

**Shaping Nepal's Development from Belt and Road Initiative Project: Geopolitical
Dynamics -- By Magar G.M. & Shrestha S.**

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Abstract

Belt and Road Initiative (BRI) project has expanded from China to over 150 countries across Asia, Europe, Africa and Middle East. BRI offers both opportunities and challenges to Nepal situated between emerging economic countries, China and India. This paper thus discusses geopolitical dynamics and regional connectivity as well as developmental opportunities and challenges for Nepal. This study used library based review method. Required information were generated from secondary sources of data. The study used comparative analysis method to focuses on macro-level dynamics, its findings are contextualized within the broader global discourse on infrastructure development and regional geopolitics. The study found that BRI can offers economic transformation, regional connectivity, and infrastructure development in Nepal. The country can becomes regional trade and logistics hub, enhancing cross-border trade in South Asia. However, its success requires addressing key challenges such as debt distress, governance, and geopolitical complexities. Nepal must adopt transparent financial practices, enhance institutional capacity, and maintain a balanced approach to its geopolitical environment, fostering cooperation with both India and China. Therefore, BRI must address potential debt distress by prioritizing concessional financing and transparent terms, ensuring robust financial oversight, and aligning projects with national priorities to avoid fiscal overburden. Governance and institutional capacity are critical, requiring transparent

procurement, anti-corruption measures, and efficient project monitoring to mitigate delays and cost overruns. In doing so, Nepal can navigate the BRI's geopolitical dynamics effectively while ensuring sustainable and inclusive development. This study contributes to the discourse on regional cooperation and strategic alignment, providing insights into how Nepal can harness the BRI to achieve sustainable development while maintaining its strategic autonomy.

Keywords: Belt and Road Initiative, China Nepal India, Geopolitics, Infrastructure development

Introduction

Belt and Road Initiative (BRI), launched by China in 2013, has expanded from China to over 150 countries across Asia, Europe, Africa, the Middle East, and Latin America. It has emerged as a transformative global infrastructure and development project, aimed at enhancing road connectivity and fostering economic cooperation across the regions. BRI framework, represents one of the most ambitious international economic ventures of the 21st century (Cheng, 2020). For developing nations, including Nepal, BRI offers the potential to address critical developmental challenges such as poor infrastructure, limited regional connectivity, and insufficient economic diversification. Nepal joined the BRI in 2017 with aspirations to transform itself from a landlocked to a "land-linked" nation by leveraging cross-border infrastructure projects, such as the trans-Himalayan railway and energy collaborations. These initiatives align with Nepal's long-term development goals of improving trade access, fostering foreign investment, and strengthening its global economic integration (Zhang, 2019). However, Nepal's participation in the BRI must be understood within the broader context of global geopolitics. The initiative has sparked debates on debt sustainability, economic dependency, and the geopolitical reshaping of regions where the BRI operates.

Globally, BRI has been both praised and criticized. Scholars argue that while it can significantly enhance economic opportunities, it also introduces risks associated with "debt-trap diplomacy," especially for smaller nations with limited bargaining power (Hurley et al., 2018). Nepal's unique geopolitical position, situated between two rising powers, China and India, further complicates its involvement. India's skepticism about the BRI, coupled with its concerns over Chinese influence in the region, creates diplomatic challenges for Nepal (Sikri, 2021). Additionally, the Indo-Pacific strategy led by the United States adds another layer of complexity, as Nepal must

carefully navigate these overlapping spheres of influence. Nepal's participation in the BRI shapes its development prospects, evaluates opportunities and risks, and situates its experience within the broader global discourse on infrastructure initiatives and power rivalries. It focuses on the dual objectives of fostering sustainable development and maintaining strategic autonomy in a geopolitically sensitive environment. In this context this study aimed to discuss geopolitical dynamics and regional connectivity as well as developmental opportunities and challenges for Nepal. The Shreemadbhagavadgeeta, a seminal-influential philosophical scripture of the Sanatan Vedic tradition, presents a timeless dialogue on human ethics, duty, and liberation that resonates deeply with the contemporary global vision of sustainable development (Badal 2024). Gautama Buddha, the emblem of peace and love, pioneer of Buddhism, was born in Kapilabastu, Lumbini, Nepal. The peace and love. Compassion in Buddhism is the basic element of Sustainable development. Thus Buddha is the pioneer of sustainable development. Buddha's text Dhammapada in the present sustainable era is more relevant than past (Badal, 2021). Thus BRI must be guided by the Geeta and lord Buddha.

