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## Foreign Policy of Nepal: Strategic Approach to Sovereignty

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### Abstract

*How do small states maintain their sovereignty in a world dominated by large powers? This question raises another critical issue: Are states, particularly small states, truly sovereign? The strategic strengths of small states are often overshadowed by their inherent vulnerabilities. The objective of the study is to explore Nepal's foreign policy as a strategic approach to safeguarding sovereignty amid geopolitical dynamics. This article also delves into theories of international relations relating to the foreign policy of Nepal and also reflects on the evolution of foreign policy from the era of Prithvi Narayan Shah to the present. Methodologically, the research relies on qualitative methods based on secondary data sources, including a comprehensive review of articles, books, journals, and reports. The qualitative approach allows for an in-depth understanding of Nepal's foreign policy along with context and interpretation through theoretical approaches. The research aims to bridge the gap in literature regarding the significance of foreign policy to maintain sovereignty and independence in the context of shifting geopolitical dynamics. Nepal maintains her sovereignty and avoids being drawn into power struggles that could threaten her security. Nepal's Foreign Policy-2077 reflects her commitment to defending sovereignty and ensuring national security amid evolving geopolitical challenges. Nepal can balance its relationship with both neighbors without being fully dependent on one, ensuring greater political autonomy. Nepal has always been following a non-alignment policy, but the shifting geopolitical dynamics might require a robust strategy, such as hedging. This article argues that Nepal's foreign policy aims to promote and protect her national interests and concludes by emphasizing a new strategic approach, i.e., hedging to assert sovereignty.*

**Keywords:** Foreign policy, sovereignty, security, small state, diplomacy

### Introduction

Are states, particularly small states, truly sovereign? In international relations, the idea of sovereignty is crucial, signifying a state's right to self-govern without external interference. It includes principles of territorial integrity, political independence, and the freedom to conduct foreign relations (Krstev, 2017). Put simply, sovereignty means that a state has authority over

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its territory and internal affairs, enabling it to make decisions without external influences. Small states often face obstacles in their independence because of their limited military strength and economic capacities. They find themselves at times stuck between larger powers and must handle their foreign policy with caution to preserve their freedom and security (Baldacchino, 2010). The United Nations and the World Bank have not officially classified Nepal as a small state. Nepal can be considered a significant power on the subcontinent with a territory larger than Bhutan, the Maldives, and Sri Lanka in South Asia and a population of more than 30 million (Shah, 2024). However, Nepal is considered small due to her location between two regional giants, India and China (Bhattarai, 2017, p. 1). Nepal, as a small state between two major powers, India and China, uses foreign policy as a tool for maintaining her sovereignty and addressing security concerns. This article explores Nepal's foreign policy strategies aimed at strengthening her sovereignty and ensuring stability amidst regional and global shifts. This article makes the case that Nepal's safety concerns are increasingly influencing her foreign policy, emphasizing the need to maintain sovereignty, manage power imbalances, and practice multilateral diplomacy. In order to protect her national interests and increase her resilience to external pressures and regional volatility, Nepal has developed a proactive foreign policy that places a strong emphasis on multilateralism, economic diplomacy, and strategic diversification.

According to Hudson, foreign policy is “a strategy or approach chosen by the national government to achieve its goals in its relations with external entities” (Tat, 2019, chapter 7, p. 2). In simple words, foreign policy is the plan or strategy to achieve national interests. They are generally designed to protect a country's national interests, national security, ideological goals, and economic prosperity. These can include economic, diplomatic, military, and social and cultural relations with other nations. The implementation of policy decisions requires states to utilize instruments such as military and economic capabilities. The military instrument of policy has traditional tools. Recently, economic instruments have attracted increased attention. The fundamental objective of Nepal's foreign policy is to enhance the dignity of the nation by safeguarding sovereignty, territorial integrity, and independence and promoting economic well-being and prosperity in Nepal. It is also aimed at contributing to global peace, harmony, and security (Ministry of Foreign Affairs, 2077).

