

# Navigating Power Balances: Nepal's Foreign Policy Dynamics Between India and China

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**Abstract:** *Nepal is at the centre of a complicated geopolitical dynamics due to its location between China and India, two of Asia's biggest countries. This article explores the intricate interplay of Nepal's foreign policy as it navigates the competing interests of these two influential neighbours. In addition to its long-standing strategic, cultural, and economic ties to India, Nepal has made an effort to strengthen its diplomatic and business relationships by taking advantage of China's growing worldwide influence. The study examines key periods of policy shifts, the role of economic dependence, and the impact of regional initiatives such as the Belt and Road Initiative (BRI) and the South Asian Association for Regional Cooperation (SAARC). It also takes into account Nepal's ambitions for sovereignty and fair diplomacy, as well as internal political issues. By analysing Nepal's strategies to manage this triangular relationship, the article sheds light on broader regional dynamics and the challenges faced by smaller states in pursuing non-aligned and pragmatic foreign policies amidst great-power competition.*

**Keywords:** BRI, Trilateral dynamics, Geopolitics, Strategic Balance

## 1. Introduction

Nepal being located between China and India, two of the most powerful and populous nations in the world, its geopolitical location is vital. Nepal is a crucial buffer state in South Asia, impacting trade, diplomacy, and regional security due to its unique location in the Himalayas. With a long history of antagonism, exemplified by the Sino-Indian border disputes, Nepal serves as a buffer between China and India. Sustaining the balance of power in South Asia requires this impartial stance. India views a stable, India-aligned Nepal as essential to its northern region's security and as part of its historic sphere of influence (Dahal, 2019). Since Nepal and India have an open border, the political stability and alignment of Nepal directly affects the northern parts of India. But when we analyse the case of China a gateway to South Asia is Nepal. China's peripheral diplomacy, which aims to preserve peaceful borders, is consistent with maintaining cordial relations with Nepal. Furthermore, considering its involvement in the Belt and Road Initiative (BRI), which seeks to improve connectivity with South Asia, China views Nepal as a possible sphere of influence (Dahal, 2015).

Due to its position, Nepal is reliant on India for sea access; nevertheless, new infrastructure projects by China are opening trade routes through Tibet to the north. If these new routes are successful, they may give Nepal a substitute for Indian trade channels, which would lessen its reliance and increase its trading flexibility. Nepal has the potential to act as a bridge for trade between South and East Asia with significant infrastructure projects, such as the proposed trans-Himalayan railroads under the Belt and Road Initiative (Aditya & Bhatta, 2016). This positioning strengthens Nepal's position as a hub for connectivity and logistics, drawing both neighbours' strategic and economic attention. India and China both depend on Nepal's rivers, which are supplied by the Himalayan glaciers. These rivers supply essential water resources for hydropower, agriculture, and drinking water as they flow into large river systems (such as the Ganges in India). Therefore, preserving stability and collaboration with

Nepal in the areas of water management and sustainable development is of interest to both China and India (Acharya, 2019).

Nepal's shares Buddhist and Hindu traditions with both China and India giving it cultural relevance. The Buddha's birthplace, Lumbini, draws pilgrims and enhances cultural diplomacy, enabling Nepal to employ its soft power in regional ties. Nepal can mediate and promote communication between China and India and Nepal also follow the policy of non-alignment policy, (Dahal, 2019). Nepal is positioned as a possible regional mediator and peacemaker due to its diplomatic adaptability. India and Nepal also initiates various development projects in Nepal due to its strategic location (Acharya, 2014).

### Historical Relationship Between Nepal, India and China

India, Nepal, and China have a centuries-old relationship that is firmly anchored in geography, culture, trade, and diplomacy. Nestled in South and East Asia, these three countries have gone through phases of alliance, rivalry, and conflict that have influenced their relationships and regional clout over time. Their current political dynamics, as well as their shared cultural traditions, religious influences, and strategic alliances, all reflect this complex relationship.

