

The Geopolitics of Small-State Autonomy: Asymmetric Interdependencies and Strategic Hedging in Himalayan South Asia

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How to Cite : Thapa SB, The Geopolitics of Small-State Autonomy: Asymmetric Interdependencies and Strategic Hedging in Himalayan South Asia , *Revista Bioetica*, 2026 sept , 14(04), 10-10 , doi.org/10.5281/zenodo.22797247

DOI: <https://doi.org/10.5281/zenodo.22797247>

Received: 11-08-2026

Accepted: 22-08-2026

Published: 17-09-2026

ABSTRACT

This paper examines the intricacies of Nepal's geopolitics, its impact on domestic governance, and the opportunities it offers for Nepal's foreign policy agenda, especially as a buffer between India and China. It explores two salient points of Nepal's history that are delineated with the help of two theories: historical institutionalism and realist theories; they are the Sugauli Treaty (1815-16) and Nepal's current diplomatic position, respectively. Analysis leads to polarization, indebtedness, and "elite capture. The study attempts to quantify the positive complicating impacts of multilateral interventions, defense mediation, and cultural diplomacy. The research indicates that states can pursue sovereignty and democratic consolidation through moderate national policy, based on 'principled non-alignment', institutional unification, transparency in public life, and equitable socioeconomic development. The paper concludes that this context of great-power competition, strategic autonomy, and inclusive socioeconomic resilience will further enhance its agency and turn its vulnerabilities into strong, sustainable avenues for democratic consolidation.

Keywords: Buffer state, democratic resilience, foreign policy, geopolitics, strategic hedging

I. INTRODUCTION

Historical Foundations and Geopolitical Realities

Nepal's movement is based on its geographical distinctiveness and its historical relationships with partners worldwide. Nepal is sandwiched between two big countries, India to the north and China to the south, and is also plagued by poor governance (Acharya, 2025, pp. 135–148). Early unification campaigns and later treaties shaped the structural parameters of Nepalese statehood by setting its territorial and political boundaries. During King Prithvi Narayan Shah's era of unification (18th Century), a unified administrative system emerged, and the newly formed state could resist foreign forces such as the British East India Company (Sapkota & Kafle, 2024, pp. 78–85). At this time, state organization became tied to defending material assets and dealing with external threats.

In the twenty-first century, however, the federal democratic government brought this centralized system into a new understanding of ethnic differences and the needs of marginalized communities (Kafle et al., 2024, pp. 86–93). A federal presence in a country such as Afghanistan also complicates state-based policies, as competing economic and security interests among neighboring states raise concerns. Nepal's involvement in large

infrastructure development, such as the Belt and Road Initiative, has strained fiscal capacity, prompting the government to focus on economic diversification to reduce overreliance (Thapa, 2024, pp. 272–277). However, the Anglo-Nepalese War and the Sugauli Treaty of 1815–1816 physically and legally divided Nepal (Dhakal et al., 2024, pp. 74–91). In the twentieth century, each successive government was under continual pressure to change its foreign policy; the trend was strategic hedging.

Bilateral Relations and Asymmetric Pressures

Nepal-India relations are central to Nepal's foreign policy, marked by historical tensions and strong cultural, ethnic, and linguistic linkages. The countries share an open border of almost 1800 km, with high population mobility and economic integration (Madne & Bharat, 2025, pp. 46–47). However, this proximity has posed political dilemmas for Nepal in how it engages with India, both politically and economically, in foreign affairs and governance. Because of their size and power differences, India and Nepal's regional security mission and aspirations for national sovereignty have clashed for much of their history. In addition, trade restrictions and economic conflicts, which nationalistic narratives exploit to counter the other

country's attacks, aggravate these imbalances (Ammu & John, 2024, pp. 363–369). Under the Treaty of Peace and Friendship, signed in 1950, the two countries established bilateral cooperation in security and economic fields. In Nepal, however, different political parties have criticized it several times as discriminatory and a violation of Nepal's sovereignty. This was due to political changes (like the democracy movement in the 1990s and the new constitutional settlement in 2015) and the development of an economic blockade, which disrupted the supply chain and further exacerbated the humanitarian situation (Aryal, 2022, pp. 285–303). These events continued to fuel anti-interference sentiment among the people, and anti-interference tirades by opposition party officials pledging to "stop the interference" became a testament to expected domestic political partisanship. In the context of bilateral relations, India-Nepal relations are a double-edged sword. At the same time, they can deepen integration and regional stability; however, they can also spark political instability and backlash in both countries.

