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# Global Order in Crisis and Its Implications for Nepal

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## Abstract

The global order that emerged after the Second World War was built upon multilateralism, respect for sovereignty, collective security, and rules-based economic cooperation. Institutions such as the United Nations, the World Bank, the International Monetary Fund (IMF), and later the World Trade Organization (WTO) were designed to prevent large-scale wars, stabilize economies, and promote development (UN, 1945). Despite repeated setbacks and inter-state asymmetrical relations, countries were able to maintain the order under this system to ensure peace and stability. Today, however, rupture in the global order has placed the world at a critical juncture. Geopolitical rivalries are intensifying, multilateral institutions are weakening, economic protectionism is asserting itself, democratic values are eroding, and climate change has posed a threat to the global ecosystem. For a small, landlocked, and strategically located country like Nepal, paradigm shifts in the global order have ominous implications. This article argues that understanding this evolving landscape is essential for safeguarding Nepal's sovereignty, economic stability, and developmental aspirations.

*Keywords:* global order, multilateralism, climate change, ecosystem, landlocked Nepal, sovereignty and protectionism

## Introduction

The end of the Cold War in 1991 was also the end of a bipolar world, as it witnessed the disintegration of the Soviet Union and dissolution of the Warsaw Pact. The US, representing the unipolar world, remained a dominant world power. However, as Dinesh Bhattarai (2025) points out, the terrorist attacks on the United States (US) on 11 September 2001 changed the post-1990 scenario. The attacks shattered the unquestioned supremacy of the US and the unipolar post- Cold War period (Bhattarai, 2025). One of the most visible signs of crisis in the global order is the resurgence of great power competition. The strategic rivalry between the US and China has profoundly influenced

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global geopolitics, affecting trade, technology, security alliances, and development finance. The ongoing Russia-Ukraine war, now in its fourth year, has further deepened the chasm between Western powers and Russia, reviving bloc politics reminiscent of the Cold War (SIPRI, 2023).

Fragmentation or rupture in the global order has weakened the effectiveness of multilateral institutions. The UN Security Council has often been paralyzed by veto politics, a lack of firm and assertive collective responses to conflicts, and insular mindsets of the Cold War era. The WTO's dispute settlement mechanism has been considerably weakened, undermining the rules-based trading system (WTO, 2023). As global governance structures become fragile, smaller states plunge into greater uncertainty.

For Nepal, which has historically pursued a policy of non-alignment and balanced diplomacy between major powers, fast ongoing geopolitical competition presents both opportunities and risks. On the one hand, competing powers may offer infrastructure financing and development partnerships. On the other hand, Nepal risks being drawn into strategic rivalries that could compromise its independent foreign policy and the policy of strategic autonomy.

### **Economic Uncertainty and Developmental Imperatives**

The global economic environment has become increasingly volatile. The Covid-19 pandemic exposed vulnerabilities in global supply chains and triggered economic recessions worldwide. Recovery has been slow and uneven, with developing countries facing high debt burdens, inflation, and a rise in fiscal imbalance (IMF, 2023).

Revival of protectionism, threatening export-led growth economies, stringent global financing, and rising interest rates, increase the cost of borrowing for developing countries like Nepal, which rely heavily on remittances, tourism, and external trade. Global economic instability directly affects domestic growth. According to the World Bank (2023), remittances constitute a significant share of Nepal's Gross Domestic Product (GDP), making the country vulnerable to economic slumps or slowdowns in labor-receiving countries that need both skilled and unskilled manpower from poorer countries with abundant but unemployed manpower.

Besides, restricted development finance and rising interest rates increase the cost of borrowing for developing countries like Nepal, which are required to overcome these challenges. Nepal is hoping to graduate from Least Developed Country (LDC) status by the end of this year (Nepal Economic Forum, 2026). In a recession-hit global economy, both concessional finance and stable markets are not easily available.

## **Crisis of Multilateralism and Small-State Vulnerability**

Small states have long been comfortable with multilateralism, which has provided these states with a platform to articulate their voices. Through international law and global institutions, smaller countries have found a rule-based system palatable and congenial to their interest. However, as major powers increasingly revert to unilateral approaches, multilateralism is not as responsive to developing country needs as it used to be.

Nepal has found it much easier to present its case in multilateral forums such as the United Nations, SAARC, BIMSTEC, and the Non-Aligned Movement, and other specialized agencies, including the WTO. Regional cooperation, however, in South Asia has remained stagnant in recent years due to geopolitical tensions, particularly between India and Pakistan. Nevertheless, in an article published in *The Rising Nepal* on December 8 last year on the 40<sup>th</sup> anniversary of SAARC, it was pleaded for revitalizing SAARC as all countries in the region, including India and Pakistan, need regional cooperation (Lohani, 2025).

In a world dominated by power politics, Nepal's options are limited. It has to reaffirm its commitment to multilateralism while strengthening bilateral relations with major development partners like India, China, the United States, and the European Union. Needless to say, strategic autonomy cannot be maintained without diplomatic agility, acumen, resilience, and clarity of national interest and purpose (Bhattarai, 2025).

