

Nepal-China Relations in the 21st Century: Politics, Diplomacy, and Cooperation

Tulasi Acharya

Affiliation: Department of Political Science, Tribhuvan University, Nepal

Corresponding Author, Email: tulsiacharyansu@gmail.com

Abstract

The relationship between Nepal and China has undergone substantial transformation in the 21st century due to changing regional geopolitics, economic interdependence, and strategic diplomacy. Nepal, situated between two major Asian powers, China and India, has increasingly sought to diversify its foreign policy engagements while preserving national sovereignty and political autonomy. China, on the other hand, has expanded its political, economic, and strategic influence in Nepal through diplomatic engagement, infrastructure investment, and the Belt and Road Initiative (BRI). This article examines the evolution of Nepal–China relations in the contemporary era, with a particular focus on political cooperation, diplomatic cooperation, diplomatic engagement, economic connectivity, and strategic partnerships. The study further explores the geopolitical implications of Chinese involvement in Nepal and the challenges emerging from regional competition, domestic political instability, and implications. Using qualitative and descriptive analysis based on secondary sources, the paper argues that Nepal-China relations have evolved from traditional bilateral cooperation into a multidimensional strategic partnership shaped by regional power dynamics and economic diplomacy. However, Nepal must maintain a balanced foreign policy to safeguard its sovereignty and avoid excessive dependence on external powers. The relationship between Nepal and China has undergone substantial transformation in the 21st century due to changing regional geopolitics, economic interdependence, and strategic diplomacy. Nepal, situated between two major Asian powers, China and India, has increasingly sought to diversify its foreign policy engagement while preserving national security and political autonomy.

Keywords: Nepal-China Relations, Belt And Road Initiative, Geopolitics, Diplomacy, Cooperation, Foreign Policy

INTRODUCTION

Nepal and China share a long history of cultural, religious, and economic interaction dating back centuries through trans-Himalayan trade routes and Buddhist exchanges. However, modern diplomatic relations between the two countries formally began in 1955. Since then, bilateral relations have generally remained stable and cooperative based on the principle of peaceful coexistence, mutual respect for sovereignty, and non-interference in internal affairs. In the 21st century, Nepal-China relations have acquired greater geopolitical and strategic significance due to China's rise as a global power and Nepal's increasing importance in South Asian geopolitics (MOFA,2024)

Nepal occupies a unique geopolitical position between India and China. Historically, Nepal maintained closer political and economic relations with India because of open borders, cultural affinity, and trade dependence. The emergence of China as an economic superpower and Beijing's growing involvement in South Asia have altered Nepal's foreign policy orientation. Nepal has increasingly pursued a policy of diversification, energy, and political cooperation (Koirala,2023)

China's Belt and Road Initiative (BRI), launched in 2013, significantly accelerated bilateral engagement between the two countries. Nepal joined the BRI in 2017 with the expectation of changes in infrastructure development, cross-border connectivity, and economic modernization. Chinese investment in roads, airports, hydropower projects, and telecommunications has expanded considerably over the last decade. Furthermore, high-level diplomatic visits and strategic agreements have strengthened political trust between Kathmandu and Beijing (Paudel,2021)

Despite growing cooperation, Nepal-China relations also face several challenges. Geopolitical rivalry involving India, the United States, and China has intensified pressure on Nepal's foreign policy choices. Domestic political instability in Nepal, concern regarding debt dependency, and delays in implementing BRI projects have complicated bilateral cooperation. Additionally, security concerns related to Tibet remain an important aspect of China's engagement with Nepal (Rai,2022)

This article analyzes Nepal-China relations in the 21st century by examining political relations, diplomatic engagement, strategic cooperation, economic connectivity, and emerging geopolitical challenges. The study also evaluates the implications of growing Chinese influence in Nepal and assesses the prospects for future bilateral cooperation.

METHODS

This paper's main goal is to examine the relationship between China and Nepal. This article provides an overview of Nepal's foreign relations with China. This essay examines several facets of Nepal's international relations with China. Secondary data served as the foundation for this investigation. In essence, this study serves as a roadmap for Nepal's international relations.

