



Foreign policy strategies of Nepal between China and India: bandwagon or hedging

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Accepted: 27 January 2024
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Abstract

Nepal, a landlocked country situated between two nuclear states, has found bandwagoning with either China or India to be an impractical option. In the current scenario, Nepal has opted for a trend of hedging with both neighbors while adhering to a non-alignment foreign policy. Nepal aims to seek economic and infrastructure development opportunities from Beijing through initiatives like the Belt and Road Initiative, which could help overcome geopolitical challenges. However, India is concerned about Nepal's growing relations with China, viewing it as a significant threat to India's interests in Nepal. Nepal remains committed to the principles of non-alignment in its foreign policy objectives. India perceives Nepal's current trend of hedging as a potential path toward future bandwagoning with China, given China's superior capabilities compared to India.

Keywords Nepal · China · India · Hedging · Bandwagon · Nonalignment

Introduction

Nepal's is a landlocked country between China and India, this status complicates the task of achieving a trade and military balance between them in the realm of geopolitics. Nepal navigates this situation through hedging to achieve the peaceful relations with China and India (Adhikari 2023; Mainali 2022; Dahal 2021). Hedging is a valid strategy for avoiding potential conflict methods of balancing and bandwagon between superpowers (Goh 2019). After the Cold War, Chinese military and economic capabilities have witnessed a significant growth compared to India. From a realist perspective, maintaining a warm relationship with China is a logical aspect of Nepal's foreign policy given that China's military budget in 2021 was USD 293 billion, while its counterpart India was only USD 76 billion, and GDP

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of China was USD 17.73 trillion and India had a GDP of USD 3.18 trillion in 2021 (World Bank 2021a, b). However, as a geographical buffer between two nuclear powers, Nepal is mindful of balancing its national interest and not become beholden to either neighbor (Bhasin 2005). Nepal's politics with the neighboring power blocks signal that Kathmandu does not wish to join any of the country's military alliances (Paul 2019; Nayak 2012). The anticipation of future military threats from the two neighboring countries is a key aspect of Nepal's foreign policy. This paper explores the reasons behind Nepal's adoption of hedging strategies and the absence of a bandwagoning structure toward India and China. Balancing or Bandwagoning between these traditional hegemony is a complex process, hegemony entails extreme inequality of power, and it encounters resistance (Goh 2019). Nepal follows non-alignment policy being the core of its foreign policy for achieving autonomy and sovereignty.¹

Nonalignment states are likely to face autonomy costs, so they tend to hedge with two superpowers (Lim and Mukherjee 2019). Nepal prefers hedging with superpowers under the non-alliance motto between two neighbors, which further does not exacerbate the situation. Nepal has maintained a peaceful cooperation with China and India since the cold war period. Nepal highlights the historical and cultural roots of the non-alignment with endorsing this multipolar or bipolar. Nepal's military is comparatively weaker than that of China and India, which makes entering into a military alliance with either country a potential source of conflict. The concept of non-alignment as an organization may no longer be valid since 1991, but the policy of non-alignment remains relevant for Nepal due to the presence of two nuclear-armed neighbors and the potential risks of conflict. Nepal has adopted a dialectical approach to its non-alignment policy since 1991. Nepal acted in accordance with its geopolitical constraints to protect its sovereignty and autonomy when dealing with superpowers without military alliance. There is a gap between hedging strategies of Nepal and non-alignment policies. Hedging is possible both with and without a military alliance, but non-alignment is only possible without a military alliance. Non-alignment and hedging are not the same because even countries that are members of military alliances like NATO member states adopt hedging. Germany and Turkey, engage in hedging strategies with opposing military powers, such as Russia (Alim 2022; Verner and Till 2022; Szabo 2009; Egging and Holz 2016.). Japan has engaged in hedging with China (Koga 2018). Hedging allows states to maintain flexibility in their alignment with major powers, enabling them to potentially shift their alliances in the future. The goal is to continuously reduce sources of risk and adapt to changing circumstances (Lim and Cooper 2015).

Theoretically non-alignment allows countries to minimize defense expenditures, reduce the likelihood of costly conflicts, and access aid from multiple sources without strict preconditions (Pant and Super 2015). Practically, Nepal's non-alignment policy enables the country to engage in military cooperation with various countries in a multipolar world through hedging strategies. This includes

¹ Ministry of Foreign Affairs Nepal Report (2020-21). <https://mofa.gov.np/wp-content/uploads/2022/01/Annual-Report-2078-Final-A.pdf> p. 10–36



participating in joint military exercises and procuring arms from different nations. From a realist perspective, non-alignment policy serves as a defensive approach to mitigate the potential for military conflicts against Nepal from both India and China. Nepal has been successful in avoiding becoming too dependent on either China or India in the area of military alliance, while still benefiting economically from both (Paul 2019). As a liberal perceptive of non-alignment, a policy of non-alignment was the best way of gaining leverage, especially economic, from competing superpowers (Abraham 2008). Hedging is a tool that Nepal utilizes to achieve the goal of non-alignment policy. This hedging approach is based on the idea that Nepal is interdependent and that its actions and decisions do not affect the well-being and security of other states but the same time it is protecting its autonomy. By pursuing interdependence, Nepal seeks to build peaceful cooperation with other states and to create a stable relation for improve military, economy and trade cooperation. Hedging is the best option for Nepal to achieve this objective.

