

International Relations: Economic Diplomacy and Foreign Policy of Nepal

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Abstract

The research article entitled, “International Relations: Economic Diplomacy and Foreign Policy of Nepal” nucleus on a critical analysis with the ground of international relations, particularly explores the dynamics of foreign policy and economic diplomacy due to its relations and diverse variables form of diplomatic understanding. The research article aims to build up an international political dynamics entrenched in the principles of foreign policy and diplomacy, providing a initial understanding of international configurations. The role of neighboring states specially China and India and diplomatic friendly states like United State of America (US) and European nations underscore the reflection in the foreign policy and economic diplomacy of Nepal. Employing a descriptive methodological approach, the researcher relies on secondary data sourced from a range of scholarly literature concerning economic diplomacy including foreign policy, international relations (IR), and the diverse jurisdictions of international political systems. Additionally, it explores the evolving role of Nepalese foreign policy of states and non state actors in contemporary international relations, highlighting the latter’s increasing flexibility and effectiveness in addressing foreign policy and economic diplomacy on domestic challenges and international political practice .

Keywords: Economic Diplomacy, Foreign Policy, International Relations, International Politics.

Introduction

Economic diplomacy plays a fundamental role in determining foreign policy of Nepal, particularly it plots a route towards its relationships with China and India as well as the US and EU nations and Russia as inseparable partners in Nepal’s international politics and its international relations (IR). The diplomatically friendly approach of the diplomatic states emphasizes the importance of economic cooperation, investment and trade in nurturing diplomatic knots, which are indispensable for Nepal’s development and economic stability. Thus, Nepal’s IR is considerably prejudiced by its relations with diplomatic friendly neighboring states specially the act of China and India. These relationships are demonstrated by a delicate balance, as Nepal momentary look for leverage its geographic position to enhance economic opportunities while maintaining sovereignty and independence in its foreign policy and economic decisions making. In this context, Nepalese diplomatic efforts focus on building partners that promote mutual benefits and regional stability based on liberalism rather than realism. By engaging in economic diplomacy, foreign policy of Nepal seeks to reinforce its international

distinction and available support for its development goal, ultimately contributing to a more prosperous future for the nations in international political landscape and IR based on the philosophical understanding of 'Prosperous Nepal, Happy Nepali'. Researcher's research article focus with international relations on the foreign policy and economic diplomacy of Nepal, intending to provide a comprehensive analysis based in international political economic theory as it pertains to IR. The researcher seeks to illustrate how Nepal navigates its foreign policy and economic diplomacy in response to the dynamic international political arena based on both the realist and liberalist frameworks. This approach not only highlights the strategic execution of foreign policy of Nepal but also emphasizes the significance of adapting to surfacing geopolitical realities. Thus, 'foreign policy is a set of policies and practices a nation-state or government adopts to govern and strengthen its relations with third countries, allies and partners. Foreign policy typically safeguards a nation's national interests, security, political objectives and economic growth' (Aryal et al., 2011, p.11; Baral, 2025, p. 14) in term of economic diplomacy.

Methodology

The objective of the research article is to analyze the economic diplomacy and foreign policy of Nepal based on international's political understanding in respect to IR. The research article is adopting and executing realist and liberalist theories that reflect the evolving global landscape in the most effective strategic state's foreign policy execution of Nepal. This research employs an interpretive methodology, focusing on qualitative analysis within the descriptive and analytical framework. Secondary data has been gathered and analyzed from various sources, including books, academic journal and scholarly article.

Literature Review

Conceptualizing Foreign Policy and Relevant Theories

The word 'Nepal' is primitive and has been used even in the Athvarvebed, believed to be written nearly five thousand years ago. Kautilya mentioned in his book Arthashastra too about the political economy of the state (Aditya , 2017). 'A country that somehow had been able to survive with its sovereignty and independence more or less intact resisting powerful imperial onslaughts successfully in the course of its struggles has more than one reason to celebrate' (Dahal, 2018, p. 91). In history, Nepal is also noted in the world for certain it's specific, unique and peculiar characteristics. When America and Australia was not even born as a nation, Nepal built finest monuments, which are now listed in World Heritages Sites.