Multilateral Entanglements and Economic Diversification

The Cold War, diplomatic maneuvering with China, and recent economic ventures have marked a pivotal moment in Nepal's strategic thinking in today's geopolitical landscape (Kanwar, 2025, pp. 45–62). China plans to do more in 2013, announcing its 'Belt and Road Initiative', an unprecedented bill of billions in financing for infrastructure development, which will help reduce dependence on routes connecting Nepal with the south. The Chinese have financed the underdeveloped infrastructure of small countries like Nepal in megaprojects like road connectivity and expansion of the road network, which so far India has termed the 'string of pearls' concept, an implicit counterweight to India's commercial power. With this strategic buffer, Kathmandu has greatly increased the space for diplomatic maneuver.

However, as economic flows grow, important policy concerns remain. In recent years, the domestic investment community has raised concerns about debt sustainability, loss of economic sovereignty, and strategic alignment amid the significant increase in Chinese investments and the signing of several bilateral investment treaties. These "buy-offs" and "lifeline" for survival by political elites have been established through external economic linkages (Wong & Downes, 2024, pp. 169–194). Beyond bilateral relations, multilateral institutions and defense diplomacy also strengthen internal governance and

Nepal's state capacity. In 2006, the Maoist movement in Nepal ended, and the United Nations (UN) supported the establishment of a Federal Democratic Republic (Minko, 2025, pp. 90–112). Nepal needs a coordinated national development plan.

The paper aims to understand Nepal's complex geopolitical position between two powers (India and China) and how its geopolitical significance influences Nepal's foreign policy and governance. This stems from historical insecurities, an imbalance of bilateral pressures between India and China, and the restructuring of the local economy in line with the Belt and Road Initiative. Finally, the paper reminds readers that strategic autonomy and inclusive domestic development are necessary to respond effectively to these external pressures.

II. LITERATURE REVIEW

Theoretical Frameworks in Geopolitical Analysis

Studies on Nepal's foreign relations tend to highlight realism and buffer-state paradigms. In contrast, Acharya (2025) and Thapa (2023) describe Nepal as a typical landlocked buffer state between two emerging regional powers. A structural perspective highlights geopolitical dynamics that influence states and push them to adapt to international political dynamics, both in the presence and absence of "power asymmetries" (Dar, 2025, pp. 316–334). Lastly, historical institutionalism can explain the deep impact of the previous treaties, monarchy-based political structure, and post-unitary governance institutions on contemporary democratic consolidation and federal state reforms (Sapkota & Kafle, 2024, pp. 78–85; Kafle et al., 2024, pp. 86–93). These paradigms show that external and internal dynamics are closely interwoven and offer a comprehensive framework for state resilience.

Identifying Gaps in Contemporary Scholarship

Many studies have explored the dissonance between India and Nepal, including trade blockades (Kanwar, 2025, pp. 45–62; Madne & Bharat, 2025, pp. 46–47; Aryal, 2022, pp. 285–303). The field remains shallow; therefore, a huge disparity exists between the implementation of the Belt and Road Initiative (BRI) in Nepal and China's economic integration over the past few years. So far, most studies have focused on bilateral and trilateral dynamics, emphasizing the gradual deterioration of state resilience through multilateral interventions, chronic institutional decay, and domestic elite capture. Moreover, theoretical and empirical work on the relationships between structural foreign dependency and socio-economic fragmentation in local contexts, indigenous perspectives on cultural

diplomacy conflicts, and identity politics remains limited (Hachhethu, 2022; Chandra, 2025, pp. 195–219). This has created a polarization/International security architecture nexus that remains insufficiently theorized in contemporary geopolitical discourse.

Importance

It must urgently fill these gaps so that small states can be strategically independent without domestic discontent or foreign economic domination in the modern world. This paper combines historical institutionalism with recent geopolitical analysis to show how external diplomatic policies and internal institutional management are related. It provides a comprehensive tool for assessing Nepal's potential to use structural pressures to achieve inclusive democratic consolidation, economic diversification, and sustainable development.

