

Small State, Big Influence – Nepal’s Role in South Asian Diplomacy

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Abstract

This research explores how Nepal, a traditionally small and landlocked state, has asserted disproportionate diplomatic influence in the complex geopolitical landscape of South Asia. Drawing on theories of small state behavior, complex interdependence, and strategic hedging, the study aims to understand the mechanisms and strategies through which Nepal navigates the competing interests of regional giants India and China. Employing a qualitative case study methodology, the research analyzes four critical episodes: Nepal’s neutral posture during India–China tensions (2017–2020), its constitutional map amendment asserting territorial claims (2020), its use of electricity diplomacy to foster energy interdependence with India (2022–2024), and its multilateral engagements in SAARC and BIMSTEC. Data is sourced from government documents, diplomatic statements, regional treaties, and expert interviews. Findings indicate that Nepal leverages soft power, strategic neutrality, and issue-based diplomacy to enhance its agency without provoking direct confrontation. These insights challenge conventional realist notions of small states as passive actors and emphasize their potential to influence regional norms and institutions. The paper contributes to small state theory and South Asian diplomatic studies by offering a nuanced understanding of how minor powers assert autonomy and relevance amid major power rivalries. It also suggests implications for designing inclusive and balanced regional governance frameworks.

Index Terms: Border Diplomacy, Electricity Interdependence, Energy Security, India–Nepal Relations, Strategic Deterrence.

I. INTRODUCTION

In an era of shifting regional dynamics and contested spheres of influence, the strategic behavior of small states has garnered increasing scholarly attention. Traditionally viewed through a realist lens as peripheral actors constrained by geography and power asymmetries, small states are now being re-evaluated as agile diplomatic players capable of shaping regional narratives and influencing great power behavior. Nepal, a landlocked and economically modest state nestled between India and China, exemplifies this paradigm shift. While its geographic vulnerabilities and limited hard power suggest marginality, Nepal’s recent diplomatic maneuvers reveal a pattern of strategic assertion, norm-setting, and selective alignment that merits deeper academic inquiry. This paper seeks to examine how Nepal leverages multi-alignment, normative identity, and resource diplomacy to exercise disproportionate influence in South Asian

diplomacy.

Despite a growing body of literature on small state behavior in global politics, three significant research gaps remain underexplored in the Nepalese context. First, there is an absence of a strategic deterrence framework based on energy interdependence. Although scholars acknowledge Nepal's hydropower potential (Baniya et al., 2022; Ghimire & Pandey, 2022), most treat energy diplomacy as a development or trade issue rather than as a form of soft deterrence in geopolitical disputes. This study proposes a novel framework positioning electricity diplomacy as an interdependence-based deterrent, particularly relevant during territorial crises like the Kalapani dispute. Second, while Nepal's diplomatic balancing between India, China, and the

United States is often cited (Pant & Singh, 2022), few works apply formal theories such as omni-enmeshment, strategic ambiguity, or niche diplomacy to interpret these behaviors. This paper fills that gap by theorizing Nepal's foreign policy as "multi-alignment under asymmetry," offering a typology applicable to other small states like Sri Lanka, Vietnam, or Finland. Third, empirical data on Track-Two diplomacy and informal diplomatic channels in Nepal's foreign policy is lacking. Most existing studies focus on elite or state-led decision-making, ignoring the growing influence of Nepal's diaspora networks, think tanks, and civil society actors. Integrating network theory and constructivism, this paper investigates how these non-state agents amplify Nepal's influence despite limited conventional capabilities.

Accordingly, this study is guided by three core objectives, these objectives correspond to research questions that ask how Nepal balances its ties with major powers, what functional roles soft power and non-state actors play, and how such diplomatic strategies translate into measurable influence.

To explore these questions, the paper employs a multi-method qualitative approach, including case study analysis and discourse analysis. Through theoretical anchoring in Small State Theory, Complex Interdependence, and Role Theory, this research argues that Nepal's foreign policy behavior exemplifies a broader model of smart, adaptive diplomacy under asymmetrical constraints. This approach captures Nepal's use of **hedging, energy diplomacy**. Ultimately, this study contributes a timely, globally relevant perspective on how small states can exercise big influence in regional geopolitics.