Foreign policy includes all competitive and cooperative strategies, measures, goals, guidelines, directives, understandings, agreements, etc., through which a state conducts its international relations. Foreign policy plays a role in asserting and upholding sovereignty for nations, even for smaller states like Nepal, where a well-crafted foreign policy is key to maneuvering through intricate geopolitical terrains and safeguarding national interests. Foreign policy is made on the basis of rational calculations of advantage and disadvantage with the policymakers acting as a unified system. Small countries often opt for a strategy of managing relationships with nations to prevent domination, and in the context of Nepal's foreign policy history, it has been focused on maintaining a delicate equilibrium between India and China. This balancing act is essential for safeguarding Nepal's independence and ensuring her security (Khanal & Paudel, 2021). In times of trouble or tension, like crises or conflicts on a scale, having an effective foreign policy can assist countries in overcoming obstacles while still maintaining their independence. For instance, Nepal's response to the 2015 economic blockade by India demonstrated how strategic foreign policy decisions—such as signing trade agreements

with China—can serve to protect national interests and assert sovereignty in times of pressure (Khanal & Paudel, 2021). While officials from India didn't use the word 'blockade,' it caused a serious shortage of essential goods in Nepal and also violated international law, as Nepal is a landlocked country. Prime Minister K.P. Sharma Oli showed a hawkish approach and signed a trade and transportation agreement with China, permitting Nepal to use a number of transit facilities via China for her international trade. This action also showcased the importance of diversifying the diplomatic connections with other countries.

The research aims to bridge the gap in literature regarding the significance of foreign policy to maintain sovereignty and independence in the context of shifting geopolitical dynamics. The article intends to provide a deeper understanding of Nepal's foreign policy and strategies used by Nepal while exploring the potential of hedging as a strategic approach to maintain her sovereignty in the shifting global power dynamics. In essence, the concept of sovereignty continues to be crucial in the realm of international relations for smaller nations with complex geopolitical realities. In this context, it is important to understand how Nepal has safeguarded her sovereignty while navigating the external pressures. The following section will explore how Nepal's foreign policy has evolved with the aspects of continuity and change, examining her strategic decisions to maintain sovereignty.

### **Nepal's Foreign Policy since the Foundation of Modern Nepal**

Nepal's foreign policy has evolved throughout time under different rulers, but the core principle put forward by Prithvi Narayan Shah is still somewhat relevant today. He described Nepal as "a yam between two boulders." He highlighted the importance of maintaining strong and balanced relationships with both the neighbors. This ideology has guided Nepal's foreign policy for centuries, reflecting a cautious balance between her relationships with the two regional giants. Not engaging in offensive acts while conducting war only on a defensive basis was suggested (Atique, 1983). According to Acharya (2014), the foreign policy during Prithvi Narayan Shah's time had five major components: unification of the nation, military build-up, cautious friendship with British India and China, balance between offensive and defensive approaches, and strengthening the national economy. The isolationist foreign policy during the Rana regime was a hindrance to Nepal for being the founding member of the United Nations (Pande, 1982).

The foreign policy of Nepal during King Tribhuvan was seen as pro-India, with a special relationship with India. During his period, Nepal gained membership in the United Nations, which was seen as Nepal's entry to the international community. Nepal's strategic move to establish relations with both superpowers was in favor of a non-aligned foreign policy. Nepal's recognition of Israel in 1960, when both India and China had not yet recognized Israel, showed the independent and non-aligned foreign policy of Nepal (Kozicki, 1969). Koirala's leadership in resolving the border conflict with China, including the issue of Mount Everest, was a significant foreign policy triumph. This again proved that Nepal was committed to maintaining territorial integrity and sovereign equality. Nepal adopted a diversified foreign policy during this time (Khanal, 2009). The Sino-Indian War in 1962 proved to be fortunate for Nepal, where King Mahendra could leverage the enmity between two giant regional powers in Nepal's favor (Rose, 1963). King Mahendra had taken a balanced approach in foreign policy by taking advantage of both neighbors and maintaining the territorial integrity and sovereignty of

Nepal during the Cold War period. In the larger context of the Cold War, Mahendra maintained a balanced and non-aligned relationship with both superpowers, ensuring that Nepal could leverage the rivalry between the two superpowers.