Research Design

Qualitative interpretative case study analysis of the effect of Nepal's geostrategic location as a buffer state on the domestic governance and foreign policy processes in Nepal. Qualitative techniques are suitable for complex documents, evolving documents, and/or diplomatic documents, and for geopolitical studies where the context of internal and external forces influencing each other should be captured, e.g., understanding the influence of external forces (including India and China) on internal forces in the geopolitics of a specific region (Acharya, 2025, pp. 135–148). The research design does not aim to generalize findings on structural dependency, elite political strategies, and multilateral engagements, but situates them within strategic hedging and state resilience (Johny, 2024).

Data Collection

This research uses secondary data, including historical and bilateral treaties, peer-reviewed academic journals, and reports from international organizations on geopolitics in the twentieth and twenty-first centuries. The chapters cover foreign affairs, economic integration, and Nepal's institutional governance (Thapa, 2024, pp. 272–277). The historical events mentioned are the Sugauli Treaty (1815–1816) and the Treaty of Peace and Friendship (1950); the current context is China's Belt and Road Initiative (BRI). It adopted archival and text-sampling techniques to develop a comprehensive understanding of the historical legacy and current realignment in the given context (Subedi, 2023, pp. 1–18).

Analysis Method

The study used thematic discourse analysis to analyze the qualitative data. The analysis was an

iterative process of reading for patterns and recurring geopolitical motifs and structuring these motifs in texts for each distinct analytical domain, which included bilateral asymmetry, economic diversification, and multilateral interventions, before critically appraising the texts according to the theoretical structures of state sovereignty and buffer-state vulnerability (Dar, 2025, pp. 316–334). The analysis examines how the "elite political behavior" interacts with "high-stakes" factionalism as a structural reality of American life, and how domestic polarization ties the two together, based on complementary academic knowledge and historical accounts, without the use of empirical statistics (Wong & Downes, 2024, pp. 169–194).

III. FINDINGS

Historical Evolution and Foundational Geopolitical Realities

Nepal's geography and its relations with the world have strongly shaped its political life. Nepal's context is multi-layered - a buffer state between two superpowers, India and China, and a host of internal and external challenges that have complicated governance (Acharya, 2025, pp. 135–148). Unification campaigns in its early years and later treaties shaped its boundaries and structure. During the rule of King Prithvi Narayan Shah (1768–1785), the 17th and 18th centuries became a single entity under a centralized administration. It was intended to safeguard the fledgling state against the British menace from the outside in the form of the British East India Company (Sapkota & Kafle, 2024, pp. 78–85). This historic occasion opened the door to later "securing" of the town's internal buildings from foreign and domestic threats, including the Military.

During this process, it was important to adapt this centralized system to the needs of ethnic minorities and marginalized groups; however, it moved toward a federal democratic system in the 21st century (Kafle et al., 2024, pp. 86–93). National geopolitics has also complicated this shift to decentralization, with federal implementation sometimes conflicting with neighboring powers' economic and security interests. In particular, Nepal must address the growing fiscal risks of large-scale investments such as the Belt and Road Initiative (BRI) by diversifying its economy to reduce excessive dependency (Thapa, 2024, pp. 272–277).

The Anglo-Nepalese War ended when Nepal signed the Sugauli Treaty in late 1815–1816, which significantly changed Nepal's territorial integrity and sovereignty. Nepal suffered losses by ceding much land. It became more vulnerable to external pressure and set a precedent linking the regional balance of power to internal political stability

(Dhakal et al., 2024, pp. 74–91). This was reflected in successive governments' realignment of Nepal's foreign policy, especially after the Tibetan revolt in the 1950s and the Sino-Indian War of 1962. These were periods of dependency and strategic hedging: the national leader, through diplomacy, not only saved national territory but also secured the support of the national people within the domestic political landscape amid a changing regional landscape.

These historical facts continue to shape Nepal's political environment today and are often used as political talking points to mobilize support for political groups. The colonial and post-colonial past has been structural, making it difficult for governments to exercise autonomy in making policy for the country. This provides historical context for understanding the country's vulnerability to external influences and the polarization it faces today. The very roots suggest that the current political voids in Nepal are not new, but instead are structural, even endemic features of geopolitics in Nepal.

Geopolitically, Nepal's history reflects a constantly fluctuating sovereignty–dependency dynamic. After Prithvi Narayan Shah amalgamated the state, it became centralized and could withstand external threats (Sapkota & Kafle, 2024, pp. 78-85). The Sugauli Treaty brought about a power imbalance and territorial implications. Federal democracy can overcome past marginalization and is susceptible to regional competition and institutional imbalances. Such linkages in the existing system, such as the Belt and Road Initiative (BRI), therefore provide diversification, but also entail financial and strategic risks. The above-mentioned 'bilateral hegemonic pressures' (Acharya, 2025, pp. 135-148) are other historical paradoxes that have influenced Nepal's current balancing policy.