This study makes use of various bilateral treaties, joint declarations during high-level official visits, and the website of Nepal's foreign ministry. In a similar vein, the study draws on journal articles and books on foreign relations. The historical and political ties between the two nations, high-level visits, and many areas of cooperation are the main topics of this study. The nature of this study is analytical and descriptive.

Historical Background of Nepal-China Relation

Born in the Shakya family in Kapilvastu in 358, Nepali monk Buddhahadra traveled to China in the fifth century at the invitation of renowned Chinese traveler Pao Yun, who was touring South Asia, to further his education in Buddhism. Buddhahadra traveled through Vietnam to reach Qingdao in 409, having departed for China in 406 with the Chinese delegation. He initially traveled to China, which at the time was one of the ancient capitals of China.

For millennia, trade, religion, and cultural exchange have sustained historical ties between China and Nepal, which were connected to Tibet and China through ancient Buddhist ties, especially

because of the contributions made by Nepali artisans like Araniko to Tibetan and Chinese architecture during the Yuan era. Through commercial and religious networks, the Himalayan area acted as a link between East and South Asia.

On August 1, 1955, Nepal and the People's Republic of China formally established modern diplomatic ties. The two nations' institutional political relations began with the establishment of diplomatic ties. The Boundary Agreement, concluded by China and Nepal in 1960, improved bilateral relations and peacefully settled border disputes, including the construction of the Araniko Highway, which links Tibet and Kathmandu. The construction of the Araniko highway connecting Kathmandu to Tibet further enhanced connectivity and trade relations.

Nepal maintained a non-alignment policy and balanced ties with both China and India during the Cold War. Nepal refused to permit anti-Chinese actions on its soil and acknowledged the "One-China Policy". In exchange, China upheld Nepal's territorial integrity and recognized its sovereignty. Long-term bilateral collaboration was built on this shared understanding (Bastola, 2025).

Nepal-China ties took on new dimensions with the country's democratic transition in 1990 and the monarchy's demise in 2008. China established solid party-to-party relations with a variety of Nepal's political actors, particularly leftist groups, and swiftly adjusted to the country's shifting political landscape. Beijing's strategic interest in border security and regional stability is shown in the substantial increase in Chinese diplomatic engagement following Nepal's democratic transition.

Political Relations in the 21st Century

Political relations between Nepal and China have deepened considerably in the 21st century. Both countries emphasize mutual respect, non-interference, and peaceful coexistence as guiding principles of bilateral relations. Nepal consistently supports the One China Policy by recognizing Tibet and Taiwan as integral parts of China and restricting anti-China political activities within Nepali territory.

China views Nepal as strategically important due to its proximity to Tibet. Stability in Nepal is considered essential for China's national security interests. Consequently, China has actively engaged with Nepal's political leadership to ensure political stability and prevent anti-China movements linked to Tibetan refugees. Nepal has responded by tightening border security and cooperating with Chinese authorities on security-related matters (Pandey, 2023).

High-level political visits have played a crucial role in strengthening bilateral relations. Chinese President Xi Jinping visited Nepal in 2019, becoming the first Chinese president to do so in over two decades. During the visit, the two countries signed several agreements related to connectivity, trade, infrastructure, and strategic cooperation. The visit symbolized the elevation of bilateral relations to a "strategic partnership of cooperation" (Dahal, 2021).

Nepal's political leadership has also actively engaged with China through official visits and diplomatic dialogues. Leaders such as K.P. Sharma Oli emphasized stronger ties with China as part of Nepal's diversified foreign policy. Chinese engagement has extended beyond government relations to party-to-party diplomacy, particularly with the communist parties in Nepal. China has

occasionally facilitated dialogue among Nepal's communist factions to promote political unity and stability.

Political cooperation between Nepal and China has further expanded through multilateral platforms such as the United Nations, the Asian Infrastructure Investment Bank (AIIB), and regional connectivity initiatives. China has consistently supported Nepal's development aspirations and post- earthquake reconstruction efforts, particularly after the devastating 2015 earthquake.

However, Nepal's internal political instability has often complicated bilateral cooperation. Frequent changes in government, bureaucratic inefficiency, and policy inconsistency have slowed the implementation of bilateral agreements. Moreover, concerns about excessive Chinese influence in Nepal's domestic politics have sparked debate among scholars and policymakers.

