



From Non-Alignment to Strategic Balancing: Evolution of Nepal's Foreign Policy in the 21st Century

Prem Bahadur Giri*

Faculty of Environmental Management, Prince of Songkla University, Hat Yai, Songkla,
90112 Thailand, and

Wisdom Academy and Research Center, Kathmandu, 44600 Nepal

premgiri72@gmail.com

<https://orcid.org/0000-0003-0970-5149>

Hari Prasad Ghimire

Faculty of Environmental Management, Prince of Songkla University, Hat Yai, Songkla,
90112 Thailand, and

Everest Center for Research and Development Partners, Kathmandu, 44600 Nepal

harighimire2@gmail.com

<https://orcid.org/0000-0002-5206-9021>

Trilochana Pokhrel

Wisdom Academy and Research Center, Kathmandu, 44600 Nepal

pokhreltrilochana@gmail.com

<https://orcid.org/0009-0001-8794-6653>

Ujjwal Giri

University of Cassino and Southern Lazio, Italy

ujjwa.098@gmail.com

<https://orcid.org/0009-0005-8460-8033>

Uttam Raj Giri

Nagarjun Municipality, Kathmandu, Nepal

giriuttamraj@gmail.com

<https://orcid.org/0009-0001-2303-0398>

Types of Research: Original Research Article

Corresponding Author*

Received: July 27, 2026;

Revised & Accepted: September 22, 2026

Copyright: Author(s), (2026)



This work is licensed under a [Creative Commons Attribution-Non Commercial 4.0 International License](https://creativecommons.org/licenses/by-nc/4.0/).



Abstract

Background: Nepal's foreign policy has historically been grounded in non-alignment, yet intensifying India-China competition, economic interdependence, and domestic political transformation have increasingly challenged this traditional orientation. This study examines whether Nepal's contemporary foreign policy represents a transition from non-alignment toward strategic balancing.

Methods: The study employs a qualitative single-case design covering 2000 to the present. Evidence is drawn from official policy documents, diplomatic statements, reports of international organizations, and peer-reviewed scholarship. The data are examined through thematic analysis and process tracing to identify patterns of continuity, diversification, hedging, and strategic adjustment.

Results: The findings indicate that non-alignment remains an important normative identity, while Nepal's operational foreign policy increasingly reflects strategic balancing. This transition is evident in simultaneous engagement with India and China, diversification of economic and development partnerships, participation in both Chinese and Western-supported initiatives, and continued reliance on multilateral institutions. Geopolitical competition, economic dependency, and domestic political change emerge as the principal drivers of this transformation.

Conclusion: Nepal has not abandoned non-alignment. Instead, it increasingly combines normative non-alignment with pragmatic strategic balancing to preserve autonomy under conditions of asymmetric interdependence.

Novelty: The study distinguishes hedging from strategic balancing and develops an integrated small-state framework explaining Nepal's gradual transition from normative non-alignment toward multidimensional strategic balancing.

Keywords: geopolitical competition; hedging strategy; India-China relations; small-state diplomacy; strategic autonomy

Introduction

Nepal's geopolitical setting is a structurally limited space between two great power nations - India and China ([Acharya, 2014](#); [Pant, 2017](#)). Geopolitically, Nepal has always had to adopt a cautious and adaptive approach to its foreign policy orientation, arising from its unique location, to retain its sovereignty and autonomy ([Muni, 1973](#)). With a small, landlocked state like Nepal, stability in relations with neighbors and diplomacy balancing among them have been traditional ways of coping with the power imbalance. This is traditionally understood in terms of a doctrine of non-alignment, which has centered on the principles of neutrality, non-interference, and absence of formal alliances.

The non-alignment policy allowed Nepal to have diplomatic flexibility and access to economic support from different powers of the world while avoiding involvement in the blocs of the Cold War era ([Acharya, 2014](#); [Rose, 2021](#)). The Non-Aligned Movement (NAM) strengthened the concept of sovereign equality and peaceful coexistence in Nepal. The post-Cold War



international system, which is defined by the processes of globalization, regional economic integration, and changing power relations, however, has dramatically changed the strategic environment in which Nepal is operating.

Nepal's foreign policy has come under greater strain in the 21st century because of the growing geopolitical rivalry between India and China. India has always been economically, culturally, and politically connected with Nepal, given the presence of open borders and the mutual dependence of the two countries on trade ([L. R. Baral, 2012; Verma, 2026](#)). Meanwhile, Nepal's external engagement has been enhanced, and new opportunities for diversification have emerged in the context of China's increasing economic and strategic involvement in South Asia, including through the Belt and Road Initiative (BRI) ([Bhattarai, 2019; Sharma & Chhetri, 2022](#)). In this changing regional context, Nepal has emerged as a strategically important country in the India-China regional rivalry ([Garver, 2015; Pant, 2017](#)).

This change has been further driven by domestic political change. The decade-long Maoist insurgency (1996-2006), the peace process, and the abolition of the monarchy in 2008 have changed the political system of Nepal altogether. These shifts brought new players and competing interests into the foreign policymaking process, which resulted in the growing politicization of external policies and even some inconsistencies in foreign policy ([Hachhethu et al., 2008; Lawoti, 2010](#)). This has led to a greater influence of domestic politics on Nepal's foreign policy, and in turn, a greater influence of geopolitical factors.

In this context, a new field of scholarship has begun to emerge which has been challenging the conventional wisdom regarding Nepal's foreign policy of non-alignment. Rather, it is more of a sign of hedging and strategic balancing, which allows the state to pursue several powers simultaneously without overwhelming dependence on any single power ([Cheng-Chwee, 2008; Lim & Cooper, 2015](#)). Strategies are particularly relevant for small states operating in a competitive regional environment that require flexibility and diversification to survive and be autonomous ([Godfrey Baldacchino & Anders Wivel, 2020](#)).

With these recent developments, there is still no systematic empirical and theoretical analysis of the foreign policy process in Nepal. Studies that look at the bigger picture of change over time are lacking, as is commonly observed in existing studies, which are descriptive narratives or analyses of singular events like agreements under the infrastructure or diplomatic spheres ([B. N. Baral, 2018; Dahal, 2021](#)). In addition, there is insufficient linkage between the small state theory and the empirical study of foreign policy behavior of Nepal, which leads to a disconnect between the theory and practice.

This study addresses these deficiencies by studying the foreign policy of Nepal from the time of non-alignment to strategic balancing in the 21st Century. It aims to answer three core research questions:

1. How has Nepal's foreign policy evolved since 2000?
2. What factors are driving this transformation?
3. What are the implications for small state theory and international relations?



The study is qualitative in nature and takes a case study approach with the aid of policy documents, diplomatic statements and secondary literature in order to provide answers to these questions. Two types of analytical tools are used in this study to reveal patterns of change and the underlying causal mechanisms: thematic analysis and process tracing ([Alexander L. George & Andrew Bennett, 2005](#); [Braun & Clarke, 2006](#); [Yin, 2018](#)).

This study advances the argument that Nepal's contemporary foreign policy is best understood as a gradual transition from normative non-alignment toward strategic balancing. Rather than representing a complete abandonment of non-alignment, this transformation combines continuity in diplomatic identity with diversification, selective engagement, and risk management in practice. The study contributes empirically by tracing this transition since 2000 and theoretically by connecting Nepal's experience with broader debates on small-state agency under asymmetric and multipolar conditions.

This study has two aspects-that's why it is important. In reality, it provides comprehensive and empirical history of Nepal's foreign policy over the past two decades with domestic and international linkage, which enriches the study of foreign policy. Theoretically, it adds to the literature on small state diplomacy by offering an example of the shift of old concepts such as 'non-alignment' towards more flexible policies in a multipolar world.

The theoretical framework is explained in the next section which is about the definition of small state theory, non-alignment and strategic balancing. This is followed by an in-depth analysis of the literature. The explanation of the methodology is provided in the methodology section which explains the methodology adopted in conducting the research and in carrying out the analysis. The remainder of the paper reviews Nepal's foreign policy during various periods, followed by a discussion on the key findings and their theoretical implications. Lastly, the paper offers policy suggestions and ideas for future research.

Theoretical Framework

This research places Nepal's foreign policy in a wider theoretical framework on the ways in which small states deal with complex geopolitical contexts. It has been able to combine three complementary approaches, namely, small state theory, non-alignment, and strategic balancing, to create a framework for analyzing continuity and changes in Nepal's external behavior. While structural and neutrality approaches have long dominated, the focus of recent research has been on the ways in which small states have responded to the shifting power dynamics. This is to integrate these views and move a step ahead in conceptualizing the process of transition of Nepal from a non-alignment strategy to strategic balancing.

