

Moving Towards a Shared Future: Review of and Prospects for Nepal-China Strategic Partnership of Cooperation

Seminar Proceedings



नीति अनुसन्धान प्रतिष्ठान
Policy Research Institute



Kathmandu, Nepal

Moving Towards a Shared Future: Review of and Prospects for Nepal-China Strategic Partnership of Cooperation

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Editor

Dr. Khaga Nath Adhikari



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Preface

In its seven years of existence, the Policy Research Institute (PRI) has established cooperative relations with several Nepali think tanks, universities, and research organisations. In May 2025, the PRI established a collaborative relationship with the National Institute of International Strategy (NIIS), a Chinese think tank under the Chinese Academy of Social Sciences. On that day, the PRI and the NIIS concluded an MoU to facilitate research cooperation. They jointly organised a seminar titled Moving Towards a Shared Future: Review of and Prospects for Nepal-China Strategic Partnership of Cooperation. The Seminar was organised coinciding with the celebration of the 70th Anniversary of the establishment of diplomatic relations between Nepal and the People's Republic of China.

The Seminar had two broad objectives. First, it reviewed Nepal-China relations to date, focusing on the past 70 years. Second, it looked at the future of the Nepal-China relationship. As Nepal and China have elevated their relationship to a strategic partnership, it is important to analyse what this partnership entails and look into its future prospects. Accordingly, the Seminar was divided into two sessions. The first Session reviewed Nepal-China relations so far, and the second Session looked into the future prospects of Nepal-China strategic partnership. Two papers were presented during each session, one from the PRI and the other from the NIIS. Discussants from both sides commented on the papers. Then, there were general discussions from the floor. I appreciate the paper presenters, commentators, and discussants for their contributions to the success of the Seminar.

Nepal's Foreign Secretary, Mr. Amrit Bahadur Rai, kindly spared time to inaugurate the Seminar and deliver a keynote speech. Mr. Wang Xin, Deputy Chief of Mission of the Chinese Embassy in Kathmandu, also addressed the inaugural session. I thank both dignitaries for sparing time for attending and addressing the Seminar. We are also grateful to the Government of Nepal and the Embassy of the People's Republic of China in Kathmandu for their kind support in organising the Seminar.

The PRI considered it appropriate to record the Seminar proceedings and to publish them for the information of the public and for future reference. I thank Dr. Khaga Nath Adhikari, Senior Research Fellow in the PRI, for his hard work in preparing and editing this publication. I also thank Mr. Subin Ulak, a graphic designer at the PRI, for his excellent layout of this publication.

Prof. Dr. Lekhnath Sharma
Executive Chairperson
February, 2026

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Welcome Speech by Prof. Dr. Lekhnath Sharma, Executive Chairperson of the Policy Research Institute

Chief Guest, the Foreign Secretary of Nepal

Joint Secretary, Office of the Prime Minister and Council of Ministers of Nepal

Vice Director NIIS, CASS, and other Delegates from China

Deputy Chief of Mission, Embassy of the People's Republic of China in Kathmandu

Distinguished Guests,

Esteemed Professors, Scholars, and Research Fellows from Nepal,

Media Persons,

Ladies and Gentlemen!

Namaste, *Ni Hao*, and Good Morning!

It's my great pleasure and privilege to extend a warm welcome to all of you at this august gathering of scholars, diplomats, and the representatives of the Government of Nepal. We are honored to host this seminar to celebrate 70 years of Nepal-China diplomatic relations, under the theme '***Moving Towards a Shared Future: Review of and Prospects for Nepal-China Strategic Partnership of Cooperation***'.

This seminar marks a historic occasion: it is the first of its kind, jointly organized by the two government think tanks of our respective nations, and focuses on strengthening the strategic partnership and cooperation between Nepal and China. I express my sincere gratitude to the National Institute of International Strategy (NIIS) of the Chinese Academy of Social Sciences (CASS) for agreeing to organise the seminar in Nepal jointly. Furthermore, this collaborative initiative laid the foundations for formal collaboration between the two think tanks, which has been accomplished with the signing of an MoU between us this morning, paving the way for joint research, publication, dialogue, visits, and preparation of a policy brief on the areas of mutual interest, global issues, and shared challenges.

Today's seminar will feature four key papers focused on reviewing Nepal-China relations and exploring the prospects of Nepal-China strategic partnership of cooperation.

