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Nepal's Strategic Hedging Behaviour: 2008-2019

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ABSTRACT

Caught between the rising rival powers- India and China, Nepali foreign policy can be perceived as following the practice of strategic hedging where it is attempting to position itself in a way to maximize benefits while simultaneously defending against undesirable threats and dangers from both the rising powers. In the context of a small state like Nepal, strategic hedging implies consciously choosing to adopt mixed policies, which features both balancing and bandwagoning. This paper aims to understand how a minstate like Nepal formulates its foreign policy to address the power politics and applies economic pragmatism followed by smart power and nimble diplomacy to its advantage. This paper also aims to explain that strategic hedging can be followed by Nepal when there is an absence of immediate threat that might compel the state to ally with the power for protection. Through the lens of various realist theories, this paper analyzes that a mini state like Nepal can achieve its national interest and would either bandwagon with the rising power i.e., "China, or" it could try to balance against it supporting the current status quo i.e., India.

Keywords: Balancing, Bandwagoning, Economic pragmatism, Hedging strategy, Nimble diplomacy.

BACKGROUND

Situated between India in the east, west, and south and China in the north, Nepal lacks adequate resources to sustain its economy. Therefore, for its survival, Nepal requires the developmental support and opportunities provided by both its neighbours and other powerful counties and organizations.

As a landlocked developing nation situated between two Asian superpowers, India and China, Nepal to achieve its national interest will always have to follow contradictory policies consisting of partially bandwagoning and partially balancing. Firstly, any ideological fault line is absent directly visible in the south Asian region, which existed during the cold war era where countries have to choose between two ideological camps i.e., the USA or Soviet Union. The countries in contemporary world politics are also not aiming guns at each other. Therefore, as there is also the absence of all-out-of-break power rivalry, strategic hedging seems to be the best possible strategy option for small power nations like Nepal for achieving development.

RESEARCH QUESTION

Can contemporary Nepali foreign policies be considered undergoing the practice of strategic hedging behavior?

METHODOLOGY

The research techniques for this paper will be descriptive, observational, and analytical. Numerous research reports by various NGOs and INGOs, government organizations, civil societies, and independent agencies will be consulted for secondary information. I will be using the archives and open-source materials available. Close examination of various factors imperative for a better understanding of the relationship between these states will be conducted.

RESEARCH SIGNIFICANCE

This paper aims to apply academic theory to determine whether the contemporary Nepali foreign policy is adopting a hedging strategy to deal with its two super-power neighbors without choosing sides. This research offers a comparative examination of existing IR theories

regarding the issue. This paper is significant because it sets up a situation for a case study to determine whether existing IR theories are validated regarding the hedging strategy in regard to the small power states. This research focuses on the strategy as representative of the struggle between small powers and the hegemon. The major focus of this research paper is to understand the concept and mechanism of the hedging strategy adopted by similar small powers. This paper also aims to tell us that Nepal as a small power is following the hedging strategy.

CONCEPTUAL FRAMEWORK

Under realist assumption, the international system is anarchic where every country is struggling to accumulate more power than others unilaterally. Therefore, the military capabilities of any nation and its alliances with other countries are the most important factor that increases its power and ensures its security and survival (Dunne, Kurki, & Smith, 2010). According to Thompson, & Clinton, everyone and every state form groups to enhance their power and secure themselves from greater threats (Thompson, & Clinton, 1973). This action is done by both bigger and smaller nations to prevent war and in case of war occurs, to limit the amount of damage suffered. This action may also have negative consequences on the formation of peace, leading to the emergence of tensions and eventually war, as the motive and capabilities of the country may not be understood well by the other country.

Hegemony

Keohane in his book *After Hegemony* has stated that the hegemony depends on a certain kind of asymmetrical cooperation, which successful hegemons support and maintain (Keohane, 2005). He further states that the contemporary international system contains states that are economically interdependent with each other. The political world economy consists of many actors who have their own goals and own strategies to pursue these goals. Therefore, it is hard to maintain these relationships. Hegemonic states play a significant role in the proper operation of this world system.