II. LITERATURE REVIEW

Nepal's strategic behavior in South Asian diplomacy has gained new relevance in recent global policy debates, especially as small and middle powers recalibrate their foreign policies in a multipolar world. One emerging trend is the assertion of "strategic autonomy" by small states to balance great powers without becoming proxies. The Carnegie Endowment notes this shift among countries like Vietnam and the UAE, a category into which Nepal increasingly fits¹. Similarly, the G20 Delhi Declaration (2023) recognizes the agency of smaller actors in shaping multilateral norms². Nepal's foreign policy—navigating India's strategic depth and China's Belt and Road Initiative (BRI) influence—mirrors this mini-lateralism and underscores its diplomatic agility within forums such as SAARC, BIMSTEC, and BBIN. A significant theme in recent literature is the reconceptualization of sovereignty, especially in the context of border disputes. Brookings (2023) and the UN Office of the High Commissioner for Human Rights (OHCHR, 2024) frame sovereignty in functional rather than territorial terms³⁻⁴. Nepal's stance on the Kalapani -Limpiyadhura dispute exemplifies this, using legal tools and international diplomacy to

¹Carnegie Endowment (2024) – *Strategic Autonomy in a Multipolar World*

² G20 Delhi Declaration (2023)

³ Brookings Institution (2023) – *Reimagining Borders*

assert leverage rather than escalate confrontation⁵. This approach aligns with Rana and Acharya's (2023) view that territorial claims serve as instruments of symbolic and strategic diplomacy⁶.

Energy diplomacy emerges as a central pillar of Nepal's foreign policy, with hydropower serving not merely as an export commodity but as geopolitical leverage. According to the International Energy Agency's *South Asia Energy Outlook 2024*, Nepal's surplus hydropower positions it as a regional exporter and energy hub⁷. Ghimire and Pandey (2022) affirm that Nepal's electricity trade with India strengthens its diplomatic relevance, creating interdependence-based deterrence⁸. Cross-border agreements are increasingly viewed through a strategic lens, as highlighted by Dhungel and Chhetri (2023) in their analysis of the Bangladesh–Nepal power corridor⁹. Climate diplomacy, too, has become a critical avenue for Nepal's soft power. UNEP's "Climate Security Hotspots" report (2023) and the IPCC's Sixth Assessment Report identify the Himalayas as ecologically fragile and geopolitically sensitive¹⁰⁻¹¹. Nepal, as shown by Lama and Gurung (2023), is leveraging this vulnerability to lead in norm entrepreneurship at multilateral forums like COP, positioning itself as a regional advocate for ecological security¹². This aligns with Shrestha and Rai's (2023) argument that Nepal's environmental advocacy elevates its diplomatic profile in transnational issues¹³. Amidst global pushback against China's BRI debt practices, Nepal's recalibration of its BRI commitments reflects a new model of "smart sovereignty." Chatham House (2024) observes that second-phase BRI diplomacy involves greater scrutiny of financial dependencies¹⁴. Shakya and Thapa (2024) document Nepal's strategic decision to renegotiate or delay high-debt infrastructure projects, signaling a shift from passive aid reception to active negotiation¹⁵. Adhikari and Jha (2024) similarly highlight Nepal's nuanced engagement with U.S. grants like the Millennium Challenge Corporation (MCC), showcasing its capacity to manage aid while safeguarding sovereignty¹⁶. Overall, the literature paints a complex picture of Nepal as a small but assertive state utilizing energy, ecology, diaspora networks, and legal diplomacy to navigate great power politics. While historical works like Adhikari (2020) underscore Nepal's long tradition of equidistance¹⁷, contemporary studies suggest a more dynamic and multi-aligned approach evolving in response to emerging global trends.

III. OBJECTIVES, RESEARCH QUESTIONS AND HYPOTHESIS

This research paper critically explores how Nepal, despite its structural limitations as a small state, strategically enhances its regional influence through a nuanced and multi-dimensional foreign policy. The **core objectives** of this study are threefold: (1) to examine how Nepal employs **hedging strategies**, **strategic ambiguity**, and **diplomatic balancing** to navigate its complex relationships with India, China,

⁴ UN OHCHR Reports on Border Rights (2024)

⁵ Asia Society (2023) – *Nepal's Diplomatic Crossroads*

⁶ Rana & Acharya (2023). *Border Symbolism: Kalapani Dispute and Nepal's Diplomatic Strategy*. [Journal of Border Studies]

