

# Navigating Opportunity and Dependence: A Descriptive Study of the Sino-Nepalese Relations in International Business Since 2005

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## ABSTRACT

The strategic relationship between China and Nepal has described the significant transformation since 2005, from traditional diplomatic relations to a multifaceted trade partnership, investment, infrastructure development, and regional connectivity. This paper unveils the evolving nature of the Sino-Nepalese relations through trade, strategic, and geopolitical lenses, employing qualitative analysis of policy documents, academic literature, and media reports. The study used a qualitative research methodology, which involved content analysis of policy documents, trade data, trade MOUs, and elite interviews; the paper discusses the drivers, aspects, and challenges of this bilateral trade connectivity. The result highlights that Chinese investments under the Belt and Road Initiative (BRI) play an effective role in ensuring infrastructural development in Nepal. In addition, the study unveils that infrastructure development increased trade connectivity and provided alternative development financing. Furthermore, this study also talks about the concerns regarding debt sustainability, strategic autonomy, and trade imbalances, where the trade deficit reached NPR 12.55 billion in the 2004/2005 FY and NPR 338.47 billion in the 2024/2025 FY. The Sino-Nepalese cooperation is also very significant from the regional perspective, particularly in the India-China competition perspective. The geographical location of Nepal also pushes China to make strategic cooperation with Nepal, and it helps to shift power alignments in South Asia. This study developed theoretical perspectives from realism and complex interdependence that provided a balanced analysis of the opportunities and challenges in the Sino-Nepalese relationship. The paper contributes to broader discussions on South Asian geopolitics, small-state diplomacy, and the prospects of Sino-Nepalese collaboration and suggests some policy to ensure sustainable partnership in future perspectives.

**Keywords:** Sino-Nepalese Relations; Belt and Road Initiative (BRI); international business; sustainability; infrastructure development, Trade imbalance; South Asian geopolitics.

## INTRODUCTION

In the 21st century, geopolitical antagonism is focused on Asia, where the balance of global power is shifting on an impressive scale. The geopolitical environment of South Asia has been transformed to a great extent by the economic prosperity of China (C. Thapa, 2025). The establishment of a bilateral trade relationship between China and its Himalayan neighbor is considered a dynamic trade cooperation in the South Asian economy. The relationship between the two nations developed into a strategic alliance that comprises infrastructure, trade, investment, and diplomatic collaboration.

Through the Five Principles of Peaceful Coexistence and diplomatic recognition in 1955, history has shaped the relationship between Nepal and China by honor and non-interference (Baral, 2019). A major turning event took place after 2005, between Nepal and China. The political shift of Nepal from monarchy to republic and the simultaneous economic expansion under the "Going Global" agenda by China and bilateral cooperation started

to intensify rapidly. The contribution of investment guarantees, trade adjustments, and infrastructure funding from China evolved as a fundamental development partner, offering Nepal an alternative to its traditional dependence on India and Western sponsors (Aswasthama Bhakta Kharel, 2024). In 2013 China introduced the Belt and Road Initiative (BRI), and Nepal signed in 2017. This strategic shift was further escalated. The BRI framework provides innovative links, such as highways, trans-Himalayan trains, and energy projects. These aim to potentially reduce Nepal's long-standing reliance on Indian transit routes due to its landlocked condition (Murton & Lord, 2020). The fundamental reevaluation of Nepal's economic geography and foreign policy orientation was facilitated by the Chinese investments in the country's hydropower sector, aviation infrastructure, and cross-border commercial services. The importance of Nepal's geostrategic position cannot be exaggerated regarding China. Nepal plays a very important role in China's South Asian strategy due to its geographical position bordering the Indian subcontinent and the Tibet Autonomous Region of China. A peaceful and cooperative Nepal achieves several missions for Beijing, including safeguarding the southern border of China, opposing Indian influence in the Himalayan state, and broadening its political and economic domains in South Asia (Pulami, 2022). The current state of involvement with China by Nepal provides growth to its economic relationship, decreases reliance on the neighboring country, and utilizes its geographical benefits to develop into a potential one (Bastola, 2025). Also, during this time China has increased regional and international goals beyond bilateral collaboration with Nepal. As Nepal became an important ally, Beijing looked at several initiatives in South Asia aimed at securing alternate commerce and energy routes in order to reduce geopolitical risks and China's westward expansion. The Kerung-Kathmandu railroad project and other trans-Himalayan connectivity initiatives aim to build infrastructure pertaining to strategic assets, which have the potential to affect the dynamic process of regional trade and power relations (Murton & Plachta, 2021).

The study focuses on critically evaluating the transformation of the Nepal-China relationship that has existed since the year 2005 and the challenges as well as opportunities that have accrued from this developing cooperation. It analyzes the economic, politically related, and security issues concerning bilateral cooperation along with the national and international pressures that have or stand to have an influence on the sustainability of such cooperation. Specifically, the subsequently discussed research questions are the following: What is the depth of China-Nepal strategic convergence? How geopolitical factors Influenced in the Sino-Nepalese relations? Which policy options can Nepal take to reduce challenges and protect national interests?

