Unity Journal Vol.IV, 280-301, Feb 2023 Doi:https://doi.org/10.3126/unityj.v4i01.52246 Prithivi Narayan Shah Research Center Directorate General of Military Training, Nepali Army Kathmandu, Nepal.



# American Engagement with Nepal: Concerns of China and India

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# Abstract

How did the United States of America's active engagement with Nepal become a strategic concern for our neighbors? The USA's Nepal policy is changing because the new world order appears to be multipolar consonantly; it is believed to be bipolar between the United States and China strategically. The US strategic entry into Nepal and the intense rivalry over the MCC and BRI projects are a reflection of these two countries' growing competition in world politics. It put Nepal at the center of strategic calculations. At the other end, China and India believe that achieving regional and global hegemony requires first establishing their own regional supremacy. That is why they are considering strategic space in South Asia and Nepal. Furthermore, India and U.S. also have strategic alliances in the Indo-Pacific strategic and QUAD. Both of them perceive China as a threat in the Indo-Pacific region. In this trilateral rivalry during the global power transition, Nepal may become a geopolitical flash point, serving the strategic interests of those powers. In this scenario, the significance of Nepal's nonalignment foreign policy will be examined through a comparison of Ukraine's and Nepal's geopolitical locations. Nepal shares borders with two Asian behemoths, much like Ukraine does with NATO countries and Russia. The Ukrainian crisis stems from both domestic and foreign policy failures. Politicians are frequently divided into pro-Russian and pro-Western sides, and they fail to recognize their powerful neighbor's sensitivity. In this study, the qualitative method has been used, and secondary data was collected from reliable books, journal articles, and some authentic websites. Explorative research techniques have been used for this research.

Keywords: geostrategy, MCC, BRI, power transition, Indo-Pacific, new cold war, Sino-US rivalry

# Introduction

Nations have pursued a wide variety of policies and adopted a wide range of strategies based on their geographical locations. Even Napoleon, the French military leader and emperor once said that to know a nation's geography was to know its foreign policy (Bhattarai, 2022).

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British geographer Sir Halford Mackinder also wrote, "Each century has its own geographical perspective" (Sloan, 2020). The geographical perspective of the 21st century is just now being formed, and at its heart is a rivalry between China and the United States. The heightened strategic, trade, informational technology, and ideological rivalry, which is also called the "new cold war" has impacted countries around the world (Political Science, 2018).

Nepal is not only located at the crossroads of two powerful civilizations, but also in the heart of the Himalayas, a formidable mountain range that separates the Indo-Subcontinent from the Tibet-Chinese region (Uprety, 1991). According to Upraty, Nepal's location connecting the two land masses of China and India has given her a unique buffer status enjoyed by some few countries worldwide. Nepal has little significance in the world's politics on its own, but it certainly provides considerable strategic leverage for others (Bhatta, 2022). Its location between the two rising, competing, and conflicting powers of Asia makes it important for Western powers to strike a strategic balance in the region (Bhatta, 2022). The US strategic entry into Nepal and the intense rivalry between China's BRI and the US' MCC projects are reflections of these two countries' growing competition in world politics and place Nepal at the center of strategic calculations (Lamichhane, 2022). This article attempts to fill a crucial gap by attempting to probe India and China's strategic concerns during US's active engagement with Nepal. While the China and US are face-to-face during MCC ratification, on the contrary, India is a natural ally of the US.

The study aims to concentrate firstly to identify the US changing policy towards Nepal and influencing factors, secondly, to examine the convergence and divergence of interests between US-China and India in Nepal, and thirdly, to analyze the relevancy of Nepal's nonalignment foreign policy while global power dynamics are changing.

# Methodology

This study employed a qualitative method to analyze the secondary data which was gathered from reliable books, journal articles, and some authentic websites. Furthermore, deductive methods and explorative research techniques have been used. The major variables are US policy shifts toward Nepal; MCC and BRI; Indo-Pacific strategy; China-US strategic rivalry; India-US strategic partnerships. The data and phenomena are analyzed based on the realist prospect, with a power transition theory.

### **Conceptual Framework**

The purpose of this research is to investigate the United States' growing engagement with Nepal and India-China's strategic concerns. So, increasing U.S. engagement with Nepal has been presented as the independent variable; whereas India-China's strategic concerns have been introduced as the dependent variable, as its value depends on the changes in the independent variable. A.F.K. Organski's theory of power transition predicts greater powers' behaviors in the international system. Thus, power transition theory has been used to discover a pattern of increased US engagement with Nepal.

The key components of this theory are hierarchy, power, satisfaction, and disinfection. According to power transition theory, the rise of great powers often creates cold wars or even

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world wars. Organski argues the situations for war include the challenger becoming equivalent to the dominant nation in power; if the challenger sets out to change the existing international order with a competitive order of its own; and if there is no tradition of friendship between the leading nation and the challenger (Tammen, et al. 2017). Organski, in his 1958 book, World Politics, predicted the potential rise of China and its effect on the international security order. Today, routine comparisons are made between the rise of China and that of Germany over 100 years ago. However, the hegemonic United States has grown increasingly dissatisfied with its global status quo. U.S. displeasure against the backdrop of a rising China; because of this, it's impacted their relations in trade, information technology, and security (Yilmaz & Xiangyu, 2020). Further, dissatisfaction reflects the US decision to shift its foreign policy from Europe and the Middle East to the Asia-Pacific (Lai, 2016).