This seminar is taking place in the context of a significant geopolitical transformation at present. Nepal, situated between two rising Asian powers – China and India - holds abundant potential for economic development through industrialization and technology transfer in competitive production and service sectors through a successful strategic partnership of cooperation. Yet, we must acknowledge that we are lagging in realizing our potential.

In today's complex geopolitical context, Nepal is engaging diplomatically not only with our immediate neighbours - China and India, but also with other global players, including the United States. This geopolitical landscape must inform and guide our efforts to strengthen the Nepal-China strategic partnership.

Historically, Nepal and China have been trusted friends and neighbours. China's contributions to Nepal's development, ranging from infrastructure and industry to humanitarian assistance, are significant and appreciated. Our cultural, religious, and economic ties date back to the 5th century. Kathmandu once served as a key hub for international trade, transit, and connectivity. This longstanding thread of connectivity needs to be continued alongside modern economic cooperation.

History shows us that power centers change in the world. In this century, global power dynamics are in fluctuation, marked by growing economic interdependence, security challenges, and shifting political interests. These changes call for a stable, cooperative, and forward-looking partnership between Nepal and China - not only for the benefits of our two nations, but also for peace, stability, and shared prosperity in the region.

In the realm of Nepal's diplomacy, different narratives have emerged over time, viz., 'yam between two boulders', a 'bridge between two neighbours', a 'dynamic bridge between two neighbouring countries', and a land-linked instead of land-locked country. As international relations are fluid and context-specific, these metaphors reflect the evolving nature of Nepal's diplomatic posture. We must take them into account when shaping our cooperation strategies.

In the current context, I conjecture a need for a multi-layer diplomatic architecture to make the Nepal-China strategic partnership more robust and effective. I believe this seminar is expected to explore:

- 1) The three layers of diplomatic and strategic relationship architecture: the core bilateral relationship between Nepal and China, centered on mutual national

- interest; the tri-lateral dynamics involving Nepal, China, and India; and the broader multi-lateral engagement of other countries, including the USA.
- 2) Strategic importance of Nepal-China strategic partnership for cooperation in infrastructure, trade, connectivity, and security.
 - 3) Maintaining diplomatic balance in Nepal's relations with major world powers, safeguarding their interests and Nepal's interests, sovereignty, and non-alignment policy.
 - 4) Bridging/taking into consideration different alliances formed in evolving security architectures and the possible new ones in the future, and
 - 5) Global power contestations and safeguarding the small nations like Nepal.

Dear Scholars,

We are not making only an academic discourse in the seminar. Our goal is to generate actionable policy recommendations that guide our leaders and decision-makers in the effective implementation of the Nepal-China strategic partnership for cooperation.

Finally, I once again extend a warm welcome to all of you. For our delegates from NIIS and CASS, I wish you a productive, comfortable, and joyful stay in Nepal.

Long live our friendship.

Thank you!

Remarks by Mr. Shen Minghui, Deputy Director General, NIIS/CASS, and the Leader of the NIIS Delegation

Honorable Foreign Secretary of Nepal,

Distinguished Counselor, Mr. Wang Xin, DCM from the Chinese Embassy in Nepal,

Respected Executive Chairman, and Professor Dr. Lekhnath Sharma

Dear colleagues, friends, guests, ladies and gentlemen,

Good morning.

On the occasion of the 70th anniversary of the establishment of diplomatic relations between China and Nepal, it is an honor to have an opportunity to be here with government officials, members of strategic communities, experts, scholars, and media friends from both countries in this beautiful city to attend the China-Nepal Think Tank Joint Seminar, *Moving Towards a Shared Future: Review of and Prospects for Nepal-China Strategic Partnership*, which is co-organized by the National Institute of International Strategy, Chinese Academy of Social Sciences (NIIS-CASS), and the Policy Research Institute (PRI), Nepal.

Here, on behalf of NIIS, I would like to extend warm congratulations on the opening of this joint seminar and express my heartfelt thanks to the Chinese Embassy in Nepal for their strong support and assistance, as well as gratitude to PRI for the hospitality, sincere coordination, and diligent efforts in making this seminar possible. Thanks to all the participants for your attendance.

Linked by mountains and rivers, China and Nepal are friendly neighboring countries sharing a long history of friendly exchanges between their peoples spanning thousands of years. In ancient China, the eminent monk Faxian in the Jin dynasty and the eminent monk Xuanzang in the Tang dynasty visited Lumbini. On August 1st, 1955, China and Nepal officially established diplomatic relations, and in 2019, after President Xi Jinping paid a state visit to Nepal, the bilateral relations entered a new stage of development. The leaders of the two countries announced that the China-Nepal relationship was elevated to a strategic partnership of everlasting friendship oriented towards growth and prosperity, which pointed out a new direction and injected fresh and powerful impetus into the development of bilateral relations.