The article provides an insightful, grounded analysis of the Nepal-China relationship, focusing on Chinese regional development and South Asian geopolitics. The research gap in the study is addressed by investigating internal political shifts, geopolitical shifts, and great-power dynamics matters, which are shaped by Nepal's foreign policy. This research delivers a valuable contribution to the academic literature and decision-makers, as well as policymakers and non-governmental stakeholders. The researchers who are interested to know how Sino-Nepalese relations might enhance in the uncertain environment can get knowledge from this study.

## LITERATURE REVIEW

(Dahal, 2019) shows in a descriptive study about Nepal's foreign ties with China, where the author describes the cooperation of Nepal and China in the form of ancient historical connections and modern diplomatic ties during the time 1955-2019. Based on secondary data such as the Constitution of Nepal, bilateral treaties, and the joint statements, the author demonstrates the cooperation of two countries through a descriptive and analytical approach for the study. The result reveals that the consistent support by China for Nepal has created positive relations and transit cooperation..(Sharma, 2018) conducted research to examine the historic evolution of China-Nepal relations to find the reasons why their mutually beneficial relationship has been slow even though they share a border and both countries have maintained diplomatic relations since 1955. The study took a qualitative approach using historical and descriptive methodology, examining data from 1955 to 2018, on the basis of the collected information from various sources on bilateral treaties, government reports, and joint statements. According to the findings, the relations are historically amiable; however, partnership has moved in "slow motion" due to several reasons such as political obstacles, insufficient infrastructure connection, and Nepal's cautious stance to maintain ties with its neighbors.

(Murton & Lord, 2020) studied the infrastructure politics of China's Belt and Road Initiative in Nepal, highlighting Himalayan power corridors and their geopolitical consequences between 2015 and 2020. The study

adopted a qualitative methodology that includes geopolitical analysis, ethnographic fieldwork in northern Nepal, and policy document analysis. The result revealed that the development of infrastructure is the medium of "infrastructural politics," articulating a new model of power and regional links. The projects create the platform for political debate over development, sovereignty, and regional integration. (Chan & Bhatta, 2023) examined discourse from 2015 to 2020 by exploring the Nepal and China transborder railway project and its relevance in Nepal's collective imagination, especially during the 2015 Indian embargo period. The examination utilized qualitative methodology, including discourse analysis of policy conversations, media reports, and opinion articles. The outcomes indicated that the projects attract significant interest in Nepal as a prospective transformative element for national sovereignty, but matters such as its funds, viabilities, technical difficulties in the Himalayan region, and capacity to further China's geopolitical goals were considered for public concerns. (Kharel et al., 2021) conducted a study investigating how bilateral economic cooperation between Nepal and China has strengthened the Nepalese economy. The author developed this study through mathematical analysis, and the study adopted a quantitative methodology. The results unveil that, although Nepal still has an enormous deficit, economic assistance, bilateral trade, FDI flows, and Chinese visitors highly influence the creation of a positive change in the economy of Nepal. In addition, (Chand, 2023) conducted research examining the dilemmas, debates, and evolution issues of the Belt and Road Initiative (BRI) in Nepal from 2017 to 2023. The complex triangular relationship between Nepal, China, and India was analyzed through policy documents, official statements, and media interpretations for qualitative methodology. The result shows implementations of the BRI projects also facing different barriers due to geopolitical factors, particularly India's concerns and perceptions between Nepal and China towards project selection and investment factors. Besides these, the reason for the project delay and stagnation is the limitation in Nepal's institutional capacity and also highlights the geopolitical importance of the Sino-Nepalese relationship. (Gautam, 2023) in a particular study shows the trade cooperations between Nepal and China, exchange of goods and services output, and planning for expanding financial collaboration for the fiscal years 2007/08 to 2016/17. The study was developed based on qualitative analysis of trade data and customs statistics. The result highlighted the rapid growth of trade, but trade imbalance is also a key concern for Nepal, especially the huge gap between import and export goods and services. (C. D. Bhatta, 2024) studied historical context and ongoing events up to 2024 to evaluate the "metamorphosis" of Nepal-China relations at a pivotal moment when China is on the stage of becoming a superpower nation. The author used a descriptive and analytical method of qualitative research where policy documents, bilateral agreements, and geopolitical studies were considered. The outcome showed that although the relationship is friendly, it is asymmetrical, with China making demands from Nepal (regarding Tibet and Taiwan) while Nepal has no reciprocal commitments. Moreover, the study mentioned that regional geopolitical factors will play a significant role in future relationships between Nepal and China. Also, (Joshi & Adhikari, 2025) in their study talk about the BRI impact on the economic growth of Nepal through utilizing data from 2020 to 2024. The study used a mixed-methods approach, incorporating quantitative data analysis and a qualitative evaluation of contemporary theories. According to the results, the various obstacles such as management issues, the environmental impacts of huge projects, and loan sustainability create obstacles in the implementation. In addition, the study highlighted several research gaps for future research perspectives.