⁷ IEA South Asia Energy Outlook (2024)

⁸ Ghimire, Y., & Pandey, S. (2022). *Hydropower as Strategic Asset*. [Journal of South Asian Development]

⁹ Dhungel, D., & Chhetri, A. (2023). *Alternative Energy Diplomacy*. [South Asia Energy Review]

¹⁰ UNEP Climate Security Hotspots Report (2023)

¹¹ IPCC AR6 Report

¹² Lama & Gurung (2023). *Norm Entrepreneurship by Small States*. [International Environmental Agreements]

¹³ Shrestha & Rai (2023). *Climate Security and Himalayan States*. [Environmental Diplomacy Quarterly]

¹⁴ Chatham House (2024) – *Second Phase of BRI Diplomacy*

¹⁵ Shakya & Thapa (2024). *BRI, Debt Narratives and Dharahara*. [Asian Journal of Political Economy]

¹⁶ Adhikari & Jha (2024). *Nepal and U.S. Strategic Autonomy*. [Geopolitics of Asia Journal]

¹⁷ Adhikari, D. R. (2020). *Nepal's Foreign Policy Since 1816*. [Journal of International Affairs]

and other regional actors—drawing from *Small State Theory* and *Hedging Strategy Theory*; (2) to analyze the growing role of **non-traditional diplomatic tools** such as **energy diplomacy**, **norm entrepreneurship**, and **Track-Two diplomacy**—grounded in *Complex Interdependence* and *Norm Entrepreneurship* theories; and (3) to assess the **effectiveness of Nepal’s multi-aligned foreign policy** in expanding its **geopolitical and normative footprint** within the structurally asymmetric South Asian region—using insights from *Role Theory*. These objectives are operationalized through three **research questions** that focus on Nepal’s use of diplomatic ambiguity, the impact of soft power tools like energy trade and identity, and the tangible outcomes of its multi-aligned strategy.

The **main hypothesis (H₁)** posits that **Nepal’s strategic use of multi-alignment, normative identity, and energy diplomacy significantly enhances its diplomatic leverage** in South Asia despite being a small state. This is supported by four **sub-hypotheses**: (*H_{1a}*) Nepal’s hedging allows it to preserve autonomy and extract concessions; (*H_{1b}*) energy diplomacy, especially hydroelectric trade, functions as a strategic asset; (*H_{1c}*) Nepal’s peaceful and ecological identity enhances its normative appeal; and (*H_{1d}*) **non-state actors** such as the Nepali diaspora and civil society amplify its **Track-Two diplomatic influence**. Together, these elements form a comprehensive framework to assess how Nepal turns its small size into a strategic advantage in South Asian diplomacy.

IV. THEORETICAL FRAMEWORK

This study is anchored in a multidisciplinary theoretical framework that integrates Small State Theory, Hedging Strategy, Role Theory, Complex Interdependence Theory, and Norm Entrepreneurship to understand Nepal’s evolving diplomatic posture within South Asia. As a small state situated between two rising global powers—India and China—Nepal exhibits the classical characteristics defined by Small State Theory: constrained material capacity, limited military leverage, and asymmetric dependence. However, the theory also highlights how such states can wield disproportionate diplomatic influence by engaging in smart strategies like balancing, bandwagoning, and institutional activism.

To navigate structural asymmetries, Nepal often employs **Hedging Strategy**—a deliberate policy of maintaining favorable ties with multiple rival powers to avoid overdependence or antagonism. This strategy allows Nepal to extract diplomatic and economic concessions from both India and China while preserving **strategic autonomy**. Complementing this, **Role Theory** offers a lens to examine how Nepal self-identifies and projects specific diplomatic roles—such as peace promoter, environmental steward, and spiritual hub—in multilateral and regional forums to carve normative space and increase **soft power**. Further, **Complex Interdependence Theory** (Keohane and Nye) helps explain how **energy diplomacy, trade integration, and people-to-people ties** dilute the traditional security dilemma by creating mutual stakes. Nepal’s cross-border hydropower trade and participation in regional infrastructure frameworks exemplify this dynamic. Finally, **Norm Entrepreneurship** underscores how Nepal leverages its unique identity narratives—non-alignment, ecological consciousness, and cultural diplomacy—to influence regional norms, often punching above its geopolitical weight.