Nepal has become more integrated with the global economy and has increased its exposure to the international trade system for avoiding economical backwardness with the complex geopolitical realities that Nepal faces. Institutional hedging is also evident in the case of Nepal through its engagement with various international organizations, such as the World Bank, Asian Development Bank, and other similar institutions (Mainali 2022). To understand Nepal's behavior within its geopolitical context with China and India, it is necessary to analyze the country's actions through an analytical lens that considers the role of its neighbors and other superpowers. Furthermore, there is limited research on the absence of a bandwagon structure and reasons for this absence in Nepal's relations with its two powerful neighbors. According to available literature, Nepal's pursuit of sovereignty and autonomy has been a significant factor in its decision not to align or bandwagon with either China or India (Paul 2019; Mainali 2022; Sridharan 2012; Dahal 2021). By conducting a historical and contemporary analysis of Nepal's foreign relations and significant incidents in South Asia, this study aims to fill the existing literature gap regarding the absence of a bandwagon structure in Nepal's strategic choices. This literature is necessary to uncover the complex geopolitical realities that Nepal faces for finding the reason of hedging.

Hedging

Hedging referred to as an insurance policy against opportunism (Lake 1996) but in the case of Nepal, it is engaged in multi-hedging against multiple risks from the superpowers. Analyzing through the Southeast Asia have adopted neither balancing nor bandwagoning strategies vis-à-vis the USA or China but the same time they are following hedging between them. In Nepal's case, the geopolitical situation is dissimilar as the country shares its border with two revisionist states, according to Nepal's viewpoint. Nepal practices hedging and rejects both balancing and bandwagoning with India or China. This approach is similar to that of Southeast Asian countries. By hedging, Southeast Asian countries aim to safeguard their



interests, prevent over-reliance on a single power, and maintain a degree of flexibility in their foreign policies (Goh 2006).

Hedging is a pragmatic strategy for small states facing challenges in balancing or bandwagoning with superpowers. This approach allows for high autonomy in foreign policy. Hedging is a set of strategies aimed at avoiding a situation where states are unable to make straightforward decisions such as balancing, bandwagoning, or neutrality. As a result, hedging behavior in Southeast Asia typically consists of three elements indirect or soft balancing, complex engagement and enmeshment policy it similar with Nepal case. Further, she points out Southeast Asian states are hedging against three undesirable outcomes such as Chinese domination or hegemony; American withdrawal from the region; and an unstable regional order (Goh 2006).

Secondary powers engage in hedging or bandwagoning strategies toward the dominant superpower, while the latter aims to simply maximize its power (Brooks and Wohlforth 2005; Lieber and Alexander 2005; Goh 2006; Haacke 2019; Foot 2006; Tessman and Wolfe 2011). Hedging is a common strategy employed by smaller states to engage with great powers while minimizing security risks and preparing for potential future threats (Haacke 2019). Nepal engage in hedging behaviors as a means of managing the risks associated with their relationships with powerful states, such as India and China (Mainali 2022). Hedging behavior is considered as an alignment choice by avoiding tight alignment with any single major power and signaling ambiguity regarding the extent of shared security interests (Lim and Cooper 2015). Engagement policies may be understood as a constructive hedge. An economic benefit has useful in avoiding infrastructure backwardness, which is a relative concept in the case of Nepal due to its neighbor's asymmetry in military power structure.

If a buffer state is hedging with superpowers, it becomes more or less dependent on them. These two superpowers are rival nations and have a significant influence on the regional security of the smaller state. There is a gap in the hedging and bandwagoning literature regarding Nepal that share borders with two nuclear nations. Why Nepal chooses hedging over bandwagoning? They have ample space for operations and can tackle the two superpowers through a wider small-state hedging strategy under the Nonalignment. This study is to uncover the trend of hedging through the neo-realist approach. Studying Nepal's hedging behavior is crucial for addressing the existing gap in the literature. Since the Cold War era, Nepal has exhibited a hedging behavior toward both Beijing and New Delhi, although this behavior has been asymmetric in the economy and trade.

This study investigates the evidence of balancing in Nepal's hedging strategy toward China through FDI, aid, infrastructure development, and joint military exercises since 2014. India has stronger trade links and cultural exchanges with Nepal compared to China. The relationship between China and Nepal was not pragmatic, particularly in the areas of trade and economy until 2014. But there is a significant gap in the literature regarding the applicability of three perspectives of international relations theories in the case of Nepal. This paper aims to fill this literature gap in the field of international relations, focusing specifically on the case of Nepal.