Now the US and its allies have formed a sum of strategic alliances, including the Indo-Pacific Strategy, QUAD, and AUKUS, and the G7 countries recently established a \$600 billion fund to counter China's BRI. In the meantime, the US and India's current relationship has been characterized as a global strategic partnership (Tammen, R.L. et al. 2017). India appears to occupy on important position in US foreign policy architecture since 2005, India-US defense agreement to Obama's "pivot to Asia" and Donald Trump's Indo-Pacific strategy and similar importance have given to the Biden administration. The US considers India essential to its Indo-Pacific strategy to counterbalance China in the region. Furthermore, the U.S. has been putting pressure on its regional allies to take its side and adopt a more explicit position against China on various issues such as the Taiwan Strait, South China Sea disputes, and the Tibet issue. This contrast between U.S. dissatisfaction and Chinese satisfaction may have geopolitical and economic implications at global and regional levels. Hence, power transition theory will help firstly to identify US changing policy towards Nepal and influencing factors. Secondly, convergence and divergence interests between US-China and India in Nepal will be examined, and thirdly, the relevance of Nepal's nonalignment foreign policy will be analyzed with a comparison of Ukraine's and Nepal's geopolitical locations.

### Literature Review

This chapter reviews the key literature to understand U.S. increasing engagement with Nepal and India-China's strategic concerns. Literature examining, the rise and fall of empires and subsequent changes to the international order. In 1816, Great Britain was the most powerful nation on earth; hence, as the saying goes, the sun never set on the British Empire (Tammen, 2017). However, British power gradually declined. By the time World War I broke out in 1914, Great Britain did not have the capability to command peace and stability in the international system (Lai, 2011).

At the conclusion of World War I, the United States became a dominant nation in the world (Tammen, et al., 2017). Germany, in the meantime, recovered from its defeat and gathered strength to make another attempt to gain control of the international system (ibid, 2017). The great power struggle eventually led to the outbreak of World War II (Lai, 2011). The turning point was perhaps best set at the conclusion of the Cold War in 1991. With the downfall of the Soviet Union, the United States stood as the lone superpower. Political commentators celebrated the eventual arrival of the "unipolar world" (Political Science, 2018). Today, China

has such a huge power potential that even before it embarked on its modernization mission in 1978. AFK Organski, in his 1958 book, World Politics, forecast the possible rise of China and its effect on the international security order (Kim & Gates, 2015). The existing literature has also indicated routine comparisons are made between the rise of China and that of Germany over 100 years before (Kim & Gates, 2015). In the meantime, the United States has grown increasingly dissatisfied with its global status (Tammen et al., 2017). According to the power transition theory, when the challenger is dissatisfied with the status quo, the risk of war increases; when the challenger is satisfied, a peaceful transition occurs (Kim & Morrow, 1992). The rise of Germany and Japan in the late nineteenth and early twentieth centuries were Nazi Germany and Imperial Japan simply unsatisfied as a result of their aggressive ideologies (Ritchie, 2019).

The USSR and the US had fundamentally different relations, and actions flow from these dissatisfaction differentials. Because they couldn't agree on a common policy to advance the status quo, the interaction between the USSR and the US was based on fear (Tammen, et al., 2017). Because of the similarities in their democratic institutions and cultures, the power transition between the United Kingdom and the United States was peaceful. Both were content, trusted one another, and were willing to take risks to ensure their mutual security. However, the cultures and political systems of the United States and China are distinct (Political Science, 2018).

In 1947, the US established diplomatic relations with Nepal. The available literature states, in the course of the Cold War, the US identified that the entire South Asian region was vulnerable to communism due to the communist revolution in China. Thus, the US took a significant geostrategic interest in Nepal as a potential outpost to monitor China (Khadka, 2000). The US increased its military assistance to Nepal in 1965-66 to US\$1.8 million. This level of economic support continued until the fall of the Soviet Union in 1991 (Political Science, 2018). Existing literature also hints, such aid declined by early 1970 on account of Nixon's landmark visits to China, this significantly changed the US-China equation. Maximum of the existing literature has reiterated US aid since 1951 indicates that US was to prevent communist influence in Nepal (Nayak, 2014). When the Maoist movement gained momentum, the US reframed its Nepal policy, and American aid to Nepal again increased. The terrorist attacks of September 11, 2001, on US territory had serious implications for the Maoist insurgency in Nepal. In 2001, US also appointed a military attaché at its Kathmandu mission (Nayak, 2014). The US revived its interest in 2006, especially with the success of Jana Andolan II and the people's support for the seven-party led anti-monarchy movement. During this period, the US extended all possible support to the then interim government for the successful conduct of the C.A. elections (Miklian, 2007). The Carter Center played an important role as an observer in the C.A. elections. In the post-election period, the Carter Center has been active in monitoring the peace process and the Constitution-drafting process (Nayak, 2014).

After having surveyed the literature on changing US policy towards Nepal have found the US Nepal policy is once again entering a new phase. Which can witnessed by different ways. The US's increasing active engagement through different aid programs and, over the years, several high-level official visits concerning the IPS, MCC, and SPP. Further, the Indo-Pacific Strategy report in June 2019 of the United States Department of Defense, in which Nepal was added to the US's "State Partnership Program in the Indo-Pacific" (Choudhary, et al. 2022)

Nepal was given the status of potential partners in the strategy, and the US offered to hold a joint military exercise with Nepal for disaster management and humanitarian assistance, peacekeeping operations, defense professionalization, ground force capacity, and counterterrorism (Department of Defense, Indo-Pacific Strategic Report, 2019). US officials believe that due to Nepal's presence in BIMSTEC, it has connected itself to the Indian Ocean. Another point of convergence in the available literature is Nepal-US agreement on the MCC Nepal Compact also contributes to enhancing US-Nepal relations (Sapkota, 2020). However, the MCC-funded project in Nepal has created a major political schism: supporters see it as an economic grant, while opponents see it as part of the "Indo-Pacific Strategy" to counter China's economic and strategic influence (Singh, 2022).