In the year 2024, Prime Minister Oli paid a state visit to China. The leaders of the two countries reached an extensive consensus on consolidating and deepening bilateral relations under the new circumstances. The two countries have maintained close high-level exchanges and political mutual trust has been continuously deepened. And Nepal is a founding member of the AIIB. The two countries signed a Memorandum of Understanding (MoU) on cooperation under the Belt and Road Initiative. In recent years, bilateral trade volume has continued to grow, with China becoming Nepal's second-largest trading partner. In 2024, China and Nepal signed a cooperation framework agreement on jointly advancing the BRI, under which the two sides held in-depth discussions and reached multiple consensuses on trade facilitation, infrastructure, and other areas.

The Chinese Academy of Social Sciences, founded in 1977, is the premier academic organization for Chinese social sciences research and an important think tank for the Chinese government, with a total staff of over 4,000, including more than 3,000 researchers. It currently owns 31 institutes and 45 research centers. The Chinese Academy of Social Sciences engages in international academic exchanges with partnerships spanning more than 70 countries and regions worldwide. It has established exchange relations with about 240 foreign research institutions, academic organizations, universities, and foundations.

The NIIS-CASS is a comprehensive academic institution under the CASS, specializing in the area of Asia-Pacific studies and international strategic studies. Its origins can be traced back to the Institute of South Asia, Chinese Academy of Social Sciences, which was established in 1978. NIIS publishes two academic journals: *Asia-Pacific Studies* and the *Journal of South Asian Studies*.

I'm glad to mention at this special occasion that NIIS-CASS has signed an MoU with PRI during this great visit to Nepal.

It is significantly more important to strengthen think tank exchanges between the two countries for enhancing mutual understanding and trust, deepening pragmatic cooperation, and jointly addressing common challenges. Therefore, I would like to advocate that China-Nepal think tanks should work together to help enhance bilateral strategic communication and coordination by leveraging our respective strengths and expertise to conduct research and policy consultations on these issues for the government.

And I am confident that with the joint efforts of both sides, this joint seminar will yield fruitful results and build a more solid platform for strengthening think tank

exchanges and cooperation between China and Nepal. Let us work together to fully leverage the unique strengths of think tanks to continuously elevate the China-Nepal partnership of everlasting friendship oriented towards development and prosperity to new highlights and contribute wisdom and strength to building a closer China-Nepal community with a shared future.

I wish this seminar complete success. May all guests from both sides enjoy good health, successful careers, and all the best in life.

Thank you all.

Remarks by Mr. Wang Xin, Deputy Chief of Mission, Embassy of the People's Republic of China, Kathmandu

Your Excellency, Foreign Secretary Mr. Amrit Bahadur Rai.

Respected Professor Dr. Lekhnath Sharma, Executive Chairman of the Policy Research Institute of Nepal.

Respected Dr. Shen Minghui, Deputy Director General of the National Institute of International Strategy, CASS.

Distinguished guests, many old and new friends present.

Ladies and gentlemen,

Good morning and Namaste.

It is my great honor and pleasure to attend the China-Nepal Joint Think Tank Seminar 2025 in celebration of the 70th anniversary of the establishment of diplomatic ties between China and Nepal. The forum is aimed at carrying forward the traditional friendship between the two countries and envisioning our future cooperation.

On behalf of His Excellency Ambassador Chen Song and the Chinese Embassy in Nepal, I would like to extend my warm congratulations on the successful opening of the seminar and express my deep appreciation to the two organizers of the forum, the Policy Research Institute of Nepal and the National Institute of International Strategy of the Chinese Academy of Social Sciences. I would also like to take this opportunity to warmly congratulate Foreign Secretary Mr. Rai for the huge success of the 'Sagarmatha Sambad' just organized by the Nepali government.

In 1955, China and Nepal formally established diplomatic relations, opening a new chapter of friendly cooperation and exchange between the two countries. The majestic Himalayas have witnessed the deepening friendship between our two countries for the past 70 years. Over the past 70 years, China and Nepal have always understood and supported each other and moved along from friendly neighbors connected by mountains and rivers to a community of a shared future in the new era.

The two countries have always treated each other sincerely and equally, respected and supported each other, and coexisted peacefully and amicably. No matter how the international situation changes, the relationship between our two countries has constantly developed steadily and healthily and has become even stronger over time.