India regards the South Asian region as its sphere of influence. India is the system leader in this region and has been seen as promoting its interests actively whereas China is trying to increase its influence increasing the Chinese investments in infrastructure

developments making India cautious of encroachment. Similarly, under the Modi government, India has also been seen as showing regional activism and engagement with other south Asian nations in an attempt to strengthen the economy, politics, and cultural ties showing commitment to regional connectivity (Xavier, 2020).

Hedging Strategy

Tessman & Wolfe states that the second-tier state also the hedging state competes with the system leader to achieve its economic, military, or political interest (Tessman & Wolfe, 2011). He explains that the concept of strategic hedging demonstrates the behavior of these second-tier states to enhance their condition regarding these interests relative to the system leader.

Following this strategy, the hedging state behaves accordingly to improve its competitive ability significantly and in an observable way either economically, military, or politically. This way, the state can manage a potential future military conflict with the system leader and/or improves the state's ability to become more independent on the public goods, services, or direct subsidies currently provided by the system leader, so that the hedging state can cope with the consequences of a future temporary or final loss of these goods, services or subsidies. The hedging state can achieve its national interest and therefore, would either bandwagon with the rising power or it could try to balance against it supporting the current status quo.

Balance of power

"Balance of power is a device for the self-defense of nations whose independence and existence are threatened by a disproportionate increase in the power of other nations" (Morgenthau, Thompson & Clinton, 1985). According to them, the balance of power has two major functions. One is to maintain the precarious stability among two nations by fulfilling the power relations among them. Here, the theory assumes that if any country gets stronger then the country is likely to dominate other weaker nations. Another major function is to secure the weaker country from being dominated by any other strong country. He states that the balance of power is a crucial factor for securing the freedom of any individual weaker nations.

Bandwagoning

To quote Schweller, "*balancing is driven by the desire to avoid loses; bandwagoning by the opportunity for gain*" (Schweller, 1994:74). He advocates that bandwagoning in the form of positive feedback where the success of a nation will be persuaded by the other nations to achieve and share the gains of further success. Similarly, David states that the second-tier states prefer to bandwagon with the rising hostile power in an attempt to balance the more dangerous domestic or foreign threats in the system (David, 1990). The state bandwagon with other nations because they expect the reward and gains from the relationship and the desirability of this bandwagoning relationship depends on the nature of the existing order. If the states bandwagon with the revisionist state it will result in an unstable system as they attempt to disturb the status quo. Similarly, bandwagoning with the status quo coalition will stabilize the system.

REVIEW OF LITERATURE

According to Dahal, Nepal currently lacks adequate infrastructures and institutions to properly balance the traction caused by the competition from India and China (Dahal, 2011:31). He suggests that Nepal requires the government that will be able to produce foreign policies and strategies enabling Nepal to reap the benefits in form of aids, support, and investment opportunities from these two economic super-power neighbors. He further states that sandwiched between these two superpowers, Nepal should work on policies attempting to make itself a potential transit corridor for Sino-Indian trades and commerce and avoid getting caught between their geopolitical tractions and rivalry. Similarly, Verma in her paper also states that as the neighboring country China and India are increasing their structural power, the whole of South Asian nations will be affected by these changes and tractions (Verma, 2017:170). These two superpowers will also have their implications to this region as well arising from competition and understandings between them who regard this region as their sphere of influence. She also states that, since Nepal is caught between these two rivals, Nepal to make serious policy choices to receive support from these two countries and not agitate either of its neighbors. She further states that the smaller countries in the south Asian regions, especially Nepal which is landlocked between these two giants should implement policies to

gain support and benefits from possible cooperation.