The 1990 constitution has included the principles of the United Nations Charter, the Five Principles of Peaceful Coexistence (Panchasheel), non-alignment, international law, and values of world peace, which would guide the foreign policy of Nepal. Though these principles were guiding the foreign policy since early times, the formal inclusion was made in the constitution of 1990, which symbolized codifying Nepal's commitment to maintaining territorial integrity, sovereign equality, and independence.

In terms of foreign policy, the Interim Constitution of Nepal 2007 emphasized continuity, stating that Nepal's foreign policy would be guided by the same principles since the early 1950s. These guiding principles, which emphasized maintaining territorial integrity, sovereign equality, and independence, remained central to Nepal's foreign policy goals as the country shifted from monarchy to a republic. In between the period of the Interim Constitution of Nepal 2007 and the Constitution of Nepal 2015, Nepal's foreign policy was primarily focused on serving the interests and concerns of two immediate neighbors, India and China (Khanal & Paudel, 2021). This was evident in the decision to request the United Nations Security Council to deploy a mission for monitoring Nepal's peace process, which was taken only after the consent of both India and China. During the transitional period (2007-2015), there was no official foreign policy, but the long-term objectives and guiding principles of Nepal's foreign policy were unchanged. The 2015 constitution clearly defines the national interest, foreign policy, and international relations to be pursued by the country. While the core principles of Nepal's foreign policy, such as unwavering faith in the UN Charter, non-alignment, the principles of Peaceful Coexistence (Panchasheel), and international law and values of world peace, have been consistent since the early 1950s, the 2015 constitution had two major changes. One is the emphasis on the economic dimension as a core national interest, and the other is the commitment to reviewing past treaties and agreements based on equality.

In 2018, Prime Minister Oli briefed about Nepal's major foreign policy priorities to the diplomats based in Kathmandu (Khanal & Paudel, 2021). Focusing on trade, business, and tourism, as well as tackling labor difficulties with Middle Eastern countries, where a large number of Nepali nationals are employed, were among the new additions. In addition, Oli underlined the need to tackle climate change and called for the successful implementation of the Paris Climate Agreement and also reaffirmed Nepal's commitment in supporting international efforts against terrorism. Nepal's dedication to an independent, non-aligned, and peaceful foreign policy is reflected through her active role in the international community, like the United Nations Human Rights Council, to which Nepal was re-elected in 2020 after 2018. Furthermore, lately there is emphasis on economic diplomacy aimed at improving the economic well-being and prosperity of the Nepali people, a new chapter in the country's foreign policy (Giri, 2019). It is crucial to understand the theoretical frameworks that guide the foreign policy decision-making of a state, which is briefly touched upon in the following section.

## **Theoretical Approaches to Foreign Policy**

### ***Realism***

Realism emphasizes the anarchic nature of the international system, where states prioritize their survival and power, giving military prowess and national interest paramount importance. (Morgenthau, 1948). Nepal had been following realist principles since beginning to strategically allocate herself and maintain balanced relationships with her neighbors, India and China, as Prithvi Narayan Shah described it as “a yam between two boulders” (Khanal & Paudel, 2021). Nepal’s approach in foreign relations has been more cautious post-Sughauli Treaty in the aftermath of the Anglo-Nepali war (Atique, 1983; Rose, 1971). The realist perspective stresses that Nepal needs to maintain a strong defense and security against potential threats from her neighbors. This is apparent in historical conflicts and ongoing territorial disputes.