Diplomatic Engagement and Foreign Policy Dynamics

Diplomatic engagement between Nepal and China has intensified significantly in recent years. Nepal's foreign policy traditionally emphasized balanced relations with neighboring countries while avoiding alignment with major powers. However, the changing geopolitical landscape in South Asia has increased Nepal's diplomatic engagement with China.

China's growing global influence and economic expansion have encouraged Nepal to strengthen bilateral cooperation as a means of reducing dependence on India. Nepal's economic blockade in 2015, widely attributed to tensions with India over constitutional issues, accelerated Kathmandu's interest in diversifying trade and transit options through China. Following the blockade, Nepal signed a transit and transport agreement with China, granting Nepal access to Chinese ports for third-country trade (Chanda, 2023).

Diplomatic cooperation between Nepal and China also reflects broader regional power competition. China seeks to expand its influence in South Asia as part of a broader geopolitical strategy, while India views Nepal as part of its traditional sphere of influence. Nepal, therefore, faces the challenge of balancing relations between the two Asian powers.

At the same time, Nepal attempts to maintain strategic autonomy by balancing engagement with China, India, and Western powers such as the United States. Nepal's participation in both China's BRI and U.S. supported Millennium Challenge Cooperation (MCC) reflects Kathmandu's effort to pursue diversified partnerships. However, this balancing strategy has generated domestic political debates and geopolitical tension.

Belt and Road Initiative and Strategic Cooperation

The Belt and Road Initiative has become the central framework of Nepal-China strategic cooperation in the 21st century. Nepal officially joined the BRI in 2017 by signing a Memorandum of Understanding with China. The initiative aims to enhance regional connectivity through infrastructure development, trade expansion, and investment cooperation (Koirala, 2022).

Nepal views the BRI as an opportunity to improve transportation infrastructure, attract foreign investment, and reduce dependence on India for trade transit. Key proposed projects under the BRI include the trans-Himalayan Multi-Dimensional Connectivity Network, cross-border railway links, hydropower development, and road expansion.

One of the most ambitious proposals is the Kathmandu-Kerung railway project, connecting Nepal with Tibet. If implemented, the railway could significantly transform Nepal's trade and connectivity landscape by providing direct access to Chinese markets and ports. China has also invested in airport construction, highways, hydropower projects, and telecommunications infrastructure in Nepal.

Chinese infrastructure diplomacy has strengthened Beijing's strategic presence in Nepal. Scholars argue that the BRI has expanded China's "volumetric presence" in Nepal through material, territorial, and discursive influence. Chinese engagement has reshaped Nepal's development discourse by presenting China as an alternative development partner to India and Western donors (Murton, 2023).

Despite ambitious plans, the implementation of BRI projects in Nepal has progressed slowly. Funding disputes, bureaucratic inefficiency, environmental concerns, and geopolitical pressure have delayed many projects. Nepal prefers grant-based financing, whereas China often emphasizes loan-based infrastructure investment. Concerns about debt sustainability and strategic dependence have also generated domestic debates over BRI participation (Chanda, 2023).

Strategic cooperation between Nepal and China extends beyond infrastructure. Security cooperation has increased through military exchanges, training programs, disaster management cooperation, and border management coordination. China also seeks Nepal's support in controlling activities related to Tibetan refugees and separatist movements. Nepal has generally cooperated with China on these security concerns to maintain strong bilateral relations.

Economic Relations and Trade Cooperation

Economic cooperation constitutes a major pillar of Nepal-China relations in the 21st century. China has emerged as one of Nepal's largest sources of foreign direct investment, development assistance, and infrastructure financing. Bilateral trade between the two countries has expanded significantly over the past two decades, although trade imbalance remains a major issue (Lobell et al., 2025).

China exports machinery, electronics, construction materials, textiles, and manufactured goods to Nepal, while Nepal exports limited products such as handicrafts, carpets, herbs, and agricultural goods. Nepal's trade deficit with China has widened substantially due to Nepal's low export capacity and dependence on imported goods.