In Nepal's history, sovereignty has been negotiated rather than constructed, within unequal power relations shaped by central state-building. Nepal's history is a story of negotiated sovereignty rather than central state-building. Nepal's sovereignty was negotiated rather than won through central state development. Federalism and infrastructure diversification can reduce exclusion and dependence, but they can also create vulnerability without robust institutions. In this context, the next consideration is the asymmetric impact India suffers.

Bilateral Relations and Hegemonic Pressures: The India-Nepal Dynamic

Nepal's foreign policy is focused on bilateral relations with India. These ties are strongest in cultural, linguistic, and religious connections, but they are also the greatest source of geopolitical friction. Both countries share an open border of

approximately 1,800 km, with high mobility and economic crossover between them (Madne & Bharat, 2025, pp. 46–47). This 'closeness', however, has largely induced political problems, particularly regarding how Indian diplomatic and economic involvement affects Indian governance. The inherent imbalance between size and power leads to a conflictual relationship between New Delhi and Kathmandu, driven by New Delhi's regional security concerns and Kathmandu's desire for 100 percent national sovereignty.

The case is further complicated by occasional local economic embargoes and international trade disputes used to push the government's domestic policy agenda and incite nationalistic fervor against what people perceive as foreign encroachment (Ammu & John, 2024, pp. 363–369). Kathmandu usually has few options for bilateral dialogue without coercion, as such actions can make participation difficult. In the past, regional hegemony has been a trend, and Nepal now seeks strategic outreach to China as a balancing strategy. Nepal and India signed a bilateral agreement of security and economic cooperation in 1950 through the Treaty of Peace and Friendship. However, political parties in Nepal have questioned it as imbalanced and an infringement of Nepal's sovereignty. As the political landscape of Nepal changed, particularly during the democracy movement of the 1990s, the promulgation of the new constitution in 2015 and economic blockades that severely affected supply chains and increased humanitarian vulnerabilities (Aryal, 2022, pp. 285–303). This anti-interference sentiment, which the population developed and later turned into anti-interference politics, became a force for unity among domestic political groups. Therefore, the bilateral relationship between India and Nepal is a double-edged sword. It offers much-needed economic integration and regional security, yet it also fuels domestic nationalist reactions and political unrest.

This relationship is complex; therefore, India closely monitors Kathmandu's internal politics and can, to some extent, use it to serve Indian interests. Both countries gain from trade, transport, and hydropower development co-operative models, while perceptions of over-reliance on southern transport routes can fuel intense domestic debate. In the past, the political elite in Nepal have known how to manipulate anti-Indian sentiment to gain control of the nation - the fractiousness and the rapprochement came cyclically. This phenomenon is key to understanding why Nepal's internal political dynamics are always sensitized and vulnerable to diplomatic signals from its southern neighbor.

In other words, Nepal–India relations suggest an analysis of ambiguous cultural "closeness" and economic integration alongside domestic nationalist mobilization, coercive leverage, and sovereignty issues. Kathmandu was reasonably stable under the 1950 Treaty and through cross-border exchange; blockades and perceived intervention led to strategic diversification and, thus, reduced reliance on India (Aryal, 2022, pp. 285–303; Madne & Bharat, 2025, pp. 46–47). This balancing strategy is not about trading one dependency for another, but about refocusing attention on Nepal's increased dependency on China, as economic opportunities create new vulnerabilities (Ammu & John, 2024, pp. 363–369).

Nepal-China relations, as discussed in the next section, clearly show how both are vulnerable; Nepalese-Indian relations do too, and they show how the two countries are interdependent and how they make cooperation political leverage that provides strategic diversification away from Chinese dominance while reducing vulnerability.

Economic Realignments and Multilateral Entanglements: The China Factor

In the current geopolitical context, Nepal has adopted a multifaceted foreign policy, most notably normalizing its bilateral relations with China in 1955 and boosting trade relations with China (Kanwar, 2025, pp. 45–62). One of the most successful initiatives was China's 2013 proposal to alleviate Nepal's longstanding dependence on southern routes: the Belt and Road Initiative (BRI), a massive infrastructure investment project. Highway development and regional connectivity projects are megaprojects that have strengthened Nepal's underdeveloped infrastructure sector and checked India's commercial power (Loebell et al., 2025). This diversification provides Kathmandu with greater flexibility.

