali territory will not be used for anti-China activities. Throughout the years, successive Nepali governments have made such assurances, playing down the space available for Tibetan refugees and cultural activities in their country. During Khanal's visit to Beijing in June 2026, the Foreign Minister reiterated the principles of balanced engagement, commitment to action on practical projects, mutual respect for core interests and a focus on mutual benefit and growth under the Shah administration.

In terms of hedging, China acts mainly as a partner with insurance and maximization of returns. By engaging the economy and connectivity, Nepal has minimized its reliance on India and increased its choices, but it hasn't got involved in such complicated security entanglements or borrowed commitments that it would be at risk of losing its autonomy. The challenges faced in delivering BRI projects have turned into a political discussion within Nepal, where critics have pointed out that the outcomes of the projects have not matched the high expectations and financing mechanisms have not been sufficiently explored. Northern connectivity is supporters' view as long-term strategic need and capacity and procedural limitations on the Nepali side have caused delays, they argue. The 2026 government is focused on action and mutual advantage, as it tries to shift the focus of the relationship from symbolism to action.

There has also been an increase in public diplomacy and people-to-people exchanges, albeit from a low base when compared to the India relationship. The repertoire of soft power also encompasses Chinese tourism, educational scholarships and cultural programs. At the same time, Nepal has taken a prudent position on Tibet-related issues, weighing domestic factors, international human rights standards and Beijing's core concerns. This calibrationitself is a form of hedging, engagement not full, cooperation not subordination.

Engagement with the United States: Development partnership and strategic diversification

The United States has been a key development partner in Nepal's history. The Millennium Challenge Corporation Nepal Compact is the largest ever U.S. assistance commitment in recent decades, with a total of about USD 550 million in U.S. grant funding and a significant contribution from the Nepali government. The Compact had been agreed upon with the Nepali parliament and ratified in 2022, but it was not due to electricity transmission (including high voltage lines and substations) and road maintenance along the Strategic Road Network, but also as a result of a lengthy domestic debate. Some suggest that the agreement was part of the U.S. Indo-Pacific Strategy, while others emphasized its development-only nature and its financing of projects based on grants.

Progress was made by mid-2026 with key substations and transmission corridors being broken ground and road rehabilitation under the Full Depth Reclamation technology being completed. Independent assessment procedures were also implemented. High level visits, skills and youth initiatives following the Gen-Z movement, and ongoing USAID and other support have been part of U.S. engagement.

Although the Chinese government is reluctant to accept Nepal's entrance into and entry into operation of the MCC Compact, it nonetheless represents a clear diversification effort on the part of the Nepali government. It opens up a third big external partner to the infrastructure sphere, and it's a sign that Kathmandu isn't allowing anyone, particularly a single power, to have a veto on its development partnerships. Meanwhile, Nepal has not joined any security architectures linked to the Indo-Pacific doctrine, maintaining the nonaligned core of its doctrine. The Compact's financing mechanism through grants has been consistently compared to the financing model based on loans, which appealed to some constituents of the Nepali public and political class who were worried about the sustainability of the debt.

In addition to the MCC, U.S.-Nepal relations include ongoing development assistance, democracy & governance initiatives, education exchanges, and more recently, priority investment in youth & civil society following protests in 2025. In recent years, high-level visits by American officials have aided in shaping the image of the United States as relatively unthreatening extra-regional power, and public expressions of shared values have mitigated the dangers of patronizing the United States. For Nepal, the U.S. connection works more like a classic hedging strategy: increasing options, creating a competitive environment among bigger players, and bringing resources that are not as close as to create security externalities. The real challenge is to ensure that Chinese and (to a lesser degree) Indian perceptions of this engagement do not lead to a new vulnerability through diversification.

Domestic politics as intervening variable: From instability to the 2026 realignment

Nepal's foreign-policy hedging has not been an automatic and uniform reaction. It has been strongly influenced by the domestic political context in terms of when, how, and why it has been presented in a certain rhetorical form. The frequent change of governmental leadership over the last three and a half decades (over 30 governments prior to 2026) created policy discontinuity and a lack of institutional memory, as well as the opportunity for outside forces to establish distinct factions of elites.