### ***Liberalism***

Liberalism focuses on the importance of international cooperation, institutions, and economic interdependence. It highlights that achievement of security is possible through collaboration rather than conflicts (Keohane & Nye, 1977). Nepal has been following liberal principles with engagement in regional organizations (SAARC) as well as international forums (United Nations). These actions reflect a commitment to multilateralism and cooperative security arrangements (Khanal & Paudel, 2021). Furthermore, King Mahendra established diplomatic relations with both India and China during his reign, demonstrating a shift towards economic diplomacy to strengthen national security through interdependence (Brown, 1996). Liberalism stresses strengthening economic ties through trade agreements, improving national security, and reducing dependency on a single country.

### ***Constructivism***

Constructivism centralizes how identity, norms, and structures of social systems determine state behavior. It implies that historical narratives, cultural factors, and domestic politics determine foreign policy (Wendt, 1992). There is a hint of constructivist ideology in the evolution of Nepal’s foreign policy, particularly on the influence of national identity in diplomatic strategies. For instance, King Birendra’s proposal for Nepal as a "Zone of Peace" during the Non-Aligned Movement summit exemplifies how identity and normative frameworks shape foreign policy decisions (Acharya, 2014). This initiative was aimed at establishing Nepal as a neutral actor amidst regional tensions. Constructivism highlights the importance of national identity in shaping security policies. Nepal’s commitment to non-alignment not only serves her immediate security needs but also builds her reputation as a peace-oriented nation on the global stage. These theoretical approaches to foreign policy provide valuable insights into the strategies that guide the behavior of a state. Nepal’s foreign policy is shaped by her strategic positioning between the two major powers, which explains her security concerns and focus on maintaining a balanced, neutral stance.

### **Strategic positioning of Nepal and foreign policy towards major powers**

King Prithvi Narayan Shah’s famous metaphor of Nepal as a “yam between two boulders” highlights Nepal’s strategic position requiring caution, neutrality, and harmony with both

neighbors. Nepal's strategic positioning requires carefully managing her foreign relations to safeguard her sovereignty and national interests while navigating the pressures that arise from great power competition in the region. This approach forms the backbone of Nepal's modern security strategy as described in Foreign Policy 2077.

Nepal's Foreign Policy-2077 focuses on asserting her independence through autonomy and a dedication to coexistence guided by principles like Panchasheel. In accordance with Article 8 of the policy guidelines, highlight the importance of handling ties with neighboring and international powers in line with the UN Charter principles of respect and non-interference. The policy emphasizes fostering relationships to safeguard Nepal's sovereignty while emphasizing her stance on neutrality and non-alignment.

Nepal's policy includes practical measures to enhance her security through multidimensional connectivity projects with India and China, such as developing roadways, railways, waterways, and energy. These ventures highlight Nepal's aim to participate in three-way and multi-party collaborations as it acknowledges the role of partnerships in maintaining stability—an essential aspect of safeguarding a small nation's security. Nepal's suggestion for forming a three-way alliance with India and China demonstrates her interest in using nonalignment to boost benefits. Promoting trilateralism aims to enhance stability and support infrastructure initiatives while improving security collaboration across borders. Nepal has consistently advocated for cooperation by emphasizing that her non-aligned stance enables her to diplomatically and economically connect with both neighboring countries.

Nepal's geographical location has historically positioned it at the center of geopolitics since both neighboring countries view Nepal as a hub for trade and regional connections. China sees Nepal as crucial for ensuring stability in Tibet and extending her Belt and Road Initiative (BRI) throughout South Asia, whereas India considers Nepal important for connectivity and security concerns. In dealing with matters of sovereignty and security, Nepal has chosen a stance that's both balanced and strategic. This approach is evident in her practice of neutrality by steering conflicts between neighboring countries, such as the recent India-China border tensions in Galwan Valley. In conflicts, like the Sino-Indian war in 1962 and the Doklam standoff in 2017, Nepal opted for neutrality in line with her principle of "hiding and binding" (Bhattarai, 2018). During these instances, Nepal abstained from favoritism while maintaining adherence to law and peace.