Dahal states that the relationship between India and China is rather independent as Nepal's foreign policy was always determined to maintain a balanced relationship with its two neighbors without agitating either of them (Dahal, 2018). He also advocates Nepal's commitment to China's "one-China policy" and support to Belt and Road initiative (BRI) as an attempt to maintain the ever-existing friendlier relationship with China. Similarly, he also states that as the relationship between Nepal and India was friendlier the relationship was also filled with hurdles time and again. Nepal also has been showing its support to the national independence and integrity towards the Indian government as an attempt to maintain a healthy relationship with GoI.

NEPAL-INDIA POLITICAL RELATIONSHIP AFTER 2008

With its growing territorial and economic supremacy, India can be considered a regional hegemon in South Asia. Therefore, as a hegemon with a democratic political system, it is in the interest of India to promote the political system with democracies in its neighbors. According to the theory of Democratic Peace (Kant, 1970), this approach of India is essential for the survival of the country by maintaining a friendship with its surrounding neighbors and refraining from conflicts. This can be observed as the attempt of India to support the continuation of the democratic system in Nepal during 2005-2008. India was supporting a non-alignment policy by playing a minimal role in the promotion of democracy with its neighbors before. It had been promoting democracy only to maintain a good relationship with the United States because both nations have China as a common major rival. During the political instability of the Nepali political system during 2005-2008, India showed major partaking in Nepal's political affairs. These were considered to be the steps taken by India because of the dissatisfaction with the increasing Chinese influence over Nepal. India's foreign policy towards Nepal always has been directed towards its national security interest based on the security framework of the treaty of 1950, more than Nepal's political stability or economic well-being (Muni, 2012).

DEMOCRATIZATION PROCESS OF NEPAL

Maoist Insurgency and Transformation into the Competing Political Party

During the insurgency period, India supported the government of Nepal (GoN) by providing extensive military and economic support to end the war and reduce the spillover effect to Indian northeastern parts and its Maoist problems from Nepal's Maoist rebels. The Indian government also labeled the Maoist insurgents as terrorist groups. But on 2005 February 1, after King Gyanendra executed an undemocratic takeover of power by dissolving the parliament, India, as a country advocating for democracy, immediately suspended its economic and military support for Nepal. On 22nd November 2005, with the support of the Indian Government, the Seven Party Alliances (SPA)¹ and the Maoist Rebels agreed and jointly issued a 12-point resolution which later ended the war.

The role of the government of India (GoI) was crucial in achieving peace in 2004 between the GoN and Maoist insurgents. GoI played a very significant role as one of the mediators among these conflicting parties. This was although the initial 40 points demand by the Maoists presented to the then GoN consisted of three major priority points that were against India's interests and reflected nationalism (Mishra, 2004). These demands were directed towards decreasing the asymmetrical relationship between Nepal and India, to make Nepal more independent. This step from the Indian government was the major turning point of the insurgency period bringing these two conflicting parties to agree on a comprehensive peace deal. This peace process also made a significant contribution to the abolition of monarchy as it united all the political parties. This also opened pathways for various political reforms that are explained later (Ojha, 2015).

In August 2008, after being the 33rd Prime Minister of Nepal, Prime Minister Pushpa Kamal Dahal from Communist Party of Nepal (Maoist) CPN made his first trip abroad to China, breaking the tradition of previous

Prime Ministers making the first trip abroad to India. He went on a 5-days official visit to Beijing without neither accepting nor rejecting the first invitation sent by India. This visit was criticized and questioned by the opposition party Nepali Congress who had maintained close relations with the Indian government.

This visit was perceived as a direct withdrawal from the legacy of previous prime ministers where India was the priority. Dahal's government guaranteed to implement non-aligned foreign policies towards India and China maintaining a good relationship with both equally and decreasing the dependency on the Indian government. Even though the Maoist-led government stated its wish to form an equidistant government, this visit of the prime minister was seen as a challenge to the Indian government. It was also seen as a reflection of the animosity that remained between the Maoist party of Nepal and the GoI since the insurgency time when Maoists blamed India for favoring Girija Prasad Koirala's Nepali Congress Party (NCP) and thus precluding them from forming the government.