However, this increasing economic influence comes with serious domestic policy implications. Large Chinese investment and various bilateral agreements have sparked a national debate about the sustainability of these financial commitments and the risks to economic independence and strategic orientation. Such an external economy can serve as a means for the political elite to establish themselves and must therefore be maintained politically and geographically outside (Wong & Downes, 2024, pp. 169–194). Besides, polarization has been observed between pro-Indian and pro-China groups, which has also polarized society and ultimately influenced consensus on significant socioeconomic reform acts in the legislature.

The long-term implications of this Sino-Nepalese intermingling, however, extend beyond building

infrastructure – to national security and democratic stability. Western powers and regional players have expressed unease over this possible strategic partnership between Beijing and Nepal amid Beijing's growing economic footprint in the region. If Nepal does not stop the power play and escalation, it will be a right-angled triangle. Economic realignments create new development opportunities but also bring significant fiscal and political dependencies and risks.

Although Nepal is not yet in a position to completely end its dependence on India, greater dependence on China may also help diversify foreign relations. While the BRI can offer benefits in financing, connectivity, and infrastructure, it can also create fiscal vulnerabilities and restrict policy space (Kanwar, 2025, pp. 45–62; Loebell et al., 2025). Beyond problematic Chinese involvement, issues of sovereignty, debt sustainability, and democratic accountability also need to be addressed (Wong & Downes, 2024, pp. 169–194). Although development cooperation can centralize power, polarized elites can play this to Kathmandu's advantage in Sino-Nepalese cooperation. These struggles highlight the importance of considering these relationships through the lenses of multilevel governance and security in Nepal.

Although China's economic presence might help maintain Nepal's autonomy, it can also create dependency through loans, influence, and polarisation. The greatest challenge lies in shifting from "access to infrastructure" to "responsible access to infrastructure," and multilateral control mechanisms and institutions are needed to maintain access to infrastructure and other national values like national unity, democracy, and sovereignty.

Institutional Governance, Multilateral Interventions, and Security Frameworks

Bilateral and multilateral institutional and defense diplomacy strongly influence Nepal's internal governance system and resilience. The Comprehensive Peace Agreement (CPA), facilitated by the United Nations (UN), ended the ten-year Maoist insurgency and led to the transition to a federal democratic republic (Minko, 2025, pp. 90–112). Post-UN agency activities have targeted elections, public services, and transitional justice processes to reconcile divided communities. Such multilateral support has helped build Nepal's weak democratic structures.

Alongside this, the region has also developed an alternative, structured platform for economic cooperation and disaster management, namely the South Asian Association for Regional Cooperation (SAARC). However, Indian-Pakistani geopolitical tensions have repeatedly stymied its institutional

capacity (Binyamin et al., 2025, pp. 3509–3519). Military diplomacy is a significant component of national security. India's security plans (defense cooperation treaties, training, etc.) have influenced Nepal's willingness to join broader regional security plans (multilateral defense cooperation treaties, training, etc.). Through cooperation, the country's defense and territorial sovereignty are strengthened. However, it can also intensify concerns about a new great-power rivalry, such as strategic rebalancing in the Indo-Pacific region, causing domestic concerns in Nepal over breaches of its sovereignty and neutrality.

Indeed, Nepalese administrators must navigate complex layers of external accountability mechanisms, including international organizations, defense diplomacy, and domestic governance. Foreign support through institutions can enhance administrative capacity, create other loci of power that may weaken local ownership and bureaucratic accountability, and reinforce democratic norms. The most difficult question in current Nepali statecraft is how to ensure that Nepal's interests are not sacrificed for other countries' interests in both multilateral and military forums.

In the context of multilateral relations, multilateral institutions and multilateral defense diplomacy significantly influence Nepal's governance, resilience, and strategic thinking. Meanwhile, the Comprehensive Peace Agreement (2006), which addressed the conflict with the Maoists, briefly mentioned the federal democratic republic. It also facilitated elections, accountability, and transitional justice (Minko, 2025, pp. 90–112). When international support (including mechanisms that can substitute for local accountability) is used, it can further reduce local ownership. Likewise, SAARC can support multilateral cooperation in these fields, though competitiveness may make it difficult to achieve desired results. At the same time, defense cooperation can enhance defense capabilities but can also create tangles that affect a country's neutrality. Therefore, Nepal needs a paradigm shift from external support to nationally owned support. However, this is not just a security issue; it is also socioeconomic and cultural, involving fair distribution of support, political endurance, and unity.