Hedging and bandwagoning in Nepal's foreign policy: theoretical approach

The historical and contemporary geopolitical realities that Nepal faces are due to the behavior of its neighboring states. Nepal tries to find a benefits through these geopolitical realities through maintain its autonomy and sovereignty. Bandwagoning, as an opportunistic strategy, involves states aligning with either threatening or threatened states based on self-interest (Schweller 1994). Beijing plays a crucial role in international politics as a permanent member of the United Nations Security Council. The bandwagon effect is stronger toward China as compared to India due to China's capabilities, but Nepal maintains good relationships with the USA & India, seeking peaceful cooperation and adapting its perspectives to address security dilemmas, maintain government stability, and reducing external factors such as superpowers influence.

In structural balance-of-power theory, balancing and bandwagoning are defined solely by the capabilities. Balancing refers to aligning with the weaker side, while bandwagoning choosing with the stronger side (Walt 1988). Mao Zedong came to power and the People's Liberation Army of China entered Tibet in 1950 (Fairbank and Liu 1980). China has recognized the significance of Nepal, leading to the deployment of diplomat Yang Gongsu to oversee relations with Nepal and manage its foreign policy, particularly in the aftermath of the Tibet occupation (Gokhale 2021). According to Xia, in his writings, Yang described Nepal as "India" (Xia 2008). From a realist perspective, Nepal should ally with China to avoid military aggression toward its territory. However, historical analysis is crucial to understanding why Nepal is not interested in this bandwagon. India has strong relations with Nepal, seeking to balance against China, particularly in the border areas after the 1962 wars between India and China. The annexation of Tibet has been a major concern since the 1950s, leading to a power politics between India and China.

In the 1970s, Nepal's relationship with India and China became more complicated due to the geopolitical dynamics of the region. After former US President Nixon's visit to Beijing in 1972, Nepal stopped supporting India and the US-sponsored insurgents in Tibet against China (Dabhade and Pant 2004). This decision was a clear indication of Nepal's changing foreign policy toward China. After the Bangladesh liberation War former Indian Prime Minister Indira Gandhi expressed her open disregard for both China and the USA on multiple occasions (Mansingh 2015; Baral 1985). These dynamics gave new energy to the Nepal to act with the support of China to overcome the Indian-sponsored democratic movement against the monarchy. Nepal's economic autonomy was limited due to geographical constraints, resulting in heavy reliance on India for trade and investment.

Nepal did not exhibit evident balancing behavior between India and China since 1970 when both countries had almost equal roles in the region. Bandwagoning is defined as "alignment with the source of danger" to gain benefits and ensure security at the expense of autonomy and opportunities to cooperate with other



powers (Schweller 1994). Theoretically, Nepal avoids completely relying on India in order to maintain its autonomy and not be influenced by China's bandwagon effect. Nepal's monarchy engaged in a form of hedging behavior with Beijing to maintain stability and independence of monarchy during the Cold War period. After the Cold War, the USA provided military assistance to Nepal during the Maoist insurgency, which lasted until 2006 (Lawoti and Pahari 2009). Nepal signed agreement with China were not well implemented because of instability of Nepal governments until 2008 (Sharma 2018). Hedging is a viable option for Nepal in all sectors, including internal and external security. In the current political scenario, Nepal practices balancing in hedging, which allows for economic growth with support from both China and India.

Hedging is taking action to ensure against undesirable outcomes, usually by betting on multiple alternative positions. Heavy dependence on trade with India made it vulnerable to economic and political pressures, which had implications for Nepal's autonomy and sovereignty. All states benefit from strengthening sovereignty and autonomy of action (Wolfers 1962). The psychology that characterizes Nepal's relations with India and China is compounded by the military power and economic asymmetry between Beijing and New Delhi (Rana 2013). Hedging behavior in Southeast Asia typically consists of Indirect or soft balancing.

Nepal pursued a soft balancing toward India, seeking to counter Indian influence through regional and international cooperation by strengthening ties with other countries (Paul 2010). Countries seek to influence and engage with external powers to offset the influence or power of another dominant state. Soft balancing is taking measures to complicate and challenge the exercise of power by a hegemon and these tactics aim to undermine or delegitimize the dominant actor's power and actions (Pape 2005). Former Prime Minister of Nepal, Pushpa Kamal Dahal (also known as Prachanda), brought up the idea of "strategic trilateral economic cooperation" between China, Nepal, and India in 2013 to avoid soft balancing strategies (Behera and Mayilvaganan 2021). Nepal Soft balancing refers to the strategy of persuading other major powers, particularly China and the USA, to counterbalance India regional influence. Nepal is aware of India's soft balancing toward China, supported by the USA through the Indo-Pacific strategy.² Hedging involves engaging with dominate state at various levels—political, economic, and strategic—with the aim of persuading or socializing dominate country leaders to conform to international rules and norms. Nepal rejects this soft-balancing tactics of India-US toward China. Nepal follows hedging strategy with the USA through MCC (Millennium Challenge Corporation). The soft-balancing argument is conceptually flawed and empirically unwarranted (Brooks and Wohlforth 2005; Lieber and Alexander 2005). In 2017, Nepal's government signed a compact with the MCC, which is seen as a significant aspect of infrastructure development, trade, and liberal values for the country (Thakuri 2021).