India, Nepal, and China first interacted mainly on a cultural and religious level. Due to the influence of Buddhism and Hinduism, which originated in India and extended to Nepal and beyond, and had a profound influence on the art, architecture, and cultural traditions (Thapa, 2004). Through Nepal and Tibet, Buddhism made its way to China in the first few centuries, forming ties that would influence Chinese religious practices and worldviews. While Chinese monks travelled to India and Nepal to study Buddhism at its birthplace, Indian and Nepalese Buddhist monks used the Silk Road to propagate their teachings throughout China. These exchanges were reported by well-known Chinese pilgrims like Xuanzang and Faxian during their visits to India in the fifth and seventh century.

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This religious interchange also influenced Nepal's special status as a cultural link between China and India. In particular, the Kathmandu Valley developed into a centre for Buddhist research and learning, contributing significantly to the spread of Buddhism in Tibet and later China. Additionally, it made it easier for Sanskrit and Pali texts to proliferate, as visiting scholars translated them into Chinese (Witzel, 2012).

The triangular connection between China, India, and Nepal was significantly shaped by trade. Nepal was a key transit location for trade routes that conveyed luxury commodities, textiles, and spices because of its advantageous location between Tibet and the Indian subcontinent. Nepal served as a key bridge on the Silk Road, which connected China and India via Central Asia (Thapa, 2004).

India and China increased their trade and cultural exchanges during China's Tang and Song periods (618–1279 CE). This process was made possible by Nepalese traders and craftspeople, who helped all three regions' economies and cultures flourish (Ray, 1995). Since Nepal's governing dynasties promoted trade with Tibet and China, establishing Nepal as a regional trading hub, the Licchavi period (c. 400–750 CE) was especially important for India-Nepal-China relations. The rise of Newar traders as Nepal's main traders improved regional trade by fortifying relationships with Chinese and Indian traders (Thapa, 2004).

Nepal has carefully managed its diplomatic relations with China and India throughout history in order to preserve its independence. In the 18th and 19th centuries, this delicate balancing act grew even more difficult. Following a policy of equidistance from both Qing-dynasty China and India (then influenced by the British), the Gorkha Kingdom united Nepal under King Prithvi Narayan Shah in 1769. Nepal's geopolitical dilemma was aptly described by Prithvi Narayan Shah as "a yam between two boulders" (Shah, 1982).

As the British East India Company extended its dominance over the Indian subcontinent in the late 18th century, Nepal grew more cautious of possible British intrusion. As a reflection of its practical foreign strategy, Nepal kept tributary ties with the Qing dynasty to discourage British interference (Rose, 1971). A formal treaty that guaranteed China's protection of Nepal from foreign incursions while preserving Nepal's autonomy was the result of the Sino-Nepalese War (1788–1792). Despite maintaining a fictitious tribute connection with China, this arrangement assisted Nepal in avoiding direct colonisation by either British India or Qing China (Shah, 1982).

The trilateral ties were further shaped during the colonial era. As British India's influence grew, the British began meddling in Nepal's domestic issues. The Treaty of Sugauli, which was signed after the Anglo-Nepalese War (1814–1816), reduced Nepal's territory and power and brought it closer to British India's area of influence (Rose, 1971). China's capacity to retain a significant influence in the area was eroded during this period due to its own problems, such as the Opium Wars and internal uprisings. As British India increased its influence over Nepal's trade policy and regional politics, the country's position grew even more vulnerable. Since the British wanted to use Nepal as a buffer state against any Chinese advance

into South Asia, it was able to preserve its sovereignty, unlike India (Ray, 1995).

The trilateral dynamics changed after India gained independence from British rule in 1947 and the People's Republic of China was founded in 1949. As China and India gained independence, Nepal kept up its diplomatic balancing act. India and Nepal signed the Treaty of Peace and Friendship in the 1950s, which established Nepal's economic reliance on India and permitted free movement across their borders (Bhattarai, 2003). Nepal however maintained some degree of independence and kept up its diplomatic relations with China.

A change occurred in the 1960s when China and India fought each other over boundary disputes, which resulted in the Sino-Indian War in 1962. To preserve good relations with both countries, Nepal, sandwiched between the two powers, adopted a nonalignment strategy. China became more interested in Nepal during this time as a possible ally and defence against India, while India tried to balance Chinese influence by fortifying its own relations with Nepal (Rose, 1971).