As Morin, Jean-Frédéric, and Jonathan Paquin in their book *Foreign Policy Analysis* state, an action taken by any party can have positive and negative effects on its relationship with another actor. This can also be seen in the case of Nepal, during the insurgency period, GoI provided both economic and military aid to the Nepali government to combat the Maoist insurgents. The Maoist demands were directed mostly towards ending Indian influences from Nepali politics and also demands to end the economic vulnerability of Nepal. Indian government helped the Nepali government to stop the spillover effect to Indian Maoist rebels as well. After the peace agreement when the Maoist rebels turned themselves into a competing political party and succeed to win the leadership position of Nepal, they formed restrictive policies towards the Indian government. The support of GoI to the GoN during the insurgency period against the Maoist rebels also imprinted the results where the Maoist government formed after the insurgency period was implementing restrictive policies towards India.

Similarly, we can analyze that for Nepal, the support provided by the GoI during the insurgency period can be considered as a political necessity for the particular period. Later when the peace process succeeded even with significant support from the Indian government, and the Maoist rebels transformed themselves into a

¹ Seven Party alliances were the coalition of seven leading political parties of Nepal including Nepali Congress, Nepali Congress (Democratic), Communist Party of Nepal (Unified Marxist-Leninist), Nepal Workers and Peasants Party, Nepal Goodwill Party (Anandi Devi), United Left Front, and People's Front Party. The major goal of this alliance was to revolt against the autocratic monarchy by implementing the people's revolution.

competing and leading political party in the democratic system, GoI and Maoist Party could not maintain a good relationship with each other.

Promulgation of the New Constitution

The GoI played a major role in the success of the abolition of the monarchy. During the insurgency period, the Indian government restricted the flow of weapons and ammunition to the Royal Nepal Army. It also supported the people's revolution and their quest for democracy. It has been trying to maintain the distant relationship after the 2002's undemocratic seizure of power by the King.

Until the end of 2007, Nepal and India maintained a harmonious relationship with each other wherein they supported each other in their hard times. However, it started deteriorating. The main reason for the degradation in the relationship between these two countries was the promulgation of Nepal's constitution on September 20, 2015. The GoI tried to intervene in the constitution-making process of Nepal even after 85% of the Constituent Assembly voted to adopt the constitution (Pant, 2018).

After the promulgation of the Nepali constitution on September 20, 2015, the relationship between Nepal and India went through continuous turmoil. The newly formed Nepal government was also slowly fostering its relationship with China through the supporting Chinese government development strategy called "Belts and Roads Initiative (BRI)", initiated by Chinese President Xi Jinping in October 2013. Nepal government and the Chinese government signed MoU in May 2017 to cooperate for the projects of the Belt and Road Initiative (Xinhua, 2018). India, which is also considered as the regional hegemon of its weaker neighbors of South Asia, was perceived to lose confidence regarding this enhancement of the Sino-Nepal relationship. Seeing its grip over Nepal fading, instead of approaching the situation with diplomacy, GoI tried to micro-manage the situation in its ham-handed way. Nepal, between these two giant rivals, was caught in the bilateral conflict.

Advent of the Madhesi Revolution

In 2015, after the promulgation of Nepal's constitution, Madhesi-based parties that have close ties with Indian political parties, mostly from Province No. 2 started protesting against the newly promulgated constitution and the Nepali government blaming to create division

among the people of terai.²GoI vocally supported the protestors' demand for the constitution amendment. Indian Government's intervening reactions caused tension between the two countries. India, unable to resolve this situation diplomatically, indirectly supported the Madhesi people and helped the conflict to rise. Nepali government blamed the Indian Government for intervening in its internal matters and trying to make the Communist Party of Nepal Unified Marxist-Leninist's (CPN-UML) Prime Minister Oli's government unbalanced by supporting the Madhesi strike and imposing an economic blockade over Nepal. This was also the major reason which caused Nepal's first lady, President Vidya Devi Bhandari's visit to India to get canceled. Nepali government also called back the ambassador of Nepal to India, Mr. Dip Kumar Upadhyay, from New Delhi (Bhattacharjee, 2016).