In recent years, rivalry between China and the United States has been visible in Nepal, owing to the United States' efforts to get the MCC Compact Agreement ratified by Nepal's parliament and China's overall response. These were the consequences of "geopolitical maneuverings and counter-maneuvering." This situation contrasts sharply with the circumstances surrounding the construction of the Kodari Highway between Nepal and China, as well as the East-West Highway during the 1960s' heightened geopolitical tensions (Upadhya, 2022). On the other hand, China is constantly pressuring Nepal to join the GSI, also known as the counter-initiative to the US-led Indo-Pacific Strategic, QUAD, and AUKUS initiatives. Xi Jinping, Beijing, proposed the GSI in September 2021 and April 2022, respectively, at the Boao Forum (*Khabarhub*, 2022).

Based on literature available pertaining to India-US relations, the India-US relationship has been described as a global strategic partnership (Parmar, 2022). Since signing the new framework for the India-US defense relationship in 2005, the bilateral defense ties have grown to be strong (Upadhyay, 2019). As a result, India plays a "special role" in both Barack Obama's "pivot to Asia" and Donald Trump's Indo-Pacific strategy. Furthermore, the US President Joe Biden stated that the "India-US partnership is the defining relationship of the twenty-first century" (Bloomberg, 2020).

The US regards India as critical to its Indo-Pacific strategy in order to counterbalance or counterweight China in the region. In addition, India believes that the United States is not working against its interests in South Asia (Singh, 2022). According to the available literature, the US and India have collaborated on several issues in Nepal since China's takeover of Tibet. Both were concerned about the possibility of communism spreading in South Asia via Nepal (Political Science, 2018). Today, the strategic rivalry between the US MCC and China's BRI going on and India's belief in BRI as a "string of pearls" strategy brings them strategically together (Gokhale, 2021). Thus, both of them don't entertain China's strong presence in Nepal. The United States and its allies have now formed a number of strategic alliances, such as the Indo-Pacific Strategy, QUAD, AUKUS, and the G7 countries have recently established a \$600 billion fund to counter China's BRI (Singh, 2022). Today's discontent in the United States recalls Thucydides' famous remark about the origins of the Peloponnesian War, claiming that "the rise of Athens and the fear that this inspired in Sparta made war inevitable" in ancient Greece (Political Science, 2018).

According to a review of available literature, the contrast between US dissatisfaction and Chinese satisfaction may have regional and global geopolitical and economic implications. Thus, this study attempts to fill a critical gap by probing India's and China's strategic concerns during the United States' active engagement with Nepal. While the United States and China are face to face vis-a-vis the MCC ratification, India is a strategic ally of the United States.

#### **Changing Policy of U.S. towards Nepal**

What are the most influential factors influencing Nepal-US relations? What are the policy priorities of the US towards Nepal? These are some contemporary questions in Nepal-US relations in the face of the increasing American active engagement with Nepal. After the United Kingdom, the United States was the second country to recognize Nepal as an independent and sovereign country, resulting in the establishment of diplomatic ties with Nepal on April 25, 1947 (Singh, 2022). The United States was among the first countries to provide development assistance to Nepal. Cooperation for development dates back to the early 1950s (Lamichhane, 2022). US cooperation has been focused on the institutionalization of peace and democracy, inclusive governance, and sustainable economic growth (MOFA, 2022). Nepal's relations with the US have been marked by friendly, mutual, and continuing support for the socio-economic development of Nepal. That's why the US is Nepal's close friend and development partner (MOFA, 2022). .

The Nepal-US relationship is entering a new phase. The 1960s and 1970s were watershed years in Nepal-US relations, and recent developments indicate a similar pattern in bilateral ties (Schindler et al., 2022). The United States has three distinct interests in Nepal: political, economic, and strategic or military. In terms of strategy, the geopolitical location of Nepal influenced US interest (Political Science, 2018). In various ways, the United States' changing geopolitical interests can be seen in recent years. The US's shifting policy priorities and active engagement can be seen through various aid programs, as well as several high-level official visits concerning the IPS, MCC, and SPP over the years. The United States Department of Defense's Indo-Pacific Strategy Report, June 2019, where, Nepal was added to the US's "State Partnership Program in the Indo-Pacific" added a new dimension to the existing Nepal-US relationship (The National Interest, 2022). The US offered to hold a joint military exercise with Nepal for disaster management and humanitarian assistance, peacekeeping operations, defense professionalization, ground force capacity, and counter-terrorism (Department of Defense, Indo-Pacific Report 2019). Officials in the United States believe that Nepal has gained access to the Indian Ocean as a result of its membership in BIMSTEC.

A Nepal-US agreement on MCC, Nepal Compact, on the other hand, contributes to the improvement of US-Nepal relations. On September 14, 2017, Nepal signed an agreement with the United States for the construction of a 400 KV high-voltage transmission line and road upgrades under the MCC project (US Embassy in Nepal, 2022). The MCC is Nepal's largest grant agreement to date. Nepal was chosen as an eligible country to develop a compact program with the MCC. Nepal was the first South Asian country to qualify for the compact, having met 16 of the 20 policy indicators. This is the first grant agreement that must be approved by the legislature. Parliament approved this after the 12-point interpretative declaration was introduced (Lamichhane, 2021). However, the MCC-funded project in Nepal has created a

significant political schism: supporters see it as an economic grant, while opponents see it as part of the "Indo-Pacific Strategy" to counter China's economic and strategic influence (Singh, 2022).