Table 1: *Comparison of Foreign Policy Strategies Relevant to Nepal*

Strategy	Core logic	Primary objective	Typical behavior	Temporal orientation	Application to Nepal
Non-alignment	Avoid formal bloc alignment	Preserve sovereignty and	Neutrality, multilateralism, non-interference,	Normative and long-term	Historical diplomatic identity and continuing



		diplomatic independence	avoidance of formal alliances		normative principle
Hedging	Manage uncertainty and competing risks	Avoid excessive dependence on any single external actor	Simultaneous engagement with competing powers, flexible commitments, risk diversification, and selective cooperation	Flexible and contingent	Partial explanatory mechanism for Nepal's simultaneous engagement with competing powers
Strategic balancing	Deliberately diversify external relationships and policy instruments	Increase strategic autonomy and bargaining capacity	Economic diversification, infrastructure diplomacy, multilateral engagement, selective cooperation, and broader partnership diversification	Directional and adaptive	Principal operational framework for Nepal's foreign policy since 2015

Small State Theory

The small state theory is fundamental to a globalizing and multipolar international system (IS) ([Acharya, 2014, 2018](#)). Definitions of small states are not homogeneous, but usually they are referred to as states that have small material capacities, namely in military power, economic size, and geopolitical influence, as determined by ([Keohane, 1969](#)) and ([Vital, 1967](#)). Nepal remains structurally dependent on external actors for trade, transit, and development, and it is landlocked.

According to the conventional wisdom of the scholarship, small states are a group of "structural constraints" whose foreign policy decisions are determined by external forces and not internal. The typical characteristics of these states are a focus on survival, sovereignty, and regime stability, and a reliance on diplomacy, international institutions, and norms over coercive means ([Thorhallsson, 2012](#)). Such limitations are most noticeable in regions where a higher power dominates, where strategic autonomy is limited by a power imbalance.

However, the more recent literature questions this determinism with a focus on the small state agency and strategic adaptation. To enhance their autonomy, small states can rely on geopolitical competition, diversify their partnerships, and use multilateral institutions ([Godfrey Baldacchino & Anders Wivel, 2020](#)). This is especially so in a multipolar international system where smaller actors can maneuver between the various powers.



Nepal's geographic location between India and China, in turn, creates vulnerability and opportunity. It is under great external pressure from its neighbors, but at the same time, it can also pressure them simultaneously and gain economic and political gains from them. In Nepal, the relationship between constraint and agency is very central to the understanding of the evolving foreign policy of the country.

Non-Alignment Theory

Non-alignment has come to represent a policy of newly independent states during the Cold War that sought to avoid becoming aligned with either of the power blocs. It is an institutionalized organization with the principles of sovereignty, non-interference, peaceful coexistence, and independence in foreign policy underpinned by the Non-Aligned Movement ([Prasad, 1983](#)).

Non-alignment has been a "normative" and "strategic" tool for small states such as Nepal. Its influence is normally on sovereignty or political independence. On the strategic level, it offers flexibility, which enables a state to involve and mobilize several actors without entering formal alliances ([Acharya, 2014](#); [Rose, 2021](#)). In the Cold War period, this helped Nepal to have a balanced relationship with India and China and obtain economic aid from various countries.

But in the post-Cold War world, the significance of non-alignment has waned. The end of bipolarity and rising globalization, economic interdependence, and intermingling have further blurred the distinction between neutrality and engagement ([Acharya, 2014](#)). The time of easy neutrality is over for small states, which now exist in intricate networks of trade, investment, and institutional cooperation.

Thus, non-alignment has been transformed from a rigid concept to a flexible and symbolic concept. States maintain a rhetorical presence of their principles but manifest a pragmatic engagement and selective alignment. In Nepal, non-alignment is still a significant aspect of diplomatic identity but can no longer account for the nature of the practice of foreign policy.

Strategic Balancing and Hedging

In recent years, concepts such as strategic balancing and hedging have been introduced to capture more of the contemporary small state behavior. These are the principles of flexibility, diversification, and risk management that are highlighted in these frameworks.

The theory of traditional balance of power is based on realist theory and has centered on military pacts and consolidations to deal with external threats ([Walt, 1990](#); [Waltz, 1979](#)). These types of strategies are, however, difficult to implement for small states because of their scarce capacities. Rather, small states are more likely to resort to "soft balancing" techniques other than military force, including military coordination, economic cooperation, and multilateral involvement ([Pape, 2005](#)).

A closely related concept is hedging. Hedging is a policy that involves engaging in seemingly contradictory policies to deal with uncertainty and flexibility ([Cheng-Chwee, 2008](#); [Goh, 2005](#); [Lim & Cooper, 2015](#)). A strategy which is widely observed in Asian regional diplomacy is that of balancing engagement and risk avoidance in the great power contest ([Goh, 2005](#)).

Taking these views into consideration, the concept of strategic balancing is used in this study, including soft balancing and hedging behaviors. Strategic balancing is the conscious



application of foreign policy, economic, and institutional instruments to deal with external pressures, win multiple allies and strengthen autonomy without forming alliances.

The 21st-century foreign policy of Nepal has some characteristics of strategic balancing. These include:

- Simultaneous engagement with India and China
- Participation in China-led infrastructure initiatives alongside Western-supported development programs
- Active involvement in multilateral institutions such as the United Nations

These patterns suggest a shift from passive neutrality toward active and calibrated engagement, aimed at maximizing benefits while minimizing risks.

For analytical clarity, this study treats hedging and strategic balancing as related but distinct strategies. Hedging concerns risk management primarily under uncertainty. It involves maintaining simultaneous relationships with competing powers, avoiding exclusive commitments, and preserving policy flexibility when the future distribution of power or intentions of major actors remains uncertain. Strategic balancing, by contrast, refers to a more purposive effort to diversify external relationships, reduce structural dependency, strengthen bargaining autonomy, and use economic, diplomatic, institutional, and infrastructural instruments to offset asymmetric pressures. Hedging therefore explains Nepal's avoidance of exclusive alignment, whereas strategic balancing explains the direction and purpose of its broader diversification strategy. In this study, hedging is treated as one component of Nepal's strategic repertoire rather than as a synonym for strategic balancing.

Analytical Framework and Propositions

Building on the above theoretical insights, this study develops a conceptual framework linking structural and domestic factors to foreign policy behavior.

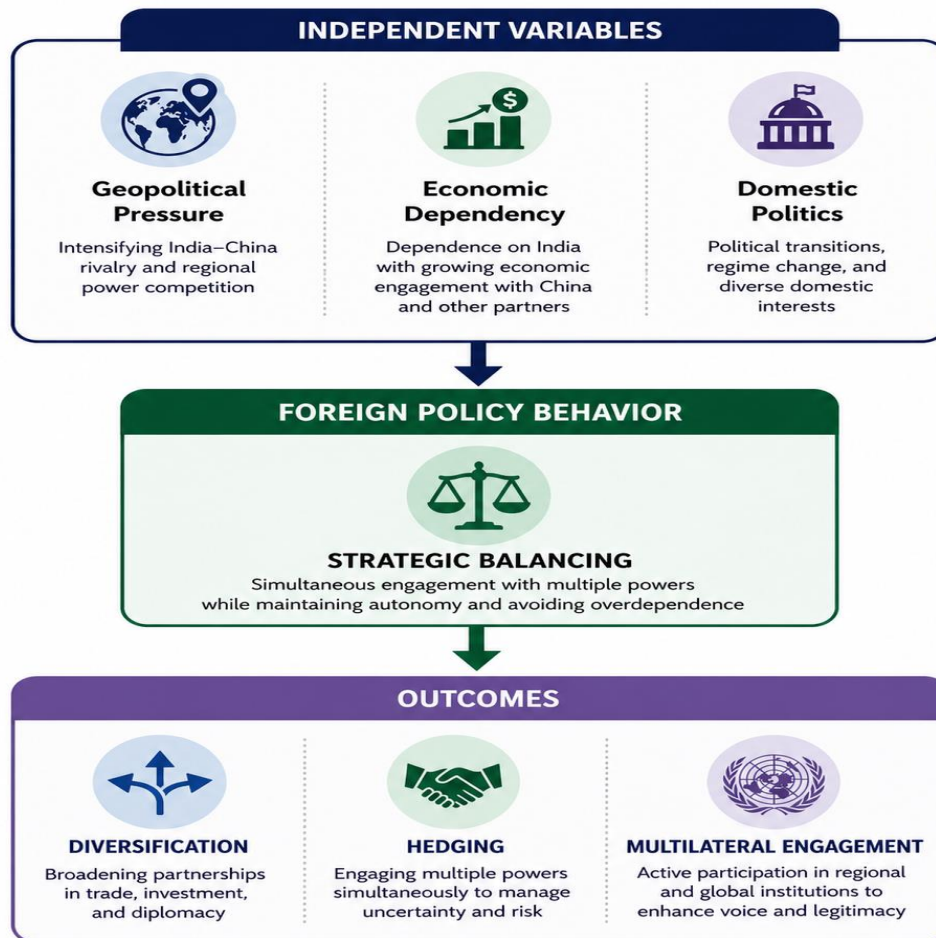


Figure 1: Conceptual Framework of Nepal's Foreign Policy Transformation

Independent Variables

1. Geopolitical Pressure

Nepal's location between India and China exposes it to competing strategic interests, shaping its foreign policy choices.

2. Economic Dependency

Reliance on external trade, investment, and aid influences Nepal's engagement with multiple partners.