On January 1, 1934 Jaraharlal Nehru wrote a letter to his daughter Indira Gandhi, he had praised the sovereign status of Nepal and the bravery shown by the Nepalese Gurkhas in the international political arena and development of IR based on economic diplomacy and foreign policy. He stated that Nepal is a "peculiar country...a delightfully situated place, full of natural wealth. It is not a dependent state like Kashmir or Hyderabad... and the brave and war like people of Nepal" (Nehru, 2003, p. 411). Nehru had further praised "the bravery of the Gurkhas of Nepal in invading Tibet" (Nehru, 2003. pp.331-332).

‘Nepal is the land of brave and victorious Gurkhas and the bravery has been beautifully admired by the German Emperor William the II. As history is the basis of a nation’s foreign policy, a charismatic leadership, good statesman always respects the history so that they can learn lesson from the history. Nepal is one of the seventeen oldest states in the world. The country “Nepal”, which was listed in the index of “Atharvaved” representing knowledge, is known for its long history and civilization’ (Dahal, 2018, p. 91-92).

In 1990s, Nepal embarked on a journey of economic liberalization and market oriented reforms, which significantly opened its economy to foreign investment and increased its engagement in regional and international economic forums. The establishment of Department of Commerce and Supply Management (DoCSM) and Nepal Investment Board (NIB) in the early 2000s marked a strategic shift towards a more structured approach in promoting foreign investment and facilitating trade. ‘These developments have placed a crucial role in advancing Nepal’s foreign policy objectives, which aim to enhance national dignity by protecting sovereignty, territorial integrity, independence and fostering economic prosperity. Hence, foreign policy of Nepal is committed to contributing to global peace and security, guided by principles such as mutual respect for sovereignty, non interference in internal affairs of other nation states and cooperation for mutual benefit, all underpinned by a strong adherence to the values enshrined in the UN Charter’ (MoFA, 2025).

Article 5(1) state, ‘the safeguarding of the freedom, sovereignty, territorial integrity, nationality, independence and dignity of Nepal; the rights of the Nepalese people, border security, economic wellbeing and prosperity shall be the basic elements of the national interest of Nepal’ (The Constitution of Nepal, 2072, p.4). Simultaneously, Article 50(4) states, ‘ the State shall direct its international relations towards enhancing the dignity of the nation in the world community by maintaining IR on the basis of sovereign equality while safeguarding the freedom, sovereignty, territorial integrity, independence and national interest of Nepal (p.28). Article 51(m) states that, ‘to conduct an independent foreign policy based on the Charter of the UN, non-alignment, principles of *Panchasheel*, international law and the norms of world peace, taking into consideration the overall interest of the nation, while remaining active in safeguarding the sovereignty, territorial integrity, independence and national interest of Nepal (Constitution of Nepal 2015, p. 42-43).

To appraise past treaties and forge new agreements grounded in equality and mutual benefit is essential in foreign policy of Nepal and its execution of economic diplomacy. IR is formed by a complex interplay of political, socio-cultural and economic elements. The research on foreign policy and diplomacy provides critical insights into significant international economic trends, including regionalization, globalization and economic development, all of which influence foreign policy decisions. ‘Traditionally, mainstream analyses of foreign policy and diplomacy have relied on realist and neo realist perspectives’ (Lee & Hocking, 2010). For landlocked country or “India Locked Country” (Dahal: 2018, p.103) like Nepal, the challenges posed by border barriers and

high transit and transaction costs are particularly significant, directly impacting the country's economic growth and development.

In contemporary milieu, there has been a major conceptual shift in the research study of foreign policy and economic diplomacy. Researchers of IR and foreign policy have highlighted the requirement of perceptive IR periphery of the narrow state-centric security nexus. In this scenario, the research focuses on how to develop a constructive debate to move the economic diplomacy and foreign policy towards a better understanding of the processes and practices of IR. In this view, the foreign policy is not curbed to inter-state relations in an international political arena. It involves the political, socio-cultural and geo-economic relations among networks of political actors in formal and informal domestic and international political system. Hence, foreign policy and IR has been shifted towards economic diplomacy in which the principal theme was the economic tools of statecraft.