From religious and cultural interaction to strategic and economic interdependence, the historical connection between China, India, and Nepal has changed over time. The geopolitical circumstances of the region have influenced Nepal's function as a mediator and balancing force over the centuries. The three nations' complicated histories highlight the value of diplomacy, respect for national sovereignty, and regional stability as they continue to interact in the modern era.

### **Bridges of Collaboration and Conflict in Nepal by India and China**

India has been one of Nepal's most important development partners and is Nepal's top source of foreign direct investment and also its biggest trading partner. India benefited from a trade deficit in 2019–20 as bilateral trade topped \$7 billion. As part of its connectivity and development cooperation, India actively supported Nepal's infrastructure development, particularly border infrastructure and cross-border train links. The Gandak-Nepalgunj Corridor, the Nijgadh-Inaruwa Corridor, and the Bheri Corridor are three important transmission lines in Nepal that will be financed by a \$680 million credit line from India. In 2023, there will be twin Integrated Check Posts (ICPs) in Rupaidiha, India, and Nepalgunj, Nepal. Nepal would have access to India's internal waterways under a revamped transit agreement.

Nepal is a priority partner under India's "Neighbourhood First" strategy, which takes into account the political and security concerns. Regular high-level visits from both nations are always present. In terms of defence, Nepalese soldiers are enlisted in the Gorkha regiments of the Indian Army (Wuthnow, 2017). Every year, the two countries take turns participating in the joint military exercise known as Surya Kiran. Through the Non-Aligned Movement, SAARC, BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation), and BBIN (Bangladesh, Bhutan, India, and Nepal), the two nations also collaborate on several multilateral projects. India is the leader

of the International Solar Alliance (ISA), which Nepal has also joined. The advancement of renewable energy is one among the many significant agreements that India and Nepal have signed. Over the next decade, 10,000 MW of power should be exported. ISRO will use a Polar Satellite Launch Vehicle (PSLV) to launch Nepal's Munal satellite. The foundation of India-Nepal relations, which are characterised by an open border and enduring familial and cultural ties, is the 1950 Treaty of Peace and Friendship (Rae 2021).

A power exchange agreement between India and Nepal has existed since 1971 to meet the electricity demands of the border regions. The first trilateral power transfer of up to 40 megawatts from Nepal to Bangladesh via India was approved by India in 2023. When the 2015 Nepal earthquake struck, New Delhi was the first to react by launching Operation Maitri in the region. India gave Nepal Covishield as part of its Vaccine Maitri Initiative.

When Kathmandu published a new political map in 2020 that included three Indian territories—Limpiyadhura, Kalapani, and Lipulekh—as part of Nepal, it dealt a severe blow to the relationship between India and Nepal. Two more crucial challenges include trade and economic dependence (Chauhan, 2022). Many Nepalese are concerned about sovereignty because they perceive India's influence as being excessively assertive, even if it is their largest trading partner. During times of political turmoil, as the unofficial blockade in 2015, Nepal had severe shortages of essentials, which heightened hostility towards India. Sharing water is still a contentious topic. Many rivers enter India from Nepal, and conflicts over managing water resources and flood control often arise, particularly during monsoon seasons when downstream regions of India experience significant flooding. Nepal's involvement with China through programs like the Belt and Road Initiative (BRI) worries India, which views the country's increasing Chinese influence in Nepal as a strategic challenge (Bharti, 2015). These issues necessitate careful diplomacy because both nations wish to preserve their close ties while honouring each other's sovereignty.

The main focus of China's engagement in Nepal is its infrastructural development. China has made large investments through the BRI to improve Nepal's connectivity, with an emphasis on electricity, roads, and railroads. The Trans-Himalayan Multi-Dimensional Connectivity Network, which includes plans for a railway connection between Kathmandu and Kerung, is one of the most ambitious projects. If successful, this project would lessen Nepal's reliance on India for overland trade routes by integrating the country into China's extensive trading network (Shrestha2020).