3. Domestic Politics

Political instability, regime change, and institutional dynamics affect foreign policy orientation and consistency.

Dependent Variable

• Foreign Policy Behavior

Observable actions include diplomatic engagement, economic partnerships, and multilateral participation.

Theoretical Propositions (Key Contribution)

To strengthen the analytical rigor of this study, the following propositions are advanced:



- **P1:** Higher levels of geopolitical competition increase the likelihood of strategic balancing behavior in small states.
- **P2:** Greater economic dependency encourages diversification of partnerships and engagement with multiple external actors.
- **P3:** Domestic political instability leads to inconsistency in foreign policy but reinforces the need for flexible strategies such as hedging.
- **P4:** Small states are more likely to adopt strategic balancing when structural constraints are combined with opportunities arising from great power competition.

This relationship is visually represented in Figure 1.

Synthesis

This is not the integration of the concept of 'alignment' and 'non-alignment', but beyond these two concepts. It is a concept of small state foreign policy, which is both adaptive and dynamic, with internal as well as external influences.

Based on this, the framework proposes that in Nepal, non-alignment is a normative identity rather than an operational strategy that guides action, with strategic balancing being the opposite. This duality echoes the overall shift in the 21st century towards flexibility, diversification, and pragmatism in small state diplomacy, which is increasingly confronted by a complex international system.

Literature Review

The study of Nepal's foreign policy has been conducted along with the overall changes in international relations, geopolitics of South Asia, and in diplomacy among small states. The available scholarship is generally divided into three categories: (1) foreign policy studies about Nepal, (2) regional geopolitical analysis of South Asia, and (3) small state literature. Although both offer useful frameworks, there are serious limitations in linking them together to understand the current trend in Nepal towards strategic balancing.

Nepal's Foreign Policy: Continuity and Change

The initial scholarship research in the field of Nepal's foreign policy focused on National Non-Alignment and survival strategies. ([Rose, 2021](#)) and more recently, ([Acharya, 2014](#)), conceptualize Nepal as a small state in asymmetric power relations with its larger neighbors. The studies have underlined the significance of Nepal's embrace of non-alignment to preserve its sovereignty and gain economic and political assistance from different external actors.

Then, the study has turned to the historical evolution of Nepal-India and Nepal-China relations with an emphasis on structural dependency and geopolitical constraints. ([L. R. Baral, 2012](#)) and ([Muni, 1973](#)), contend that Nepal's foreign policy has been shaped by the country's economic dependency on India, especially in trading and transporting goods. Meanwhile, it is noted that China's role has been gradually growing and offering alternative channels of engagement to Nepal ([Bhattarai, 2019; Sharma & Chhetri, 2022](#)).

Recent work has started to examine policy diversification and changing policy direction in the post-2000 era. ([B. N. Baral, 2018](#)) highlights the conflicts between old and new non-alignment,



and ([Dahal, 2021](#)) refers to Nepal's conduct as an example of “hedging” between India and China. Likewise, ([Johnny, 2024](#)) explores Nepal's foreign policy orientations in the context of band wagoning and hedging, emphasizing the multifaceted nature of Nepal's foreign relations. Despite these contributions, however, the literature on Nepal has been largely descriptive and event-driven, with little attempt to create an analytical framework for the country's situation, beyond the specific issues under discussion. Insufficient attempt has been made to explain the long-term trend of changes systematically and to incorporate Nepal's experience in broader theoretical discussion in IR.

South Asian Geopolitics and India-China Rivalry

A second stream of literature looks at Nepal's foreign policy in the larger frame of South Asian geopolitics, including the emerging rivalry between China and India. According to scholars like ([Pant, 2017](#)) and ([Garver, 2015](#)), South Asia is becoming a more competitive geopolitical region, as China's economy and strategy grow, and India seeks to retain its influence in the region.

Historically, India and Nepal have engaged in a highly interdependent and mutually beneficial relationship on all fronts-economic, social-cultural, and border ([Verma, 2026](#)). The connection between the two, however, has not been entirely symmetric and peaceful, and there have been several periods of tension and unease, especially over matters of sovereignty and political influence ([Muni, 1973](#)). The 2015 “disruption” of the border and the resultant political tension are frequently mentioned as a catalyst that pushed Nepal to diversify its ties with the outside world.

The trend of China's increasing involvement in Nepal has been extensively discussed against the backdrop of the Belt and Road Initiative (BRI) and the concept of regional connectivity. ([Bhattarai, 2019](#)) and ([Sharma & Chhetri, 2022](#)) emphasize the need to improve Nepal-China relations through investments in infrastructure and economic diplomacy. At a higher level, ([Malone & Mukherjee, 2010](#)) and ([Stephen Philip Cohen, 2002](#)) place these changes in the context of the regional strategic rivalry between India and China, which is increasingly influencing foreign policy decisions of smaller regional powers.

The body of literature cited herein gives valuable insights into the external factors influencing Nepal's foreign policy, but at times perpetuates the notion that Nepal is a passive field of great power competition. Consequently, it minimizes Nepal's capacity to negotiate and maximize its use of the geopolitical.

Small State Diplomacy and Strategic Behavior

The third stream of literature is on small state theory and strategic behavior, which may provide more conceptual frameworks to examine Nepal's foreign policy. Conventional wisdom focuses on structural limitations and vulnerability, and regards small states as being essentially reactive players ([Keohane, 1969](#); [Vital, 1967](#)). Every one of these views emphasizes the role of diplomacy, international law, and multilateral institutions as means to offset material resources ([Thorhallsson, 2012](#)).



This viewpoint is not fully supported by more recent scholarship research, which is oriented towards agency, adaptability, and strategic choice. Small states can actively influence their external environment by taking advantage of geopolitical competition and diversifying partnerships ([Godfrey Baldacchino & Anders Wivel, 2020](#)). The new understanding of state behaviour in small states conforms to the recent development of the international relationship theory such as the issues of globalization and multipolarity.

This is a fluid scenario and hedging and strategic balancing are gaining more importance by the day. ([Cheng-Chwee, 2008](#)) states that hedging is a strategy of engagement, risk management and partial alignment to address uncertainty. Similarly, ([Lim & Cooper, 2015](#)) argue that it is necessary to be flexible, and not rely on a single source of power. These approaches are particularly applicable in small states in strategic competition regions, where there is no viable and/or desired binary alignment.

These theoretical approaches have been extensively used in the study of Southeast Asia, including Nepal; however, there are limited uses of these theories within South Asia. Previous work tends to be an ad hoc description of these ideas rather than a comprehensive analytical framework.

Identified Gaps in the Literature

Although there has been an increase in research, there are some important gaps.

One of the first is the absence of analysis that is integrative, which consists of Nepal-specific empirical studies and other theoretical frameworks. Several existing studies are narrowly focused on Nepal or are based on questionable theoretical assumptions.

Second, literature is heavily descriptive and has little substantive discussion of analytical tools that are used to interpret causal relationships and long-term trends, such as process tracing and thematic analysis.

Third, the domestic politics-external pressures relationship has not been sufficiently explored in foreign policy. Some studies recognize political instability, but few of these attempts to integrate it in a broader analytical framework.

Finally, the lack of understanding of Nepal's foreign policy as a policy shift from non-alignment to strategic balancing is notable, especially on a longitudinal scale from 2000 onwards.

Positioning of the Study

This study aims to fill these gaps with a theoretically informed and empirically grounded study into the evolution of Nepal's foreign policy. It combines small state theory, non-alignment and strategic balancing to create a holistic framework to understand the behavior of Nepal in the evolving geopolitical context.

Themes and causal processes are also uncovered through the study's qualitative approach and theory analysis, in addition to description. In the process, it also makes a significant contribution to the literature on Nepal and to other general issues of small state diplomacy and international relations.



Methodology

The research method applied in this study is a qualitative method, a case study method that includes the transformation of non-alignment towards strategic balancing in the 21st century of Nepal's foreign policy. Given the exploratory and theory-building nature of this research, qualitative methods are appropriate for studying the intricate relationships between geopolitical pressures, economic interdependencies, and domestic politics. The methodology is intended to be analytical, transparent, and replicable, and to also gain a level of contextual understanding.

Research Design

The study is a single case study in which Nepal is taken as a unit of analysis. The case study approach is appropriate for the study of contemporary phenomena in the real world, especially when the phenomenon and context are not well separated ([Yin, 2018](#)). Nepal is an important and theoretically grounded example because of its geopolitical location between India and China, and its past practice of non-alignment.

There is no statistical representativeness in the selection of the case. It provides opportunities to develop and refine theory, especially as it relates to the behavior of small states and strategic balancing. The study follows the approach of ([Alexander L. George & Andrew Bennett, 2005](#)) in which structural and domestic variables are correlated with foreign policy outcomes using case-based analysis.

The timeframe of the study is limited to the last two decades (2000 to the present), which reflects Nepal's shift from post-conflict political transformation to the current geopolitical engagement. This periodization allows the examination of continuity and changes in foreign policy behavior.

Data Sources

Multiple sources of qualitative data are used to get comprehensive coverage and triangulation.