‘One momentous contributor to political instability in Nepal and the broader region is the lack of essential physical infrastructure, which is vital for economic development, alongside insufficient financial investment and a coherent strategy for industrialization and sustainable growth. Engaging with initiative like the Belt and Road Initiative (BRI) and the Millennium Challenge Corporation (MCC) could provide the necessary resources, technology and engagement models for the country. However, the success of these initiatives bottom line on the integrity and commitment to managing human, physical and technological resources, especially leveraging Track 1 diplomacy to enhance economic, political and developmental interactions among the diverse stakeholders involved in the BRI, MCC and other large scale projects is essential. Yet, as states often limit their strategies to Track 1, activating Track 2 and Track 3 diplomacy could yield far greater benefits, optimizing outcomes beyond what is single track approach can achieve’ (Aditya, 2021, p. 14).

Table 1 Multi-Track Approach to Relation Building

	Track 1 State-Based	Track 2- Elite-Based	Track 3 People –Based
Key Role Player	Rulers	Elite	Masses
Action Mode	Command	Mobilization	Participation
Mechanism	Authoritarian	Patronistic	Democratic
Transparency	Closed	Partly Open	Transparent
Decision-Making	Centralized	Delegated	Decentralized
Nature of Hegemony		Oligarchy	Decentralized
Regime			
Social Capital	Very Low	Low	Medium to High

Source: (Aditya, 2021, p.13)

There are two themes emerged in foreign policy i.e. firstly, the diplomat as an agent in IRs and secondly, international political economy and how to fit non state and non foreign ministry officials into diplomatic agencies. Observing the entire process, researcher focused on economic matters and its tools of the foreign policy which

evolved conceptually in principal system under the systematic process of regionalism. 'The changes to the organization of diplomacy within governments and the development of new forms of diplomatic practice alongside the emergence of new diplomatic actors in the domestic politics reflects the entire process of development of the foreign policy in respect to IR' (Lee & Hocking, 2010). Following the restoration of democracy in 1990, Nepal began to promote and support democratic values in the realm of international politics. Simultaneously, the nation prioritized economic diplomacy as a key component of its foreign policy. In 1995, GoN established a High-Level Task Force (HLTF) to recommend foreign policy strategies that would align with the evolving international landscape. Thus, "foreign policy is an art of allocating economic strategic national interests of the country by the use of security on economic instruments in the conduct among the states relations. The Indian classical diplomat, namely, Kautilya's "Arthashastra" has acknowledged the significance of "Saam, Dam, Dand and Bhed" in the conduct of diplomacy" (Kautilaya 2.10.47; Olivele, 2013). Foreign policy is intended to persuade policy and regulatory decisions of the other state's governments. It also influences the international organizations as well as the international political system. The several causes of global conflicts are resolved, based on the trade and investments are also influenced by the foreign policy of the state authority. Foreign policy and various diplomacies are essentially performed by the representatives of the international relations committee or Foreign Service official of the state. In the present international system, the scenario shows that the non state actors has significant role to play and perform its functions in successful implementation.

In IR, the terminology of foreign policy is extensively used in the contemporary IPE. It is also called development diplomacy. It supports to establish the bilateral or multilateral relations among the different nations. In the contemporary base, the concept of IPE is gaining an eminence in the international political system. However, it is not a neophyte practice. In the past historical development of IR the bilateral and multilateral relations were established on political rather than economic motives. Therefore, economic agendas were taken as less important while exercising the various tools of diplomacy by the state authority. Such practices in diplomacy pre occupied both sides of the Socialist and Capitalist bloc. Hence, the shifting of diplomacy from political to economic fronts was significantly mechanized by the foundation of liberalization, privatization and globalization as well as the free market policies (IFA, 2023).