Chinese-funded hydroelectric initiatives like Arun III and the Upper Trishuli demonstrate Beijing's determination to support Nepal's transition to energy independence. Additionally, China has contributed both financial and technical support to disaster recovery efforts, especially in the wake of the deadly 2015 earthquake. Beyond infrastructure, Confucius Institutes and scholarships for Nepali students are two examples of China's cultural diplomacy. In addition to its economic endeavours, these measures seek to strengthen China's soft influence and promote goodwill in Nepal.

### Navigating Non-Alignment: Challenges to Nepal's Foreign Policy in a Geopolitical Crossfire

Neutrality, non-alignment, and peaceful coexistence have long been the cornerstones of Nepal's foreign policy as a founding member of the Non-Aligned Movement (NAM). Nepal's adherence to NAM ideals has enabled it to successfully negotiate complicated geopolitical dynamics as a landlocked country sandwiched between China and India, two emerging powers. However, Nepal confronts a number of difficulties in upholding its non-aligned position within its foreign policy framework in the context of the changing international order (Muni,1999).

Nepal's geographic location between India and China places it at the center of their strategic rivalry (Subedi,2005). Although historical, cultural, and economic linkages have historically allowed India to have a major impact on Nepal, China has been extending its influence through political involvement and infrastructure investments under the Belt and Road Initiative (BRI). Nepal now faces a formidable challenge in juggling these conflicting interests, which frequently puts its dedication to neutrality to the test. For example, India is concerned about Nepal's involvement in the BRI, and Beijing is occasionally alarmed by its strong relations to India.

Nepal's capacity to independently uphold NAM values is weakened by its economic reliance on its neighbours. India continues to be Nepal's main transit route and biggest trading partner, which puts the country at risk during times of bilateral tension like the unofficial blockade in 2015. However, China's increasing investments have sparked worries about strategic concessions and debt reliance. Due to its economic dependence, Nepal is less able to avoid siding with one power bloc over another.

Nepal's capacity to carry out a coherent foreign policy is weakened by frequent changes of government and political infighting. Depending on their own political goals and outside forces, political leaders frequently switch between positions that are pro-China and pro-India. Nepal's adherence to NAM values is compromised by this incoherence, which also leaves the nation open to outside intervention.

As the world grows more fragmented into new power blocs headed by the US, China, and other regional actors, NAM's significance has waned in the post-Cold War era. Navigating these divisions will be difficult for Nepal, especially when global concerns like China's Belt and Road Initiative and the Indo-Pacific strategy change alliances(Kumar 2011). As an illustration of the conflict between upholding NAM and responding to both internal and foreign influences, Nepal rejected the U.S.-led Millennium Challenge Corporation (MCC) contract because it believed it would have geopolitical ramifications, despite its efforts to maintain its neutrality.

In recent decades, Nepal's active involvement with NAM throughout the Cold War has diminished, raising concerns about its commitment to its role within the organisation. Nepal's very low involvement in NAM platforms raises questions about its commitment to the movement's principles as contemporary global issues—like climate change,

pandemic outbreaks, and economic inequality—demand coordinated action.

### China's Strategic Pursuits and Growing Influence in Nepal

Over the past few decades, China's involvement in Nepal has increased dramatically due to political, economic, and strategic goals. Beijing's larger regional ambitions depend heavily on Nepal, a landlocked nation that is ideally situated between China and India. China's efforts to undercut India's long-standing dominance in the region and bolster its own footprint in South Asia are reflected in its growing influence in Nepal.

Nepal's proximity to Tibet makes it strategically significant to China. China needs Nepal to follow its policies to keep Tibet stable and stop anti-Chinese sentiment, especially among Tibetan refugees. Beijing keeps a careful eye on Nepal's treatment of Tibetan exiles and discourages any behaviour that could encourage foreign criticism of China's Tibet policies or pro Tibet activities (Bhardwaj,2020). Initiatives like (BRI), which aims to build a massive infrastructural network that connects Asia, Africa, and Europe. Expanding commercial channels and ensuring regional connectivity require closer connections with Nepal.