Overall, multilateral assistance and defense diplomacy have positively enhanced Nepal's capacity; however, they have also created issues of dependence, ownership, and sovereignty. This poses a challenge to maintaining the country's accountability and neutrality. These tensions manifest not only in governance and security but also in disparities, state resilience, and cultural contestation.

Socioeconomic Disparities, Cultural Diplomacy, and Political Resilience

In external relations, the country's socio-economic and cultural unity is significantly affected. Other countries supported reconstruction after the 2015 earthquake with aid. However, it has also strengthened the sense of fragility in this institution and contributed to corruption, aid dependency, and elite capture (Karmakar, 2024, pp. 75–99). Moreover, the unequal geographical distribution of foreign-funded development projects has intensified the urbanization gap and resulted in the marginalization of indigenous people, leading to the emergence of tension at the local level that has the potential to jeopardize national unity. Selective allocation of foreign assistance often accentuates local differences.

Cross-border cultural exchanges mediated by shared religious beliefs, media, and linguistic culture between India and China, along with the Chinese government's new cultural outreach projects, have created an ambivalent socio-cultural context (Chandra, 2025, pp. 195–219). These are the interactions that help to create a sense of regional belonging, but they also trigger strong nationalist responses around the loss of indigenous identity and cultural dominance. Cultural soft power becomes a vehicle for cooperation across regions, as well as a focus of domestic identity politics and a test of the state's legitimacy in the eyes of various ethnic and regional groups.

Finally, it requires a well-coordinated national development program that emphasizes equity and fosters a rational, coherent development process, while protecting state sovereignty amid competition from other regions and countries. Nepal's political strength depends on its ability to bridge the urban-rural gap, manage external economic and cultural ties, and build an inclusive national identity. If the status quo's socioeconomic and cultural weaknesses are not addressed, external diplomatic maneuvers will continue to create internal instability, and Nepal's democratic experiment will remain under threat.

The internal impacts of Nepal's foreign policy show that assistance, cultural diplomacy, and economic reliance can be used to build up and promote reconstruction and worsen inequality, elite capture, identity issues, and political fragility (Chandra, 2025, pp. 195–219; Karmakar, 2024, pp. 75–99). Ascertainment is unevenly distributed, exacerbating the gap between urban and rural areas and ethnic groups, and the influence of the Indians and the Chinese leads to conflicting claims of sovereignty and national identity. A focus on development gains is therefore not enough to measure external engagement, as it must also include the impacts on inclusion, institutional

accountability, and social cohesion. These weaknesses relate to Nepal's geopolitical dilemma and its efforts to maintain autonomy amid competition.

The external relations of Nepal have a two-fold effect internally: external assistance and cultural diplomacy have the positive impact of supporting reconstruction and/or regional connectivity; conversely, the uneven distribution of external aid, its appropriation by the elite, and competing Indian and Chinese influence have a negative effect of increasing socioeconomic inequality, identity conflict, and institutional fragility. External involvement cannot be measured by material benefit alone; it must be legitimate, based on shared ownership, accountability, equal opportunities, and the safeguarding of indigenous pluralism. Diplomatic dependence will magnify domestic grievances if Kathmandu does not take steps to make external actors into inclusive institutions and a shared national identity. This vulnerability stems from what is called the next set of geopolitical pressures and autonomy issues:

IV. DISCUSSION

Geopolitical vulnerability and strategic autonomy

Nepal's dependency as a buffer state has long been one of the two opposite poles of the geopolitics of statehood in Nepal. The history of the unification movement and the treaties that followed, such as early unification and the Sugauli Treaty of 1815-1816, have made the country vulnerable to external strategic alliances (Alam, 2025, pp. 216–221). This historical role, now surrounded by the economic giants of India and China, has increasingly been acknowledged by modern scholarship as a key determinant of the state of the country's political federation today. This ongoing competition between regions may also fuel political polarization, with conflicting interests between the north and south that may ultimately hinder Nepal's democratic institutions from working effectively (Thapa, 2023, pp. 73–84).