Empirical Review

The maturity of precise concepts in foreign affairs in Nepal engaged prominently only after the 1990s, marking a significant advancement in the research of IR and foreign policy. A key theoretical focus in this field is the relationship between development diplomacy and the interests of the state and its populace. 'Foreign policy often referred to as the external policy of a state, represents a framework of political strategies and actions that govern interactions with other international entities. It encompasses a wide range of objectives, including national interests, security, IPE, diplomacy, Socio-cultural relations and various forms of alliances, both bilateral and multilateral. The

formulation of Nepal's foreign policy is influenced by multiple factors, including internal state dynamics, the actions of foreign nations, geopolitical considerations and the insights of the IR committee within the House of Representatives of GoN' (Kanwar, 2024, p. 15-16). The principal aspirations of foreign policy of Nepal and economic diplomacy are to plot a course in its interactions with diplomatic friendly nations and manage its international relationship among them. The formulation of such policies shaped with various variables, including national issues, the actions of diplomatic states and their strategic geopolitical ambitions reflect a crucial outline in international political arena and IR. Leopold van Ranke, highlighted the 'significance of geography and external threats in influencing foreign policy,' subsequent scholars have pointed to the importance of internal dynamics in the issues on foreign policy and economic diplomacy of the state. Diplomacy serves as the primary instrument of foreign policy, with war, alliances and international trade acting as its expressions. As a vital area of research study with IR, foreign policy examines how states engage with one another and with non-state actors, focusing on the development, execution and assessment of strategies aimed at fulfilling national interest and objectives.

Analysis and Interpretation

Genesis of Foreign Policy of Nepal

Primarily, 'small power country like Nepal, though their limited foreign policy a choice regarding international politics and IR and economic diplomacy and foreign policy. It has perpetually endeavourer to optimize national interest through foreign policy implementation and international engagements' (Baral, 2018; Pandey, 2021, p. 79). Prithvi Narayan Shah is the founding father of contemporary Nepal, he stated Nepal's geopolitical strategic location, as , "Nepal is a yam stuck between two boulders" (Divya Updesh). Similarly, he dismissed the European missionaries due to their religious conversion of the people of Kathmandu valley. "In terms of regional neighbors, he advises maintaining a treaty of friendship with of China and British Raj of India" (Adhikari, 2015; Khanal, 2019, p. 98). 'He was very clear in his guidance; Nepal should not operate military initiatives against neither the China nor British Raj of India but politically the attentiveness of military operating should only for defensive wars strategy. Even he did not had any imperialistic desire. The solitary was to bring together the small principalities and to form a unified nation state. This shows that why did not he treat Kathmandu valley as a vanquished city and plunder it. He only freed from anxiety the people of Kathmandu valley through his harmonious treatment but also chose Kantipur as his capital' (Khanal, 2073 B.S.; Khanal, 2019, p.98) by which, it developed as the hub of economic trade city in contemporary International political economy . 'The Kingdom of Nepal that unified not only remains unified till the date but also constantly maintains independent existence and expresses the united perception among the people'(P.98).

Isolationism as Foreign Policy of Nepal

In 1846, Jung Bahadur Rana established the Rana Regime, his tenure marked a period of absolute power that lasted for 104 years, characterized by political isolation. As the architect of Nepal's IR and foreign policy, particularly within the South-south bloc

following the treaty of Sugauli in 1816, 'his approach was heavily influenced by British India. Notably, in 1850, he undertook an official visit to the UK as a gesture of state honor, recognizing the dominance of southern bloc powers and the decline of northern influences. The state consequently adopted a foreign policy that closely mirrored British interests, reflecting the geopolitical landscape of the era' (Rose, 1971, p. 106; Khanal, 2019, p. 98).

"Jung Bahadur's rise to power resulted in a major redefinition of foreign policy of Nepal, more principally viz-a-viz northern bloc and overseas southern bloc. The foreign policy of Nepal adopted by him is also indication of the overseas southern bloc support for making him powerful in the country. He was grateful to the overseas power i.e. British and adopted British-centric policy, which continued throughout the Rana regime" (Lamsal, 2017; Khanal, 2019. P. 98).