In September 2025, the Gen-Z protests against the perceived corruption, nepotism and governance failures led to the resignation of the government, an interim government and elections in early 2026. When the Rastriya Swatantra Party was in power and Balendra Shah (popularly Balen), an old Kathmandu mayor, assumed the top leadership position, it was a fresh youthful and stylistic shift. The new government focused on economic diplomacy, national interest, efficiency, and balance with both neighbours. Early diplomatic sequencing (India before China) and statements by Foreign Minister Shishir Khanal reiterated continuity in the principles of independent and balanced foreign policy as well as an approach that emphasizes results.

Domestic politics is therefore a limiting and enabling factor. Historically, the coherence of the hedges has been diluted by fragmentation and by the short time horizon of political action; the political break of the years 2025-2026 offered the opening to articulate strategic autonomy more rigorously, although its sustainability will need a test in the near future. It was the Rastriya Swatantra Party's talk and initial governance strategy that instilled an attitude of active engagement with the idea of Nepal as a "vibrant bridge" for economic cooperation among neighboring and beyond. Whether the rhetoric will lead to lasting institutional change, or stay mostly rhetorical, will be a major indicator of the new government's foreign-policy capacity impact. Early indicators of continuity are balanced sequencing of visits, public affirmation of constitutional values and a clear emphasis on delivery, along with an orientation towards hedging and an efficiency and national-interest style.

One should also pay attention to the views of the public and generational change. The Gen-Z mobilisation of 2025 voiced their strong discontent over the dominant political framework and governance issues. Foreign policy itself was not the rallying call, but the call for accountability, transparency and results has implications for external relationships, how they are managed or justified. Younger generations seem less attached to stories of special relationships and more concerned with real results for development. Such a transfer of power could – in the longer term – reinforce the pragmatic, results-oriented aspect of hedging, and diminish the political price of diversification.

Assessing the effectiveness of hedging

Overall, the hedging strategy in Nepal has yielded mixed, but not insignificant outcomes, in the pursuit of dual goals of risk contingency and return maximization. From the risk-contingency standpoint, the northern transit option was less developed, and a key U.S.-funded infrastructure program makes it more difficult for one partner to be seen as having any coercive leverage. The other side, return maximizing, has seen Nepal being placed in search of grant and concessional resources by various sources and maintaining diplomatic relations with the three powers.

Structural limitations persist. The degree of trade concentration in India is still high. The progress of the BRI projects has lagged. The capacity of institutions to appraise, negotiate and implement projects varies. The India relationship remains volatile because of border disputes. Furthermore, the growing challenge in the Indian, Chinese and American interests in the region increases the long-term possibility of a waning hedging space, should one of the larger regional powers seek greater alignment.

Still, hedging has maintained a degree of autonomy and policy flexibility for Nepal that would not have been possible in a pure bandwagoning or pure balancing approach. Domestic political stability, strengthening of economic fundamentals to lower structural dependence, and effective multilateral diplomacy will be key to the sustainability of this strategy. There are limited measures of success: trade concentration ratios haven't changed significantly, major cross-border rail routes are still a long way off and project completion rates for big infrastructure projects are still lagging behind their announcements. However, qualitative indicators are more positive. Nepal has maintained its right to ratify a big U.S. deal, the ability to hold talks with both neighbours under new political leadership, and a balanced approach to diplomacy without formal ties or disruption. The insurance value part of the strategy has been shown, even though the return maximization part has not.

In the future, there are three structural challenges that will put the Nepal strategy under pressure. Second, growing strategic competition between India and China, including in the Himalayas, could also limit freedom for ambiguity and heighten the pressure for signaling to be made more explicit. Second, the changing U.S. position in South Asia and the Indo-Pacific will remain a factor in determining the menu of partnership options that will be available to Kathmandu. Thirdly, the external continuity or disintegration of domestic politics under the new regime after 2026 will decide if there can be a continuity of foreign policy beyond the level of the individual government. Hedging is not an end point of balance it is an ongoing process of balancing which depends on both external opportunities and internal capacity.