(K. D. Bhatta, 2025) conducted extensive research on the opportunities and challenges of the implementation of the Belt and Road Initiative in Nepal, based on data from 2017 to 2025. The study followed descriptive and analytical approaches to analyze current literature, policy papers, and case studies from other BRI countries. The result highlighted that BRI creates immense benefits for Nepal; particularly, it helps Nepal to achieve landlocked-to-land-linked status, as well as social and legal complications and debt trap issues, which are also a matter of concern for Nepal.

## **THEORETICAL FRAMEWORK**

To scrutinize the relationship between Nepal and China since 2005, a theoretical framework is mandatory. A two-sided theoretical approach is applied in this study, integrating classical realism and complex interdependence theory. In figure 1, this approach is displayed that delivers a meaningful understanding about the developing bilateral partnership between Nepal and China.

## **Realism: Power, Security, and Geopolitical Balancing**

Realism was introduced by researchers such as Waltz (1979) and Mearsheimer (2001), where the maximization of power and survival are major goals that operate in an anarchic international system. The valuable perception towards the strategic calculations is guided through realism on behalf of Sino-Nepalese relations, which gives direction to the behavior of each country's foreign policies. The involvement of China with Nepal carries several pivotal reasons, such as reducing the dependence of Nepal on India, maintaining its southern edge in the Tibet Autonomous Region, and enhancing its political and economic reach into South Asia. Sino-Indian rivalry has uplifted the geopolitical importance of Nepal, where competition for regional consequence and border disputes have emerged in Beijing's calculus. From Nepal's perspective, realism describes the country's reason to transform its external relations: to reduce its overreliance on India. In 2015 Nepal faced problems like economic crises and humanistic issues due to the authenticated Indian blockade and the serious matter of vulnerabilities that took place in landlocked geography and imbalance dependence on a single nation (S. Thapa, 2025). Nepal adopts a classical balancing strategy to solve these problems and develop conferring power vis-à-vis dominant regional authority, aside from connecting with China, which is depicted in the figure 1.

### **Complex Interdependence:**

In illustration, the geopolitical nature of the relationship was depicted in realism through the broadening of the economic, conventional, and social structure links with an inability to fully address them but with recognition of the contemporary Sino-Nepalese involvement (Singh, 2000), as well as the developed complex interdependence that furnishes supportive analytical instruments by highlighting multiple channels connecting communities, the diminishing role of military force in some surfaces of issues, and the lack of clear ranking of policy objectives. The Belt and Road Initiative (BRI) reveal complex interdependence in practice. China and Nepal have established numerous interdependent relations as a result of developing infrastructure, investment flows, trade facilitation, and exchange of people, which go beyond traditional diplomatic and security relations. The intended Trans-Himalayan Multi-Dimensional Connectivity Network, comprising railways, roads, and hydropower, is not wholly economic infrastructure but institutional structures that stabilize the two economies and societies amid an increasingly complex environment (Bhattarai, 2019). Also, the participation of Nepal in common platforms like the activities of the China-led projects and the Shanghai Cooperation Organization (SCO) as a witness indicates harmonization of bilateral cooperation in addition to the country-to-country intercommunication. Complex interdependence is coordinated with these developments, putting emphasis on transnational relationships and the place of international institutions in defining state action.

### **Combining the Complex Interdependence and Realism:**

It is the combination of theoretical viewpoints that makes the Nepal-China relationship more complex. Realism's strategic motivation was elaborated as something that compelled both sides of Nepal and China, where China envied the expansion of access, and Nepal altered their policy space in terms of diversification. Complex interdependence captures the changing nature of the appearance of the involvement in both countries, the definition of economic integration and institutional cooperation, and civil connection, which create dependencies and susceptibility. The relationship stress is also examined in this combined framework. Potential conflict between the two countries can be established based on power imbalance, where Nepal aims at achieving strategic sovereignty by committing to China, whose participation in such a venture may be counterintuitive by establishing a new form of dependence, be it in financial, political, or economic terms. Likewise, when it comes to issues like the sustainability of debts, the semi-transparency of projects, and the implications of the long-term sovereignty, inquiries are made about the investment of infrastructure by China when it comes to promoting connectivity and developments (Adhikari, 2021).

This study is guided by the conceptual model presented in Figure 1. The conceptual model shows a structured analysis of Sino-Nepalese relations in international business since 2005 by highlighting the key strategic drivers, theoretical perspectives, and key dimensions of the Sino-Nepalese relations. The model uses the term "realism" to describe China's security and power interests; on the other hand, the term "complex interdependence" is used to show Nepal's need for policy space and diversified partnerships. The result shows several opportunities and

challenges in these Sino-Nepalese relations. The analysis ends with the policy recommendations that both countries should consider in order to achieve mutual gains.