Unofficial Indian Economic Blockade (23rd September 2015)

As the contentions regarding the new constitution grew, the Indian Government imposed an unofficial economic blockade, the fourth of its kind in the history of its relationship with Nepal, letting only a minimum quantity of commodities pass through its border to Nepal. Monthly, Nepal Imports 100,000 tons of fuel from India which includes diesel, kerosene, and LPG (Singh, 2017). The blockade caused the basic commodities and fuel prices to spiral up, making the lives of the people miserable. The blockade eventually led to the rise of anti-Indian sentiments among the Nepali people, which the Nepali political leaders were able to exploit and propagate for their benefits to augment their power.

Prime Minister Khadga Prasad Sharma Oli's (K.P Oli) Foreign Policy Towards India

After facing the economic blockade, PM Oli's policies' main focus was to decrease the economic dependency on

² Province Number 2 is located near the southern part of Nepal. The people from this area share close familial ties with India. Unrest in this area will have a spillover effect in the Indian Territory as well. The major reason for the dissatisfaction from the newly promulgated constitution to the people from this province was regarding the territory of the newly formed provinces and also regarding the provision for family member's citizenship. For more information see <http://www.mofald.gov.np/en/organizational-structure>

India. To achieve this goal, his main focus was to enhance the economic relationship with its second neighbor China significantly. Gourevitch, in his book *Politics in hard times*, postulates that the statesman will try to form and implement various policies according to the necessity of the certain period during war and crisis. During the economic blockade, Nepal found itself in a vulnerable situation because of a lack of commodities. Nepali people faced a situation where they understood that the economy was majorly dependent on India. Therefore, Oli as a prime minister tried to enhance the relationship with the Chinese government. In this process, the GoN led by prime Minister Oli signed series of agreements with the government of China to decrease this asymmetric interdependence with India. However, these policies were sub-optimally formed during the tough times and in anger. The consequences and results were not carefully measured (Mishra, 2018).

Contemporary Nepali Foreign Policy

Nepali leadership's failed attempt to escape from the vulnerable economic dependency by the imposition of blockades time and again have made them realize that the GoI is the main threat that they are not able to balance against it directly (Iwanek, 2019). This inability has been the major reason for the political instability as there has been a continuous change in leadership aimed at the desire to end this dependency.

To escape from the ongoing asymmetrical interdependence over India, Nepali leadership is consistently trying to improve the present condition of Nepal encompassing economic, military, and political aspects without directly challenging the system leader in this case; GoI. GoN is indeed persuading its long-term policies to improve its economic as well as political capabilities beyond soft balancing with its prudent steps without engaging with GoI in hard balancing behavior.

Based on the recent observable policies implemented by the GoN, we can say that GoN through its policies is not interested in pursuing the objective of making it capable to cope with the potential military confrontation with the GoI in the future. Instead based on these policies, we can say that the GoN is pursuing its objective to minimize its overall dependency for public commodities, subsidies, and benefits that it receives from GoI as the regional leader.

Extension of the Strategic and Economic Partnership

Traditionally, Nepali foreign policies revolved around maintaining a good relationship with its two neighbors and few other world-leading countries. Changing this traditional approach, GoN can be also perceived as seeking the enhancement of its strategic and economic partnership with other countries and international organizations as well.