China is now one of Nepal's biggest foreign investors, putting money into tourism, hydropower development, and infrastructure projects. Among the noteworthy initiatives are: Trans-Himalayan communication Projects: In order to enhance trade and communication between Nepal and China, China is constructing highways, railroads, and tunnels as part of the BRI. One major project that represents strengthening economic relations is the projected Kerung-Kathmandu railway. China has made significant investments in hydroelectric projects in Nepal, such as the West Seti hydroelectric Project (Kumar,2019). China is Nepal's second-largest trading partner and a major source of tourism-related income. The economy of Nepal has benefited greatly from Chinese tourists, especially since COVID.

China has used its strategic alliances and financial investments to gradually expand its political clout in Nepal. In order to secure advantageous policies, Beijing has fostered links with Nepal's political parties, especially the communist groups. China was crucial in helping Nepal's communist parties come together to create the Nepal Communist Party (NCP) in 2018. China's involvement highlighted its political aspirations in the region, even though the party later split. Beijing aggressively participates in Nepalese politics as well in an effort to offset the influence of the West and India (Jha,2021).

China wants to lessen India's dominance in South Asia, which is one of the reasons for its expanding presence in Nepal. China positions itself as a challenge to India's long-standing hegemony by providing financial assistance for infrastructure, diplomatic backing, and security collaboration. Beijing also aims to counter Western influence, especially that of the United States (Bhatnagar,2017). China has viewed initiatives like the U.S.-backed Millennium Challenge Corporation (MCC) compact with mistrust, seeing them as a means of controlling its rise.

By highlighting their common Buddhist past and boosting educational exchanges, China has made investments to deepen its cultural connections with Nepal. Initiatives like Mandarin language instruction and scholarships for Nepalese students help to improve China's reputation (Yadav,2018). In Nepal, Confucius Institutes are important for promoting scholarly and cultural collaboration.

Though China has been trying to have a tremendous influence on Nepal, it also faces certain challenges that include internal Opposition from Nepalese citizens and political figures are worried about the possible debt reliance and sovereignty threats posed by Chinese investment. Nepal keeps its relations with China and India in balance so that neither country can control its foreign policy that in a way tactically balances its geopolitical dimensions (Sharma, 2022) China's ambitious connectivity projects face logistical difficulties due to the untamed Himalayan landscape.

### Navigating the Tightrope: Nepal's Strategic Balancing Between India and China

This strategic balancing act is deeply rooted in Nepal's geography, history, and socio-economic realities. India, with its close cultural, historical, and economic ties, has long been a dominant partner. The open border between the two countries allows for seamless movement of people and goods, fostering strong socio-cultural bonds. India's role in Nepal's economic development, trade, and investment is significant, but its influence is often viewed with suspicion in Nepal, where concerns of over-dependence and interference in domestic affairs persist. This perception has pushed Nepal to seek closer ties with China, which has emerged as a formidable global power and an alternative partner (Shakya,2015). China's Belt and Road Initiative (BRI) has promised Nepal substantial investment in infrastructure, connectivity, and trade diversification, allowing Kathmandu to reduce its reliance on Indian trade routes.

But Nepal's delicate balancing act is complicated. Though sporadic political conflicts, like India's unofficial embargo in 2015, have strained relations, India is still Nepal's largest economic partner and a key lifeline for essential supplies. This incident encouraged Nepal to strengthen its ties with China, especially in the area of building northern trade routes and connectivity initiatives like energy pipelines and train links (Pandey,2020). However, the Himalayan landscape presents logistical obstacles to connectivity between China and Nepal, rendering India's close vicinity and well-established infrastructure essential in the near future. Furthermore, there is some dispute around China's expanding influence in Nepal. Enthusiasm for Chinese investments has been dampened by claims of weakening Nepal's sovereignty and worries about debt reliance, which is evident in other BRI recipient countries. Policymakers in Nepal are wary of becoming overly dependent on Beijing because they understand that this could upset the balance and alienate India.