Nepal's international relations have a balance between seeking support from regional players to safeguard her independence and autonomy as a nation-state. Nepal had pursued a strategy of soft balancing towards India to counterbalance the Indian influence by expanding and strengthening ties with other major powers like the USA and China (Johny, 2024). Nepal's involvement in China's Belt and Road Initiative (BRI) and the United States Millennium Challenge Corporation (MCC) serves as examples of this diplomatic maneuvering. Managing this strategy involves a level of tact, especially considering India's approach towards the BRI.

Nepal's Foreign Policy- 2077 outlines the importance of respecting her neighbors while safeguarding her security and sovereignty from any misuse of her territory. The policy also highlights the significance of engaging in level relations to enhance Nepal's connections with key global players. Nepal's dedication to remaining neutral and engaging in efforts highlights

her commitment to fostering an inclusive global environment that upholds the rights of small nations within international frameworks. A crucial stance in navigating through the strategic competition among larger powers.

### **Multilateralism**

Throughout her history, as a nation-state in the international arena, Nepal has made use of this platform by serving two terms as a non-permanent member of the UN Security Council (in 1969–1970 and 1988–1989) and subsequently as a member of the UN Human Rights Council from 2018 to 2020 with re-election for another term spanning from 2021 to 2023 (IFA, 2021). These positions have enabled Nepal to play a role in influencing decisions related to peace and security issues, championing rights, and advocating for the interests of vulnerable states.

In Nepal's Foreign Policy-2077, multilateralism takes center stage and advocates for changes within organizations to enhance inclusivity. Nepal's approach centers on leveraging platforms to tackle security issues, like climate change, human trafficking, and transborder crime that significantly affect Nepal's security environment. Nepal has played a role in promoting peace by actively participating in UN peacekeeping missions for many years now—it stands as one of the leading nations contributing troops to these missions. This active involvement not only boosts Nepal's reputation on the stage but also helps in spreading peace and stability worldwide in line with her security goals.

Nepal's strong dedication to regional organizations such as the South Asian Association for Regional Cooperation (SAARC) and the Bay of Bengal Initiative for Multi Sectoral Technical and Economic Cooperation (BIMSTEC) highlights her strategy of collaborating with nations for security purposes on a regional level. These avenues provide Nepal with opportunities to contribute to peace, connectivity, and economic growth in the region while also lessening security risks through reliance and collaboration. Nepal reduces security threats associated with her location and economic limitations by nurturing relationships within the region and encouraging cooperation on common issues such as disaster preparedness, environmental sustainability, and economic unity.

The policy also highlights the importance of multilateralism in safeguarding Nepal's interests as a landlocked nation-state. With the backing of organizations such as the United Nations, Nepal aims to safeguard her security and sovereignty within a system based on established rules. This is particularly crucial in today's backdrop of competition among powers, where Nepal can voice the concerns of states and advocate for a more comprehensive global policy structure based on the principle of sovereign equality.

### **Economic Diplomacy**

Nepal has visualized a path towards sovereignty with a vision of "Prosperous Nepal, Happy Nepali" (Shrestha, 2021). In this globalized world, Nepal can be autonomous in foreign policy-related decisions due to economic diplomacy. Nepal can secure resources and strengthen national security. With this approach, Nepal is an active independent nation in the global scenario, improving national resilience as well as economic growth.

Nepal's Foreign Policy-2077 stresses the strategic role of economic diplomacy. It highlights Nepal's efforts to increase trade and exports attract foreign direct investment (FDI)

and develop tourism. Nepal aims to expand trade through favorable bilateral agreements, multilateral partnerships, and regional cooperation. By increasing trade agreements, Nepal intends to capture duty-free and quota-free access to key markets, capitalizing on her status as a least developed country (LDC) through mechanisms like the Generalized System of Preferences (GSP) and Duty-Free Quota-Free (DFQF) arrangements. Nepal's economic diplomacy targets resolving transit issues, reducing tariff and non-tariff barriers, and promoting Nepali exports. The policy also highlights the significance of securing smooth import channels for essential goods and technologies that can stimulate economic growth.