² Ministry of Foreign Affairs Nepal Report (2020-21). <https://mofa.gov.np/wp-content/uploads/2022/01/Annual-Report-2078-Final-A.pdf> p. 10–36



Accepting economic and development assistance from the USA could pose a threat to Nepal's relationship with China (Shakya 2020). While Nepal views the MCC as an infrastructure investment and aid project, the USA uses it as part of its Indo-Pacific strategy against China, causing political opposition and delays in ratifying the agreement in the Nepalese parliament (Thakuri 2021). Despite this, the MCC has expressed its continued interest in working with Nepal on future development projects. Nepal utilizes this opportunity for peaceful cooperation within the framework of the Belt and Road Initiative. For instance, the Nepal Electricity Authority (NEA) is planning to connect a cross-border transmission line with China to a Ratmate-based substation to be built with MCC assistance (Shrestha 2022). Hedging with superpowers is a strategy used by states to achieve their economic, military, or political interests (Tessman and Wolfe 2011). Critics of the soft-balancing argument argue that it is flawed conceptually because it downplays the role of military power in international relations and overstates the ability of non-military means to counterbalance a rising power (Brooks and Wohlforth 2005; Lieber and Alexander 2005).

Refuting soft balancing by renaming it as clashing economic interests, policy disputes, and diplomatic frictions further confuses the concepts of strategies and tactics (He and Feng 2008). Nepal is never interested in soft balancing toward China with the support of the USA and India under the Indo Pacific strategy (Bhattarai et al. 2022). The costs of war outweigh the potential gains from non-security expansion for status-quo states (Schweller 1994). In February 2022, the leftist party organized massive protests and nationwide strikes in opposition to the US-sponsored Millennium Challenge Corporation (MCC), demonstrating a pro-China stance (Al Jazeera. 2022). This is an autonomy aspect of Nepal's policy through hedging. The state uses hedging to strengthen politico-military, Security, economic, and diplomatic cooperation with powerful states, in order to avoid explicit confrontation for the time being (Koga 2018).

Hedging in international relation theories: case of Nepal

Hedging allows multiple alliance including military corporation at the level of multiple powers because it can be conducted regardless of polarity and power status in the foreign policy dimension (Waltz 1996). The smaller states may be probed to make choices similar to bandwagoning with either one, in particular by proposing military bases station facilities. This development, if it occurs, will drastically affect the bargaining power of the smaller states (Paul 2019). Nepal is not interested to compromising with their autonomy. Analyzing China's offensive realism against India and Bhutan is a good example of this. Bhutan is a landlocked country with close ties to India under the Indian military radar (Mainali 2022). Bhutan shares borders with China, India, and Nepal. Bhutan face offensive realism from China in the border regions. During the 2017 Doklam stand-off, when Indian and Chinese forces faced off at Bhutan's tri junction point (Kaura 2020), the Bhutanese felt increasingly insecure due to the escalating rivalry between India and China (Kaul 2022).



China warned India not to intervene in the Bhutan-China dispute because the Indian military was present in Bhutanese territory in response to China (Beena 2019), as China has not deployed its army to the disputed lands between Pakistan and India conflicts. “Flock to the weaker side, for it is the stronger [rising] side that threatens them” (Waltz 2010). After the Doklam incident, the next clash between Indian and Chinese soldiers occurred on June 15, 2020; at the Galwan Valley in Ladakh (Kaura 2020). On December 09, 2022, India experienced a border clash in the Arunachal Pradesh LAC areas with China (Singh 2022). Nepal attempted to remain neutral during the Doklam crisis (Paul 2019), but the conflict in the Galwan Valley between China and India in May 2020 altered the situation. Two weeks after the Galwan conflict, Nepal adopted a new map claiming territories that are disputed with India (Shakya 2020), which has had an impact on the Nepal-India border relationship.

Indian security experts argue that Nepal lacks the ability to secure its own territory, making it a vulnerable boundary between India and China (Nepali and Subba 2005). Bhutan, a neighboring country of Nepal, is facing a border dispute with China due to its bandwagon behavior with India (Kaul 2022; Mainali 2022). Unlike Bhutan, Nepal protects its boundaries without any military alliance as part of its non-alignment policy. It employs hedging strategies for military and security cooperation with Beijing and New Delhi. While China expects Nepal to align with its interests, India prefers military a balanced relationship against China. Status-quo powers prioritize self-preservation and the protection of their existing values. They focus on maximizing security rather than maximizing power (Schweller 1994). India sponsored blockade on 2015 against Nepal seems to status quo states behavior of BJP government of India. Status-quo states do not use military force to extend their values, but their interest in military power depends on the level of threat to their values (Schweller 1994) but Nepal and India have serious border dispute since 2020. Trusting India also not wise idea under the BJP government of India because they have border expansion interest to neighboring countries of India (Leidig 2020; Schwalbe 2022).