The findings indicate that current issues in the governance of everyday life in Kathmandu are not merely outcomes of local conditions but also responses to past experiences of vulnerability, where domestic political stability is closely connected to regional power dynamics and also a de facto determinant of them. This implies that each successive government's policies rest on a status quo ante that depends on suspending independence from the strategic interests of the two neighboring giants, India and China. In this regard, national leaders need to constantly go about making strategic calculations – not just for territorial security but for internal political

legitimation in the face of evolving regional factors (Zaheer et al., 2026, pp. 279–289).

Non-geographical factors are equally important in mitigating Nepal's geopolitical vulnerability, as formal sovereignty and reliance on India and China recreate it. These factors include historical treaties, regional tensions, external pressure on local institutions, and increased polarization and reduced democratic accountability (Alam, 2025, pp. 216–221). Therefore, strategic hedging is necessary, but it comes at the cost of institutional transformation, a long-term process. According to this paradox, Nepal is neither strong nor weak. It also sets the stage for research on the dynamics of geopolitical dependence and the resulting domestic polarization through asymmetrical bilateralism and sovereignty issues in relation to India.

Bilateral relations with India have polarized Nepal's domestic politics, particularly because of their multifaceted and complex nature. The close relationship and open borders have increased political concerns about sovereignty and non-interference, while also promoting strong economic and cultural integration (Alam, 2025, pp. 216–221). Such crises include the 1950 Treaty of Peace and Friendship and the 2015 economic boycott. They can intensify nationalistic sentiments among internal political factions because of their external effects. Finally, political elites often externalize these bilateral tensions and mobilize them for internal purposes (Araújo & Bacelar, 2025, pp. 182–193).

A new tension-connection-practicality has once again exposed awareness of Nepal's internal political climate toward foreign interventionism; it is not only about change, but about playing the anti-foreign card for survival. In this respect, foreign affairs have been weaponized to further fracture parties and weaken the government's institutional fabric. Political elites prioritize short-term expediency over strengthening the government's institutional fabric and making it more autonomous and effective (Thapa, 2025, pp. 187–201).

Further, the emerging Indo-Pacific geopolitical architecture adds to the mix, as the country's strategic autarky and hedging policies run counter to those of the United States, China, and India (Dar, 2025, pp. 316–334). These external pressures call for a more advanced foreign policy response that shifts from a reactive, maneuver- and rebalancing-oriented course to a more proactive one, where foreign policy also involves trade diversification and a firm policy on non-alignment. Nepal can reduce dependence and strengthen economic resilience by promoting international cooperation through institutional hedging by

engaging institutions such as the ADB and World Bank (Johny, 2024).

Diplomatic and political imbalance with India makes India both a means of integration and a political weakness for Nepal. Nationalists are mobilized by and for elites; open borders/ cultural linkages provide livelihoods, but conflicts over sovereignty, the Treaty of 1950, and the 2015 blockade complicate this. This instrumentalization helps to split the parties and to wear away the coalition government. Indo-Pacific rivalries also complicate the diplomatic process, and Nepal is further constrained by limited institutional capacity for hedging. Nepal can hedge through multilateral engagement. It can reduce reliance on a single source, but it can also create the same kind of elite discretion if pursued neither proactively nor transparently. Linkages between bilateral management and other economic diversification are thus key to Nepal's strategic autonomy.

Economic Diversification and Multilateral Entanglements

Today Nepal faces both development opportunities and policy challenges as a result of the strategic move towards diversification – including integration with the Chinese economy and participation in grand-scale projects like the Belt and Road Initiative (BRI) under way. While Chinese capital is welcome to counter the commercial dominance of the south, it is also raising domestic debate over unsustainable debt, loss of economic autonomy, and the risk of strategic alignment (Hodor, 2026).

Multilateral efforts by the UN and regional bodies such as the South Asian Association for Regional Cooperation (SAARC) also provide much-needed support for democracy and post-conflict reconciliation. However, these efforts are accompanied by increased competition among major powers for Nepal. Chinese economic investments and multilateral security frameworks have created a triangular relationship that must be handled with care, as a domestic governance contest between contending world powers is likely to occur (Huang & Nduneseokwu, 2026).

To cope with these challenges, the state needs to formalize its diplomatic process, particularly its tendency to make decisions on an ad hoc basis and based on foreign leaders' personal preferences and agendas (Ray, 2026, pp. 90–98). The state should have a more formal, fact-based approach for formulating policies, one that will allow it to take a longer-term view, even as regional geopolitics fluctuates, and act in the national interest. As outside influences mount, the message needs continuity, reflected in clear, provable messaging.