The most contentious issue in MCC Nepal was whether the MCC Nepal Compact fell under the US-proposed Indo-Pacific strategy: whether or not it has a security impact on Nepal, and whether or not the agreement supersedes Nepal's constitution (Lamichhane et al., 2022). The Ministry of Finance sent a letter to the MCC's headquarters in Washington DC on September 3, 2021, asking for clarification on the MCC Nepal Compact. The MCC responded with an 11-page response. The MCC dismissed Nepal's concerns in its response to questions and queries. Furthermore, in order to persuade Nepal's political leadership, the MCC's Vice President, Fatema Z Sumar, arrived in Kathmandu on September 9, 2021, and met with leaders from both the ruling coalition and the opposition (Lamichhane, 2022). Donald Lu, United States Assistant Secretary of State for South and Central Asian Affairs, was visit on November 17, 2021. All this points that Nepal has grown in strategic importance for the United States (US. Department of State, 2021). Several high-level official visits and statements concerning the IPS, MCC, and SPP have shown further US increases in changing policy priorities over the years. Admiral Philip Davidson, commander of the US Indo-Pacific Command, visited Nepal and emphasized Nepal's critical role in "stabilizing the Indo-Pacific region" (My Republica, 2019). Furthermore, in December 2019, US Assistant Secretary of Defense for Indo-Pacific Security Affairs Randall Schriver visited Nepal and stated that the US vision of Indo-Pacific strategy is to make Nepal strong, independent, sovereign, and prosperous, and nothing more (Nepal, 2019).

Similarly, David J Ranz, a US State Department official, stated during his visit to Nepal in May 2019 that the MCC was an important part of the Indo-Pacific Strategy (The Himalayan Times, 2019). According to the US State Department, during a meeting between Nepal's Foreign Minister, Minister Gyawali, and then-US Secretary of State, Michael R. Pompeo, the two leaders discussed "Nepal's central role in a free, open, and prosperous Indo-Pacific" (Thakuri 2021). According to the US Embassy's spokesperson in Kathmandu, "Nepal is part of the larger Indo-Pacific Strategy, as part of the strategy to increase regional connectivity, which Nepal can do through its role in the SAARC and BIMSTEC, as well as its unique land-linked position between major economic markets" (Kumar, 2021). Donald Lu, US Assistant Secretary of State for South and Central Asia Affairs, visit Nepal in July 2022 (The Kathmandu Post, 2022). It is his second trip to Nepal. His visit comes at a time when another American program, the State Partnership Program, has become a contentious issue in Nepal, with parties from across the political spectrum calling for the country's partnership with the SPP to be terminated. Following the SPP controversy, the government decided not to participate on June 21, 2022, and on July 25, 2022, the Foreign Ministry sent a letter to the US government stating that Nepal has decided not to proceed with the SPP (My Republica, 2022).

On the next high-level visit, held on May 20, Uzra Zeya, the U.S. Under-Secretary for Civilian Security, Democracy, and Human Rights, who is also the Joe Biden administration's Special Coordinator for Tibetan Issues, visited Nepal. Since Nepal's ratification of the \$500 million Millennium Challenge Compact in February 2022, she has been a high-ranking American official to visit Nepal. Her visit to two Tibetan refugee camps in Kathmandu, however, drew the most media attention. Zeya stopped in India on her way to Nepal and met with the Dalai Lama, the spiritual leader of Tibetan Buddhists (Poudel, 2022). Thus, Nepal's strategic importance has grown as a result of China and India's economic, military, and technological advancements. Therefore, it is time to accept Nepal's geographical sensitivity, as well as the ongoing geopolitical rivalry and competition between the established superpowers, the United States, and China.

# US Active Engagement with Nepal and China's Reactions

In recent years, the rivalry between the United States and China has become more visible in Nepal. The two countries' growing rivalry in global politics is mirrored in Nepal. The US has made several high-level official visits over the years, and their statements regarding the IPS, MCC, and SPP have served as a strategic warning to China. Their rivalry becomes more visible as the US attempts to ratify the MCC Compact Agreement in Nepal's parliament and China's overall response. Donald Lu, US Assistant Secretary of State for South and Central Asian Affairs, reportedly called Nepal on February 10 and urged it to support the MCC pact by February 28 or Washington would "review its ties with Nepal" (The Hindu, 2022). February 28 was the timeframe proposed by Prime Minister Sher Bahadur Deuba and coalition partner Maoist Chair Prachanda in their September 2021 letter to MCC to "fulfill their commitments to MCC" (The Hindu, 2022). A US State Department spokesperson expressed concern that China was "actively fomenting or funding or encouraging or facilitating, or all of the above, propaganda against MCC in Nepal" (Lu, 2022), and there were some imaginative conspiracy theories "to place American troops on Nepalese soil" that were "aided by Chinese-orchestrated disinformation campaigns" (The Economist, 2022). Such imaginative theories were completely absurd. In response to the American official's remarks, a Chinese Foreign Ministry spokesperson stated that China opposes "coercive diplomacy" and actions that "pursue selfish agendas at the expense of Nepal's sovereignty and interests" (Bhattarai, 2022).