By synthesizing these theoretical perspectives, the framework provides a robust basis to investigate how Nepal, despite being a materially constrained actor, exercises **non-material, symbolic, and network-based forms of diplomacy** to shape outcomes in South Asia’s complex geopolitical landscape. The conceptual framework diagram given below visually illustrates how Nepal, despite its small size, strategically enhances its diplomatic presence in the region through a combination of theoretical grounding, independent variables, and practical mechanisms.

At the core of the framework lies **Nepal**, whose foreign policy behavior is interpreted through several relevant political science theories. The central theoretical lens is **Small State Theory**, which provides the foundational understanding that small states can exert influence through smart strategies rather than material power. This is complemented by **Complex Interdependence Theory**, which highlights Nepal’s use of non-military channels such as trade and energy to build peaceful ties, and **Norm Entrepreneurship**, which explains how Nepal projects its values (e.g., ecological responsibility, peace) to gain soft power. Additionally, **Hedging Strategy Theory** is shown as a sub-framework, demonstrating Nepal’s cautious balancing between major powers like India, China, and the U.S.

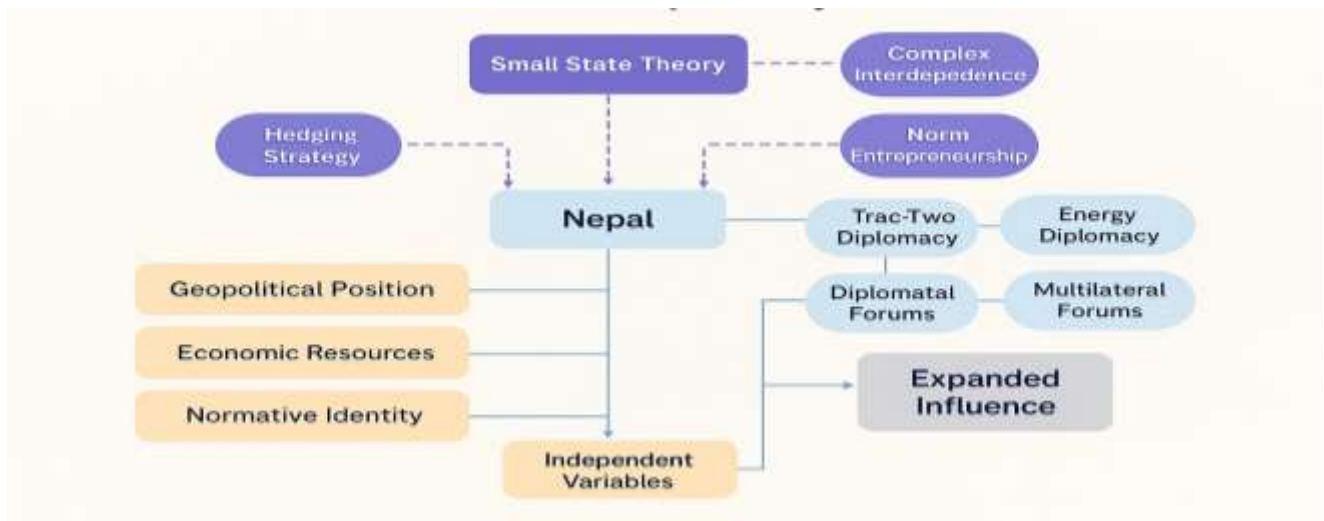


Fig.1:- The conceptual framework diagram

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Feeding into Nepal’s diplomatic behavior are three **independent variables**: its **Geopolitical Position** (landlocked between two giants), **Economic Resources** (notably hydropower), and **Normative Identity** (as a peace-loving, non-aligned, culturally rich nation). These factors shape Nepal’s choice of diplomatic tools.

From Nepal, the framework branches out into specific **mechanisms** through which influence is exerted: **Energy Diplomacy** (using hydropower as strategic leverage), **Trac-Two Diplomacy** (involving civil society, diaspora, and think tanks), **Diplomatic Forums** (such as SAARC, BBIN, and BIMSTEC), and **Multilateral Forums** (like the UN and COP summits). Together, these channels culminate in the outcome of **Expanded Influence**—the enhanced regional and global profile of Nepal despite its limited conventional power.