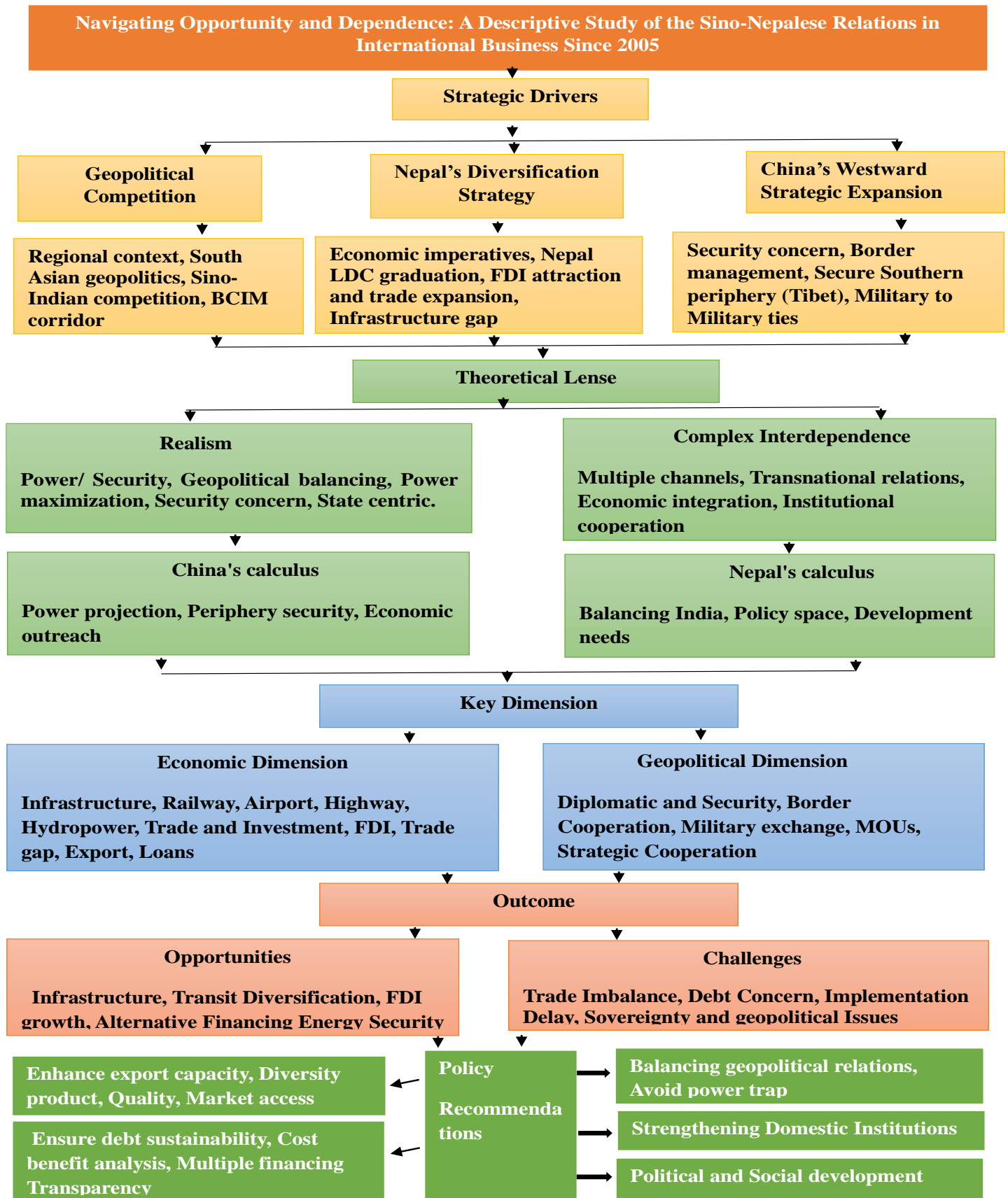


Figure 1. Conceptual Framework: Navigating Opportunity and Dependence: A Descriptive Study of the Sino-Nepalese Relations in International Business Since 2005

Source: Author's own work

## RESEARCH METHODOLOGY

This research has been developed based on a qualitative research design to understand the dynamic shape of the Sino-Nepalese relationship since 2005. Basically, qualitative methodology is highly preferable for international relations research. This study shows a descriptive analysis to unveil policy factors, geopolitical factors, and societal perceptions that are associated with Sino-Nepalese cooperation. This method helps researchers to understand how strategic narratives are constructed, how policy decisions are justified, and how various stakeholders perceive the evolving relationship (Braun & Clarke, 2006).

### Data Collection Methods

**Primary Documents:** Initially data has been collected from multiple sources. Such as Nepal-China bilateral treaties and agreements, official statements, Memorandum of Understanding (MOUs) signed under BRI groundwork, and administration documents from Nepal's Ministry of Foreign Affairs and Ministry of Physical Infrastructure and Transport were primary official documents to gather information. Additionally, to determine economic tendency, trade data from Nepal Rastra Bank and the Department of Customs were addressed.

**Interviews with key informants:** Semi-structured interviews were conducted with 15 specialists during August 2024 to January 2025, including 2 former diplomats. Former diplomats were selected to gather information related to South Asian bilateral trade post-2005, 3 foreign trade analysts, 5 professors who are academic researchers, and 5 former government officers who were connected with Sino-Nepalese trade management activities during their service time. On the basis of experience and proficiency, purposive sampling was imposed to select candidates. Under circumstances of inconspicuousness, all the interviewees were reassured to give forthright responses on sensitive topics that include sovereignty concerns, debt sustainability, and geopolitical pressures. Kvale and Brinkmann's (2009) instructions were compiled to develop an interview protocol for qualitative research.