As a landlocked country, Nepal is vulnerable if it just maintains a relationship with its two neighbors, with the crisis of economic blockade Nepal understood the importance of the international community and multilateral agencies. Therefore, the Nepali government started its venture with the global community by attending the Afro-Asian Conference in 1955 which was held in Indonesia, achieved the membership of the United Nations (UN) in 1955, of International Monetary Fund (IMF), and the World Bank (WB) on September 6, 1961. Nepal got the membership in Asian Development bank in 1966. Gaining the membership of these international organizations can be perceived as Nepal's initial step to interact with the international regime and to diversify its partners following the hedging strategy without agitating the system leader- India. Nepal also entered the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) in February 2004 holding the fourth BIMSTEC summit in Kathmandu in 2018. These steps can be considered as GoN's pursuit to diversify the foreign policies and partners. This way GoN is seen to be following hedging strategy in the form of bilateral investment in infrastructures, energy development, and contracts.

Economic Pragmatism and Diversification

Nepal is following the step to economic liberalization and pragmatism by attempting to maximize the economic benefits that can be gained from both the rising powers i.e., India and China. Recently, Nepal and China are continuously seen working together for an array of transportation possibilities along their borders either through enhancing cooperation on infrastructure development such as roads, airports, and power stations (Wu, 2019). We can also state that Nepal is following economic diversification because rather than relying just on India, Nepal is also attempting to diversify its trade links and investments links with China and other countries.

In March 2016 Prime Minister Oli made his official visit

to China where both the countries signed agreements which included the transit and transport agreement, the free trade agreement, the agreement related to installing solar grids in 32 thousand houses, the agreement on soft loan, the loan agreement for construction of the Pokhara Airport, the agreement on an exploration of gas and petroleum in Nepal and a deal on the construction of a bridge in Hilsa (The Kathmandu Post, 2016). This series of agreements were signed few months after the unofficial Indian economic blockade imposed by GoI as an attempt to decrease the dependency on the Indian economy. These agreements and protocol can be considered as an important step taken by the government of Nepal to diversify its trade and enhancing the possibilities of carrying out third-country trade using the Chinese seaports in Tianjin, Shenzhen, Lianyungang, and Zhanjiang—and three land ports—in Lanzhou, Lhasa, and Shigatse. Similarly, in 2019, both these countries signed the protocol on implementing the agreement which was pending from the 2016 transit and transport agreement (The Kathmandu Post, 2019). After the signing of these agreements, the Nepali official made a statement stating that these ports are not the replacement for the Indian Ports. This can be considered as a Nepali official's prudent step to avoid agitating the Indian government with this agreement.

Similarly, Nepal and China also revised their bilateral agreement to increase the number of flights from 98 per week in July 2019 (Prasain, 2019). This has been increased from 11-98 flights per week in less than 10 years which can be seen as the result of an increase in the Chinese tourists in Nepal which plays a vital role in the tourism sector of Nepal and the overall Nepali economy. In a joint statement, Nepal and China also agreed to strengthen the implementation of the *MoU under the Belt and Road Initiative (BRI) "to further enhance the connectivity, encompassing vital components as ports, roads, railways, aviation, and communications within the overarching framework of trans-Himalayan Multi-Dimensional Connectivity Network"* (MoFA, 2018). Here, the PRC showed its eagerness to help and assist Nepal in the construction of its infrastructures whereas Nepal showed its readiness to accept the assistance and facilitate the investments from the Chinese government despite the Indian government's vehement condemnation.

Most importantly, the visit of Xi Jin Pin to Nepal in October 2019 with the major objective of "a strategic

partnership of cooperation featuring ever-lasting friendship for development and prosperity", can be seen as China's interest in expanding its influence in South Asia (Wu, 2019). For Nepal, this visit can be seen as the major opportunity to escape from the asymmetrical interdependence from the GoI (Bhadra& Kai, 2019).