(a) Policy Documents

Primary sources are official Government of Nepal documents like foreign policy documents, treaties, bilateral documents and strategic documents etc. These documents offer insights into formal policy positions and institutional priorities.

(b) Diplomatic statements and speeches

There is an analysis of speeches from political leaders, foreign ministers and diplomatic representatives to get an insight into the changing narratives in Nepal's foreign policy and their rhetorical positioning.

(c) Reports from International Organizations

The economic and diplomatic engagements of the State of Nepal are elaborated in this context related documents on issues such as development cooperation, infrastructure development and peacekeeping are discussed.

(d) Secondary Academic Sources

Many of the data are peer-reviewed journal articles, books, and policy analyses. These resources provide a basis for comparison and theory to aid in the study's framework and give Nepal a place in the international relations debate.



Document Selection and Sampling Strategy

The study employed purposive document sampling to identify sources directly relevant to changes in Nepal's foreign policy between 2000 and the present. Documents were selected when they met at least one of four criteria: they represented an official foreign-policy position of the Government of Nepal, documented bilateral or multilateral engagement involving Nepal, addressed major geopolitical or economic developments affecting Nepal's external relations, or provided peer-reviewed analysis directly related to non-alignment, hedging, strategic balancing, or small-state diplomacy. Priority was given to official government documents, treaties, diplomatic statements, reports of recognized international organizations, and peer-reviewed academic publications. Materials that lacked a clear institutional or scholarly source, duplicated information already represented in the corpus, or did not directly address the study period or analytical framework were excluded. The selection process sought variation across time periods, policy domains, and external partners to support longitudinal comparison and triangulation.

Analytical Methods

The study uses two complementary qualitative methods, namely thematic analysis and process tracing to systematically analyze the collected data.

(a) Thematic Analysis

Thematic analysis is used to identify recurring patterns and key themes in policy documents, speeches, and secondary literature. Following [\(Braun & Clarke, 2006\)](#), the analysis involves:

1. Familiarization with the data
2. Coding of relevant themes
3. Categorization of patterns related to foreign policy behavior
4. Interpretation of themes in relation to theoretical frameworks

Key themes include:

- diversification of partnerships
- economic dependency
- geopolitical pressure
- multilateral engagement

This approach allows for a structured yet flexible analysis of qualitative data.

(b) Process Tracing

Process tracing is used to investigate how independent variables (such as geopolitical pressure, economic dependency, and domestic politics) relate to foreign policy products. The method allows identifying sequences of events and decision-making processes that account for observed changes [\(Alexander L. George & Andrew Bennett, 2005; Checkel, 2008\)](#).

For example, the study traces how:

- The 2015 border disruption influenced trade diversification
- Participation in the Belt and Road Initiative reflected strategic recalibration
- domestic political transitions shaped diplomatic alignment



By combining thematic analysis with process tracing, the study ensures both pattern identification and causal explanation. This combined approach enhances causal inference and strengthens analytical rigor.

Validity and Reliability

For qualitative research, it is important to have methodological rigor. This study implements some strategies to enhance its validity and reliability.

(a) Triangulation

Several data sources are used, and results are cross checked to give a stronger conclusion out of the cross checking of results. For instance, policy statements are assessed in terms of research and reports from overseas.

(b) Theoretical Triangulation

The study also integrates multiple theoretical approaches such as the small state theory, non-alignment and strategic balancing to provide a comprehensive tool to analyse the study's context, in which a state's actions are determined by its perception of threat, not real power.

(c) Transparency

Research design, sources of data, and analysis methods are clearly specified for replicability and transparency.

(d) Consistency

There are clearly defined categories in accordance with the theoretical framework that guide coding and interpreting across the analysis.

Limitations

Studying has some limitations, notwithstanding the strengths.

First, the emphasis on qualitative data could lead to some interpretation bias, which is limited by triangulation and systematic analysis.

Secondly, the availability of some primary sources is restricted, notably the confidential diplomatic messages. For this reason, the study is based on the documents available in the public domain and on secondary interpretations.

Third, since this is a single case study, the results cannot be statistically generalized. This research is, however, an analytical generalization in nature, which is geared towards the development of theory and not towards universal claims ([Yin, 2018](#)).

Ethical Considerations

The study has been based on secondary sources and documents that are available to the public only, thus following the ethical standard in research. There is no direct involvement of people in the work, and everything is cited in accordance with academic conventions.

Non-alignment has always been a fundamental pillar in Nepal's foreign policy, and it was later interpreted as a sensible policy to safeguard the sovereignty of Nepal in a strongly polarized geopolitical scenario. Nepal was a small, landlocked country and had to deal with India and China, whose diplomacy was to be careful and adaptable. Non-alignment provided a normative and strategic space for Nepal to be independent and engage with other actors. This historical



background is crucial for grasping the present-day shift towards strategic balancing in the country.

Origins of Non-Alignment in Nepal

The non-alignment foreign policy of Nepal had its roots in the political transformation that took place in the early 1950s, when the Rana regime collapsed, and Nepal was opened up to the international community. Nepal had little contact with the outside world, primarily with British India, during premodern times. The democratic change in Nepal in 1951 led to a shift in attitude to international politics and formal relations with some states.

The reaction to non-alignment was a natural response to geopolitical vulnerability, and to strategic necessity. During the Cold War era when the U.S. and USSR were competing for supremacy, Nepal wished to stay independent. However, its geographic proximity to India and China posed a delicate situation as it did not want to be overpowered by either of the two countries ([Acharya, 2014](#); [Rose, 2021](#)).

The institutionalization of non-alignment was greatly influenced by the leadership of King Mahendra in the 1960s. During his reign, Nepal had a policy of diversification, extending its diplomatic network beyond the region and to the West and socialist nations. It gave Nepal both economic and political support and recognition without compromising on its formal neutrality. Theoretically, this is a stage of the small state survival strategy for which non-alignment is used as a means of reducing external threats and increasing diplomatic flexibility ([Keohane, 1969](#); [Vital, 1967](#)). Non-alignment was not a neutral approach in Nepal but one that was practical and selective about engagement with a particular nation or organization, depending on the national interest.

Nepal's Role During the Cold War

In the Cold War era, 'non-alignment' was the key principle of Nepal's foreign policy. Nepal became a follower of the Non-Aligned Movement, which put the country in a situation to be a neutral one that believed in sovereignty, peaceful coexistence, and non-interference.

In 1961, Nepal officially became a member of the NAM and took an active part in its summits and diplomatic efforts. Joining the Non-Aligned Movement was beneficial in many ways. Firstly, it gave an extra boost to Nepal's international exposure and credibility as an independent state. Second, it made it easier to obtain economic and technical aid from the "free world" and from the socialist bloc. Third, it enabled Nepal to remain non-allied with any nation and thus curbed the dangers of entangling itself in the superpower wars ([Acharya, 2014](#); [Prasad, 1983](#)). But the non-alignment of the country during this period should not be taken as an indication of strict neutrality. In its place, it served as a flexible diplomatic approach, allowing Nepal to deal with several actors while keeping their formal independence. This is consistent with what is now regarded as "non-alignment", as a precursor to "hedging" by states, who try to limit risks when they are uncertain.

Meanwhile, Nepal's autonomy was constrained by its structures. It was highly economically vulnerable to external support and lacked the military strength to make its own foreign policy contribution. The struggle between independence and dependence is an issue that always crops



up in the context of small state diplomacy, and which is still pertinent today in Nepal's foreign policy.

Relations with India and China

Non-aligned policy was most seriously challenged in the bilateral relations with India and China in Nepal. The regulation of these relationships has been the main challenge of Nepal's foreign policy since traditional times.

The relationship with India has seen great interdependence and structural asymmetry. The 1950 Treaty of Peace and Friendship provided a basis for economic cooperation, free movement of people, and security cooperation. This relationship was beneficial in many aspects as it brought them access to trade and transit routes, but it also left them vulnerable and exposed to the perception of unequal influence ([L. R. Baral, 2012; Muni, 1973](#)). Nepal's non-alignment in some ways inevitably led to the attempt to balance Indian domination with the involvement of other outsiders.

The relations with China, however, evolved more slowly in Nepal, but have grown in strategic significance over time. Diplomatic relations started in 1955, and cooperation in infrastructure development and political support began. China always advocated the principles of sovereignty and non-interference, consistent with Nepal's foreign policy agenda. Working with China, however, had to be managed carefully, especially when it came to such sensitive issues as Tibet ([Garver, 2015](#)).

Non-alignment helped Nepal to follow a dual engagement policy, neither aligning with one neighbor nor aligning with the other neighbor. This had to be worked out constantly in diplomacy, especially at times of tension, like the Sino-Indian War of 1962. Balanced relations during such crises are a good example of how non-alignment can be a survival strategy for Nepal.

Engagement with the Non-Aligned Movement

Nepal's active membership in the Non-Aligned Movement further strengthened its non-alignment policy and enabled it to further its diplomatic agenda. This platform was used by Nepal to promote the rights of small states, highlight sovereign equality and to encourage efforts towards peace and development in the world.