China stated that "Such cooperation should be based on full respect for the will of the Nepalese people and come with no political strings attached" (Wenbin, 2022). Beijing questioned, "Does a gift come with the package of an ultimatum? How can anyone accept such a "gift"? "Is it a "gift" or Pandora's Box?" (Chunying, 2022). These expressions accurately reflect "geopolitical maneuverings and counter-maneuvering." This situation contrasts sharply with the circumstances surrounding the construction of the Kodari Highway between Nepal and China, as well as the East-West Highway during the 1960s' heightened geopolitical tensions (Tammen, et al., 2017). Nepal's Ministry of Foreign Affairs stated that "Nepal has always pursued an independent, balanced, and non-aligned foreign policy," and that as a sovereign country, it "accepts and utilizes development assistance in terms of national interest, as per its national requirement and priority" (MOFA, 2022).

The Ministry clarified, "The sovereign parliament of Nepal alone decides what development assistance is needed in the best interest of Nepal and the Nepali people" (Bhattarai, 2022). On the other hand, China is constantly tying Nepal into the GSI, also known as the counter-initiative to the US-led Indo-Pacific Strategic, QUAD, and AUKUS initiatives. Xi Jinping, Beijing, proposed the GSI in September 2021 and April 2022, respectively, at the

Boao Forum (*Khabarhub*, 2022). According to critics, China wants to balance the US' request to admit Nepal to the US government's State Partnership Program. China suspects the State Partnership Program has security and military components; however, Nepal informed the US on July 25 that, in accordance with a June 21 government decision, it will not join the SPP (*The Kathmandu Post,* 2022). The Chinese understand that the approval of the MCC agreement has increased US influence in Nepal. As a result, China wishes to communicate the message of its strong presence in Nepal while also developing the environment to promote China's multifaceted BRI project. Over the weekend, Chinese Foreign Minister Wang Yi visited Nepal for three days. On February 27, 2022, Nepal's Parliament ratified the \$500 million American grant (Giri, 2022). They issued a statement during the Chinese Foreign Minister's three-day visit to Nepal. China, according to Wang, opposes any attempt to undermine Nepal's sovereignty and engage in geopolitical games (Lamichhane, 2022). It can be believed that President Xi Jinping sent Wang Yi to Nepal as an envoy to understand Nepal's attitude toward China after the MCC approval.

Similarly, Liu Jianchao, the Foreign Department chief of the Communist Party of China (CPC), arrived in Kathmandu on July 10, 2022. In the same way, on September 12, 2022, Li Zhanshu, the third-ranking CPC Standing Committee member and head of the Chinese National People's Congress Standing Committee, arrived in Kathmandu (The Kathmandu Post, 2022). During this visit, a six-point Memorandum of Understanding on inter-parliamentary cooperation was signed. China emphasizes the significance of BRI connectivity implementation (My Republica, 2022). On the other hand, during Nepal's foreign minister's visit to China, China announced that it would provide Nepal with 800 million RMB for the year 2022 (The Kathmandu Post, 2022). Further, Chinese side assured the Nepali delegation, that construction works on the second phase of the Kathmandu Ring Road, the feasibility study of the Keyrung-Kathmandu Railway, and support for the pre-feasibility study of the Nepal-China cross-border transmission line would be undertaken under grant assistance (MOFA, 2022). During that visit, China emphasized Nepal's commitment to the one-China policy and Nepal's assurance that Nepali territory will not be used for any anti-China activity (MOFA, 2022). All of these initiatives suggest that China wishes to establish a strong strategic space in Nepal through economic and political engagement. Furthermore, it does not let this detract from its strategic interest in Nepal. In May 2017, Nepal and China signed a Memorandum of Understanding (MoU) on BRI. Nepal signed an agreement on the US's MCC project on September 14, 2017, four months after signing the BRI. This is the first grant agreement that must be approved by the legislature. Parliament approved this after the 12-point interpretative declaration was introduced (Lamichhane, 2021). On the other hand, five years after the agreement was signed, China has grown suspicious that BRI projects are not progressing as planned. China believes that the projects' failure to move forward, even after five years of agreement, may have had a "geopolitical" impact (Lamichhane, 2021). Because of its proximity to Tibet, Nepal is strategically important to China (Adhikari, 2012). China supported the Kings even during Nepal's Maoist insurgency. In 2005, China was the only country that supplied arms to King Gyanendra's regime in order to suppress the Maoists (Adhikari, 2012).

Surprisingly, India, along with the United States and the United Kingdom, had refused to supply arms (Sing, 2022). Cold War dynamics also influenced China's interest in Nepal.

Along the Nepal-China border, the Tibetan Khampas were involved in a variety of rebellious activities. Foreign powers militarily trained and financially supported them as they established operational bases in remote stretches of northern Nepal and fought a protracted war against the PLA to reclaim their lost motherland (Basnet, 2022). Thus, Chinese have long been concerned that an Indo-US alliance, as well as the strong diplomatic presence of Western diplomats and aid organizations in Nepal, would be interpreted as a threat (Wagle, 2021). A large number of Tibetans migrated to Nepal, and the Dalai Lama and his followers' presence in India since 1959 provided sufficient justification to believe this assumption (Poudel, 2022). Furthermore, Uzra Zeya, the United States' Under-Secretary for Civilian Security, Democracy, and Human Rights visited Nepal on May 20, 2022. Zeya met with Dalai Lama in India, and visit to two Tibetan refugee camps in Kathmandu (Poudel, 2022).