**Interview Process:** The interview duration was between 20 and 30 minutes, with an average of 25 minutes. Interviews had been conducted in person or through secure digital tools, such as Zoom, Google Meet etc., according to the preference of the interview respondents.

**Secondary Sources:** Several secondary data have been considered for this research, including peer-reviewed journal articles, policy briefs, and institutional reports such as those from the Institute of South Asian Studies (ISAS), the International Monetary Fund (IMF) and the Asian Development Bank (ADB). Analytical perspectives and contextual background on economic cooperation, infrastructure development, and geopolitical implications of the bilateral relationship were obtained from these sources.

**Media and Discourse Analysis:** To figure out general and evolving approaches, Nepali and Chinese media coverage of bilateral affiliation, including editorials, op-eds, and news magazines from 2005 to 2025, was determined. The English-language sources, The Kathmandu Post and China Daily, were consistently reviewed.

**Qualitative Data Thematic Analysis:** The analysis was performed with NVivo 14 software in order to analyze it systematically. Including qualitative data of interest, interview transcripts, bilateral agreements, MOUs, joint statements, and policy documents from Nepal's Ministry of Foreign Affairs. The software offered various support such as efficient coding, retrieval, and pattern identification across the comprehensive dataset comprising 15 elite interviews and over 200 policy documents considering the timeframe 2005-2025.

### Coding Framework

Based on two phases, open coding and axial coding, the study was conducted. The themes were presented through an inductive process from document review and interview narratives, which was enabled by open coding, whereas the classification of codes into macro concepts based on relationships and patterns identified in the data was enabled by axial coding. Geopolitical Drivers of Engagement, Infrastructure Development and BRI Implementation, Economic Asymmetry and Trade Dynamics, and Strategic Autonomy and Sovereignty Concerns were the four overarching themes brought by this iterative process. Additionally, 13 sub-themes of the

multidimensional nature of Sino-Nepalese relations that were captured since 2005 were also part of the iterative process.

### **Assuring Reliability**

An inter-coder reliability measure was applied to knock off the impact of the bias of an individual researcher and to boost the reliability of the coding procedure. A random sample of three interview transcripts was coded independently by two independent coders who were acquainted with South Asian geopolitics and international business research. During consensus meetings, some of the differences in the clarification of the codes were also debated and settled, providing the outcome of 0.82 with a Cohen's kappa coefficient in a finalized agreement-based codebook, showing substantial inter-coder reliability.

### **Thematic Saturation**

Interview 13 achieved thematic saturation since the interview had no new concept and meaningful information was received in the subsequent two interviews (14 and 15). Although the initial sample size (15) was sufficient to minimize the exhaustive list of the relevant attitudes that corresponded to Sino-Nepalese cooperation, it covered the viewpoint of former diplomats, foreign policy analysts, academic researchers, and former government officers who had various institutional affiliations and expertise in policy.

### **Methodological Limitations**

There are several limitations that can be seen in this study; the first one is high restraint to access by China to diplomats and high-level policymakers. Second, it is impossible to statistically summarize the outcome because respondents are not probabilistic, although they may provide valuable qualitative results. Finally, there exists the presence of analytical constraints because of reliance on secondary sources such as translated documents and media reports. Despite these drawbacks, the depth relation between Nepal and China can be determined using this methodology that provides fruitful results about South Asian geopolitics and small nation diplomacy to academic literature.

## **DISCUSSION AND RESULTS**

**The Evolution of the Sino-Nepalese Relations:** The analysis concludes that the Sino-Nepalese relations have been undergoing a dynamic form since 2005, particularly the change in the traditional cooperations into a strategic partnership encompassing economic cooperation, industrial and infrastructural development, as well as security cooperation. This connectivity demonstrates the prospects as well as challenges for Nepal that also drive geopolitical changes in South Asia.

**Diplomatic Deepening and Political Transformation (2005-2015):** In this phase, Nepal was struggling with a grave problem of political stability and geopolitical problems. China stands out to provide Nepal with a peaceful profile and political stability by establishing the basis of greater collaboration. The interview respondent pointed out that China has consistently advocated the principles of sovereignty and noninterference of Nepal; especially, China would manifest greater interest in India's interventionist attitude toward Nepal. In 2009, Nepal and China hosted the formation of a fruitful partnership of cooperation featuring everlasting friendship.

**The BRI Era and Transformative Ambitions (2017–Present):** In 2017, Nepal signed the Belt and Road Initiative, which can be regarded as a prudent move by the Nepalese government. The BRI partnerships help in various types of infrastructure developments such as the proposed Kerung-Kathmandu railway, cross-Himalayan highways, and cross-border energy grids. These cooperations, as stipulated in the final objectives of the bilateral MOU, ultimate goals of these cooperations are to transform Nepal from a "landlocked" to a "land-linked" nation; and the economic geography of Nepal will also be promoted. BRI empowers Nepal with its immense opportunities using the multiple connections that can be extremely effective in eliminating dependence on transit. Nevertheless, the correct implementation and queries regarding the financing rules and regulations are also the main concern of Nepal (academic researcher, Kathmandu).