With these foreign financing commitments, China emerged as a major investor in infrastructure developments. This way Nepal is relying on China as well for investments rather than just relying on India alone. It can be considered as economic pragmatism from the GoN. Nepal like any other developing country is willing to accept investors that are willing to invest in the country and diversify its investor's portfolio internationally. With these strategies comes the hurdle of dominance on infrastructures by the investing country. We can see that the Chinese dominance on the infrastructures which was developed with Chinese investments, workers, engineers, and equipment in other countries from South Asia (Sahoo, 2013), Africa, and Latin America was binding for these countries (Bersch & Koivumaeki, 2019). Similarly, GoN itself has numerous bitter experiences of Indian dominance and monopoly on hydro-projects and infrastructures developed and constructed using Indian investments and equipment. Therefore, Nepal has to be aware and adopt nimble diplomacy on these encounters with these investing partners. These strategies include dominance and monopoly denial on the infrastructure for the investing countries before making any commitments for receiving these investments aid and supports.

NEPAL'S STRATEGIC HEDGING BEHAVIOR

As Nepal is connected to India with the plain land, most of its exports are done through India (Prasain, 2019). Nepal's financial market was also very dependent on India as Nepal also would have to regularly import physical forms of currency because there were no internet facilities in the past. Therefore, to end this dependency, Nepal and China started commercial operation of optical fiber link project developing the internet infrastructure (The Himalayan Times, 2018). Now, with the use of financial technologies, Nepal's financial activities can be done using cross border connectivity bandwidth project between these two countries, ending Nepal's dependency over India for its financial requirements.

Nepal is also attempting to ease the relationship with

GoI, after the bitterness from the economic blockade. There have been frequent high-level visits and agreements between these two countries. Indian PM Modi has also made 3 visits in 4 years in Nepal (Times of India, 2018). During Modi's visit in 2018, Nepal and India agreed 900 MW hydropower project to be set up in the Sankhuwasabha district even though MoU was signed in 2008. This can also be seen as an attempt by the GoI to normalize its relationship with GoN and respond to increasing the Sino-Nepal relationship. During this visit, PM Modi also brought the agenda of Raxaul (Bihar)-Kathmandu rail link which was announced during Oli's previous official visit to India which can be seen as an attempt to counter the Chinese rail project to connect Lhasa to Tibet Autonomous Region and Kathmandu by 2022.

With the constant change in the leadership of the GoN, there has been the pendulum-like shift in Nepal's foreign policies, sometimes very close to India and sometimes very close to China taking a step back from India. GoN understands that its enhancement of relationship with the PRC involves the risk from the GoI which is dependent asymmetrically for public commodities and other benefits and other forms of subsidies. GoN understand that it cannot afford to agitate GoI by enhancing its relationship with the PRC. GoN also understands that it is not capable neither militarily nor economically to face off GoI by building internal military buildup or establishing external defense alliances. Therefore, under strategic hedging behavior, every policy that the GoN formulates should be directed towards improving its own political, economic as well as military capabilities relative to GoI but without directly challenging the GoI.

CONCLUSION

Nepal to be independent economically, politically minimizing the dependence upon the GoI, hedging strategy seems to be the best foreign policy option without antagonizing its two super-power neighbors. For Nepal to formulate its hedging behavior as a sustainable foreign policy, Nepal has to be able to set up policies addressing multidirectional partners instead of focusing on its short-term limited goals. The policy of strategic hedging provides GoN with the most applicable policy option instead of confronting GoI and the Chinese government directly hard balancing against either of them.

Similarly, the dynamic international politics will continuously test Nepal's hedging skill in the times to come, particularly when dealing with India through China and when dealing with China through India. Nepal as a developing landlocked country cannot sustain its economy using its resources. Nepal requires help and aid from these powerful countries and international organizations. Nepali political leaders should not use 'China-card' towards India nor 'India-card' towards China to reap benefits. Nepal cannot afford to have a bad relationship with either of its two neighbors because Nepal will always need one of its neighbors to provide support and aid especially during conflicts and periods of crisis.

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