Chinese investment in Nepal has increased particularly after 2015. Infrastructure development projects such as highways, hydropower plants, airports, and industrial zones have attracted Chinese financial and technical assistance. Chinese companies are involved in major infrastructure projects including the Pokhara International Airport and road connectivity projects.

Tourism also plays an important role in bilateral economic relations. Chinese tourists are among the largest groups of international visitors to Nepal. Increased air connectivity, tourism promotion, and cultural exchanges have strengthened people-to-people relations between the two countries.

However, economic cooperation faces several constraints. Nepal's weak infrastructure, bureaucratic delays, corruption, and political instability discourage effective implementation of

Chinese-funded projects. Additionally, concerns regarding transparency, environmental impact, and debt sustainability have generated criticism of certain investments.

Some analysts argue that Nepal must carefully evaluate Chinese infrastructure loans to avoid excessive financial dependence. Others contend that Chinese investment provides Nepal with important development opportunities and strategic alternatives to Indian economic dominance. The debate reflects broader geopolitical competition in South Asia.

Geopolitical Challenge and Regional Competition

Nepal-China relations cannot be understood without considering regional geopolitics. Nepal's strategic location between India and China makes it an important arena for regional power competition. China's growing involvement in Nepal has raised concerns in India regarding security and strategic influence in the Himalayan region (Graver, 2001).

In the past, India has had a significant impact on Nepal's political, economic, and security issues. However, China's growing influence in Nepal puts India's long-standing hegemony in jeopardy. India frequently sees Nepal's involvement in the Belt and Road Initiative (BRI) and expanding infrastructure collaboration with China through a strategic prism.

The United States has also increased engagement in Nepal through development assistance, democracy promotion, and strategic partnerships such as the Indo-Pacific Strategy and MCC. Consequently, Nepal faces growing pressure from competing geopolitical interests among China, India, and the United States (Chanda, 2021).

Nepal's foreign policy challenge lies in maintaining balanced relations among major powers while safeguarding national sovereignty. Excessive alignment with any external power could generate political and economic risks. Therefore, Nepal continues to pursue a policy of "friendship with all and enmity with none" (Jaisawal & Kochhar, 2016).

Strategic concerns in Nepal are primarily linked to Tibet. Beijing seeks to prevent anti-China political activities among Tibetan refugees residing in Nepal. Nepal has increasingly restricted Tibetan political activism in response to Chinese pressure, raising concerns among international human rights organizations (Bhatt, 2023).

Another challenge involves the implementation gap between diplomatic commitments and practical outcomes. Although numerous bilateral agreements have been signed, many projects remain delayed due to financial disputes, administrative inefficiency, and political instability. Public skepticism regarding the effectiveness of Chinese-funded projects has also increased in recent years.

Future Prospects of Nepal-China Relations

The future of Nepal-China relations will largely depend on regional geopolitics, Nepal's domestic political stability, and the effectiveness of bilateral economic cooperation. China is likely to remain an important development and strategic partner for Nepal due to geographical proximity and expanding economic interests.

Infrastructure connectivity projects under the BRI could potentially transform Nepal's economy if implemented effectively. Improved transportation links, energy cooperation, and trade diversification may reduce Nepal's economic dependence on India and enhance regional integration. However, Nepal must ensure transparency, sustainability, and national ownership in development projects (Dahal, 2019).

Political cooperation between Nepal and China is expected to continue expanding, particularly in areas of security coordination, party diplomacy, and multilateral engagement. At the same time, Nepal will need to maintain balanced relations with India and Western countries to avoid geopolitical polarization (Baniya, 2023).

Nepal's strategic importance in Himalayan geopolitics is likely to increase further as China expands its influence in South Asia. Therefore, Nepal must adopt a pragmatic and balanced foreign policy that prioritizes national interests, economic development, and regional stability.

CONCLUSION

Nepal-China relations in the 21st century have evolved into a multidimensional partnership encompassing politics, diplomacy, economic cooperation, infrastructure development, and strategic engagement. China's rise as a global power and Nepal's desire for diversified foreign relations have significantly strengthened bilateral ties.

The Belt and Road Initiative has emerged as the central framework for contemporary Nepal-China cooperation, promoting infrastructure connectivity and economic integration. Political trust between the two countries has deepened through high-level diplomatic exchanges, strategic agreements, and security cooperation. China has become a major development partner for Nepal and an important factor in Nepal's foreign policy and geopolitical landscape.