Methodology

This study used library based review method to discuss Nepal's participation in the BRI and its implications for development and geopolitics. Secondary data forms the foundation of the research, drawing from peer-reviewed academic literature, policy documents, government reports, and reputable international and national news sources. Thematic analysis is utilized to identify patterns and themes related to geopolitical complexities of the region, Nepal's developmental opportunities and challenges offered by BRI. Besides, comparative analysis is applied to compare Nepal's experience with other countries, such as Pakistan and Sri Lanka, to understand broader trends and risks, including debt dependency. Additionally, geopolitical risk assessment frameworks are employed to evaluate Nepal's positioning amid regional rivalries involving China, India, and the United States. Dependency theory is used as a lens to examine potential risks to Nepal's sovereignty and economic independence. Finally, ethical considerations are ensured by using credible sources and acknowledging all references to maintain academic integrity. While the study focuses on macro-level dynamics, its findings are contextualized within the broader global discourse on infrastructure development and regional geopolitics (Hurley et. 2018; Zhang, 2019; Sikri, 2021).

Discussions: Geopolitical Dynamics and Regional Connectivity

BRI is not only an economic project but also a significant geopolitical strategy with far-reaching implications. By connecting 150 countries across Asia, Europe, Africa, and beyond, the BRI has reshaped global power dynamics, influencing regional alliances, national policies, and international relations. BRI is a strategic tool for expanding China's global influence. By financing and constructing infrastructure projects in developing countries, China positions itself as a leader in global economic development. This influence extends to securing strategic assets, such as ports and energy pipelines, in key regions like Southeast Asia, South Asia, and Africa (Hurley et al., 2018). Through BRI, China enhances its soft power by portraying itself as a partner in development, particularly in regions underserved by Western-led initiatives. China-Pakistan Economic Corridor (CPEC) and Gwadar Port projects in Pakistan give China access to critical trade routes and expand its presence in the Indian Ocean (Sikri, 2021).

BRI has intensified competition between China and other major powers, particularly the United States and the European Union. In response to the BRI, the US launched the Build Back Better World (B3W) initiative, and the EU introduced the Global Gateway, aiming to provide alternatives for infrastructure development in low- and middle-income countries. In regions like the Indo-Pacific, BRI is viewed as a challenge to the strategic dominance of the US and its allies, leading to efforts to counterbalance China's growing influence (Zhang, 2019). BRI has reshaped regional dynamics, creating new alignments and exacerbating existing tensions. South Asia, India has expressed strong opposition to BRI, particularly to projects like the CPEC, which passes through disputed territory in Pakistan-administered Kashmir. India views, BRI as a tool to encircle it strategically (Pant, 2020). Southeast Asia Countries like Cambodia and Laos have embraced the BRI, while others, such as Vietnam, remain cautious due to territorial disputes in the South China Sea. In Africa and Latin America, the BRI is fostering new partnerships, with countries like Kenya and Ecuador benefiting from infrastructure investments while managing concerns about debt sustainability (Bhattacharya, 2020).

Debt-Trap Diplomacy and Sovereignty Concerns, Critics argue that the BRI's financing model often leads to debt dependency, giving China leverage over economically weaker nations. The Case Studies reveals, Sri Lanka's leasing of Hambantota Port to China for 99 years due to debt repayment challenges is frequently cited as an example of "debt-trap diplomacy" (World Bank, 2019). Such cases raise concerns about the loss of national sovereignty and the potential for

economic coercion. BRI's maritime component, the 21st Century Maritime Silk Road, has significant military implications. Ports and logistics hubs built under the BRI can potentially serve both commercial and military purposes, raising security concerns among rival powers. China's increasing access to strategic waterways and chokepoints bolsters its naval capabilities and challenges traditional power balances, particularly in the Indian Ocean and South China Sea (Hurley et al., 2018).