Nepal intends to spread out her trade and investments beyond giant neighbors. By improving ties with a greater number of countries and institutions, Nepal intends to decrease her overreliance on one source of aid. By virtue of such a range, Nepal can maintain autonomous policy decisions. Cross-border economic zones with India and China: the expansion of economic zones can be established with such foreign policy to encourage trade flows, enhancing both economic and strategic self-sufficiency.

Non-Resident Nepali (NRNs) and foreign migrant workers represent a significant source of remittances, which account for over 25% of Nepal's GDP. By engaging the NRNs through the Brain Gain Center (BGC), Nepal seeks to improve their expertise and network to increase trade and attract FDI, building linkages between Nepali businesses and global markets. Tourism remains one of Nepal's key economic sectors. Economic diplomacy promotes Nepal as a tourist destination, with initiatives to negotiate bilateral air traffic rights and extend access to more international destinations. Nepal, being a landlocked country, focuses primarily on strengthening infrastructure and connectivity with neighboring countries. This includes cross-border economic zones, strategic transit rights, and multidimensional connectivity projects to bolster trade flows and facilitate smoother cross-border transactions.

Nepal's location between two major economies, China and India, offers significant opportunities for economic growth through regional economic partnerships. Both nations have shown high growth rates, and Nepal's geographic position allows it to improve its economy by expanding transit diplomacy. According to Foreign Minister Pradeep Gyawali, maintaining economic partnerships with these neighbors can help Nepal overcome structural limitations, encourage industrialization, stimulate FDI, and enable technology transfer. Foreign Minister Pradeep Gyawali has said:

Such a partnership helps to overcome Nepal's structural bottlenecks as a landlocked and least developed country; a partnership that fosters mutually rewarding and beneficial trade relationships; a partnership that propels the process of industrialization, flow of investment, and transfer of technology and connects our economies in a value chain; a partnership that leads to better utilization of our natural resources for sustained economic growth and development; and a partnership that makes our relations impactful to the lives of our people (Shrestha, 2021, p.23).

Labor diplomacy is another component of the country's economic policy, as remittance is a main contributor to GDP. Nepal negotiates with the countries of Nepali migrants to protect their rights, improve labor conditions, and improve financial conditions, resulting in overall remittance increments. Nepal has also been receiving grants and loans on concessions to construct development projects and improve sectors of education, healthcare, and infrastructure. This foreign policy and work within and outside the country bring stability and security.



Nepal strives to improve her status from LDC; Nepal's economic diplomacy accentuates trade deficit reduction, FDI attraction, and diversification of trade partners as well as prioritizing the development of energy and resource partnerships, export strategies, and sustainable production. Additionally, initiatives under the Development Cooperation Policy 2019 aim to maximize foreign assistance for development, aligning it with Nepal's national priorities.

### **Non-Aligned Approach**

In 1955, Nepal participated in the Bandung Conference, which laid the groundwork for the Non-Aligned Movement, and therefore set non-alignment as an integral component of Nepal's foreign policy (Khanal and Paudel, 2021). The principle of "balancing" is a core part of Nepal's Foreign Policy-2077, acknowledging today's global landscape of intense competition and power rivalry. The concept of non-alignment as an organization may not be relevant after 1991, but the non-alignment policy is relevant to Nepal due to the two nuclear-armed neighbors on both sides and the potential risk of conflict (Johny, 2024).

From a liberal viewpoint, the policy of non-alignment was the best way to get economic leverage from the competing superpowers (Abraham, 2008). Nepal sees non-alignment as the most effective approach to managing regional and international shifts in power dynamics because of her landlocked position. Nepal has aimed to best manage the interests of the major powers and their diplomatic engagements (Acharya, 2020).