Nepal has rejected the expectations of both its neighbors. Similarly, Nepal’s situation is similar to Poland during the nineteenth century up until the Second World War, as Poland struggled for autonomy between Russian and German aggression. Analyzing through offensive realism of Russia against Ukraine is a notable factor in the contemporary political scenario since 2014, as Ukraine is situated between Russia and NATO alliance (Mearsheimer 2014b). The war between Ukraine and Russia in 2022 can be attributed to the failure of hedging under the non-alignment policies. Theoretically Ukraine is a buffer country. Changes in the distribution of power among superpowers are among the most significant events in international security, as both realism and power transition theories anticipate an increased likelihood of Conflict or war during such times (Connor 1984; Morgenthau 2006; Gilpin 1981; Mearsheimer 2014a; Organski 1968; Tammen 2006).

In the liberal perceptive of Hedging, Nepal seeks to establish an equitable relationship for trade and investment to both of its powerful neighbors. China had a GDP of USD 17.73 trillion and India had a GDP of USD 3.18 trillion in 2021



(World Bank 2021a, b). In terms of development partner disbursements, China allocated USD 453.763 million from FY 2014 to FY 2021, which is more than the amount of USD 325.803 million granted by India.³ New Delhi was a major partner in development partner disbursements to Kathmandu until 2014. Despite this, Nepal continues to prioritize India as a major trade partner. Approximately 80% of Nepal's exports and 60.7% of its imports are focused on India, while China's role in these areas remains minimal, as stated in the report by the Nepal Ministry of Finance.⁴ Achieve economic growth through hedging is an opportunity for Nepal. A stable policy is essential for this. Nepal needs to economical align with both countries to borrow their investment, technology and political support from both nations. China has promised to invest approximately US\$8.3 billion for infrastructure development in Nepal, including the construction of the Kathmandu-Lhasa rail link (Eun 2020). In contrast, India has formally committed to investing US\$317 million, although Nepal remains heavily dependent on India in sectors, such as fuel supply and remittances (Paul 2019; Eun 2020). In recent years, China has increased its economic and infrastructure support to Nepal, which has become an important factor in its foreign policy. India is a full member of the Shanghai Cooperation Organization (SCO) since 2017, and Nepal has been a dialogue partner of the SCO since 2016 (Mudiam 2018). Nepal's hedging behavior is motivated by the desire to reduce dependence on a more powerful state. Hedging increase bargaining leverage, and secure gains (Lim and Mukherjee 2019). Nepal seeks to maintain positive and cooperative relationships with both of its neighbors, as both are crucial for its economic and political stability.

From a constructivist perspective, this involves diminishing Indian socio-domination by engaging in multiple hedging strategies with other nations to achieve political stability. Nepal was a Hindu Kingdom during the time of monarchy until 2007 (Malagodi 2011). Growing Hindu extremism or nationalism in India is a threat for Nepal democratic secular values. In the Nepal case, Hindu extremism in India is a national security threat for neighbor countries because they believe in Akhand Bharath—Undivided India (Sanjeev 2007; Schwalbe 2022). India sponsoring Hindutva as a means of achieving political interest and maintaining the ideology in Nepal since 2014. Hindutva refers to the project of achieving a Hindu Rashtra, or state by RSS or sangh Parivar, inspired from fascism and BJP is a political wing of RSS (Kumar and Rizwan 2021). In this context, Nepal has attempted to reduce Indian political influence through various strategies. BJP used diplomacy to promote religion to extend their Hindutva ideology since 2014 (Huju 2022). The Communist Party of Nepal (UML) and the Communist Party of Nepal (Maoist) were merged to form the Communist Party of Nepal in 2018 with China's support (Thapaliya 2019; Smith 2018). Nepal's democracy is deeply rooted in the values, ideals, and influence of leaders such as Mahatma Gandhi, Dr. B. R. Ambedkar, and Jawaharlal Nehru of

³ Ministry of Finance Nepal Development Corporation Report (2020-21) https://www.mof.gov.np/uploads/document/file/1661161034_1660713168_DCR%20Report%202021_7_2.pdf

⁴ Ministry of Finance Nepal Economical Survey Report (2020-21) [https://www.mof.gov.np/uploads/document/file/1633341980_Economic%20Survey%20\(English\)%202020-21.pdf](https://www.mof.gov.np/uploads/document/file/1633341980_Economic%20Survey%20(English)%202020-21.pdf)



the Indian democracy, and it rejects the Hindu constructivism sponsored by the BJP government came to power in India since 2014.

Multiple hedging strategies have effective in these circumstances, particularly given that India and China are relatively weaker countries compared to the USA. Such strategies could be reciprocal against either India or China, as well as against the USA. Nepal tries to maintain a deep relations with the USA through MCC since 2017 (Thakuri 2021). Nepal reacts accordingly with their national interest to counteract any attempts to defeat Hindu extremism, or any constructivist diplomatic efforts sponsored by China or India in Nepal for avoiding proxy war. If there is any corporation between China and India, it may not be beneficial for Nepal, particularly under the Hindu nationalist government in India.

Why Nepal adopts hedging over bandwagon with China?