High-level political mutual trust has deepened the flourishing development of our relations. China and Nepal have always been sincere and trustworthy to each other since the establishment of diplomatic ties in 1955. From jointly upholding the Five Principles of Peaceful Coexistence to President Xi Jinping's historic state visit to Nepal in 2019, which elevated our relationship to a strategic partnership of cooperation featuring everlasting friendship for development and prosperity, and to Prime Minister Oli's official visit to China in 2024, the political mutual trust has been continuously strengthened between our two countries.

We have always supported each other in issues concerning our respective core interests and major concerns. Nepal firmly adheres to the One-China Principle, and China fully supports Nepal in safeguarding its sovereignty, independence, and territorial integrity.

Extensive and mutually beneficial cooperation has featured our deepening integration in the economy and trade. From the ancient Tea Horse Road to the Belt and Road Initiative, China-Nepal cooperation has always kept pace with the times. During Prime Minister Oli's visit to China last year, China and Nepal signed the framework for Belt and Road cooperation, marking a new stage in the high-quality joint construction of BRI between our two countries.

The two sides continue to deepen practical cooperation in various fields and have achieved fruitful results in infrastructure, clean energy, green economy, and related areas. The connectivity of ports, roads, aviation, power grids, and communications is becoming increasingly close. And making and shaping the China-Nepal Cross-Himalayan Multi-Dimensional Connectivity has gradually turned from a concept into reality, helping Nepal realize its dream of transforming from a landlocked country to a land-linked one.

In-depth people-to-people exchanges have promoted the friendship between our people. In the face of difficulties, the people of our two countries have always stood together through thick and thin. When the earthquake hit Nepal in 2015, China immediately lent a helping hand and sent rescue teams to the disaster areas of Nepal. In the face of the challenge posed by the COVID-19 pandemic in 2020, China

provided vaccines and other medical supplies to Nepal. And Nepal also supported China within its capabilities.

Today, the Pokhara International Mountain Cross-Country Race, the China-Nepal Friendship Dragon Boat Race, the Lumbini International Peace Festival, and other brilliant cultural, sports, and tourism exchange programs have further enhanced the mutual understanding and profound friendship between our peoples.

Dear friends, China has always put its neighborhood as a priority of its diplomatic agenda, adhering to the concept of amity, sincerity, mutual benefit, and inclusiveness in its neighborhood diplomacy, and the policy of building friendship and partnership with its neighbors, and insisting on bringing development opportunities to the neighboring countries through its own development.

Today's world is full of changes and turmoil. The changes unseen in a century are accelerating. Standing at a new historical starting point, China is willing to work with Nepal to build a community with a shared future for mankind, continuing to strengthen political mutual trust, deepen mutually beneficial cooperation, and enhance cultural and people-to-people exchanges, working together to address various global challenges, and jointly building a closer China-Nepal community with a shared future, and opening up a better future for both China and Nepal.

Think tanks are bridges for mutual learning among civilizations and engines for ideological innovation. The Nepal Policy Research Institute and the National Institute of International Strategy of the Chinese Academy of Social Sciences are important think tanks of the two governments.

I wish this Seminar a complete success, and I hope that the two think tanks will play a leading role as the national team, and take this forum as an opportunity to deepen the exchanges between China and Nepal further think tanks, gradually improving the level and scale of the think tank forum, continuously providing policy recommendations and intellectual support for the development of China-Nepal relations, and making positive contributions to the development and prosperity of our two countries.

Thank you

Inaugural Speech by Mr. Amrit Bahadur Rai, Foreign Secretary of Nepal

Chair of the Seminar, Prof. Dr. Lekhnath Sharma, Executive Chairman, Policy Research Institute

Dr. Shen Minghui, Deputy Director-General, and other prominent scholars of the National Institute of International Strategy (NIIS) under the Chinese Academy of Social Sciences (CASS)

Mr. Wang Xin, Deputy Chief of Mission, Embassy of the People's Republic of China in Kathmandu

Esteemed Moderators, Speakers, and Discussants of the Seminar

Distinguished Participants,

Ladies and Gentlemen,

Namaskar!

It gives me immense pleasure to attend this opening session of the seminar on "Moving Towards a Shared Future: Review of and Prospects for Nepal-China Strategic Partnership of Cooperation" organized on the occasion of the 70th anniversary of the establishment of diplomatic relations between Nepal and the People's Republic of China.