China and the United States view each other as strategic threats, as the United States claims China is a threat to her power and influence in the National Security Strategy Report (National Security Strategy of the United States of America, 2017), while China brands the United States as a menace to global strategic security and stability (The Global Times, 2020). Nepal, as China's neighbor, can face repercussions from this rivalry. China and Russia have been labelled as "revisionist powers" by the 2018 National Defense Strategy of the US, challenging the US through authoritarian models (Shrestha, 2020). This strategic competition between China and the US has been stretched to South Asia, which was more intense in Southeast Asia. The US and India have signaled the new alliance with agreements like the Communications, Compatibility, and Security Agreement (COMCASA) and the Basic Exchange and Cooperation Agreement (BECA) between them, aiming to restrict China's influence in what some describe as a new Cold War (Shrestha, 2021). The U.S. Indo-Pacific Strategy (IPS) and China's Belt and Road Initiative (BRI) represent two competing visions for influence in South Asia. Nepal signed a framework agreement with China to participate in the BRI in 2017 and accepted a \$500 million grant from the U.S. Millennium Challenge Corporation (MCC) in 2022. Both initiatives show how Nepal navigates major power interests, maintaining neutral policies to avoid alignment that could lead to increased pressure from either side. In light of the strategic, military, political, and economic moves by major powers, non-alignment is still the greatest option for Nepal.

Nepal has been balancing her ties and relations with neighbors to seek economic collaboration while avoiding entanglement in great power conflicts. In the past, this approach has protected Nepal's territorial integrity, political independence, and sovereignty during challenging times. Located between emerging and global economic powerhouses, Nepal is acutely aware of shifting power dynamics. Nepal can successfully handle great power rivalry

through non-alignment as it promotes amity without enmity, maintaining neutrality. Nepal's non-aligned stance prevents her from being a base for activities against her neighbors. Nepal's proposal for trilateral cooperation with India and China aims to benefit from regional economic growth. It strengthens bilateral relations with all nations based on sovereign equality, mutual respect, and mutual benefit.

Nepal's foreign policy is influenced by geopolitical realities given the location of the country between global and emerging economic powers. While Nepal aims to maintain neutrality, the balancing act could potentially undermine her sovereignty, in practice. The electricity buying deal between Nepal and India faced a setback after India changed her policy in 2018, with a decision to prevent the purchase of power produced via the investment of nations with which it does not have a "bilateral agreement on power sector cooperation." This change in policy can be seen as a geopolitical competition between India and China in Nepal. As a result, Nepal had to revise the hydropower projects, with one under the BRI project having to be given to Indian companies (Pokhrel, 2023). This further clarifies that Nepal's participation in BRI projects has raised concerns for India. Historically, Nepal has always been following a non-alignment policy, but the shifting geopolitical dynamics might require a robust strategy, such as hedging (Shah, 2024). Hedging is a strategy used by small states to interact with great powers while minimizing security threats and preparing for any future threats (Haacke, 2019). Non-alignment is only possible without military alliances, while hedging can be done with or without military alliances.

### **Nepal's Soft power**

According to Joseph Nye, soft power is "the ability to get what you want through attraction rather than coercion or payments" (Nye, 2004). Nepal relies on soft power as a core element of her foreign policy strategy without the resources of a large military or economy to enhance her international standing and secure her national interests. Nepal's ancient culture and historical identity are strong soft power assets. Nepal showcases a legacy that reinforces her national pride and unity with rich heritage, including UNESCO World Heritage Sites like the Kathmandu Valley, Lumbini (the birthplace of Buddha), and the historical bravery of the Gurkhas. Nepal strengthens her sovereignty and helps it maintain a distinct identity that supports resilience against external pressures with the promotion of vast cultural assets. This cultural visibility also aids diplomatic relations by projecting an image of Nepal as a peaceful, resilient nation—an important aspect in developing respect for her sovereignty among her larger neighbors.