Diversification is the basis of a bargain, but it is not the condition for Nepal's autonomy. It cannot rely on India again and fall into a debt trap; elite and strategic conditionality can only lead to that. Commitment to multilateral institutions can help strengthen institutions, but great-power competition can also turn cooperation into a geopolitical weapon. The concern is not the external environment but the domestic one, from the opacity of the decision-making process to the lack of a unified message from leadership. Nepal needs to define Due Diligence, diversify partnerships, and be consistent with policy. This would change the nature of hedging - from reactive to proactive - turning geopolitical management from an independent and unaccountable process into a process of socio-economic inclusion, democratic resilience, and equitable development, as demonstrated in the next section.

The need for Inclusive Resilience – Socio-economic Cohesion.

Nepal's foreign policy has far-reaching domestic impacts, shaping the country's socio-economic structure and the strength and fair development of the State (Acharya, 2025, pp. 135–148). Foreign assistance is essential, but it is also problematic: corruptibility, the risk of elite capture, and cultural hegemony. The imbalance between urban and rural areas is also a concern, as foreign investment shows disparities in project development. Marginalization at the local level can lead to political tensions that affect national unity and the indigenous poor (Hachhethu, 2022).

A national strategy should link these conflicting demands by overcoming divisions across political and ethnic lines and creating an inclusive sense of national identity. However, these basic socio-economic and cultural vulnerabilities will complicate external diplomatic efforts and jeopardize Nepal's new democracy (Rathi, 2026). These challenges and others will require a pragmatic, ongoing balancing act that relies on strengthening national capacities and flexible diplomacy if Nepal is to pursue its interests in a changing but competitive regional order. Engagements should follow sound principles of transparency and be conducted in ways that demonstrate economic viability and align with long-term national goals (Subedi, 2023, pp. 1–18). Nepal can strengthen its democracy by converting its geopolitical weaknesses into institutional and socioeconomic strengths. This should be done fairly and openly, with transparent use of foreign aid and by involving marginalized people in the country's decision-making. However, the Indian government should not drive Nepal towards polarization while enjoying the fruits of being

India's partner in diversified partnerships; it should also conduct its assigned due diligence and respect non-alignment. Increased institutionality will limit elite capture, support policy continuity, and strengthen nationalistic external efforts. Nepal could do both by using external pressures as a catalyst to foster democratic consolidation, economic resilience, and development (Subedi, 2023, pp. 1–18).

Elite capture, cultural hegemony and marginalization of indigenous peoples, and the unequal distribution of aid are all negative influences on the resilience of Nepal as a result of its external relations. These processes translate geopolitical involvement into local issues, further polarizing and destabilizing the democratic process. A reasonable response can therefore be based only on clear due process, robust institutions, inclusive development, and principled hedging—rather than factional maneuvering. Social and economic resilience can also be strengthened by shocks that relate to social inclusion. This clearly relates to the institutional agenda at the bottom. The conclusion summarizes the results, with particular emphasis on institutional strengthening, non-alignment, and sustainable development in Nepal.

V. CONCLUSION

This study demonstrates Nepal's geopolitical position as a buffer state between the two great powers, India and China, and how it may affect Nepal's foreign policy and internal governance. As a result of its territorial arrangements since 1800, and the Sugauli Treaty in particular (1815-1816), Nepal is structurally vulnerable and, to gain political stability, must play the regional power game.

Contemporary governance issues in Kathmandu are aggravated by India's unequal bilateral relations with the city, as well as the changing economic dynamics of China's Belt and Road Initiative (BRI). Strategic diversification will come at an infrastructure cost, but it will also raise substantial domestic issues around debt sustainability, elite capture, and polarisation. Multilateral involvement and defense diplomacy to defend democratic institutions are also important, but these may ensnare Nepal in power politics.

One policy-level objective should be to build resilience and inclusion, and reduce polarization among national and international players. Emphasis should be placed on strengthening institutions, ensuring transparency in due diligence, and ensuring co-operation in third-party dealings and engagements in Nepal. To turn Nepal's existing geopolitical vulnerabilities into opportunities for just domestic growth and development, countries

need to make long-term changes to their democratic consolidation and economic stability.

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