At the outset, I would like to extend my sincere thanks to the Policy Research Institute of Nepal and the National Institute of International Strategy (NIIS) under the Chinese think tank, the Chinese Academy of Social Sciences (CASS), for their collaboration in materializing this important and relevant event.

Ladies and Gentlemen,

As Nepal and China celebrate the 70th anniversary of diplomatic relations, this is an opportune moment to cherish our enduring friendship linked by the bonds of geography, history, and culture.

Connected by mountains and rivers as well as by close people-to-people relations, our two countries have built strong ties based on mutual respect, trust, and understanding over the decades.

Founded on Panchasheel – the five principles of peaceful co-existence, our relations have been cordial and friendly, covering multiple areas of mutual interest.

We enjoy an excellent state of relations. Both countries understand each other's aspirations and sensitivities and extend support to each other in times of need in the spirit of true friendship.

As a matter of principled position, Nepal firmly adheres to the “One China Principle”. We are equally committed to ensuring that our territory is not used against the interests of China.

We also deeply value China's principled stance of respecting Nepal's sovereignty, territorial integrity, and political independence.

A close neighbour with multifaceted linkages, China is one of our reliable development partners. We are grateful for China's generous support in our nation-building efforts from infrastructure and connectivity to health, education, and post-disaster reconstruction.

The two countries have achieved historic progress and dynamism in bilateral relations through regular exchange of high-level visits and other engagements.

Nepal and China have a long history of economic cooperation and collaboration. China is not only the topmost source country for FDI but also the second-largest trading partner of Nepal. In addition, we receive a large number of Chinese tourists each year, which has tremendously contributed to strengthening relations at the people's level.

Distinguished Guests,

Nepal-China relations have been on an upward trajectory from “Good-neighbourly Partnership” in 1996 to “Comprehensive Partnership” in 2009 to “Strategic Partnership of Cooperation Featuring Ever-lasting Friendship for Development and Prosperity”, which was agreed during the state visit of President of China H. E. Xi Jinping to Nepal in October 2019.

Nepal has been supporting and subscribing to the important Global Initiatives proposed by H. E. Xi Jinping, President of the People's Republic of China. This has been reflected in our support for the Global Development Initiative by joining its Group of Friends.

We greatly appreciate his vision of greater cooperation among nations for economic prosperity, particularly through the Belt and Road Initiative.

In this context, the signing of the Framework for Belt and Road Cooperation in December last year between our two countries has further solidified commitments to advance deeper cooperation in the days ahead.

Reaffirming the Nepal-China Strategic Partnership of Cooperation, the Framework has encompassed the transformative projects which can significantly revolutionize the Nepal-China connectivity landscape. These projects will also have wider socio-economic impacts in Nepal. It is good to note that the two sides have been working closely to expedite their implementation.

We deeply value the visionary support of the Chinese leadership in helping Nepal transform from a landlocked into a land-linked country.

As Nepal steps confidently into an era of growth and opportunity, uplifting the economic well-being of the Nepali people remains at the heart of our national vision. With our upcoming graduation from the Least Developed Country category, we are steadfast in our commitment to achieving the Sustainable Development Goals (SDGs) and realizing our aspiration to become a middle-income nation by 2030.

We recognize that achieving our development aspirations will require continued collaboration and support from our friends. In this journey, and in line with the Strategic Partnership, Nepal counts on China, as a close neighbor as well as a trusted development partner. We look forward to deepening this enduring partnership to create an even more dynamic and meaningful cooperation in the years ahead.

Ladies and Gentlemen,

At a time when the global geopolitical landscape continues to evolve, the visionary leadership and unwavering dedication of the Chinese people have propelled China to the forefront of the world economy. This remarkable journey has served as an inspiration for many countries across the Global South, offering valuable lessons in resilience, innovation and transformative development.

As it is said, this century belongs to Asia. And undoubtedly, China has an important role to play in making this century a century of growth.

While feeling happy about the rise of China, we hope that the Global South would immensely benefit from this through a deeper and more inclusive economic partnership.

Distinguished Participants,

Against this backdrop, I am confident that this seminar will succeed in generating fresh insights into the evolving geopolitical landscape and the shared challenges faced by Nepal and China. More importantly, it provides an opportunity to review our progress and explore new opportunities to strengthen the Nepal-China Strategic Partnership of Cooperation, guided by friendship, mutual respect and a vision for prosperity.

Let me conclude by once again expressing my sincere gratitude to the organizers for bringing together this important seminar.

I wish all participants great success, with engaging and fruitful discussions.

Thank you.