Through the Silk Road Initiative, China seeks to secure its strategic space in the region by increased diplomatic, economic, and political engagement as well as countering Western countries' intentions to "encircle China" (Rana, 2014). China believes its ambitions for global hegemony cannot be realized without first establishing its own regional supremacy (Adhikari, 2012). Thus, Nepal's relations with these two countries have been considered by friendly, mutual, and ongoing support for Nepal's socio-economic development and close development partners (Lamichhane, 2022). Their intense and growing rivalry, however, demonstrates that "geopolitics has no values and norms, only interests." As a result, Nepal must devise its own set of strategies and policies to manage its growing strategic importance.

### India's Strategic Concerns while US Active Engagement with Nepal

India's engagement with Nepal has overlapped with the growing US-China strategic competition traditionally considered in its sphere of influence. In this situation, the question arises: where does India's policy stand in the context of the US strategic entry into Nepal and the intense bipolar rivalry over the MCC and BRI projects? How shall India take China's increasing presence in the Himalayas and Nepal-China connectivity in the Himalayas region under the BRI framework? India believes that the entire subcontinent is one entity. Thus, India perceives any development in the region as impacting its security interests. It has always considered itself a "hegemon" in this region (Sahoo, 2016). Similarly, nearly all Indian administrations follows Nehru's Himalayan Frontier theory (Feer, 1953). India perceives that the rise of China changes the status quo in the Himalayan regions. Thus, in today's context, too, India perceives Nepal-China's strong relations as a problem (Joshi, 2011).

The blockade of 2015 was supposed to be caused by Nepal's growing proximity to China, which promulgated a new constitution without informing New Delhi (Gambhir, 2020). Following the blockade, the Nepali government signed the Trade and Transit Agreement (TTA) with China (Sing, 2022). As a result, India believed Nepal had escaped its control. To balance things out, India quickly signed an agreement with Nepal to conduct a feasibility study on a rail line connecting Raxaul, Bihar, to Kathmandu (Subedi, 1994). In 2019, when India published a new political map including Nepali territory (Kalapani region) and inaugurated the road, Nepal objected to India's move. However, Indian army chief Naravane stated outright that Nepal was acting at "the behest of someone else," an indirect reference to China (Pradhan & Giri, 2020). Furthermore, during Modi's fifth visit to Nepal on the occasion of Buddha Purnima, Modi's

decision to land by helicopter on a helipad in Lumbini rather than at the newly constructed airport signaled India's reluctance to support China's infrastructure efforts in Nepal (Ghimire & Pathak, 2022). All of this suggests that India is dissatisfied with China's presence in Nepal's Himalayan and Terai regions (Ghimire & Pathak, 2022). India does not want China to be the dominant power in its sphere of influence. As a result, India sees the US as a counterbalancing force to China, and Delhi is allowing the US to maintain pressure on China (Yhome, 2019).

Since the 1962 border war, India-China strategic rivalry has grown (Upadhya, 2022). Because of the all-weather strategic partnership between China and Pakistan, as well as China's admission as an observer country to SAARC, India has bypassed SAARC and launched initiatives such as the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) (Political Science, 2018). Further, India didn't participate in China's BRI Initiative because the China-Pakistan Economic Corridor CPEC, passes through the disputed territory of Kashmir and impinges on India's territorial sovereignty. Additionally, India believes that BRI has a "string of pearls" strategy (Gokhale, 2021).

Further, India-China relations have seen mistrust suffer a huge setback in 2017 during the 73-day standoff in Doklam and Galwan Valley on June 15, 2020, and the existing ongoing border clash (Zhao, 2020). Similarly, the India-China strategic calculus can be seen in India's aspirations to become a permanent member of the United Nations Security Council and the Nuclear Suppliers Group, both of which China has not supported (Kaura, 2015). Thus, India-China's intense competition to create regional supremacy and regular border clashes push India towards the US ally (Mukherjee, 2017).

The India-US relationship has been characterized as a strategic partnership (Parmar, 2022). The India-US strategic partnership is based on shared values, a commitment to democracy, and a rules-based international order (U.S. Department of State, 2022). Since 2005, when the United States of America (USA) and India signed the new framework for the India-US defense relationship, the bilateral defense ties have grown to become strong (Upadhyay, 2022). During his 2017 address to the US Congress, Indian Prime Minister Modi emphasized the start of a new chapter in India-US strategic relations. He stated that a strong relationship could serve as a foundation for peace, prosperity, and stability from Asia to Africa, as well as from the Indian Ocean to the Pacific Ocean (Khan, 2017). The United States and India signed the Basic Exchange and Cooperation Agreement (BECA) in 2020, which is a two-plus-two ministerial dialogue between US and Indian defense and foreign affairs chiefs with the goal of countering China's increasingly assertive policies in the region. These agreements bring India closer to the United States than any other non-treaty ally, both strategically and operationally (Sing, 2020). Thus, India is enjoying a "special role" in Barack Obama's "pivot to Asia" and Donald Trump's Indo-Pacific strategy. Further, US President Biden has stated that the "India-US partnership is the defining relationship of the 21st century" (News 18, 2020). Thus, US administrations have been preparing for India's rise as a great Asian power over the last two decades. Because the United States considers India to be essential to its Indo-Pacific strategy in order to counterbalance or counterweight China in the region, India believes that the United States is not working against its interests in South Asia (Lamichhane, 2022).