BRI also represents China's challenge to existing global governance frameworks dominated by Western powers. Through initiatives like the Asian Infrastructure Investment Bank (AIIB), China is creating new institutions to finance and support BRI projects, offering an alternative to Western-led institutions like the World Bank and IMF. By promoting a development model centered on state-driven projects, the BRI reflects China's vision of global governance and economic integration (Bhattacharya, 2020). BRI's geopolitical dimensions underscore its dual nature as both an economic initiative and a strategic tool for global influence. While it offers opportunities for infrastructure development and economic integration, it also raises concerns about regional tensions, debt dependency, and shifts in global power dynamics. Balancing these opportunities and challenges will determine the long-term geopolitical impact of the BRI.

Developmental Opportunities and Aspirations for Nepal

Nepal, a landlocked and predominantly agrarian country, faces persistent developmental challenges that have impeded its socio-economic progress. These challenges, coupled with its aspirations for sustainable development, position Nepal as a critical and strategic partner country for BRI project. The initiative provides Nepal with opportunities to address key development gaps while navigating the geopolitical complexities of the region. BRI focuses on large-scale infrastructure projects such as roads, railways, ports, and energy systems, which are crucial for addressing Nepal's longstanding infrastructure deficits that have hindered economic growth and regional connectivity. The proposed Trans-Himalayan Multidimensional Connectivity Network, including the Kathmandu-Kerung railway, has the potential to reduce Nepal's dependency on India for trade routes and transform the country into a regional trade and transit hub (Shrestha, 2020).

By participating in BRI, Nepal can integrate into broader regional and global value chains, linking with economic hubs in China, South Asia, and Central Asia. Improved connectivity will enhance access to larger markets, attract foreign direct investment (FDI), and boost sectors such

as tourism, which is a key contributor to Nepal's GDP (Bhattacharya, 2021). BRI also offers Nepal opportunities to diversify trade partners and reduce reliance on India. Improved transport networks and access to China's vast market can increase exports, particularly agricultural products and handicrafts. Additionally, participating in regional economic corridors under the BRI can stimulate industrialization, create economic zones, and foster job creation and economic growth (Poudel, 2021). Furthermore, Nepal possesses significant hydropower potential, estimated at 83,000 MW, only a small fraction of which has been developed. The BRI provides access to Chinese investment and expertise for hydropower projects, helping Nepal address its energy shortages and become a regional energy exporter. This collaboration could also contribute to energy independence and regional energy security (Shrestha, 2020).

Nepal's limited fiscal capacity and technical resources make access to Chinese financing and expertise particularly valuable. Partnerships under the BRI offer opportunities for skill development and training for the local workforce, enhancing human capital and long-term productivity (Hurley et al., 2018). Additionally, Nepal's strategic location between two major powers, China and India, positions it as a bridge for regional economic and cultural exchange. By participating in BRI, Nepal can enhance its geopolitical leverage, balancing relations with both neighbors while benefiting from regional integration (Sikri, 2021). BRI aligns closely with Nepal's efforts to achieve the United Nations Sustainable Development Goals (SDGs), particularly in infrastructure development, economic growth, and poverty alleviation. By addressing critical infrastructure and connectivity gaps, the BRI can accelerate Nepal's progress toward SDG targets and support its transition to middle-income status (ADB, 2021).