An important component of Nepal's international influence is her estimated over 2 million strong diasporas. Through "diaspora diplomacy," Nepal encourages her expatriates to engage in cultural promotion, philanthropy, and investment in their home country. In regions with significant Nepali communities, like the Middle East, Europe, and the United States, diaspora engagement strengthens Nepal's international networks and provides economic support. The non-Nepali residents amplify Nepal's voice on the global stage, providing political and social support that reinforces Nepal's sovereignty and national interests abroad.

Nepal's topography, geography, and climatic conditions unite global environmental campaigners towards a common goal of minimizing impacts from climate change. Environmental

issues are intensely connected to Nepal's security due to the mountainous geography and vulnerability to climate change. By aligning herself with international environmental initiatives, such as the Paris Climate Agreement and the Sustainable Development Goals (SDGs), Nepal advocates for stronger climate policies. Through environmental diplomacy, Nepal has built a reputation as a responsible steward of her unique ecosystems, which include the Himalayas and rich biodiversity. The Kalapaththar Summit was a landmark event highlighting Nepal's vulnerability to climate change. Nepal's activities in addressing the impacts of climate change on vulnerable mountain regions have collected international support and funding. Technical assistance and funding from international partners increase the country's capacity to handle environmental risks that directly impact her security and sovereignty.

Public diplomacy is an essential tool for small states like Nepal to maintain sovereignty and influence global perceptions. Nepal participates in international forums, hosts cultural events, and maintains embassies as part of her active public diplomacy. International goodwill and respect for Nepal are fostered by her dedication to peace and democracy, which is further strengthened by her efforts to advance human rights. Campaigns for public diplomacy, like those run by the Ministry of Foreign Affairs, present Nepal as a democratic, peaceful, and neutral nation. Nepal's ties with regional and international powers are therefore strengthened, providing a buffer against coercive diplomacy or interference by larger states.

Nepal has been a major troop contributor to UN peacekeeping missions since 1958, with over 135,000 Nepali peacekeepers having served in various countries. Nepal's global positioning has been enhanced by the commitment to international peace and the UN Charter in addition to strengthening her diplomatic ties with other UN member states. Nepal participates in training programs of the UN and receives financial and logistical assistance through UN peacekeeping, which indirectly benefits the country. Nepal leverages soft power through her foreign policy to maintain her independence, focusing on cooperation rather than confrontation

## **Conclusion**

The Constitution of Nepal emphasizes the nation's commitment to peaceful diplomacy and a non-aligned approach, and it has made significant efforts to choose active neutrality in regional conflicts. Nepal leverages soft power and multilateralism to maintain her independence, prioritizing cooperation rather than conflict. By promoting herself as a neutral country committed to stability, Nepal maintains her sovereignty and avoids being drawn into power struggles that could threaten her security. Nepal's Foreign Policy-2077 reflects her commitment to defending sovereignty and ensuring national security amid evolving geopolitical challenges. This policy framework emphasizes sovereignty, territorial integrity, and the core principles of Panchasheel (Five Principles of Peaceful Coexistence), which align with the guiding principles of Nepal's foreign policy from early times and are consistently reinforced through Nepal's constitutional provisions, national security policies, international law, and existing international treaties. Since the formation of modern Nepal, the country has maintained a defensive posture, trying to maintain balance in order to protect her sovereignty. However, in response to external pressures and regional volatility, Nepal has developed a proactive foreign policy, an element of change that emphasizes multilateralism, economic diplomacy, and strategic diversification. The delicate balancing between the two powers could limit Nepal's ability to prioritize her national

interests. Therefore, a hedging strategy can be viable for Nepal to navigate through changing geopolitical realities by maintaining multiple partnerships, gaining economic benefits, and preserving autonomy while minimizing risks and vulnerabilities associated with the major powers, India and China.

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