On the other hand a diplomatic tie seems that, "in July 31, 1950, both the sovereign and independent nations signed the Treaty of Peace and Friendship. Nehru presented this treaty as evidence of the special relationship India and Nepal" (Muni, 2016). Simultaneously, Sino-Nepal economic cooperation dates back to the formalization of bilateral relations in the 1950s. The first "Agreement between China and Nepal on Economic Aid" was signed in October 1956 (MoFA). Thus, isolation of the foreign policy of Nepal was a strategic strategy of the Rana regime to safeguard the national integrity, sovereignty and the independent status in those colonized period and the imperialistic nature of the northern bloc in international political system. It might be the one of the tool of the diplomacy of the foreign policy of Nepal in those days. Junga significantly shaped Nepal's foreign policy, primary through a British centric approach that acknowledged the dominance of Southern sea. He prioritized maintaining amicable relations with the British, which he deemed essential for Nepal's stability. The entire strategy leaned towards isolationism, as he sought after to shield Nepal from external manipulates while concentrating on domestic governance.

To strengthen Nepal's territorial integrity during that colonial expansion period, the engagement of Nepal in strategic alliances and diplomacy, remarkably through the visit of Junga to Britain in 1850s plays a significant development in international political dimension. Furthermore, he developed the sense of alliance with the super power nations in the world political order. In addition, it supported the implemented stringent law and regulation aimed at reinforcing economic stability and national defense, standing by executing the securing Nepal stand against potential external threats let the independent and sovereign national state. However, 'it is important to recognize that Junga originate Nepal's foreign policy in term of International Relations; he followed to build further upon the foundations laid by Bhimsen Thapa. Thus, the Junga was recognized as the founding father of IR in Nepalese History' (Whelpton, 1983). His focus on foreign relations served as a means to achieve broader national objective and also made notable adjustments to the existing framework.

Expanded Foreign Policy of Nepal

King Mahendra, despite his authoritarian domination, appreciably transformed Nepal's foreign affairs and policy, which let him the title of the architect of the nation's diplomatic strategy. During his regime from 1955 to 1972, he established diplomatic relations with forty-five countries, underscoring Nepal's status as a sovereign and independent state despite Indian factor plays a pivotal role in domestic and regional politics. Conspicuously, 'Nepal became a member of the UN on December 14, 1955; the Food and Agriculture Organization (FAO), a specialized agency of the UN opened its first office in Kathmandu in 1951' (Acharya, 2070 B.S. p 126; Khanal 1019, p. 99), prior to Nepal's accession to the UN in 1955.

Nepal applied for UN membership on July 22, 1949 under the Rana Regime, the letter was forwarded from Major General Bijaya Sumsher Rana. In the entire process China recommended in General Assembly to admit in the UN but rejected due to the Soviet Union Veto in September 7, 1949 in the Security Council. This engagement marked the inception of the UN's in Nepal, focusing on agricultural and rural development. The FAO's presence laid the foundation for a lasting partnership, which has since evolved to include the UN country Team (UNCT) and the UN Sustainable Development Cooperation Framework (UNSDCF).

Nepal and the Soviet Union (Russian Federation) established diplomatic relations on July 20, 1956. The economic and technical cooperation started since 1959. The USSR provided assistance to Nepal for the setting up of the following projects: Kanti Hospital Panauti Hydro electric power station, Pathalaiya- Dhalkebar Highway, Janakpur cigarette factory, agriculture tools factory, Birjung sugar mill and Rosin and Turpentine plant in western Nepal (MoA, 2025).