Developmental Risks and Challenges

While Nepal's engagement with BRI also causes several risks and challenges. These range from economic vulnerabilities to geopolitical complexities, which require careful consideration to ensure that Nepal maximizes the benefits of the BRI while mitigating potential drawbacks. One of the most significant risks associated with the BRI is the potential for debt distress. Nepal's fiscal capacity is limited, and financing large-scale infrastructure projects under the BRI often involves high-interest loans. The case of Sri Lanka, which had to lease its Hambantota Port to China due to unsustainable debt, serves as a cautionary example for Nepal (Hurley et al., 2018). A lack of transparency in loan agreements could exacerbate these challenges.

Nepal's strategic location between China and India places it at the center of regional connectivity. India has expressed reservations about the BRI, viewing it as a tool for Chinese dominance in South Asia. Nepal's participation in BRI projects, such as the proposed Kathmandu-Kerung railway, could strain its relationship with India, which is its largest trading partner and a key geopolitical ally (Mitra, 2016). Navigating the competing interests of these two powers while maintaining sovereignty and neutrality is a significant challenge.

BRI projects planned in ecologically fragile Himalayan regions. Large-scale infrastructure development, such as road and railway construction, could lead to deforestation, soil erosion, and biodiversity loss. Additionally, communities living in project areas might face displacement and social disruptions if resettlement and compensation plans are inadequate (ICIMOD, 2020). Nepal has historically struggled with weak governance and political instability, which could hinder the effective implementation of BRI projects. Delays in decision-making, corruption, and inefficiencies in public institutions may lead to cost overruns, project delays, and substandard outcomes (Bhattacharya, 2021). Ensuring transparency and accountability in project execution remains a critical challenge. While the BRI presents an opportunity for Nepal to reduce its dependency on India, it could inadvertently increase Nepal's reliance on China. Overdependence on a single partner for financing, technology, and infrastructure could limit Nepal's ability to negotiate favorable terms and maintain autonomy in its foreign policy (Sikri, 2021). There is a risk that BRI projects in Nepal might fail to generate significant economic spillovers for local industries and communities. Chinese firms often dominate the construction and management of BRI projects, potentially sidelining local contractors and workers. Ensuring that these projects benefit Nepal's economy requires deliberate policy measures to promote local participation and capacity-building (Shrestha, 2020).

Opaque legal frameworks governing BRI agreements pose risks for Nepal. Without clear terms and safeguards, Nepal could face unfavorable contract terms, such as mandatory arbitration in foreign jurisdictions or limited recourse in case of disputes (Poudel, 2021). Strengthening legal expertise and ensuring transparent contract negotiations are essential to mitigating these risks. BRI's broader geopolitical implications, including its role in fostering Chinese influence and challenging Western-led global governance structures, could expose Nepal to international scrutiny. Aligning too closely with China's strategic objectives under the BRI might complicate

Nepal's relations with other key partners, including the United States and European Union (Bhattacharya, 2021).

Conclusion and Policy Implications

BRI offers transformation of economic growth, regional connectivity, and infrastructure development in Nepal. BRI initiatives with Nepal's development priorities, such as energy security and poverty alleviation, Nepal can transform national economy while safeguarding its sovereignty and long-term growth. Nepal, a gateway of south Asia can become regional trade and logistics hub, enhancing cross-border trade and connectivity. However, its success requires addressing key challenges such as debt distress, governance, and geopolitical complexities. Nepal must adopt transparent financial practices, enhance institutional capacity, and maintain a balanced approach to its geopolitical environment, fostering cooperation with both India and China. Environmental sustainability and inclusive stakeholder engagement are critical for ensuring that BRI projects are equitable and environmentally sound. Its success depends on carefully crafted policies that address risks and maximize benefits align with energy security and poverty alleviation, through inclusive stakeholder engagement—encompassing local communities, private sector actors, and civil society. Therefore, BRI project must address potential debt distress by prioritizing concessional financing and transparent terms, ensuring robust financial oversight, and aligning projects with national priorities to avoid fiscal overburden. Governance and institutional capacity are critical, requiring transparent procurement, anti-corruption measures, and efficient project monitoring to mitigate delays and cost overruns. In doing so, Nepal can navigate the BRI's geopolitical dynamics effectively while ensuring sustainable and inclusive development.

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