This research determines that there is a huge disparity between what was intended to be done in the project and what is being done through an analysis of some of the official documents. Moreover, this research concludes that various MOUs have been entered into, yet the developments have not been much, including those in hydropower and aviation infrastructure. With a narrowed-down distance, Nepal can realize immeasurable good under the BRI cooperations.

**Economic Dimension:**

**Trade Relations and Structural Imbalances:** This study will determine the trade growth and the high percentage of trade imbalance, which is very worrying for Nepal to be sustainable in the long run after analyzing trade data provided by Nepal Rastra Bank (2005-2025). The bilateral trade deficit from 12.55 billion in 2004/2005 to more than NPR 338 billion in 2024/ 2025, is a high trade gap and a very low export ratio for Nepal in relation to its ratio of imports from China. Nepal's exports to China are very low, and that concentrated in some of the products, such as handmade paper, pashminas, and metal crafts; the imports are in the form of manufactured goods, electronics, machines, and construction materials.

**Table 1: Nepal-China Trade Trends (Selected Years, NPR Billion)**

Fiscal Year	Export to China	Import from China	Trade deficit
2004/2005	NPR 0.55 billion	NPR 13.10 billion	NPR 12.55 billion
2009/2010	NPR 1.00 billion	NPR 39.21 billion	NPR 38.21 billion
2014/2015	NPR 1.82 billion	NPR 177.80 billion	NPR 175.98 billion
2019/2020	NPR 1.19 billion	NPR 181.92 billion	NPR 180.73 billion
2024/2025	NPR 2.63 billion	NPR 341.10 billion	NPR 338.47 billion

Source: Nepal Rastra Bank, Department of Customs, Chinese customs data.

This outlook of trade imbalance is the key concern for Nepal to ensure economic sustainability in the long run. Interview respondents identified multiple factors that are mainly key barriers to Nepal's export growth: a still large number of export-based industrial sectors are underdeveloped in Nepal. Lack of necessary phytosanitary facilities, scarcity of well-equipped tools, and appropriate trade arrangements to access the Chinese market properly." (Trade economist, Kathmandu)

**Flow of Investments and Infrastructure Development:** In Nepal, Chinese foreign direct investment (FDI) grows rapidly after 2005, with involvement in small businesses and later in large businesses. According to the Rising Nepal (30 November 2025 report), Nepal's government received NPR 64.96 billion (approximately \$473 million USD) as total FDI commitments from different countries in the fiscal year 2024/25. During the fiscal year 2024/25, the budget has been allocated to tourism, the ICT sector, and services for the enhancement of the country. Besides this, in other sectors such as infrastructure, hydropower, and manufacturing, aggregate investment is distributed. China is the primary and largest source of FDI in Nepal, where the records from recent years show the investment from China is nearly half of the total commitments. The noticeable infrastructure projects contributed by Chinese investment are as follows:

**Road and Transportation Networks:** With the support of Chinese investments, the Araniko Highway connecting Kathmandu to China's border was constructed, but due to the risk of natural disasters, the highway remains unsafe, and it needs additional cost. Under the technical guidance by China, the Kerung-Kathmandu railway project is going on in Nepal.

**Aviation Infrastructure:** Pokhara Regional International Airport was constructed in 2023, with a mix of interest-free and concessional loans from China, presenting a flagship infrastructure project. Additionally, during the construction of Gautam Buddha International Airport in Bhairahawa, Nepal receives the reinforcement from Chinese investors. With the aim of uplifting tourism connections and developing the regional part of Nepal, these infrastructure projects were carried out.

**Hydropower Infrastructure:** Chinese enterprises play a vital role in the development of Nepal's hydropower projects, such as Upper Trishuli-3A (60 MW) and Upper Marsyangdi A (50 MW), and there are also several other projects that are at the stage of development. These investments help to address Nepal's chronic energy shortage while supplying returns to Chinese investors.

**Development Assistance and Debt:** China is one among the top development partners that offer technical and financial support in various sectors to Nepal. In 2015, Nepal, according to the Ministry of Finance, was to receive NRP 110.902 billion in Chinese development assistance commitments in the form of roads, reconstruction, disaster relief, forests and the environment during the period between 2015 and 2025.

Nevertheless, the issue of the sustainability of the debt sustainability discourse in the public has become a major concern. The loans, which are granted on concessional conditions, and the cumulative debt distress and financing conditions of significant infrastructure projects by China to Nepal lie as objects of debt. The IMF Nepal Article IV consultations have identified a moderate risk of debt distress, though the role of transport contracting and the significance of careful project selection were both highlighted.