Nepal became a buffer state between India and Tibet until 1950, but the annexation of Tibet by the People's Liberation Army in 1951 resulted in Nepal sharing a border with China (Rose and Dial 1969). Nepal has been concerned about China's aggressive border policy. A threat from proximate power leads to bandwagoning; by contrast, the familiar phenomenon of a "sphere of influence" is created (Walt 1985). India has tried to establish a security alliance with Nepal to counter any potential Chinese aggression toward both Nepal and India's border. India has perpetuated the false image of the PLA border aggression toward Nepal and has cultivated an anti-China attitude in Nepal since 1951. In October 1950; China discussed Nepal's perception of this annexation about India before deploying its military to Tibet. In August 1950, Chinese Premier Zhou Enlai courteously discussed the matter with the Indian ambassador in Beijing, K. M. Panikkar, inquiring "if he had heard of Nepal providing military assistance to Tibet and seeking New Delhi's support to discourage Nepal from doing so" (Bhasin 2018). As per available literature and incident, there was no bandwagon structure from Nepal to China.

Beijing tried to maintain a relationship with Nepal Since 1950. China is concerned about Tibet's security and this has been the main aim of China's policy toward Nepal from 1950 to 1990. On August 1, 1955, China and Nepal established diplomatic ties and one year later another agreement was signed for providing economic aid to Nepal (Bhasin 1994). The aim was to take favorable actions toward China. China showed no desire for territorial acquisitions in Nepal due to the peaceful cooperation and non-alignment strategies of the Nepal monarchy, but at the same time, India showed a balancing security strategy with the support of the USA until 1970. Small states bordering a great power may be so exposed that they choose to bandwagon rather than balance, especially if their powerful neighbor has revealed its ability to force obedience (Schweller 1994). Nepal has a geographical relationship with Tibet, similar to India. Before the twentieth century, Nepal's economic and trade growth was traditionally linked to this region. The Chinese invasion in 1950 resulted in a significant reduction in trade, leading to the eventual breakdown of Trans-Himalayan trade after the Indo-China conflict in 1962 (Srivastava 1966).



Nepal and China relations during the time of Cold War

China struggled with internal problems during the Cultural Revolution and the implementation of the new economic policy, so they did not give trade and economic priority to Nepal until 1989 (Gokhale 2021) but they supported Nepal directly and indirectly through various diplomatic alliances (Bhasin 2018). From Beijing, modest economic aid, international support and military aid created a friendly atmosphere (Hong-Wei 1985). From 1970 to 1989, Beijing supported 42 projects in Nepal with grant assistance, including various infrastructure and industrial developments (Garver 1991). US stopped funding to Tibetan militants against China through Nepal's borders with support of India in 1972 (Gokhale 2021). China exerted pressure to restrict those activities within the Nepal's borders and used for security reasons. Beijing successfully employed diplomatic means to hinder India's presence in Nepal vis-à-vis China. Despite Mao and Nixon's friendship in 1972, the Soviet Union did not support India through Nepal in countering China's influence in the Tibet region due to ideological clashes between Moscow and Beijing within the socialist blocs prior to Nixon's visit. During the Cold War, Nepal's relations with China provided an opportunity to reduce Indian political dominance in Nepal, which was a significant aspect compared to the limited trade or economic development with Beijing.

Sino-Indian conflicts tend to avoid Bandwagon with China

The armed border conflicts between China and India from 1959 to 1962 resulted in the Sino-Indian war, after which the Chinese military grew stronger than India's (Guang 2004). This caused concern for the monarchies of Bhutan, Sikkim, and Nepal, who had border share with China. The power of the Chinese military has intimidated India's military since 1962. The Nepalese monarchy saw the occupation of Tibet by Beijing and the Indo-Sino war as damaging to Nepal's security and leading to nonalignment. After the Sino-Indian war in 1962, Nepal became aware of the security implications for its territory. Diplomacy was seen as the main line of defense and military security, with efforts made to ensure no security threats developed against China (Nepali and Subba 2005). Strategically, Kathmandu favored the USA and India over China for a while (Rose and Dial 1969). India's offensive realist approach created a false notion that the 1962 border war was initiated by an unexpected attack by China (Maxwell 1999). The escape of the Dalai Lama to India sparked a diplomatic dispute and negotiations between the two countries.

The Nathu La and Cho La clashes between India and China on the Sikkim border in 1967 were seen as a positive development in Indian realism against China (Rahul 1970; Lunt 1968) as the Indian military received support from both the Soviet Union and the United States. The Bangladesh Liberation War in 1971 was a prominent event in South Asia and the Indian army played a key role with Mukti Bahini. These reasons could have influenced Nepal to avoid military aligning with China.



China had developed nuclear capabilities by 1964 (Kristensen and Korda 2019), but the presence of the USA and India between 1950 and 1970 helped prevent Nepal from aligning with China. After 1970, India also developed strong ties with the Soviet Union. In 1974, India conducted its first nuclear test (Subrahmanyam 1974), which may have further discouraged Nepal from aligning with China. Nepal did not have a proper trade transit arrangement with China until 2015 (Mainali 2022).