Nepal also initiated a South Asian movement that will help broaden its international ties beyond South Asia because of the movement. Nepal's interactions with a diverse set of countries have made it less reliant on any single nation and more flexible diplomatically. This is in line with the theory of small state strategies of external diversification and multilateral engagement ([Thorhallsson, 2012](#)).

But the importance of the Non-Aligned Movement faded during the late days of the Cold War, as the dynamics of power changed across the world and ideologies were diminishing. In Nepal, this led to significant issues related to the future of non-alignment. This posed serious questions to Nepal about the continued relevance of non-alignment. The principles of NAM were adhered to formally, but, as the international climate changed, more adaptable and pragmatic solutions were becoming necessary.

**Synthesis: Foundations for Transition**

The historical study reveals that the idea of non-aligned foreign policy is not atomistic and ideological but rather a policy of pragmatic considerations of structural constraints and geopolitical factors of the country. It enabled Nepal to stay independent and to form alliances with several actors and to deal with the complexity of the regional dynamics.

In the interim, the issue of non-alignment was being hotly debated. Neutrality was challenged by economic interdependence, geopolitical pressures and evolving global dynamics. These difficulties led to a gradual change in the idea of using diversification, hedging and later strategic balancing.

In theory, the historical period can serve as a paradigm of the transformation of the behavior of small states from a "neutral" to an "adaptive" mode. In principle, the historical period can be regarded as an example of a transformation of the behavior of small states from passive neutrality towards active adaptation. The stepping-stone was non-alignment, and its metamorphosis is an indication of the changes of the international order.

Transition Phase (2000–2015)**Table 2: Evolution of Nepal's Foreign Policy (1950–Present)**

Period	Strategy
1950–1990	Non-alignment
1990–2000	Transitional neutrality
2000–2015	Hedging & diversification
2015–Present	Strategic balancing

This was a pivotal transitional period in Nepal's foreign policy between 2000 and 2015, as the old doctrine of non-alignment was challenged by domestic political turmoil and changing regional geopolitics. This step is not a sudden one, but rather a gradual adaptation process, where diversification and hedging elements started to show. This shift was the precursor to the more explicit form of strategic balancing that was observed in the post-2015 period.

Domestic Political Transformation and Instability

The domestic political situation in Nepal in this period was extremely turbulent and was undergoing structural changes. The decade-long Maoist insurgency (1996-2006) seriously crippled the state institutions, undermined governance, and brought the internal conflict of Nepal to the fore of international agendas. The period forced Nepal to be more active in seeking external help, such as from regional powers and international organizations, in mediation and peacebuilding ([Hachhethu et al., 2008](#); [Lawoti, 2010](#)).

However, with the signing of the Comprehensive Peace Agreement in 2006, it was a turning point, and the political transition was a complex process that led to the end of the monarchy in 2008 and a federal democratic republic. The changes essentially brought several new actors into the foreign-policy-making process political parties, official bodies, and third parties.

Theoretically speaking, this phase shows how more domestic politics matters for foreign policy behavior. The post-2006 period had much less centralized decision-making than the period of the monarchy, and decision-making was more fragmented, with conflicting political interests.



This frequently led to unpredictable and reactive foreign policies, especially regarding India and China.

In the process, political turmoil made Nepal more susceptible to outside influence. Internal actors were often drawn into an international dynamic as they competed for the backing of various external parties. This aligns with the proposition that domestic instability reinforces the need for flexible foreign policy strategies, such as hedging and diversification.

Intensifying Geopolitical Attention

There were also great changes in the external environment in the region, as well as inside Nepal. By the dawn of the 21st century, China had become a great economic and strategic power, and India had consolidated its status as a regional power ([Garver, 2015; Pant, 2017](#)). This placed Nepal in a more strategic position in the overall India-China rivalry ([Acharya, 2014; Garver, 2015; Pant, 2017](#)).

Overall, the relation between China and Nepal increased during this period in various areas such as infrastructure development, trade, and political cooperation ([Garver, 2015; Pant, 2017](#)). This was due to economic considerations, strategic considerations like Tibet, and regional connectivity. The Chinese presence was growing in Nepal, both in terms of high-level visits, development work and economic agreements.

In the interim, India sought to establish its historical claim in Nepal, pointing out the historical connections, economic dependence, and security partnership. But many times, the relations were strained due to the perception of political interference, especially in the constitution-drafting process in Nepal. The tensions led to a chance for Nepal to explore other possibilities of alliance and its lessening dependency on India.

Nepal remained very active in multilateral forums, including the United Nations, with a focus on peacekeeping missions and development initiatives. It has also continued to remain active in the regional forums, like SAARC, but the performance of these institutions was constrained by the overall tensions prevailing in the region.

This changing geopolitical landscape sharpened the pressure on small states to turn to alternative adaptation strategies, hedging, and strategic balancing, as well as opportunities.

Early Signs of Diversification

Structural dependency and diversification of external engagement have been one of the major changes during this transition period, as Nepal has tried to diversify away from its structural dependency ([Acharya, 2014; Muni, 1973; Pant, 2017](#)). Nepal had always had ties with both India and China, but since 2000, the nation has tried to diversify its diplomatic and economic relations beyond traditional lines.

The first is that Nepal started to strengthen its economic and infrastructural relationship with China, which was part of a broader regional movement, related to China's growing strategic and economic influence ([Garver, 2015; Pant, 2017](#)). These battles were still small compared to India, but they evidenced a desire for diversifying economic connections and for breaking out of structural dependency. Slow reorientation was introduced by an increase in trade treaties, infrastructure mutualization, and connection projects. The process of slowly reorienting began



with the enhancement of trade agreements, mutualization of infrastructure, and connection programs.

Secondly, Nepal's engagement with the external world, particularly with Western countries and international financial institutions, has been enhanced. This was particularly the case for reconstruction following the conflict, where development assistance and technical cooperation were relevant. This sort of involvement led to more diversification in external relations.

Third, Nepal's continued interaction with international organizations such as the United Nations enhanced Nepal's global participation and strengthened its commitment to multilateralism. Peacekeeping support was provided as a means of diplomatic representation and economic benefits.

Importantly, it was not a complete break with the non-alignment policy. Instead, they evolved and non-alignment principles were adjusted to the new geopolitical and economic landscape. This is consistent with the idea of hedging, which involves several relationships simultaneously between states in order to mitigate uncertainty and risk ([Cheng-Chwee, 2008](#); [Lim & Cooper, 2015](#)).

Synthesis: Emergence of Hybrid Foreign Policy

During the transition phase (2000–2015), non-alignment occurred alongside diversification and hedging that began ([Acharya, 2014](#); [Garver, 2015](#); [Muni, 1973](#); [Pant, 2017](#)). Foreign policy in Nepal was not a linear process from beginning to end, but it came into being slowly and was shaped by domestic turmoil and geopolitical competition.

This stage serves as a verification and validation of the theoretical propositions mentioned above. Specifically:

- Geopolitical pressure from India-China competition led to an increase in diversifying the partnership.
- It was the economic dependency that pushed Nepal to investigate other avenues for trade and investment.
- Domestic governmental turmoil and uncertainty added to policy instability and reinforced flexibility.

All these factors contributed to the more explicit use of strategic balancing in the post-2015 period.

Conclusion of the Transition Phase

To sum up, it is an important watershed in the new trend of Nepal's foreign policymaking during 2000-2015. It represents a move away from a doctrine-first to a more flexible and pragmatic approach. Non-alignment was a rhetorical approach but was increasingly flexible in practice. The change in structural conditions is reflected in this transition in the way the small states adjust their foreign policy strategies. Domestic transformation and external pressures combine to give rise to strategic balancing in Nepal, which becomes more visible and consolidated during the next phase.

Strategic Balancing in Practice (2015–Present)



The last several years, since 2015, have been a critical time for Nepal's foreign policy, with strategic balancing firmly entrenched as an operational approach. The strategic importance of non-alignment continues to be expressed, yet the foreign policy stance of Nepal is becoming increasingly one that seeks to spread its sources of influence and develop strategic alternatives. The change can be attributed to three interrelated factors: increased competition between India and China, Nepal's economic and infrastructural requirements, and lessons learned from the 2015 border crisis. These factors have thus made Nepal a more strategically adaptable small state from a reactive player.

Table 3: Evidence of Strategic Balancing

Area	India	China	Interpretation
Trade	High	Growing	Diversification
Infrastructure	Limited	BRI	Shift
Diplomacy	Strong	Expanding	Dual
Multilateral	UN/SAARC	BRI	Balancing

Table 3 provides empirical evidence of Nepal's strategic balancing behavior.