### **Geopolitical Dimension: Fighting Between Giants**

**Competition Between China and India and Nepal's Strategic Space:** The opportunities and challenges that are created by the geostrategic positioning of Nepal between two rising powers of Asia. The increasing Sino-Indian rivalry in the Himalayan region confined Nepal in its geopolitical worth and freedom of choice in terms of diplomacy. The 2015 unofficial blockade by India was an essential situation in the foreign policy orientation of Nepal. As a result of the border interruptions, humanitarian and economic crises are produced, which illustrate geographic weaknesses of landlocked geography and transit dependency on India. Nepal hastens its relationship with China, including BRI membership, with the purpose of receiving more connectivity opportunities as well as decreasing its dependence on India.

The requirement emphasized by interview respondents for balancing relations: "The fact that the policy of balancing China and India is a good idea on paper but hard to implement on the ground is the case in Nepal. Participation of Nepal in all activities to satisfy one party creates doubts with the other. The dilemma for Nepal lies in ensuring credibility between the two states while at the same time promoting national interest." (former diplomat, Kathmandu). The long-term strategic goals of the Chinese policy manifest themselves in Nepal; in Tibet, it establishes its southern line, eliminating the influence of India and extending its economic and political influence. The support and respect for the development priorities of Nepal, sovereignty and territorial integrity, and noninterference in internal affairs are noted on numerous occasions in the official statements of China. Nevertheless, in the case of the Nepal status and those of Tibet and Taiwan, there are somewhat evident expectations that China brought about.

**Tibet Factor and Border Management:** There is a significant point in the bilateral relations of the Tibet Autonomous Region with Nepal. China has also tried to sustain Nepal exile operations and control Tibetan refugees, among other trans-border operations. To preserve Chinese interests, the policy of Nepal has been made subordinate, and yet its humanitarian missions have not been compromised. In 2012, the procedures of collaborative patrolling and cooperative border management and the procedures that followed, as well as information sharing, were outlined. As a measure of enhancing connectivity by offering increased surveillance capacities, China elevated the infrastructure development of Nepal in the regions of the northern borders.

One of the interviewees presents a conscious Tibet-based problem: Tibet is a segment of China, and to ensure peace and retain the positive relationship between two nations, Nepal promotes policies of China. However, it generates domestic sensibilities, especially when it comes to the groups that are sensitive toward Tibetan issues. Then, to cope with this dilemma, diplomacy is necessary." (Security analyst, Kathmandu)

**Multilateral Engagement and Regional Cooperation:** Bilateral interests were furthered because both countries employed multilateral platforms. As an observer, Nepal took part in the Shanghai Cooperation Organization (SCO), where engagement on connection issues and regional security between the countries was discussed. Additionally, with the UN and other multilateral organizations, the involvement of Nepal reflects the

principles of non-interference, sovereignty, and similar stances on many international issues. Bangladesh-China-India-Myanmar (BCIM) and other regional organizations offered Nepal's expansion in cooperation, but due to limitations such as geopolitical challenges and institutional pressure, Nepal became backward in catching these opportunities.

### **Security Cooperation and Strategic Alignment**

Military-to-military interactions, trainings, and military equipment have been increasing the security aspect of Nepal-China relations since the year 2005. Chinese military assistance to Nepal takes the form of capacity-building programs and infrastructural and non-lethal equipment assistance to the Nepalese Army. Nepal is also engaged in military training and observer status in the Chinese military-organized programs that put an emphasis on the increasing defense activities in the region.

Respondents provided a very varied view on security cooperation between Nepal and China relations: "Progressive development of security cooperation between the two countries is present. Nepal is traditionally reliant on India and Western sources, and it is diversified with China, which offers necessary training opportunities and equipment. The harmonious position is preserved without causing the concerns of other countries." (Defense analyst, Kathmandu). Some quarters have cast doubts on the militarization of the Chinese infrastructure projects, but there was no indication that they were being changed as indicated as civilian projects. The dual-use potential of facilities such as airports and highways was used to create geopolitical sensitivities.

**Asymmetric Relationship Strategic Autonomy:** The Nepal-China relationship highlights the underlying concerns of a country that are regarded as the capacity of Nepal to have strategic autonomy as per its national interests and not increase political and economic interactions with more influential neighbors. The constraints and opportunities were valued through analysis. Besides that, agency has been exhibited by Nepal in order to control the relationship between the two countries. An element of intentional policy decisions can be seen in the decisions made concerning the selection of the BRI projects, speed of implementation, and interactions with other partners. Nepal has not been part of all Chinese initiatives and has not neglected its active relations with India, the United States, and other development partners. Conversely, asymmetric interdependence results in structural constraints. Policy flexibility in Nepal was made relative, which created dependency on imbalances in trade, investment patterns, and debts.

## **CONCLUSION**

The Sino-Nepalese relations since 2005 represent a unique change in the South Asian economy and geopolitical sector. Specifically for strategic cooperation between two nations under the BRI. This transformation unveils both Nepal's strategic initiatives to foster external partnerships and China's specific goals to extend its economic and political connectivity in the South Asian region.