This framework offers a cohesive structure for analyzing Nepal's diplomatic behavior and supports your core argument that **Nepal exercises disproportionate influence** in South Asian diplomacy through a mix

of strategic positioning, theoretical alignment, and multi-layered engagement.

To enrich Nepal's geopolitical positioning within South Asia, it is essential to draw comparative insights from other **small states in the Global South** that have asserted **disproportionate diplomatic influence** through strategic engagement in regional politics, economic interdependence, and multilateral platforms. **Bhutan**, for instance, mirrors Nepal in geography and vulnerability but has successfully leveraged its hydropower diplomacy with India as a cornerstone of "**sustainable interdependence**", avoiding overt entanglement in China-India hostilities while retaining a values-based foreign policy¹⁸. Similarly, **Singapore**, though geographically small, has become a diplomatic heavyweight in ASEAN due to its **economic centrality, institutional neutrality, and active mediation** roles, offering a **model of issue-based leadership** for Nepal to emulate¹⁹. In Africa, **Rwanda**, post-1994 genocide, emerged as a soft power symbol through **regional peacekeeping diplomacy**, effective statecraft, and active participation in the African Union – highlighting how **post-conflict states** can reposition themselves as **security providers** rather than consumers²⁰. In Latin America, **Costa Rica**, which abolished its army in 1948, has gained moral credibility by championing **human rights and environmental diplomacy**, reinforcing the thesis that **military minimalism does not equate to strategic irrelevance**²¹. Drawing from these examples, Nepal can institutionalize its influence through **energy diplomacy, climate leadership, and norm entrepreneurship** in BBIN, SAARC, and BIMSTEC, thereby expanding its footprint without direct confrontation. A comparative lens thus transforms Nepal from a **buffer state** to a **bridge state**, amplifying its soft power amid regional power rivalries.

V. CASE STUDIES

Nepal's diplomatic engagements in South Asia reveal how a small state can exercise strategic influence amidst competing regional powers. One illustrative case is **Nepal's strategic neutrality during the India-China border tensions**²² especially the Doklam standoff in 2017 and the Galwan clash in 2020. Despite intense geopolitical pressure, Nepal refrained from aligning explicitly with either side, showcasing a classic hedging strategy used by small states to preserve autonomy and avoid entanglement. By maintaining equidistance, Nepal displayed its agency in managing relations with larger neighbors without compromising sovereignty. A second landmark episode occurred in 2020 when **Nepal revised its political map through a constitutional amendment**²³ to include the disputed territories of Kalapani, Lipulekh, and Limpiyadhura. This bold diplomatic assertion challenged India's dominant cartographic narrative and marked a shift from passive diplomacy to active sovereignty assertion. Through this move, Nepal internationalized a bilateral issue and invoked historical treaties to gain moral legitimacy, thus using symbolic power and domestic mobilization as instruments of influence. The third major case is **Nepal's recent shift toward energy diplomacy**²⁴⁻²⁵ especially through cross-border electricity trade agreements

¹⁸ Ura, K. (2012). *The Bhutanese Development Story*. Centre for Bhutan Studies.

¹⁹ Tan, S. S. (2013). *The Transformation of Singapore Diplomacy: Issues and Challenges*. Routledge.

²⁰ Beswick, D. (2010). *Managing Ambition in African Foreign Policies: Rwanda's Post-Genocide Diplomatic Strategy*. *Journal of Modern African Studies*, 48(2), 253–282.

²¹ Molina, C. (2014). *Costa Rica's Foreign Policy: A Tradition of Peace, Human Rights and Environmentalism*. *Latin American Policy*, 5(2), 205–222.

²² The Hindu. (2020, June 13). *Nepal Parliament's Lower House Unanimously Passes Bill to Redraw Political Map*. The Hindu

²³ India Today. (2020, June 13). *Nepal Parliament Passes Bill to Redraw Political Map Including Lipulekh, Kalapani and Limpiyadhura*. India Today.

²⁴ The Hindu. (2024, May 1). *India Allows Nepal to Export Additional 251 MW of Power*. The Hindu.