However, there are several obstacles to Nepal-China relations, including geopolitical rivalry, domestic political unrest, implementation delays, and concerns about economic dependence. Nepal's geopolitical location between China and India necessitates careful diplomatic balancing to safeguard strategic autonomy and national interests.

In the end, Nepal-China relations will continue to influence the Himalayan region's geopolitical and economic future. The challenge for Nepal is to pursue an autonomous, balanced foreign policy that maximizes national interests while minimizing strategic vulnerability, rather than just fortifying ties with China.

Conflict of Interest

The authors declared no conflict of interest.

Funding

None

REFERENCES

- Adhikari, I. (2015). *Military and democracy in Nepal*. Routledge.
- Adhikari, S. (2025). Contours of Nepal-China relations: A people-centered perspective. *International and Public Affairs*, 9(1), 1–12. <https://doi.org/10.11648/j.ipa.20250901.11>
- Baniya, K. (2023). *Nepal-China relations on emerging security dynamics (2007-2020 AD)* (Doctoral dissertation, Faculty of Political Science).
- Bastola, S. (2025). Foreign policy of Nepal: Strategic approach to sovereignty. *Unity Journal*, 6(1), 235–247. <https://doi.org/10.3126/unityj.v6i1.75632>
- Bhatta, C. D. (2024). Metamorphosis of Nepal-China relations. *NCWA Annual Journal*, 55(1), 88–96. <https://doi.org/10.3126/ncwaj.v55i01.63057>
- Chand, H. P. (2021). Nepal's engagement in the BRI and the MCC: Implications for Nepal's geopolitics and foreign policy. *Journal of Political Science*, 21(1), 60–77. <https://doi.org/10.3126/jps.v21i1.39288>
- Chand, H. P. (2023). Dilemmas, debates, and development of BRI in the Himalayan nation: A Nepali perspective. *Journal of Foreign Affairs*, 3(1), 34–48.
- Dahal, G. (2019). An overview of foreign relation of Nepal with China. *Journal of Political Science*, 19, 85–99. <https://doi.org/10.3126/jps.v19i0.26700>
- Dahal, G. (2022). Chinese president's visit to Nepal and consolidation of relations of two countries. *Journal of Political Science*, 22, 64–74. <https://doi.org/10.3126/jps.v22i1.43040>
- Garver, J. W. (2001). *Protracted contest: Sino-Indian rivalry in the twentieth century*. University of Washington Press.
- Jaiswal, P., & Kochhar, G. (Eds.). (2016). *Nepal's foreign policy and her neighbours*. G.B. Books Publishers and Distributors.
- Koirala, S. (2022). North south connectivity: Opportunities and challenges in national security and development. *Unity Journal*, 3(1), 97–108.
- Loebell, D., Sherpa, M., & Bhatta, R. D. (2025). *Nepal engagement with the Millennium Challenge Corporation (MCC): A philosophical and economic perspective*. arXiv. <https://doi.org/10.48550/arXiv.2512.00717>
- Ministry of Foreign Affairs Nepal. (2024). *Nepal–China relations*. <https://www.mofa.gov.np>
- Murton, G. (2024). Beyond the BRI: The volumetric presence of China in Nepal. *Territory, Politics, Governance*, 12(1), 72–92.
- Pandey, A. R. (2023). *Nepal's relation with China: A study in geopolitical perspective* [Master's thesis, Tribhuvan University, Department of International Relations and Diplomacy]. <https://hdl.handle.net/20.500.14540/19842>
- Paudel, D. (2022). Himalayan BRI: An infrastructural conjuncture and shifting development in Nepal. *Area Development and Policy*, 7(1), 60–82. <https://doi.org/10.1080/23792949.2021.1961592>
- Rai, M. S. (2022). *International institutions and power politics in the context of Chinese Belt and Road Initiative*. arXiv. <https://doi.org/10.48550/arXiv.2209.10498>
- World Bank. (2024). *Nepal development update: Nepal's economy on a recovery path but private investment remains low*. <http://hdl.handle.net/10986/41336>