Nepal-India Relations

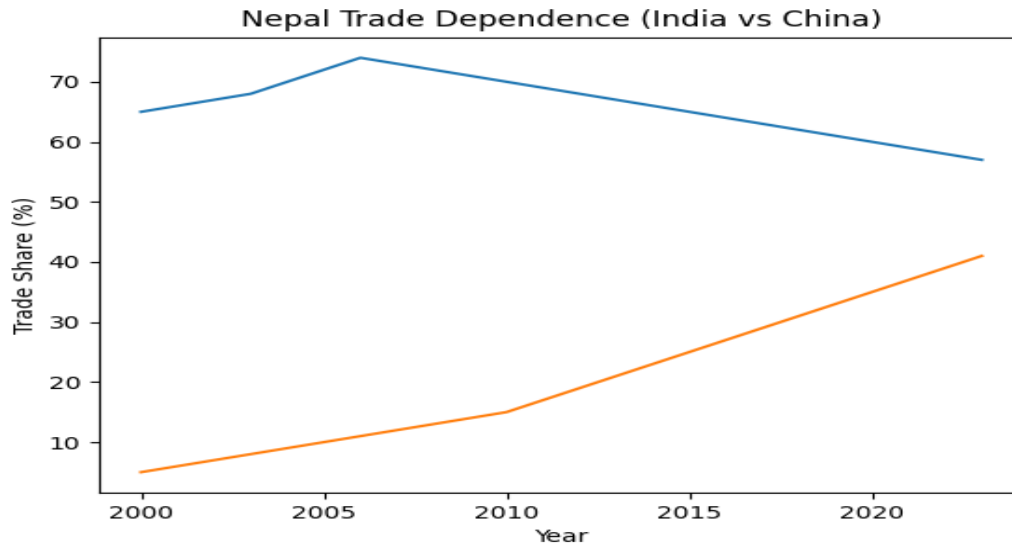
Trade Dependence and Structural Asymmetry

India is still the biggest economic partner of Nepal, with most of the trade, transit, and energy coming from India. Due to its landlocked nature, Nepal is highly reliant on the Indian ports and the infrastructure for conducting international trade. This structural imbalance has been a limitation in Nepal's foreign policy autonomy in the past ([Acharya, 2014](#); [L. R. Baral, 2012](#); [Muni, 1973](#)).

But the 2015 border disruption, which is viewed by most people in Nepal as an unofficial blockade due to the disagreement over the new constitution, is supported by qualitative evidence as a turning point. This crisis revealed the vulnerabilities of relying on a single partner ([Muni, 1973](#); [Pant, 2017](#)). During this time of scarcity of fuel and necessary commodities, alternatives to trade routes and fuel sources were needed.

The episode, from a theoretical point of view, exemplifies how economic dependency under geopolitical pressure can be a stimulus for strategic adaptations, as described in Proposition 2 of this study.

Figure 2: *Nepal's Trade Dependence on India and China, 2000-2023*



Source: Author's Calculation based on Government of Nepal, Ministry of Finance, Department of Customs, Annual Foreign Trade Statistics, various years (2000–2023).

As shown in Figure 2, Nepal's trade dependence on India remains dominant, while China's share has increased steadily.

Border Issues and Political Tensions

Border dispute issues have also been an issue that has affected the bilateral relations between the two countries Nepal and India, especially regarding Kalapani, Lipulekh and Limpiyadhara ([Muni, 1973](#); [Pant, 2017](#)). In 2020, the tensions rose as India released a new political map which included the disputed parts of the kingdom, leading Nepal to release its own map and changing its constitution to include the disputed territories.

These developments are an embodiment of the nexus between foreign policy and domestic nationalism, in which the external conflicts tend to be correlated with the internal political legitimization. Meanwhile, Nepal has no intention of escalating the situation and is engaged in diplomatic and economic ties with India.

The notion of asserting sovereignty while at the same time keeping the channel of engagement open reflects a strategic balancing approach, in which states balance conflict and retain critical relationships.

Nepal–China Relations

Engagement with the Belt and Road Initiative

The shift of Nepal's foreign policy, joining the Belt and Road Initiative (BRI) under China, was a major transformation of its foreign policy orientation ([Bhattarai, 2019](#); [Garver, 2015](#); [Pant, 2017](#); [Sharma & Chhetri, 2022](#)). The BRI brings opportunities for Nepal to tackle the infrastructure shortcomings, improve connectivity, and lessen dependence on India for trade and transit ([Bhattarai, 2019](#); [Sharma & Chhetri, 2022](#)).



Planned plans are cross-border railway, cross-border highways, and energy infrastructure, which are all linked to Nepal's ambition of becoming a land-linked country from a landlocked country. While implementation has been difficult, due to financial considerations as well as technical limitations, the significance of the BRI is that it has the potential to diversify economic relations in Nepal.

Nepal's participation in the BRI is theoretically interpreted as being soft balancing and economic diversification, which are two parts of strategic balancing behavior.

Infrastructure Diplomacy and Expanding Engagement

In addition to the BRI, China has been investing in Nepal in the fields of infrastructure, transportation, hydropower, and digital connectivity ([Acharya, 2014](#); [Garver, 2015](#); [Pant, 2017](#)). They have put China on the map and made it more visible in Nepal for their influence and options, as well as development financing and technical assistance.

But Nepal has taken this engagement very cautiously. The pace and scope of cooperation have been influenced by concerns about debt sustainability, geopolitical considerations and domestic political debates. The cautious engagement is a hedging strategy that aims to maximize returns and minimize risks ([Acharya, 2014](#); [Cheng-Chwee, 2008](#)).

Importantly, it is not about aligning with China. More importantly, Nepal's relationship with China is expanding without alignment. Rather than this, they are a conscious attempt to neutralize India's dependency and further strengthen the idea of strategic balancing.

Multilateral Engagement

Regional Role in SAARC

Nepal's participation in regional institutions is still an important aspect of Nepal's foreign policy. Nepal is a founding member of the Secretariat of the South Asian Association for Regional Cooperation (SAARC) and is always present there as a host country. But the working of SAARC has been hampered by the larger geopolitical conflicts, especially between India and Pakistan.

Despite these limitations, Nepal keeps promoting multilateralism at the regional level to lessen bilateral dependence and improve joint engagement. Meanwhile, Nepal has been seeking other regional structures in a pragmatic and diversified foreign policy.

Global Engagement through the United Nations

A crucial asset of Nepal's foreign policy is its involvement in the United Nations peacekeeping missions. Nepal is a leading troop contributing country that is now well known in the international community and has emerged as a more prominent player on the international diplomatic stage.

Nepal can also put forward its concerns on other matters of interest to small States through its interactions with the United Nations, such as climate change, sustainable development and the rights of landlocked States. The multilateral event strengthens Nepal's geostrategic autonomy by enabling it to have more diplomatic options than regional dynamics.

On the theoretical side, this is in line with small state strategies that focus on institutional involvement to make up for limited material resources ([Thorhallsson, 2012](#)).



Evidence of Strategic Balancing

Diversification of Partnerships

Nepal's diversification of external partnerships is one of the most noticeable examples of balancing. Nepal has also broadened its partnership with the United States, the European Union, and international development organizations as well as India and China. This diversification is reflected in the development of infrastructure, trade agreements, development aid programs, etc.

Nepal aims to maximize economic opportunities and minimize dependency through leveraging multiple partners, following strategic balancing theory.

Policy Contradictions and Dual Engagement

The foreign policy of Nepal also shows some apparent contradictions, which are a hallmark of hedging. In this regard, Nepal is also involved in the Chinese-led programs like the Belt and Road Initiative (BRI) and is also accepting the Western support programs like the Millennium Challenge Corporation (MCC). In the same way, Nepal also claims territory from India but has strong economic ties with it.

The contradictions are not a sign of inconsistency, but rather a strategic approach of dual engagement avoiding exclusivity and being flexible. It can be argued that this is a case of strategic balancing and not traditional non-alignment in Nepal's Foreign Policy.

Synthesis

This section shows that Nepal's foreign policy since 2015 is active and adaptive in balancing. Non-alignment remains a moral compass, but policy action is pragmatic, involving diversification and risk management.

Nepal's positioning between India, China, and multilateral institutions is a deliberate move to play the geopolitical game to balance both sides. This is consistent with the theory that suggests small state strategies in multipolar environments involve flexibility and diversification.

Discussion

This section presents a synthesis of the empirical results and compares them with the theoretical concepts presented above: small state theory, non-alignment, hedging, and strategic balancing. The analysis shows that one theory would be insufficient to provide a satisfactory explanation of Nepal's foreign policy. Rather, it is an intermediate and evolving approach that is influenced by the interplay of structural constraints, economic dependencies, and domestic political dynamics.

Revisiting Theoretical Expectations

In this research, the theoretical frame of reference is based on the notion that a small state facing geopolitical threats, domestic unrest, and economic dependency is more likely to adopt a hedging and strategic balancing strategy. The findings are most strongly supported by the empirical results.

In the wake of 2015, Nepal has become more vulnerable to external pressure due to its geopolitical location between India and China. First, the geopolitical position of Nepal between



India and China has imposed a lot of pressure on the nation, particularly since 2015. This is in line with Proposition 1, which suggests that as geopolitical competition increases, so will the tendency to engage in strategic balancing behavior. Nepal's interactions with both powers indicate that the country has no special preference, and that it operates in a selective way to steer both forces.

Second, a strong incentive for diversification as Nepal's economic dependence is particularly on India for trade and transit. China's logic of Proposition 2, seeking multiple partners as a result of economic constraints is reflected in the logic of its infrastructure project engagement and alternative development partnerships.