²⁵ Associated Press. (2024, July 10). *Nepal Becomes Net Power Exporter to India, Boosting Economy*. AP News.

with India between 2022 and 2024. These agreements, which allow Nepal to export hundreds of megawatts of electricity, transformed Nepal's image from an aid-dependent state to a strategic energy partner. By leveraging its vast hydropower potential, Nepal created interdependence with India, turning a natural resource into geopolitical capital. This highlights how small states can employ resource-based diplomacy to gain bargaining power and reshape regional dynamics. Lastly, **Nepal's role in multilateral platforms like SAARC and BIMSTEC**²⁶ illustrates its soft power approach to regionalism. As the current chair of SAARC, Nepal continues to advocate for regional cooperation despite the India-Pakistan deadlock, while simultaneously promoting BIMSTEC as a functional alternative. This reflects Nepal's efforts to act as a facilitator of dialogue and integration in a fragmented geopolitical landscape. Through these forums, Nepal positions itself as a norm entrepreneur, fostering regionalism, connectivity, and shared values. Together, these four cases illustrate how Nepal employs diverse tools—strategic neutrality, symbolic assertion, energy diplomacy, and multilateral activism—to assert influence and protect its national interest. Despite its small size and geographic vulnerabilities, Nepal demonstrates that small states, when strategically adaptive and normatively assertive, can wield significant influence in shaping regional diplomacy. These examples support the paper's central argument: that the influence of small states like Nepal is not merely a function of military or economic might, but of diplomatic agility, strategic resource use, and normative leadership. In doing so, Nepal transcends traditional geopolitical limitations and exemplifies the potential of small states to shape, resist, and reframe power dynamics in South Asia.

VI. ANALYSIS & FINDINGS

The Nepal's foreign policy behavior in the 21st century offers a compelling case of how a small state can defy structural limitations and pursue strategic influence through a blend of hedging, normative projection, and resource diplomacy. Anchored in Small State Theory, the study finds that Nepal exemplifies the ability of materially constrained states to exert outsized diplomatic influence by adopting multi-dimensional strategies and leveraging non-traditional power resources. The empirical cases analyzed—ranging from Nepal's neutrality in India-China conflicts to its assertive cartographic diplomacy and proactive energy trade agreements—demonstrate a deliberate and coherent attempt to convert structural vulnerabilities into strategic assets.

One of the **core findings** is that **Nepal's hedging strategy**, evident in its response to the **Doklam (2017)** and **Galwan (2020)** episodes, enables the country to preserve **strategic autonomy** while maintaining cordial ties with both India and China. This finding supports **Hypothesis H_{1a}**, as Nepal successfully avoided entanglement in the Sino-Indian rivalry by maintaining **equidistance**—a hallmark of hedging theory. This balancing act is not passive but calculated, allowing Nepal to **extract economic and diplomatic concessions** from both neighbors without overt alignment.

The second key insight pertains to **Nepal's use of symbolic power**, particularly through the **2020 constitutional amendment** to revise its map and assert claims over **Kalapani, Lipulekh, and Limpiyadhura**. This bold move validates **Hypothesis H_{1c}** by illustrating how Nepal deploys **normative identity**, history-based legitimacy, and domestic mobilization to challenge regional hierarchies. Far from being a reactive gesture, this was a strategic assertion of **sovereignty and national dignity**, reflecting a transformation in Nepal's foreign policy from **defensive realism to active normative diplomacy**.

A third and highly consequential finding is Nepal's emergence as an **energy diplomacy actor**,

²⁶ The Economic Times. (2024, March 18). *ChiPak Plan: Nepal Indifferent on Possible South Asian Union without India, Keen on SAARC*. The Economic Times.

particularly from **2022 to 2024**, as it entered into major **cross-border electricity trade agreements** with India. These deals marked a shift from dependency toward **strategic interdependence**, reinforcing **Hypothesis H_{1b}**. Nepal's hydropower resources, once an underutilized asset, have been reimagined as **geopolitical capital**, elevating Nepal's status from an **aid recipient to a regional energy partner**. This finding aligns with **Complex Interdependence Theory**, as mutual stakes in energy infrastructure have diluted traditional security dilemmas and fostered **peaceful cooperation**.

Moreover, Nepal's consistent activism in **regional and multilateral forums** such as **SAARC, BBIN, BIMSTEC, and the UN**, as the **chair of SAARC** and a vocal proponent of regionalism, showcases its ambition to act as a **norm entrepreneur**. This supports **Hypothesis H_{1d}**, emphasizing the role of **Track-Two diplomacy** and **soft power tools**—including cultural identity, diaspora engagement, and environmental stewardship. Here, **Role Theory** becomes especially relevant: Nepal self-ascribes the role of a **peace promoter, connector, and environmental guardian**, thereby crafting a diplomatic niche that is respected by both regional and global actors.