Since China's takeover of Tibet, the US and India have worked together on several issues in Nepal. Both were wary of the possibility of communism spreading in South Asia through Nepal (Mukherjee, 2020). As a result, as Nepal and China built the Kodary Highway, they expressed similar concerns (Xavier, 2019). Because of the communist threat from China, they have always supported Nepal's democratic forces. Furthermore, the US has consistently supported the free Tibet movement and aided the Khampa rebels (Basnet, 2022). The majority of the Tibetan population lives in India and Nepal, with Nepal serving as a transit point (Basnet, 2022). Similarly, with India's assistance, Maoists and seven other parties reached a 12-point agreement in New Delhi. During this time, India and the United States collaborated strategically to transform the Maoists into a democratic force (Nayak, 2007). The US, MCC, and China's BRI are currently engaged in a strategic rivalry (Lamichhane, 2022). India, on the other hand, has blamed BRI for violating its sovereignty in Kashmir and believes that is part of "string of pearls" strategy (Gokhale, 2021). To summarize, Nepal reflects the India-US global strategic partnership and their shared interests. As a result, neither of them is amused by China's strong presence in Nepal.

#### New Cold War and Strategic Importance of Nepal for Major Powers

The term "New Cold War" refers to increased strategic, military, trade, and technological rivalries in the twenty-first century (Schindler, et al., 2021). The term is being used in light of rising tensions between the United States and China (Political Science, 2018). China's rise as an economic, military, and technological powerhouse has had numerous consequences in the global system (Bhattarai, 2022). As a result, emerging and established hegemons, China and the United States, compete in a variety of formats, either to form new alliances or to check each other's influence (Wagle, 2021). To protect the existing US-led world order, the US first implements the Obama administration's "pivot Asia" policy in 2011, followed by the Trump administration's Indo-Pacific strategy. Now, with Joe Biden, the United States' policy toward China reflects the same (Bhattarai, 2022).

When Xi Jinping launched the Belt and Road Initiative (BRI) as its signature project in 2013, the competition between China and the United States became more visible (Wagle, 2021). In recent years, in response to China's BRI framework, G7 leaders have pledged to raise \$600 billion over five years for infrastructure projects in middle and low-income countries (Reuters, 2022). On the other hand, China has been forming several institutions to counter western-led multilateral institutions. Such as BRICS and BRIC Bank, AIIB and the Shanghai Cooperation Organization (Sing, 2022). Furthermore, China has created the Boao Forum for Asia, which is a mechanism similar to the World Economic Forum. China was also instrumental in the formation of the Regional Comprehensive Economic Partnership (RCEP), which placed it at the epicenter of Asian trade (Bhatta, 2022). Previously, former US President Barack Obama floated the Trans-Pacific Partnership (TPP) as part of a strategic pivot to Asia in 2017 (Lippert & Perthes, 2020). As a result of these efforts, earlier regional security frameworks such as the Quadrilateral Security Dialogue (QUAD) have been resurrected and even projected as an Asian NATO. Despite QUAD, another trilateral security pact (AUKUS) was signed in September 2021 by Australia, the United Kingdom, and the United States (Bhattarai, 2022).

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Furthermore, the United States is still in the trial and error phase of its new strategy to contain China in the region (Jianxue, 2022). Given these dynamics, one could argue that the world has once again been divided into two camps. Obviously, in these circumstances, the US will engage in aggressive efforts to influence China's neighbors. China, on the other hand, will attempt to push American power away from its neighbors. This was evident in Nepal during parliament's ratification of the MCC compact (Lamichhane, 2022). The Chinese recognize that the approval of the MCC agreement has increased US influence in Nepal. As a result, China's proactive political and diplomatic engagement has increased.

During the global power transition, Nepal could become a geopolitical flashpoint serving the strategic interests of those powers (Bhatta, 2022). Nepal should not be caught in a policy quandary between the two projects, BRI and MCC. Furthermore, Nepal should not allow these three powers to convert as a strategic playground for them.

#### **Russia-Ukraine Crisis: Lessons for Nepal**

Ukraine has served as a buffer between NATO countries and Russia since its independence from the USSR. Tensions between Russia and Ukraine, however, lead to a full-scale invasion on February 24, 2022 (Lamichhane, 2022). Russian President Vladimir Putin declared a "special military operation" against Ukraine and recognized Luhansk and Donesk, two breakaway areas of Ukraine's Donbas region, as republics (*Tehran Times*, 2022).

This is not the first time Russia has used its military power against its neighbors. Russia occupied Ukraine's Crimea in 2014. Georgia had previously faced a Russian attack. Ukraine maintained balanced relations with both Russia and the West until 2004 (Lamichhane,2022). However, Ukraine's foreign policy equilibrium shifted after President Viktor Andriyovych Yushchenko took office and implemented a pro-Western policy, including plans to join NATO (Tailor, 2014). The US wanted Ukraine to leave Russia's security orbit and join the Western camp (Mearsheimer, 2014). Furthermore, NATO's eastward expansion, which began in 1999, has already included Poland, Bulgaria, Romania, Hungary, the Czech Republic, Lithuania, Latvia, and Estonia (Glucroft, 2022). The United States and the West want to expand NATO further, and their next targets are Ukraine and Georgia (WOLFF, 2015). Putin considers Ukraine to be Russia's backyard and sphere of influence, and considers its NATO membership to be a direct security threat to Russia. Once, Vladimir Lenin said, "What Ireland was for England, Ukraine has become for Russia." Thus, the present conflict is the outcome of this Russian mindset (Maistrenko, 2018).