Thirdly, uncertainty about domestic politics has been a factor in the lack of consistency regarding the actions of foreign policy, and it has required flexibility. The breakdown of the decision-making process since 2006 has made it more difficult to align rigidly and that has been a reason for Proposition 3.

The findings have revealed that the foreign policy reactions of Nepal have been influenced by structural and domestic factors and is consistent with the prevailing small state theory.

Non-Alignment: Normative Continuity

Despite the changing trend in Nepal's foreign policy attitude, the issue of non-alignment continues to be a prominent subject of discussion in Nepal's foreign policy. Nepal is still a member of the Non-Aligned Movement and mentions the principles of peaceful co-existence, non-interference and sovereignty in official speeches regularly.

However, the findings show that the non-alignment phenomenon can no longer be regarded as an operational phenomenon but more of a moral/symbolic phenomenon. In practice, Nepal is engaged in several powers, is a competitor in various programs and adapts policies on shifting contexts.

It means that the image of non-alignment has also undergone a change of its concept from a hardline ideology during the Cold War period to a more flexible diplomatic image in today's era. It remains to be a legitimate and continuous explanation but not enough for Nepal's foreign policy action.

Hedging: Partial Explanation

This notion of 'hedging' provides a more nuanced picture of Nepal's foreign policy, especially its balancing of the competing power centers, which has been a pattern of Asia's regional diplomacy ([Cheng-Chwee, 2008](#); [Goh, 2005](#); [Lim & Cooper, 2015](#)). Nepal's involvement in both the Chinese and Western-led projects is a sign of hedging, which has also been observed in the way in which Southeast Asian states react to great power competition ([Cheng-Chwee, 2008](#); [Goh, 2005](#)).

Hedging captures Nepal's efforts to:

- avoid overdependence on a single partner
- maintain flexibility under uncertainty
- reduce risks associated with geopolitical competition

But Nepal's foreign policy doesn't only come from hedging. Though there is a lot of ambiguity and risk management in hedging, the decisions made by Nepal go in the direction of an active contestation of the outside world for economic and political benefit.

Strategic Balancing: The Most Suitable Framework

The findings most strongly support the interpretation of Nepal's foreign policy as strategic balancing. Unlike traditional balancing, which focuses on military alliances, strategic balancing encompasses a broader set of tools, including economic diversification, infrastructure diplomacy, and multilateral engagement.

Nepal's behavior since 2015 exhibits several key features of strategic balancing:

- Diversification of economic partnerships, particularly through engagement with China's Belt and Road Initiative, alongside continued trade with India
- Simultaneous diplomatic engagement with multiple major powers, including India, China, and Western actors
- Active participation in multilateral institutions, such as the United Nations and SAARC
- Selective assertion of sovereignty, particularly in border disputes with India, combined with continued cooperation

Figure 3: Nepal's Strategic Balancing Framework in a Multipolar Environment



Source: Authors' conceptualization based on the theoretical framework and empirical analysis of Nepal's relations with India, China, and multilateral partners.

These patterns suggest that Nepal is not only responding to external shocks, but it is also influencing its foreign policy agenda by maximizing the autonomy and benefits of its foreign policy. The observed pattern provides support for Nepal's current conduct of foreign policy is strategic balancing: based on a calculation of threat, not only on material power (Walt, 1990).

Alternative Interpretations and Boundary Conditions



An alternative interpretation is that Nepal's apparently diversified foreign policy may reflect reactive adaptation rather than a coherent strategy of strategic balancing. Changes in government, fragmented decision-making, and short-term responses to diplomatic or economic shocks can produce patterns that resemble balancing without necessarily resulting from a unified long-term strategy. From this perspective, simultaneous engagement with India, China, and Western partners may indicate policy inconsistency rather than deliberate strategic design. A second interpretation is that Nepal's continuing structural dependence on India constrains the extent to which strategic balancing can generate genuine autonomy. Geographic proximity, trade dependence, transit requirements, labor mobility, and deep social ties create asymmetries that diversification toward China or other partners cannot fully eliminate. Strategic balancing should therefore be interpreted as an effort to increase relative policy space rather than achieve equal distance among major powers.

A third interpretation concerns hedging. Nepal's participation in competing external initiatives, avoidance of exclusive alliances, and preservation of policy ambiguity fit established definitions of hedging. The distinction adopted here rests on the observation that post-2015 behavior extends beyond uncertainty management toward purposeful diversification of infrastructure, economic relationships, diplomatic partnerships, and multilateral channels. Nevertheless, the boundaries between hedging and strategic balancing remain empirically porous.

These competing explanations qualify for the central argument. Nepal's foreign policy is therefore best understood as a hybrid strategy in which normative non-alignment, hedging, and strategic balancing coexist, although strategic balancing increasingly provides the broadest explanation of its operational direction.

Contribution to Small State Theory

This study makes several significant advances to small state theory.

This is first a challenge of the small states small state's view, which considers small states as passive actors constrained by structures. It is opposed to the current conception of small states as passive agents which are constrained by structures. The Nepal case demonstrates the potential of the strategic agency that can be achieved through geopolitics and diversification of partnerships in small States. This is in line with recent studies on the role of adaptability and agency in small state diplomacy ([Godfrey Baldacchino & Anders Wivel, 2020](#)).

Secondly, the results demonstrate the relevance of hybrid foreign policy approaches based on a combination of normative principles, like non-alignment, and practical ones, like strategic balancing. This implies that a small state can have several policy identities at the same time, which implies both historical continuity and adaptation.

Third, the study proves a more widespread application of the concepts of hedging and balancing than their more traditional usage in relation to security. For Nepal, strategic behavior is mainly infrastructure development, trade diversification, and multilateral interaction.

Regional Implications



The transition of Nepal to strategic balancing reflects broader implications for South Asian geopolitics, especially amidst the emerging strategic rivalry between India and China ([Garver, 2015](#); [Pant, 2017](#)). China's growing presence has changed South Asian dynamics, most notably through infrastructure and connectivity efforts that give China a more strategic presence in South Asia ([Garver, 2015](#)).

First, it is an indicator of the growing competition between India and China regarding regional influence, both economically, politically, and strategically ([Garver, 2015](#); [Pant, 2017](#)). Nepal's involvement with both powers underscores its geopolitical importance in this rivalry.

Secondly, Nepal's diversification of partnership arrangements helps to undercut traditional hierarchical power structures, especially those of India in South Asia. India continues to be a major player, while the involvement of other powers, like China, adds to the complexity of regional dynamics in Nepal.

Thirdly, the power of regional organizations like SAARC is limited, which calls for the need of bilateral and extra-regional engagement. This shift reflects the fragmentation and multipolarity of the regional order more broadly.

Finally, Nepal's case shows that small States can also actively influence regional processes and not only react to them. This strengthens the case for small states as agents of change in the international system, as South Asia today is witnessing multipolar competition.

Synthesis

The discussion highlights Nepal's changing foreign policy priorities, which are no longer based solely on the principle of non-alignment but on a more flexible and nuanced foreign policy. Apart from non-alignment as the norm, complementary and even replacement of non-alignment by strategic balancing is emerging.

Hedging, at least in this sense, is a partial explanation, particularly given Nepal's double engagement, but it does not have much explanatory power in terms of the direction of Nepal's policies. However, strategic balancing offers an overarching perspective that looks at the economic, diplomatic, and institutional considerations.

This pattern reflects the broader transition toward a more pluralistic and multipolar international system, which has primarily witnessed the transition to a more pluralistic and multipolar global system ([Acharya, 2018](#)). Nepal is one such country that has overcome the problems with the help of traditional values as well as practical solutions.

Conclusion

This study finds that Nepal's foreign policy since 2000 has evolved through gradual adaptation rather than a categorical abandonment of non-alignment. Non-alignment continues to shape Nepal's normative diplomatic identity, while its operational behavior increasingly reflects diversification, hedging, and strategic balancing. The transition has been driven primarily by intensifying India-China competition, persistent economic asymmetry, opportunities for external diversification, and domestic political transformation.

Summary of Key Findings



This study reveals that Nepal's foreign policy has evolved in an evolutionary manner over the past 20 years. Non-alignment is still being used on a normative and rhetorical basis, but its usefulness is declining in the context of changes in the structural situation.

The historical analysis indicates that non-alignment played a pragmatic survival role during the Cold War, as it helped to uphold Nepal's sovereignty and interact with multiple actors without formal alignment. The transition period (2000-2015) did show, however, increased pressures from domestic political instability and increasing regional competition. This was the first time that some diversification and hedging began to appear.

The post-2015 phase was the culmination of these trends into a more explicit strategic balancing approach. Nepal's approach of diversifying its partnerships and autonomy is reflected in its concurrent engagement with both India and China, its role in multilateral organizations such as the United Nations and SAARC, and its continued membership in the Belt and Road Initiative (BRI).

Answers to Research Questions

This study addressed three research questions.

In the first place, what have been the changes in Nepal's foreign policy since 2000?