This delicate balancing task is made more difficult by Nepal's internal politics. Nepal's relationships with China and India are frequently used by political leaders to win support at home or abroad, which can occasionally result in erratic foreign policy. Because of its strategic location, Nepal's political

stability is important to both China and India. In order to maintain regional security and limit Chinese dominance in South Asia, India needs a secure Nepal. China, on the other hand, views Nepal as a crucial ally in its South Asian strategy and a line of defence against possible Western and Indian border incursions, especially with regard to Tibet. Nepal's internal development demands also play a role in its balancing act (Bhatta,2019). The nation wants to overcome its status as a least developed nation, which calls for collaborations and investments from outside the country. Maintaining national sovereignty while balancing Chinese and Indian investments is a challenging undertaking that requires diplomatic skill.

Nepal is closer to India both historically and culturally, and its relations with China are relatively new but expanding quickly. In some segments of Nepali society, Beijing's focus on strategic investments and economic diplomacy has gained support. Nonetheless, long-lasting links are guaranteed by the strong cultural and linguistic ties to India as well as the sizeable Nepali diaspora living there (Gupta,2024). In the end, Nepal's balancing act reflects its pursuit of a foreign policy that upholds regional peace, fosters economic growth, and protects its sovereignty. Nepal's policy will continue to change as it negotiates its way between its strong neighbours, influenced by both its own goals for stability and progress as well as the altering dynamics of the region.

#### **Public Perception and Influence of Domestic Politics on Nepal's Foreign Policy Toward China and India**

Domestic politics and public opinion have a significant impact on Nepal's foreign policy, especially with reference to its larger neighbours China and India. These interactions are still difficult to balance because of changing national interests, historical precedents, cultural links, and economic necessities.

India and Nepal have close historical, cultural, and religious ties. Given their same customs and an open border that promotes social interaction and trade, many Nepalis view India as a natural ally (Adhikari, 2023). Anti-India sentiment has been stoked by Indian influence in Nepalese politics, especially with relation to blockades (such as the 2015 border blockade during Nepal's constitutional debate). Such acts are frequently perceived as attempts to subjugate Nepal's sovereignty, which prompts demands for alliance diversification. Public perception is influenced by Nepal's economic reliance on India, which is also its biggest trading partner. Considered a vulnerability, many Nepalis support lowering this reliance.

In case of China, with its investments and infrastructure projects under the Belt and Road Initiative (BRI), China is becoming more and more recognised as an economic growth partner. Many Nepalis see this as a way to lessen dependency on India (Baral, 2018). Although a lot of people are in favour of Chinese investments, there is doubt regarding the sustainability of the debt and its sovereignty, particularly in light of tales of purported Chinese incursions into Nepali land. Nepal's treatment of Tibetan refugees under Chinese pressure has generated conflicting views among the public. According to some, Nepal's democratic values are being undermined by complying with Beijing's demands.

Consistency in foreign policy is impacted by Nepal's political instability and frequent changes in government. Depending on leadership choices and political alliances, successive administrations frequently alternate between favouring China and India. While nationalist or centrist parties frequently support policies that are balanced or sympathetic to India, leftist parties, including the Nepal Communist Party (NCP), have historically tended towards stronger connections with China (Cantir & Kaarbo, 2012).

Political leaders frequently invoke nationalism to win over the public. The public responds favourably to calls to lessen reliance on India or to reject outside intervention, which influences Nepal's foreign policy discourse and behaviour. Nationalist campaigns frequently use issues like boundary disputes—such as Kalapani with India and Humla with China—as focal points, forcing administrations to take forceful positions.

Foreign policy decisions are heavily influenced by Nepal's developmental needs. Though political disputes frequently dictate preferences, with groups favouring China or India based on ideological alignments, governments want to draw investments from both neighbours. Kathmandu's relations with New Delhi are influenced by domestic ethnic politics, especially those pertaining to Madhesi communities in the Terai region that have close ties to India. Tensions can rise and complicate Nepal's stance towards India if Madhesis is perceived to be neglected or given preferential treatment (Dahal,2018). China and India both try to sway domestic politics in Nepal, especially when there is a political upheaval. While China increasingly aims to stabilise governments that serve its interests, particularly those that support its "One-China" policy, India has traditionally taken a more direct role.