The strategic engaged to achieve these diplomatic objectives included a careful balancing of external influences to safeguard Nepal's sovereignty while maximizing benefits via foreign aid. Additionally, 'Mahendra adeptly navigated relations with two powerful neighbors i.e. China and India, adapting to changing circumstances. This period saw noteworthy political diversification through active engagement in international diplomacy and a prominent role within the UN, all accomplished with remarkable efficiency and minimal disruption' (Rose, 1971, p. 218; Khanal 2019, p. 99). In June 1969, Prime Minister Kirti Nidhi Bista expressed a pivotal stance on Nepal's foreign policy, asserting that 'the nation could not compromise its sovereignty or accept a limited form of sovereignty under the influence of India, particularly India's security framework' (Muni, 1973).

Both Koirala and the King recognized that Nepal's sovereignty and independence would be strengthened by establishing diplomatic ties with the northern bloc' (Sangroula, 2018, p. 486). 'The King demonstrated notable courage in criticizing the leadership of the southern bloc for their overreach in Nepalese affairs. He emphasized that India should engage with Nepal as a true friend, provided that Nepal reciprocates in kind, urging the nation not to be swayed by the disruptive actions of external parties' (Panchayat Smarika, 2043 B.S. p. 423).

Balance Relationship of Nepal

A balanced relationship in IR is a state where contrasting forces are equally harmonized, preventing any one state from becoming the popular power. This is known as the balance of power theory.

The balance of power theory in international politics, IR and foreign policy is a theory that describes how power is distributed among states and how that distribution affects international political order in international system. The theory advocates that states should exerted collectively to check any one state from gratifying too powerful. Thus, the balance of power is measured one of the nucleus principles of international politics, IR and foreign policy. Even though the theory doesn't precise sense, but it is best way to understood as referring to a state of international order where power is balanced in such a way that country avoids hostility out of terror of forceful retaliation. Therefore, it is the nucleus principle of international politics, IR and foreign policy of the country like Nepal which is situated strategically between the two neighboring power in terms of emerging world power. It aims, is to prevent one state from dominating others. It recommend that states should work together to prevent any one state from becoming too powerful. It also recommends that states should have strong militaries to deter aggression. When one state becomes too powerful, other states form a coalition to restrain it. This theory suggests that changes in the distribution of power are often dangerous. It suggests that states should form alliances with other states that have similar interests.

On the other hand in terms of foreign policy of Nepal, the economic diplomacy has become a significant module of foreign policy to get rid the poverty and accomplish the Millennium Development Goals of the Least Developed Countries. It is relatively noticeable that the economic essentials require to be integrated into foreign policy of Nepal. In the present IR outlook the most of the developing nations are in a process of making economic diplomacy a major foreign policy tools. The processes of democratization and liberalization of the economic status of the nations have pushes to incorporate into the middle-of-the-road of the global economy in terms of international political economy.

‘As the Nepalese economy has always been in sharp fluctuation over time, the measure of diplomacy in economic perspective has emerged as a major assuring weapon for stability. In the context of globalization and increasing competitiveness in the global marketplace, it is imperative that Nepal pursue effective economic diplomacy with other nations. It is indispensable to find a market for Nepalese exports, mark Nepal as a popular tourist destination, and enhance foreign investment in potential areas by adopting economic diplomacy as a major instrument. With fast and changing global policy on aid and trade, foreign aid is becoming highly competitive for recipient countries, as evidenced by declining official development assistance, a shift from grant to loan and a growing preference for funneling aid through INGOs and local institutions’ (IFA, 2002).

Current Research Context - Questions, Issues, Debates

The foreign policy of the State is undertaken as the foreign relations or foreign affairs or external policy of the outer peripheral policy of the state. It covers a broad range of objectives, such as national interest, security, economy diplomacy etc. It is influenced by various factors such as domestic considerations, the behavior of the foreign states, geopolitical approach, geo-economic strategies, geo-cultural status of the nation and the knowledge and perception of the lawmaker of Nepal.