### **Summary of Key Findings of Sino- Nepalese Relations**

At first, for the development of Nepal's infrastructure and economic diversification, China has contributed extensively. The critical development constraints during hydropower funding, aviation infrastructure, and transportation networks were addressed by providing alternatives to traditional dependence on Indian transit routes. The tangible outcomes of bilateral cooperation were demonstrated after the completion of major infrastructure projects, including international airports and road networks. Second, Sino-Nepalese relations are very significant in terms of economic dimensions: trade, investment, development cooperation, and debt management factors. But Nepal's exports remain limited in volume and diversification. In specific sectors, investment flows remain concentrated, but also studies show key concerns regarding project transparency, financing terms, and long-term debt sustainability issues. Third, the bilateral engagement gave shape to the geopolitical factors completely. Both opportunities for strategic diversification and the threat of maintaining balanced relations were created due to the location of Nepal between China and India. While complicating foreign policy choices, the intensifying Sino-Indian rivalry has elevated Nepal's strategic significance. There was a reflection of realistic adaptation to regional power dynamics when Nepal was engaging with China and maintaining traditional ties with India. Fourth, complicated sovereignty significance was generated due to the

relationship. To manage the engagement with China, Nepal demonstrated agency where structural constraints on policy autonomy were created due to asymmetric interdependence. To maintain policy space, there is a challenge to manage multiple dependencies, which is impossible for small and landlocked states.

Finally, the relation between two countries is influenced by domestic political factors. Policy foundation and project implementation are affected because of institutional capacity constraints, political progression, and evolving public discourse. Chinese engagement requires open governance, social acceptance, and a fair sharing of development benefits for legitimacy and sustainability. Realism and complex interdependence are the dual theoretical frameworks in the study that justify relevance for understanding the relation between Nepal and China. The geopolitical drivers such as the strategic importance of China to defend Indian influence and its periphery; Nepal's motivation to balance strategy with dominant neighbors as well as to diversify partnership; and, while shaping interaction patterns, the role of power asymmetry were illuminated in realism. The concern on the dimensions beyond traditional securities was captured in complex interdependence, such as the increasing value of developmental and economic aspects with geopolitical interests, the connection between societies, and institutionalization of cooperation through the BRI framework. By examining trade relations, cultural exchange, and infrastructure investments, the framework clarifies how these interactions build mutual dependencies that transcend current diplomatic engagement. The deep-rooted stress in the relationship was revealed through the assimilation of these perspectives. Nepal's engagement with China to pursue strategic autonomy may paradoxically create new dependencies in financial, economic, and political sectors, and autonomy can be constrained in different ways. Similarly, while promoting development and connectivity, queries were raised about implications of stable sovereignty in infrastructure investment of China, which cannot be addressed by only real perspectives.

## POLICY IMPLICATIONS AND RECOMMENDATIONS

Based on the above result, this study recommends some policies for fostering the Nepal-China relations and ensuring mutual benefit.

**Enhancing Export Capacity:** By diversification of the export industry, Nepal has to increase the export ratio to reduce the large trade deficit that is shown in the above table 1. Also, Nepal has to focus on quality certification infrastructure and the quality of the products that can meet Chinese standards. By 2027, Nepal's Department of Customs should develop around 3 phytosanitary testing laboratories (estimated cost: NPR 450 million) with technical support from China that will create an advantage in the field of agricultural exports as well help to meet Chinese import standards. In addition, China's 14th Five-Year Plan (2021-2025) highlighted the food safety standards for imports; that's why if Nepal can establish that lab facilities by 2027, then it can provide proper support to ensure import standard goods.

**Ensuring Debt Sustainability:** Nepal should focus on project selection that's very essential for maintaining debt sustainability. Nepal should ensure deep cost-benefit analysis for all major infrastructure projects, as well as increase its financing sources to avoid over-concentration and debt trap issues.

**Balancing Geopolitical Relations:** Nepal can modify its foreign policy to maintain strategic balanced cooperation with China and India so that it helps to ensure advanced regional cooperation without exacerbating great-power competition. Since, through China's BRI Implementation project, Nepal is receiving immense benefits, Nepal should focus on specific sectors such as multiple trade and agriculture-based cooperations with China.

**Strengthening Domestic Institutions:** Domestic institutions play a vital role in increasing total output or national income. Nepal has to develop their domestic industry by enhancing project planning and execution capabilities within line ministries. Human capital development now demands of time for Nepal, and by ensuring diplomatic and technical negotiations with China, Nepal can do it. China can play an effective role in this segment by providing technical support, and it indirectly helps China to foster trade cooperation in the South Asian region.

**Political and Social Development:** Nepal has to ensure political and social stability to receive more investment from China or other international communities. Political instability is a key barrier in the development progress.

## LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

Although this study provides a comprehensive analysis, avenues of limitations are suggested for future research. First, findings require updated information as new events unfold because bilateral relations shift invariably. Second, it is difficult to figure out the decision-making processes due to the narrow approach to Chinese policymakers and document restraint. Third, certain dimensions susceptible to quantitative analysis cannot be captured through a qualitative approach even though it provides in-depth information.

**Future research should consider the following idea:** to determine patterns and variations through comparative analysis of China's assurance with different South Asian countries, examining the detailed implementation and outcome of specific infrastructure project cases, applying firm-level data to evaluate the pattern of Chinese investment across sectors, and at last surveying impacts of Chinese-funded projects on environmental and social aspects through community-level research.

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