Another dimension of the global order in crisis is the erosion and decline of democratic norms. Reports indicate that democratic norms have been ignored in many regions due to increasing authoritarianism and erosion of civil liberties. When democratic values start weakening globally, the normative environment that supports human rights and the rule of law also suffers a setback.

## **Climate Change and Its Adverse Consequences**

Climate change has become an issue of global concern, particularly for LDCs like Nepal highly vulnerable to the impact of climate change on the living conditions of people and their livelihoods based on natural resources (Lohani, 2024). The Intergovernmental Panel on Climate Change (IPCC, 2023) has warned that global warming is accelerating, intensifying extreme weather events, and threatening ecosystems. UN Secretary General Antonio Guterres, who visited Nepal in October 2023, saw with his own eyes the adverse consequences of climate change and categorically stated, "Nepal contributes a minimal fraction of a percent, 0.04 percent, to global emissions. But monsoons, storms, and landslides are growing in force and ferocity, sweeping away crops, livestock, and entire villages, decimating economies and ruining lives. What is happening in this

country as a result of climate change is an appalling injustice and a searing indictment of the fossil fuel age (Guterres, 2023). Later, in Dubai, Mr. Guterres, addressing COP 28, briefed the international community about Nepal's problems, such as receding glaciers, landslides, and floods induced by climate change (Guterres, 2023). For Nepal, climate change is a grim reality and no longer an abstract concept. Melting glaciers, erratic monsoons, floods, and landslides directly threaten livelihoods and infrastructure.

In a ruptured global order, climate cooperation has remained increasingly sluggish. There is no option for Nepal but to actively pursue its climate diplomacy, raise its voice for climate justice, and strengthen domestic adaptation strategies without further delay. As a climate-vulnerable mountainous country, Nepal enjoys the moral right and authority to raise its credible voice in global environmental and climate negotiations (Lohani, 2025).

### **Strategic Location of Nepal**

Nepal's strategic location between India and China has immensely influenced its foreign policy. In the current geopolitical climate, this location becomes even more sensitive. Initiatives such as China's Belt and Road Initiative (BRI) and the US' Indo-Pacific Strategy reflect broader strategic competition in the region. While Nepal has signed an MoU on BRI and is waiting for its effective implementation, Nepal has refused to become a core member of the Indo-Pacific Strategy (IPS). Nepal should accept all international commitments and engagements, provided there is no departure from its principled stand on all burning international issues. Maintaining a balance in relations does not mean equidistance in all matters, but rather a principled approach rooted in national interest. Clear communication and institutional coordination are essential to avoid policy inconsistency (Bhattarai et al., 2022).

Nepal, having transitioned from monarchy to a federal democratic republic, has invested immense political and social capital in building democratic institutions. However, democratic consolidation remains fragile. A weakening global commitment to democratic norms could reduce international support for governance reforms and accountability mechanisms. At the same time, Nepal must recognize that democratic resilience begins domestically. Strengthening institutions, ensuring judicial independence, promoting press freedom, and addressing corruption are essential not merely to align with global norms but to protect national stability.

### **Escalating Conflict in the Middle East**

February 28 this year saw a complex and difficult turning point in the political and security landscape of the Middle East, attracting world attention with mixed reactions.

Gen. Kenneth F. Mackenzie Jr., the 14th commander of US Central Command, welcomed the death of Iran's Supreme Leader Ali Khamenei as an opportunity and opined that the US should not squander this moment, when Iran is uniquely weak and vulnerable. In his opinion published in *The New York Times* on March 4, the future dialogue between the US and Iran should not be a dialogue of equals. It should be between the victor and the vanquished, requiring Tehran to accept an end to its nuclear program; limitations on ballistic, cruise, and land-attack missiles; limits on proxy forces; and, lastly, a declaratory policy that recognizes Israel's right to exist (McKenzie, 2026).

Similarly, foreign policy expert Thomas L. Friedman, writing in the same issue of *The New York Times*, is critical of both Trump and Netanyahu and states, "We must not let this war to bring democracy and the rule of law to Iran distract us from the threats to democracy and the rule of law posed by Trump in America and by Prime Minister Benjamin Netanyahu in Israel." If the war in Iran enables Netanyahu to win the Israeli elections, Friedman is afraid, the Israeli Prime Minister might annex the West Bank, cripple the Israeli Supreme Court, and make Israel an apartheid state, which would be a major blow to American interests in the region beyond Iran (Friedman, 2026).

The recent escalation follows airstrikes by the US and Israel on Iran, which prompted retaliatory attacks by Iran on US military bases in various Middle Eastern countries, creating heightened tensions in the region. The ongoing war has become a matter of global concern. Countries like Nepal in South Asia are affected by the war in West Asia. Nepali migrant workers, numbering between 15 to 20 lakhs, who are employed in the Gulf countries like Qatar, Kuwait, Saudi Arabia, and the UAE, feel threatened by Iran's retaliatory strikes in the Gulf in response to the US and Israeli attacks (Adhikari, 2026).