Theory of Rajmanadala i.e Circle of States, postulated by Kautilya in his book Arthashastra, the basic thought, “your neighbor is your enemy and your neighbor’s neighbor is your friend”. He further affirmed, every individual sovereign state/ruler is surrounded by many similar sovereign states. Though, the adjoining states might have a friendly appearance, but they are not true friends and cannot be trusted. In this regard, Mandala theory explains that, ‘if a state is at the middle of the center, her immediate circle will be her enemy, and the next circle to the immediate circle will be the friend and will continue in the same manner. The core objective behind the introduction of the Mandala theory is only to maintain relationships among independent states. Kautilya named this theory as “Mandala Sidhanta” because this theory advocates about the working of states as a mandala or group. In this concept, it reflects the circles of friends and adversaries with the king at the central point and his State. The theory he advocated about twelve types of king’s states. The relevance of Mandala theory in the foreign policy of Nepal can be seen in IR; one can change their friends, but one cannot change their neighbors. Which suggests that geographical neighbors are a fixed factor in diplomatic relation, making Nepal, as a country, always believes in neighborhood policy in term of modern international political system and IR of the respective nation state. Being a partially active actor in international politics, Nepal always emphasized a peaceful and stable neighborhood based upon equality and mutual respect. The foreign policy of Nepal in contemporary political practice may partially follow some of the principles, but this strategy of Nepal does not function due to the presence of hostile neighbors’ whose intentions are always to harm Nepal’s strategic interests in the international arena. The researcher of the research study observed, ‘the lawmaker of the Nepal lacks the knowledge and perception on the economic diplomacy and foreign policy of Nepal (Kanwar, 2025). Even though the MoFA tried her best to maintain friendly relations with her immediate neighbor but failed very badly in her attempt. In the contemporary phase, the foreign policy of Kautilaya’s Rajmandal Sidhanta is widely felt and accepted in international political practices in execution of foreign policy of the nation States. In reference to Mandala, Nepal is surrounded by both friendly and unfriendly blocs. The constituents of the Mandala include Vijigishu (the Ambitious one), Ari (Enemy), Mitra (Friend), Ari Mitra (Enemy’s friend), Mitra’s Mitra (Friend’s friend), Parshnigraha (Adversary in the Rear), Akrandha (Alley in the rear), Mandhyama (Middle King), Udasina (Neutral King) and Antardhi (Weak Intervening King). This representation is not permanent and can be changed as per the demands in international politics. In international politics there are permanent friends or enemies. Even though the Mandala theory on foreign policy and IR is not completely applicable nor completely ignore its relevance in the contemporary scenario. It’s very fortunate that the

cotemporary foreign policy of Nepal is partially based on Kautilya's assumption of Rajmandalas and Upayas (Execution). The application of the Kautilaya approach to Nepal's neighborhood policy indicates how Nepalese political destiny is driven by geography and geopolitical choice and its execution. 'Foreign policy of Nepal, strategically prioritizing national interests and continues to navigate the relationship between the global, regional influences. A more balanced foreign policy should include fostering greater transparency and public engagement in policy making processes' (Kharel, p. 33).

Economic diplomacy operates bilateral, regional and multilateral engagement, requiring a shaded approach to influence the policies and regulatory frameworks of non state actors. At the bilateral engagement, the negotiating agreements related to trade, investment, employment and taxation, facilitating formal and informal economic regulations between two nations. The establishment of bilateral free trade agreements exemplifies this practice. In contrast, regional and global economic diplomacy focuses on agreements among multiple countries within a specific geographic area. It is the basic ground to share the interests and proximity simply the process of removing trade barriers and enhancing open markets. Such regional cooperation not only strengthens national economic interest but also promote economic liberalization, underscoring the significance of collaborative efforts in economic diplomacy (Wolff, 2017; Shrestha 2021, p. 60-61). Thus, 'to promote the economic diplomacy, foreign embassies in Katmandu have effectively utilized editorial, newspaper article, radio program and journalist visits to enhance their nation's images in Nepal. It is essential for Nepal to adopt similar public diplomacy strategies to shape international perception in collaboration with the Investment Board of Nepal, the Public diplomacy Division of MoFA, engagement of foreign journalists and columnists to showcase Nepal and influence global audiences' (Dahal R.K. 2018; Pandey, 2021, p.87). A well defined foreign policy should stem from clear domestic objective, emphasizing the promotion of a nation's strengths. Thus, its outreach initiative should be views not merely as a public relations effort but as a crucial response to the evolving significance of public perception in today's international politics.