It is observed that Nepal's foreign policy has changed from a rather stable non-aligned approach to a flexible and adaptable approach with diversification and a multi-vector approach. This change and continuity have been gradual.

Secondly, what are the reasons for this change?

The results have three important factors:

- Geopolitical pressure, especially rising geopolitical competition between India and China
- Economic dependence and reliance on external trade and infrastructure, particularly in Nepal
- Domestic political dynamics, especially instability and institutional changes

All these factors combine to make the adoption of rigid non-alignment less than adequate and require more flexible approaches.

Third, what do the implications for small state theory look like?

In the Nepal case, the absence of structural conditions does not mean that small states are passive actors. Rather, the challenge is to be proactive in responding to and seizing geopolitical opportunities, such as strategic balancing. This overturns traditional views and encourages more dynamic views on the behavior of small states.

Policy Implications for Nepal

The study could have important policy applications.

First, institutionalize foreign-policy coordination through a permanent inter-agency mechanism involving the Ministry of Foreign Affairs, Ministry of Finance, Ministry of Industry, Commerce and Supplies, and relevant planning bodies. Major external agreements should be assessed against common criteria covering strategic dependency, economic viability, sovereignty implications, and long-term national interest.



Second, reduce excessive trade and transit vulnerability by diversifying cross-border connectivity, energy arrangements, logistics routes, and export markets while maintaining stable economic relations with India.

Third, subject major infrastructure initiatives involving India, China, the United States, and other development partners to transparent debt-sustainability, economic-return, environmental, and geopolitical-risk assessments before approval.

Fourth, develop a cross-party foreign-policy consensus on core national interests, including territorial integrity, non-alignment, relations with India and China, multilateral diplomacy, and participation in major external infrastructure initiatives. Such consensus could reduce foreign-policy volatility following changes of government.

Fifth, strengthen professional diplomatic capacity within the Ministry of Foreign Affairs through country-specific expertise, strategic forecasting, negotiation training, and institutional memory.

Sixth, use multilateral platforms such as the United Nations, SAARC, BIMSTEC, and forums for landlocked developing countries to expand Nepal's diplomatic options and reduce dependence on bilateral bargaining alone.

Theoretical Implications

This study makes a few contributions to the field of international relations theory, including the small state diplomacy theory.

It is first to show that non-alignment is no longer enough as an explanatory model in contemporary international politics. Although it still has a symbolic value, it is now turned into a more flexible approach.

Second, the study confirms the importance of strategic balancing as an analytical concept to explain small state behavior in multipolar settings. Nepal is an example of a state that have implemented aspects of hedging and diversification, but without formal alignment.

Third, the results emphasize the need for agency and adaptability in the foreign policy of small states. Small states do not merely have to accept a situation determined by their external circumstances but can actively influence them through geopolitical competition.

Directions for Future Research

This study could be the basis of several lines of future research.

First, Nepal can be compared with other small countries in a similar geopolitical context, like Bhutan and Laos, to get a better understanding of the differences in strategic behavior.

Second, quantitative or mixed-method approaches could be used alongside qualitative results to explore economic and political results of strategic balancing, such as trade patterns, investment flows, and development indicators.

Thirdly, a research project on the role of the domestic players (public opinion, political parties, and the bureaucratic system) in the decision-making process on foreign policy may prove useful.



The final project would be a longitudinal study that would be conducted after this time to determine if strategic balancing is a constant or changes over time with the changing dynamics of the world.

Final Reflection

To sum up, Nepal's foreign policy development is part of the international environment's change that has seen small states take a more flexible and multidimensional approach to deal with complex geopolitical landscapes. The shift from non-alignment towards strategic balancing is not a complete choice of concepts from the past, but rather a change in the perception of new realities.

Nepal is a good example of how a small state can be both autonomous and relevant, and on both the normative and the pragmatic. These adaptation abilities are set to be increasingly important in the future of diplomacy in the face of the changing world power situation. This study, therefore, situates Nepal in the context of adaptation of small states in a multipolar competitive environment.

Transparency Statement: The authors confirm that this study has been conducted with honesty and in full adherence to ethical guidelines.

Funding: The study received no external funding.

Conflict of Interest: The authors declare there is no conflict of interest.



References

- Acharya, A. (2014). *The end of American world order* (Vol. 158). Polity press Cambridge.
- Acharya, A. (2018). *Constructing global order: Agency and change in world politics*. Cambridge University Press.
- Alexander L. George, & Andrew Bennett. (2005). *Case Studies and theory development in the social science*. MIT Press Cambridge, Massachusetts, London, England.
- Baral, B. N. (2018). Changing Dynamics of Nepalese foreign policy: Patterns and Ternds. *Journal of Political Science, XVIII*, 25–45.
- Baral, L. R. (2012). Nepal-India Relations. *Nepal in Transition: A Way Forward*, 152.
- Bhattarai, D. (2019). Understanding the Belt and Road Initiative. *Journal of APF Command and Staff College*, 2(1), 103–117. <https://doi.org/10.3126/japfsc.v2i1.26750>
- Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology*, 3(2), 77–101. <https://doi.org/10.1191/1478088706qp063oa>
- Checkel, J. T. (2008). Process tracing. In *Qualitative methods in international relations: A pluralist guide* (pp. 114–127). Springer.
- Cheng-Chwee, K. (2008). The essence of hedging: Malaysia and Singapore's response to a rising China. *Contemporary Southeast Asia: A Journal of International and Strategic Affairs*, 30(2), 159–185.
- Dahal, G. R. (2021). Nepal's Strategic Hedging Behaviour: 2008–2019. *Journal of South Asian Studies*, 9(1), 15–24.
- Garver, J. W. (2015). *China's quest: the history of the foreign relations of the People's Republic of China*. Oxford University Press.
- Godfrey Baldacchino, & Anders Wivel. (2020). *Handbook on the Politics of Small States* (G. Baldacchino & A. Wivel, Eds.). Edward Elgar Publishing. <https://doi.org/10.4337/9781788112932>
- Goh, E. (2005). *Meeting the China challenge: The US in Southeast Asian regional security strategies*.
- Hachhethu, Krishna., Kumar, Sanjay., & Subedi, Jiwan. (2008). *Nepal in transition : a study on the state of democracy*. International IDEA/Nepal.
- Johny, E. (2024). Foreign policy strategies of Nepal between China and India: bandwagon or hedging. *International Politics*, 1–19.
- Keohane, R. O. (1969). Lilliputians' dilemmas: small states in Internatinal politics. *International Organization*, 23(2), 291–310.
- Lawoti, M. (2010). Ethnic dimensions of the Maoist insurgencies. *The Maoist Insurgency in Nepal: Revolution in the Twenty-First Century*.
- Lim, D. J., & Cooper, Z. (2015). Reassessing hedging: The logic of alignment in East Asia. *Security Studies*, 24(4), 696–727.
- Malone, D. M., & Mukherjee, R. (2010). India and China: Conflict and cooperation. *Survival*, 52(1), 137–158.
- Muni, S. D. (1973). Foreign policy of Nepal. (*No Title*).
- Pant, H. V. (2017). India in East and Southeast Asia. In *Indian foreign policy*. Manchester University Press. <https://doi.org/10.7765/9781526131690.00020>



- Pape, R. A. (2005). Soft balancing against the United States. *International Security*, 30(1), 7–45.
- Prasad, B. (1983). The Evolution of Non-Alignment. *India Quarterly: A Journal of International Affairs*, 39(3), 299–309. <https://doi.org/10.1177/097492848303900304>
- Rose, L. E. (2021). *Nepal: Strategy for survival*. University of California Press.
- Sharma, S., & Chhetri, P. S. (2022). Nepal, China and ‘Belt and Road Initiative’: Prospects and Challenges. *India Quarterly: A Journal of International Affairs*, 78(3), 458–475. <https://doi.org/10.1177/09749284221108262>
- Stephen Philip Cohen. (2002). *India Emerging power* (Frist softcover). Bookings Institution Press. <https://doi.org/10.3109/03639049809097268>
- Thorhallsson, B. (2012). Small states in the UN Security Council: means of influence? *The Hague Journal of Diplomacy*, 7(2), 135–160.
- Verma, J. (2026). india-Nepal Relations in the changing Geopolitical Landscape: Strategic Challenges, Connectivity, and Regional Cooperation (1980-2026)l. *International Journal of Creative Research Thoughts (IJCRT)*, 14(5), d488–d506.
- Vital, D. (1967). The inequality of states: A study of the small power in international relations. (No Title).
- Walt, S. M. (1990). *The origins of alliance*. Cornell University Press.
- Waltz, K. N. (1979). Chapter 1: Laws & Theories. *Theory of International Politics*, 1–17. https://books.google.com/books/about/Theory_of_International_Politics.html?id=j6qOAAAAMAAJ
- Yin, R. K. (2018). *Case study research and applications* (Vol. 6). Sage Thousand Oaks, CA.

Views and opinions expressed in this article are the views and opinions of the author(s), *NPRC Journal of Multidisciplinary Research* shall not be responsible or answerable for any loss, damage or liability etc. caused in relation to/arising out of the use of the content.