The Ministry of Foreign Affairs of the Government of Nepal, in an advisory to Nepalis residing and working in the Gulf countries, has urged them to monitor developments closely and follow precautionary measures recommended by local authorities, urging them to stay safe amid escalating tensions. Nepal's embassies in Qatar, UAE, Israel, Saudi Arabia, Bahrain, Oman, and Kuwait have urged Nepali nationals to avoid unnecessary travel, remain vigilant, follow host country security guidelines, and maintain regular contact with the missions to ensure timely support and guidance (Ministry of Foreign Affairs, 2026).

Meanwhile, Nepal, which pursues a non-aligned foreign policy based on the principles of *Panchsheel* and is committed to the UN Charter, has expressed concern over the recent developments in the Middle East. It has urged all parties involved to exercise maximum restraint, avoid actions that could escalate tensions, and ensure the safety of civilians. Nepal would like to see differences resolved through diplomacy and dialogue.

Nepal has emphasized the importance of respecting the sovereignty and territorial integrity of all states in keeping with the UN Charter and international law. Precisely speaking, Nepal believes in a rules-based international order (The Annapurna Express, 2026).

As a result of soaring oil prices in the world market, Nepal has been forced to reduce consumption of petroleum products, apart from introducing a two-day weekend. The new schedule applies to all government offices and educational institutions nationwide. The extended weekend is expected to curb fuel use. Nepal is also planning to facilitate the conversion of fossil fuel-based vehicles to electric ones (EVs) (Nepal Energy Forum, 2026). Shortage of cooking gas has already made residents of Kathmandu panicky. Hoarders, black marketers, and profiteers have been warned not to exploit the critical situation arising from the war in the Middle East.

Critics of the Iran war have blamed the US for underestimating the strength and resilience of Iran and for American miscalculations on Iran. Brahma Chellaney, a professor of strategic studies at the Center for Policy Research in New Delhi, writes, “The future of the Middle East and the future of American power seem to depend on whether America learns from its miscalculations on Iran. If it does not, it will continue to be embroiled in wars that it cannot decisively win, cannot wage cheaply, and cannot strategically justify (Chellaney, 2026). A similar assessment is made by another professor of Political Science at the University of Toronto, Carla Naerlef, who states, “The current crisis in the Strait of Hormuz has made clear how power works in the 21<sup>st</sup> century. It is a reminder that the greatest threat to America is not the military expansion of China or the aggression of Russia, but rather the gradual disintegration of the alliance system it has built since World War II” (Naerlef, 2026).

President Trump, who had threatened to completely ruin and destroy Iran and its civilization if it did not reopen the Strait of Hormuz within the deadline, agreed to a ceasefire for two weeks and negotiate with Iran to reach a definitive agreement (Pager, 2026). Trump’s tone in the statement announcing the ceasefire was conciliatory. Nepal has welcomed the ceasefire (Ministry of Foreign Affairs (Ministry of Foreign Affairs Nepal, 2026). If the US and Iran could sit together and thrash out a peace deal, it would avoid the disastrous consequences of war, as is evident from the four-year old Russia-Ukraine war, the end to which is still not within sight. Likewise, the genocide in Gaza is a shocking and horrible tale that defies human comprehension.

### **Conclusion and Recommendations**

The global order is unquestionably fragile and volatile. It is too early to predict whether a new global order will be in place following the fragmentation of the old order. The

crisis of global order directly shapes economic prospects, security considerations, democratic development, and environmental survival.

Due to the ongoing Russia-Ukraine War, Israel-Hamas confrontation in Gaza, and the US-Israel-Iran War recently, the world is faced with a crisis of alarming proportions. Commenting on the disintegration of the international order, Ikrem Emamoglu, former Mayor of Turkey, states, “The basic assumptions of the past three decades—that economic interdependence prevents war, that global governance strengthens, and that technology expands freedom—are no longer credible. Diplomacy is not dead, but its focus has shifted. As competition between great powers intensifies, the responsibility for reducing tensions has shifted to middle powers. If these powers work together, a new and balanced international order can be built. The Iran crisis has shown that if we fail to build such a new order, the world will be driven towards a world governed solely by power. But, even in difficult circumstances, there is hope: such a balanced and just order is possible (Emamoglu, 2026).

In times of global turbulence, small states must rely on strategic foresight, diplomatic prudence, and domestic resilience. Nepal’s history demonstrates an ability to navigate complex geopolitical landscapes. The present moment demands the same wisdom, reinforced by institutional strength and clarity of purpose. Nepal is required to continue its policy of nonalignment while pursuing its national priorities and strengthening its multilateral engagements through active participation in both the UN and regional forums, including climate negotiations. Other relevant conferences and meetings focused on enhancing Nepal’s capacity for economic growth would also reduce its over dependence on remittances with renewed focus on export promotion and regional connectivity, and strengthen institutions for democratic governance, rule of law, and effective measures for curbing corruption. Nepal’s challenge is not only to adapt to change but also to move forward with a sense of direction in a rapidly changing world.

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