The economic diplomacy of Nepal has been directed by the external and internal political factors, since June 8, 2008, it declared as Republican State. In this milieu, the State undertaking the restructuring phase in response to the national interests but failed due to incompetence political visionary leaders. Thus, it is foreseeable the interest of public must be perpetually replicated in the foreign policy of Nepal. Since 1990s Nepalese economy has been driven completely comply with global trends; efforts have been accelerated through the instrument of economic diplomacy. This necessitates analyzing thorough foreign aids, foreign employment and foreign investment, foreign trade, FDI, technology transfer and tourism, which are the concerns during the period of fiscal year 2008/09 to 2024/2025.

Economic diplomacy is influence by a variety of external and internal factors, including the prevailing national economic and political philosophies. Since Nepal was declared a

Republican state on June 8, 2008, it has been undergoing significant restructuring to align with national interests and aspirations. In the contemporary political due process and the development of economic diplomacy of Nepal, focuses on Nepalese economic development has become central to political discourse and making it essential for the interests of the public, to be reflected in the country's foreign policies. Since the 1990s, Nepal has been striving to align its economy with global trends ratifying World Trade Organization with economic diplomacy playing a crucial role in this endeavor. The effectiveness of those diplomatic strategies raises important questions, necessitating thorough the analysis of key sectors such as foreign aid, employment, investment, trade; technology transfer and tourism, particularly during the days come ahead base on foreign policy of Nepal.

Conclusion

The research article analyzes the economic diplomacy and foreign policy of Nepal based on international political understanding in respect to IR. The core foundation of economic diplomacy and foreign policy of Nepal has been relies on the Divya Uupdesh as guided by Prithvi Narayan Shah. The succeed reformation of economic diplomacy and foreign policy of Nepal lead by the Rana regime foster and strengthen national dignity. Jung visit to England mark as the milestone in foreign relation which enable Nepal's independence and recognized as a sovereign nation state in international political arena. The development of diplomatic understanding among both the nation has alliance in global political practices. The complex interactions between state and non state actors indicate that economic diplomacy cannot be isolated into distinct economic or geo economic categories, particularly in countries like Nepal. After the end of WW II and establishment of UN Nepal seeks a fundamental role in international engagements by establishing bilateral diplomatic relations and active participation in international forms to ratify Nepalese understanding in various issues related to international politics, IR and global governance in order to testify global order. To balance the regional and global power politicos, Nepal seeks liberal IR philosophy rather than based on realism but Nepal always believed in realist philosophy from its origin as a nation state back to five thousand year ago. In contemporary political practices, Nepal vanish its principle doctrine based on Mandala theory of IR and foreign policy and economic diplomacy due to over lapping by the Marxist and American school of thought. After 1950 till 55s period, the triangular pillar of foreign policy of Nepal basically, defense, economy and independent foreign policy was vandalized by the existing political parties of Nepal.

Therefore, it is essential to develop and implement an economic diplomacy strategy that emphasizes the primary objectives of economic diplomacy and foreign policy should include trade promotion, investment attraction and technology transfer and tourism enhancement. As the international economy evolves, fostering collaboration among various stakeholders, including government ministries, the non state actor, becomes increasingly vital.

Lastly, the Ministry of Foreign Affairs (MoFA) must enhance its institutional capabilities to effectively engage with diplomatic friendly states. The success of these

initiatives will largely depend on the skills, adaptability and expertise of the personal involved in economic diplomacy. Consequently, Nepal's approach to coordinated economic diplomacy and foreign policy should draw schooling from past Nepalese international political understanding based on economic diplomacy and foreign policy. The experience of Nepal focusing on institutional readiness, strengthening multilateral and regional partnership by enhancing technology transfer, promoting investments and tourism and prioritizing collaboration with the private sector.

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