Why Nepal doesn't bandwagon with India?

There was no bandwagoning structure from Nepal to India. Bandwagoning with India could provoke threats from China, especially since India and China are in a border conflict. Sikkim was a separate kingdom that merged with India, but it was not fortunate as it lost its identity in 1975 when it was merged as the 22nd province of the Indian Union (Suhrwardy 1996). This was a concern for the Nepal monarchy, as Sikkim was a neighboring kingdom until 1975 and was occupied by India as a federal state (Mainali 2022). Sikkim had bandwagon with India until it lost its identity. The Nepal was interested in keeping non-alignment strategies with India, and it had a clear hedging behavior toward China and India. Nepal's hedging behavior toward India was stronger than toward China, based on trade and investment, because of India's status quo power. China provided moral support for sustaining the monarchy in Nepal compared to the democratic moments sponsored by India that aimed to abolish the monarchy since 1960 to 2007. India used a status quo behavior toward the Nepal all the time, seeking to establish democracy and counter Chinese interests. An analysis of India and Nepal relations since 1960 demonstrates that Indian influence has often shaped policies in Nepal that are not necessarily aligned with Nepal interests. Nepal has been dependent on the Indian economy and trading activities and transportation since 1951 (Dahal 2011).

Nepal's integration with the international trade and global economy has been designed by its position of de facto integration with India for some instance period since 1950 (Karmacharya 2001). Pursuing hedging involve economic bandwagon (Cheng-Chwee, 2008) it degree to which a state can take the risk of increasing economic dependence on a hegemon (Koga 2018). Although Nepal's trade has largely depended on India, this does not necessarily imply de facto integration, and such dependence has not always been favorable for Nepal's autonomy. Nepal with access to the sea via Indian ports, in 1960, Nepal has adopted the Indian rupee as a widely circulating currency (Shah 1973; Yelten 2004). During the period spanning from 1960 to 1970, more than 98% of the total exports and imports of Nepal were sourced from India, accounting for around 90% (Jayaraman and Shrestha 1976).

In the 1960s, Nepal attempted to pursue a non-alignment strategy between India and China, this approach was successful due to the hostility between these two powers, leads the monarchy to align more closely with China to reduce Indian influence and avoid diplomatic provocations from India during certain periods. It used against a democratically elected government, dismissing it in December 1960 (Baral 2018). After the removal of the democratically elected government in



December 1960 (Baral 1973; Regmi 2023), India sought to rebuild parliamentary democracy against the monarchy (Khadka 1995).

The Nepal monarchy's early attempt to secure Chinese support for their proposal to declare the country a "Zone of Peace" against India sponsored democratic moments (Muni 1984; Rana 2013), while the monarchy sustained its power and achieved moral international support for the transit rights of landlocked states from 1975 to 1996 (Marston 1996; Perry 1999). India had attempted to use democracy as a tool to dismantle the monarchy in Nepal, but due to India's status quo power, the monarchy had no choice but to maintain its relationship with India; furthermore, Nepal's political parties supported India over the monarchy. As India had tried to demolish the monarchy until 2007. Since 2008, democratically elected governments in Nepal, particularly leftist parties, have been adopting an ideological approach in their relations with China (Khanal 2019). After the Indian sponsored 2014 blockade, Nepal has strategically and cleverly supported China to implement policies that are seen as being in favor of Nepal. Before 2015, China did not play a major role in Nepal economy.

Balancing in hedging: Nepal's strategies with China and India since 2014

Nepal encourages China and India to explore alternative sources of friendship rather than relying solely on military power alliance of Neighbors. Balancing in hedging does not align with the realist concepts of balance of power or balancing. Balancing in the face of Hedging is an achievable process for Nepal to overcome this unequal hedging behavior. Nepal was an economically bandwagon country with India. Due to this reason Nepal trade and economic relation with China comparatively weaker. Due to the 2014–2015 economic blockade and border disputes between India and Nepal, the relations between the two countries have faced certain dilemmas (Mainali 2022; Behera and Mayilvaganan 2021). Nepal has been maintaining an extensive trading partnership with China since 2014. In response to anticipated risks and changing geopolitical dynamics, Nepal has been exploring potential changes to its hedging strategies. By engaging in balancing through military cooperation, economic and trade cooperation, Nepal aims to reduce Indian autocratic behaviors with support of China in terms of economic cooperation and joint military exercise. The main motive behind such balancing in hedging is avoiding dependency of India. Nepal has signed a Trade and Transit Agreement with India 1950 and more recently, with China in 2016 (Adhikari and Ma 2022). Beijing provided enormous and prompt support to Nepal's rescue efforts after the painful earthquakes on 2015. President Xi Jinping's pledged US\$483 million assistance package for Nepal's reconstruction (Lin 2021).

As of mid-July 2021, India held a 33.3% share in the total Foreign Direct Investment (FDI) stock, while China held a 14.5% share (Nepal Central Bank Report 2022). From 2014 to 2021, Nepal's exports to China amounted to \$196 million, while imports from China totalled \$12.4 billion. In comparison, the exports to India were \$5.37 billion, and the imports from India were \$49.9 billion (OEC 2021).