#### **Navigating Geopolitical Crossroads: The Impact of Regional and Global Power Shifts on Nepal**

The competition between China and India helps Nepal's economy through trade, investments, and the expansion of its infrastructure. But striking a balance between these two abilities is difficult since giving preference to one frequently leads to the other being resentful.

Nepal's strategic vulnerability is increased by rising tensions between China and India, particularly along their shared borders (such as the battles in the Galwan Valley in 2020). Given that it shares borders with both countries, it runs the potential of becoming embroiled in regional conflicts. While Chinese investments provide options, Nepal still depends on India for trade and basic commodities. There are political and economic concerns when navigating this relationship (Karki,2019). Significant investments have been made in Nepal as a result of China's expanding influence, particularly through the Belt and Road Initiative (BRI). But scepticism has been expressed in some quarters because to worries about debt sustainability and sovereignty, which are evident in other BRI member countries. China is putting pressure on Nepal to follow Beijing's Tibet policies, which include limiting refugee movements and upholding the "One-China" concept. This restricts Nepal's capacity to change its foreign policy.

India's "Neighbourhood First Policy" aims to counter China's influence in Nepal by refocusing its attention on South Asia. This raises expectations from New Delhi while also increasing economic and infrastructure engagement. Relationships with India are still strained by issues like Lipulekh and Kalapani. These conflicts frequently stoke nationalism in Nepal, which affects the country's foreign policy decisions.

If we analyse the case of global scenario Nepal has become a point of interest in the US-China rivalry. The United States' Millennium Challenge Corporation (MCC) compact has sparked political controversy in Nepal, where some see it as a challenge to Chinese power. Despite the grant's promised economic benefits, acceptance is hampered by concerns about geopolitical alignment with the West. Nepal is under pressure to join rival blocs as international forces look for friends in South Asia (Mainali, 2022). It is becoming more and more difficult to protect its interests while remaining impartial.

Even though there is a rise in multilateralism and regional groupings, regional organizations like SAARC and BIMSTEC present platforms for collaboration, but their limited functionality due to regional rivalries reduces their potential impact on Nepal's strategic goals. Nepal must navigate the Quad (India, Japan, Australia, and the US) and the Indo-Pacific Strategy without alienating China. Balancing these emerging frameworks with its commitment to non-alignment is a diplomatic tightrope.

Nepal's position as a Himalayan state puts it at the forefront of environmental diplomacy as climate change garners international attention. Growing international attention to the area may draw investments, but it may also increase geopolitical scrutiny of biodiversity and water resources. Its economy may be impacted by changes in global trade patterns, such as the US and China's decoupling. To reduce risks, it will be essential to diversify relationships and trading routes. Due to its advantageous location, Nepal is vulnerable to outside intervention. Nepal's neutrality may be jeopardised if other forces attempt to establish military or intelligence bases. South Asian instability brought on by changes in alliances and power could affect Nepal in other ways as well, such as posing security and economic problems.

## 2. Conclusion

The relationship between China, India, and Nepal is marked by both competition and collaboration. China has increased its influence through investments in infrastructure projects, such as those under the Belt and Road Initiative (BRI), but India is still Nepal's biggest trading partner and has strong cultural and historical ties. India is suspicious of Nepal's 2017 BRI membership because of China's expanding influence in South Asia

In the meantime, Nepal's foreign policy keeps trying to strike a balance in order to preserve its sovereignty and gain from both of its neighbours. Nepal's long-standing policy of neutrality and nonalignment is shown in the way its leaders frequently handle pressure from both China and India. Nepal is in a unique, if difficult, position as a result of its economic reliance on India and growing Chinese investment.

Nepal's foreign policy towards China and India reflects a careful balancing act influenced by public sentiment and domestic political dynamics. While the public increasingly advocates for sovereignty and reduced dependency on either neighbor, domestic political instability often complicates consistent policymaking. The challenge for Nepal is to navigate these pressures, crafting a foreign policy that serves its national interests without being overly swayed by external influences or internal divides.

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