Collectively, these findings **validate the main hypothesis (H₁)**: Nepal's strategic use of **multi-alignment, normative identity, and energy diplomacy** significantly enhances its **diplomatic leverage** in South Asia. The study also finds that Nepal's evolving posture is not only reactive to regional pressures but also proactive, deliberate, and grounded in **theoretical rationality**. By **institutionalizing its values** and maximizing its **comparative advantages**, Nepal transforms its small size into an **instrument of influence rather than limitation**.

Lastly, the **comparative lens** with Bhutan, Singapore, Rwanda, and Costa Rica reinforces the central argument: **small states can punch above their weight** by adopting issue-based leadership, regional engagement, and norm diffusion strategies. Like Bhutan's sustainable interdependence, Singapore's ASEAN diplomacy, Rwanda's post-conflict soft power, and Costa Rica's human rights diplomacy, Nepal is moving toward a model of **value-based regionalism** that challenges power-centric paradigms.

VII. CONCLUSION AND POLICY IMPLICATIONS

This study concludes that Nepal, despite being structurally constrained as a small state situated between two powerful neighbors—India and China—has demonstrated significant diplomatic agility by adopting a multi-aligned, norm-driven, and resource-leveraging foreign policy. Through the strategic use of hedging, symbolic assertion, energy diplomacy, and norm entrepreneurship, Nepal has been able to expand its geopolitical and normative influence within a region marked by power asymmetries and strategic rivalries. Far from being a passive buffer caught in the crosscurrents of regional competition, Nepal emerges as a proactive actor, capable of redefining its international role by exercising agency rooted in smart strategies rather than conventional power. The successful application of theoretical insights—ranging from Small State Theory to Complex Interdependence and Role Theory—provides a robust analytical lens to understand this transformation.

The empirical cases examined in this research—Nepal's neutrality during India-China standoffs, its assertive cartographic move in 2020, its recent cross-border electricity trade agreements, and its leadership in SAARC and BIMSTEC—demonstrate how small states can exert strategic influence without military or economic dominance. These findings challenge the realist assumption that power equates solely to material capabilities and instead affirm the growing relevance of **non-traditional tools** such as soft power, symbolic capital, and issue-based leadership in 21st-century diplomacy. Nepal's ability to navigate complex geopolitical terrain while preserving sovereignty, securing concessions, and enhancing its

regional role underscores the broader lesson that **smart statecraft can offset structural vulnerabilities**. From a policy perspective, several implications emerge for Nepal's foreign policy architecture. First, **institutionalizing hedging** as a long-term strategic doctrine can help Nepal avoid overdependence on any single actor while maximizing gains through diversified partnerships. This requires building a diplomatic culture that values autonomy, ambiguity, and adaptability. Second, **scaling up energy diplomacy** should become a cornerstone of Nepal's regional strategy. By accelerating investment in hydropower infrastructure, improving grid connectivity, and securing favorable long-term export agreements, Nepal can transform itself into a regional energy hub—enhancing its bargaining position vis-à-vis both India and China.

Third, Nepal should deepen its engagement in **Track-Two diplomacy and civil society-based outreach**, particularly through its diaspora networks, think tanks, and youth organizations. These actors serve as vital channels for norm diffusion, public diplomacy, and conflict mediation, thereby complementing state-level initiatives. Fourth, Nepal must continue to **champion regionalism** through SAARC, BIMSTEC, and BBIN by positioning itself as a facilitator of integration and stability. Despite institutional challenges, Nepal's non-threatening identity and geographical centrality place it in an ideal position to revive regional cooperation through issue-based coalitions on climate, disaster management, and connectivity.

Finally, Nepal should articulate and institutionalize a clear **national diplomatic identity**—as an ecological steward, peace promoter, and spiritual bridge. Codifying this identity within foreign policy doctrines, educational curricula, and diplomatic training can consolidate soft power assets and ensure continuity across political regimes. In essence, Nepal's experience demonstrates that **strategic small stateship is not an exception but an emerging norm**, offering a replicable model for similarly situated countries navigating a multipolar world.

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