There has been a positive change in hedging with Nepal-China relations since 2014, as it now reflects joint military cooperation, economic and infrastructure benefits (Mainali 2022).

China's growing interest in humanitarian assistance to Nepal over the past decade has mainly been driven by the deepened strategic relationship between the two countries against the background of Nepal's pursuit for autonomy from India and China's expanding economic and geopolitical interests in Nepal fueled by the implementation of the BRI (Bhattarai 2021; Khadga and Bhattarai 2018). The Belt Road Initiative has a new window it opened for economic and trade cooperation in reciprocally agreed areas is to be glance. The Trans-Himalayan railway line is one of the significant infrastructure projects under the BRI (Murton and Lord 2020; Bhattarai 2022).

The number of projects initiated by China and India during the period of 2019–2020 was 1,711 and 798, respectively, while Chinese projects are increasing in Nepal (MoICS 2021), China has tried to keep an economic development approach to Nepal, especially in Aid, Trade and Investment. China has allowed zero-tariff entry for trade of over 8,000 Nepalese products into China since 2009. Nepal diplomacy has been successful in gaining the trust of China, surpassing the significance of trade relations. The total share of Chinese and India trade between Nepal was 14.1% and 62.2%, respectively, in 2019–2020.⁵

After India, China is its largest trading partner of Nepal. In 2021/22, China's total import growth was 16%, which was less than India's 24%, and during the same period, Nepal's exports to China fell by 21.4% and 61.8% increased to India (NCB 2022). India and China plays a major role in this export and import-oriented trade in South Asia. These two neighboring countries express support for Nepal's growth. In the fiscal year 2020/21, as of mid-March, China had the highest percentage of approved industries for FDI at 46.8%, followed by India at 27.4%. In terms of the number of industries and investors, China accounted for 35.5% while India accounted for 15.4%.⁶ During the 2021–2022 financial years, India allocated approximately \$9.9 million for foreign aid to Nepal (Indian Budget 2022) and it still explains the vital role 'aid' plays for India. Nepal is India's largest trading partner since 1950, total bilateral trade between the two countries stood at \$8.9 billion in 2021–2022.⁷

⁵ Ministry of Finance Nepal Economical Survey Report (2020-21) [https://www.mof.gov.np/uploads/document/file/1633341980_Economic%20Survey%20\(English\)%202020-21.pdf](https://www.mof.gov.np/uploads/document/file/1633341980_Economic%20Survey%20(English)%202020-21.pdf)

⁶ Ministry of Finance Nepal Economical Survey Report (2020-21) [https://www.mof.gov.np/uploads/document/file/1633341980_Economic%20Survey%20\(English\)%202020-21.pdf](https://www.mof.gov.np/uploads/document/file/1633341980_Economic%20Survey%20(English)%202020-21.pdf)

⁷ Ministry of Finance India, Budget (2020-21) <https://www.indiabudget.gov.in/budget2020-21/index.php>.



Conclusion

Nepal has often resisted India's dominant influence in Nepalese politics since 1960. However, Nepal's dependence on both India and China is a reality, not a fictional character. Despite this, Nepal is aware of its own national advantages and weaknesses, which have influenced its foreign policy decisions. Nepal has sought friendship treaties with both India and China to address existing security threats, and to have the courage to overcome challenges. As we analyzed Nepal's foreign policy, it becomes evident that non-alignment is a defensive approach employed by Nepal to avoid military threats from its two neighboring nuclear power states through hedging. Nepal defensive realism has been able to prevent Chinese or Indian aggression from its territories.

Nepal's relationship with China is expected to bring economic and trade benefits through BRI. The problem of debt trap diplomacy arises when borrowing countries fail to invest the borrowed money properly. Hedging with both China and India could be beneficial for Nepal if it adopts a good investment strategy. To avoid debt trap diplomacy from India and China, the borrowed money must be invested in proper portfolios. Nepal's foreign policy reflects its recognition that India is economically and politically less advanced than China. However, Nepal's economic dependency on India has been decreasing due to its effective hedging toward China since 2014. Prior to 2015, there was not a large pro-China mindset among Nepalese political parties, but there was an anti-India attitude. Indian authoritarian behavior has managed to cultivate a pro-China attitude in Nepal.

The growing religious fundamentalism in India poses a threat to Nepal's internal security, and if the USA and China do not take action against this religious fundamentalism. Nepal may face significant challenges in the future. If India and Nepal share the same ideological government based on religion, Nepal may lean toward India in the future. Therefore, it is crucial for Nepal to maintain a good relationship with China and the USA since having territorial disputes with India. While Nepal is more culturally and economically dependent on India, successful investments through BRI and MCC may help to achieve reciprocal or even favorable trade situations. Nepal's strategy of hedging, pursuing economic and military cooperation with both the USA and China is commendable as it allows Nepal to avoid the risk of external influence from India, which promotes Hindu nationalism.

Declarations

Conflict of interest The author declares that there is no conflict of interest.

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