DISCUSSION

This case from Nepal supplements and complicates prior theoretical developments and insights about small state hedging. Firstly, while geography is still a foundational element, it is not a determining factor and domestic political agency and critical junctures (blockade in 2015, protests in 2025) have significantly affected the course of external engagement. Second, the addition of the United States, a nonregional power, moves the hedging portfolio away from the classic dyad of India-China, and shows how small states can use multipolarity. Third, hedging comes with no costs: it is an ongoing diplomatic process, institutional capacity building, and elite consensus that Nepal has had, at best, sporadically.

Other small states in competitive neighbourhoods (namely Bhutan, Mongolia, Central Asian republics and some Southeast states) face comparative implications. Nepali experience also indicates that doctrinal pledges of non-alignment and balanced relations are good, but not enough if not accompanied with efforts for economic diversification, bureaucratic efficiency, and domestic political legitimacy. Those small states that look at hedging as a simple balancing act with the external environment are likely to miss the internal requirements of strategic coherence. On the other hand, those states that seek to take domestic reforms for granted rather than proactively control international relations risk a limited agency it affords.

This study offers theoretical contribution by showing that it is possible and precarious to hedge in the presence of extreme asymmetry and domestic volatility. Nepal's ability to have economic and diplomatic engagement with all three big powers without taking on exclusive security commitments is an indicator of the country's feasibility. Fragility is reflected in the ongoing structural constraints, and by requiring political stability for policy continuity. The results call for further development of the hedging theory, taking into account domestic political time horizons, institutional capacity, and landlocked geography.

CONCLUSION

Nepal adopted a foreign policy approach that could be called "strategic hedging" between India, China, and the United States between 2015 and 2026. Seeking to protect sovereignty and enhance developmental choices in an asymmetrical and uncertain environment, successive governments sought to bring all three powers into the economy, as well as carefully selecting infrastructure partnerships and avoiding exclusive security pledges. This strategy was complicated and sometimes reshaped by domestic political instability, and the government of Prime Minister Balendra Shah, which took office in 2026, has so far upheld the fundamental tenets of independent and balanced diplomacy, while attaching importance to delivery and the economic results.

The strategy has produced some (though not all) identifiable achievements in terms of autonomy and diversification. Nevertheless, the constraints of structure – trade dependence, capacity shortage and increasing great power competition – have always been limiting its effectiveness.

Policy recommendations

Nepal should build institutional capacity in formulating foreign policy and in project appraisal and inter-agency coordination. A more professional and well-equipped foreign service, better demarcation of authority in the context of federalism and a sound evidence-based approach to economic diplomacy would minimize the intergovernmental discontinuity.

Second, the economic fundamentals need to be strengthened to bring down structural vulnerability. Diplomatic hedging should be complemented with diversification of export markets, value-addition in agriculture and hydropower and careful management of debt and investment modalities from all partners.

Thirdly, the engagement with multiple and mini-laterals should be strengthened. Joining the United Nations, SAARC, BIMSTEC, and topic-specific fora on climate, landlocked developing countries, and connectivity can add another layer of institutional insulation and make Nepal's voice heard.

Small states cannot be removed from geography, but can mold the experience of geography in a multipolar world. Nepal's balancing act in the Himalayas is still to be completed and the key is to have a consistent political will, institutional capacity and strategic patience within the country. A mixed methods approach with elite interviews, project-level financial data and longitudinal public opinion surveys would be useful for future research in order to better understand the domestic drivers of hedging. In addition, comparative discussions between Nepal and other Himalayan or less populous landlocked countries would add further richness to the theoretical debate on autonomy in an asymmetrical context.

Finally, the experience of Nepal shows that strategic hedging can be achieved and is not perfect. It expands policy space without eliminating structural constraints. So for a small state located in the middle of great powers' interests, that may be a substantial, albeit incomplete, success. The years ahead will reveal whether Nepal can convert the diplomatic flexibility it has preserved into concrete developmental gains and more resilient institutions capable of sustaining autonomy across political cycles.

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