Nepal, on the other hand, voted in favor of Ukraine at the United Nations General Assembly and the UN Human Rights Council's (*The Kathmandu Post,* 2022). Furthermore, Nepal's Ministry of Foreign Affairs issued a statement in it opposes any use of force against a sovereign country under any circumstances and believes in the peaceful resolution of disputes through diplomacy and dialogue (MOFA, 2022). This, conflict appears to be between Russia and Ukraine. However, in a strategic point of view it is between Russia and the United States. However, domestic politics also a strong cause because leaders were divided into pro-West and pro-Russian camps, despite understanding the sensitivity of their powerful neighbor (Lamichhane, 2022).

The invasion has directly raised concerns about small-country sovereignty, which is central to the UN Charter (Lamichhane, 2022). Nepal's location is similar to Ukraine's with NATO nations and Russia. The historical regional events also makes Nepal alerts, such as China took political control of Tibet, in 1975 Sikkim was merged into India and creating Bangladesh as a new state. Further, Nepal was also ignored when India and China agreed to build a road link through Lipulekh for trade promotion (Dixit, 2020). Likewise, during promulgate new constitution Nepal faced an unofficial blockade where India tried social-cultural and political proximity as a strategic tool (Aryal, 2019). In recent years, China and the United States have been viewed in Nepal as Russia and the NATO alliance attempting to slog on their camp. As a result, Nepal should strengthen its political and diplomatic capacities in order to control them cross any read line to destabilized Nepal and hampered its sovereignty.

#### Conclusion

During this global power transition, a strong bipolar strategic rivalry between the US and China on trade, information technology, space, and the military ongoing. They are making parallel institutions and alliances to compete against each other. Their global conflict reflects Nepal too, while MCC is ratified through parliament. In the meantime, India's engagement with Nepal has overlapped with the growing US-China strategic competition in its backyard, traditionally considered its domain of influence. However, India views the US as a counterbalancing force towards China; therefore, Delhi is letting the US keep the pressure on China. Because India has not joined China's BRI initiative, it believes it is part of the "String of Pearls" strategic initiative.

The India-US relationship has been characterized as a strategic partnership based on shared values, commitment to democracy, and a rules-based international order. India enjoy the special position in US foreign policy since 2005, both consider China a strategic adversary in the Indo-Pacific region. India sees the emerging of China as a challenge to its status quo in the Himalayan regions and perceives any development in the region as impacting its security interests. Thus, from a strategic point of view, India wants to limit Chinese influence and anti-Indian forces in Nepal. On the other hand, China's strategic and security interests are largely related to security and peace in Tibet, while the economic interest of China, today, is to expand its trade in South Asia by using Nepal as a "gateway" through its BRI connectivity projects. Its engagement with Nepal is focused on balancing India and western powers. Thus, it has been highlighted that these three global players have their own strategic interests, and Nepal is at the center of their strategic calculations.

The Ukrainian crisis today, shows the ability to manage one's geography is considered the essential factor for securing a small country's future. Thus, country like Nepal, between two emerging neighbors, must walk carefully by protecting its sovereignty and showing "strategic responsiveness" toward their neighbors. Further, we should be cautious while developing relations with antagonistic powers between these two emerging neighbors. Nepal should show its political maturity to address legitimate concerns and limit them from crossing any redlines that violate Nepal's sensitivities and destabilize the country. For that, our leaders should not allow any nation or power choose what's good for Nepal or what's not like in the first cold war, King Mehendra demonstrated diplomatic ability. Therefore, if Nepal maintains balanced and harmonious relations with these powers, it will secure economic prosperity; otherwise, Nepal may be dragged into geopolitical risk and become a geopolitical flashpoint serving the strategic interests of global powers. Finally, it has been realized that the nonalignment and balance policy, which was advised by King Prithivi Narayan Shah, still has relevance.

# Recommendation

- 1. During this global power transition, established superpowers and rising great powers are competing for global supremacy. Thus, as realists argue, the international system is anarchical so self-help and self-survival should be at the center of strategic. Therefore, Nepal should form a comprehensive foreign and security policy to cope with future challenges.
- 2. China wants to expand its trade in South Asia by using Nepal as a "gateway" through its BRI. In the meantime, the strategic interests of the United States and China on MCC and BRI overlap. On the other hand, the US and India are strategic allies, and India sees the rise of China as a challenge to its status quo in the Himalayan regions. Thus, their global competitions have reflected on Nepal. As a result, Nepal should not be divided internally in the same way that Ukrainians were divided as pro-Russian or pro-NATO allies. Nepal should maintain balance and harmonize relations with these three powers by enhancing its diplomatic capacity.
- 3. The Ukrainian crisis gives the lesson to the country like Nepal, situated between two emerging neighbors. There should not be overlap interest with their hostile powers. Thus, Nepal must show "strategic empathy" toward its neighbors, and to resolve their security dilemma, Nepal needs to assure them that Nepal is not a source of instability or a playground for anti-security activities.
- 4. Nepal should develop strategic autonomy and political maturity in order to address legitimate concerns of external powers and limiting them to destabilize Nepal and undermine its sovereignty and national integrity.
- 5. Nepal's geopolitical location prevents it from joining any alliance and becoming pro-India, pro-China, or pro-US. Thus, Nepal should follow nonalignment and a balanced foreign policy for focusing on its economic and social development.
- 6. Nepal's economic dependency compels it to work as the donors' interests. As a result, Nepal always remains politically vulnerable. To reduce its economic dependency, leadership should focus on attracting foreign direct investment. Further, Nepal should capitalize opportunities for economic growth from its neighbors. Nepal can transform its bi-regional location into economic interdependence rather than just being a sandwiched yam.

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