Seminar Session 1

Review of Nepal-China Relations

- a) Papers Presented by
 - 1) Dr. Jham Kumar Bishwakarma, PRI
 - 2) Dr. Wu Zhaoli, Associate Professor, NIIS/CASS

- b) Comments/Remarks by
 - 1) Ms. Apekshya Shah, Head, Central Department of International Relations and Diplomacy, Tribhuvan University
 - 2) Dr. Sun Xihui, Associate Research Fellow, NIIS/CASS
 - 3) Dr. Dinesh Bhattarai, former Ambassador and Foreign Affairs Advisor to former Prime Ministers of Nepal

- c) Summary by the Moderator of the Session

Review of Nepal-China Relations

Paper 1: Jham Kumar Bishwakarma, PhD*

Good morning, everybody. Namaste. 早上好 (Zǎoshang hǎo). It is my honour to be present here at this moment to review Nepal-China relations. I have taken it as a coincidence in terms of my academic achievement and review of Nepal-China relations. I did my PhD from 华中师范大学 (Huázhōng shīfàn dàxué), Wuhan, Hubei, P.R.C., and I got this opportunity to review Nepal and China relations. The title of my presentation is a review of the Nepal-China partnership of cooperation.

This is an outline of my presentation:

- Introduction,
- Historical foundations of Nepal-China relations,
- Diplomatic era of Nepal-China relations,
- Economic and infrastructure cooperation,
- Nepal-China strategic partnership,
- Future opportunities and challenges, and
- Conclusion.

An overview of Nepal-China relations

Nepal and the People's Republic of China are geographically located in different regions of South Asia and East Asia. And these two nations are physically linked by the Himalayas and rivers, and emotionally by religion, culture, and people-to-people contacts for thousands of years.

Nepal and China established formal diplomatic relations on August 1, 1955. And the fundamental principle of Nepal-China diplomatic relations is the five principles of peaceful co-existence, which is called *Panchasheel*. This framework emphasizes mutual respect for territorial integrity and sovereignty, mutual non-aggression, mutual non-interference, equality and mutual benefit, and peaceful coexistence. The diplomatic relations between the two countries opened the avenue for multiple fields of cooperation. The key areas of cooperation are trade and investment,

* Dr. Bishwakarma is an Associate Research Fellow at Policy Research Institute.

infrastructure development, education, health, water resources, hydropower, human resources, etc.

The historical foundation of Nepal-China relations

The historical foundation of Nepal-China relations can be observed from different angles. In the pre-diplomatic era, different factors and events have contributed to evolving, shaping and reshaping Nepal-China relations. There are several notable factors and events that played crucial roles in evolving Nepal-China relations during the pre-diplomatic era. They include the mythology of Manjushri, Buddhahadra's visit to China, Fa Xian's visit to Lumbini in the 5th century, Nepali princess Bhrikuti's marriage to Tibetan King Song-Tsen Gampo, and Nepali artist Araniko's contribution to the construction of the White Pagoda in Beijing in the 13th century. The mythology regarding Manjushri says that Kathmandu Valley was a big lake surrounded by hills. A Chinese sage, Manjushri, known as Wenshu (Chinese: 文殊; pinyin: Wénshū) in China, had established the Kathmandu Valley by draining the lake.

Diplomatic era of Nepal-China relations

The diplomatic era of Nepal-China relations created a foundation for mutual cooperation and support in matters concerning both national and international arenas. The post-diplomatic era relations are characterized by different treaties, agreements, high-level exchange of visits, economic cooperation, infrastructure development, trade and investment, geopolitical balancing in this region, etc. The treaties and agreements signed between the two countries have been contributing to strengthening the relations, enhancing the cooperation, addressing the bilateral issues, and promoting trade and investment. There are dozens of agreements that were signed during the high-level exchange of visits. For instance, formal diplomatic ties (1955), Peace and Friendship Treaty (1960), Nepal-China Boundary Treaty (1961), Transit and Transport Agreement (2016), Agreement on BRI (2017), Agreement of Framework on Belt and Road Cooperation (2024), etc. The implementation of the Transit and Transport Agreement and the Belt and Road Framework will add a new dimension to Nepal-China Relations.

Political Cooperation

The political cooperation between Nepal and China reflects the political importance and is one of the key dimensions in strengthening cordial and intimate relations between the two countries. It provides strong moral, legal, and political support for each other at national as well as international levels. In terms of political cooperation,

Nepal is fully committed to the one-China policy, which is the key factor for Nepal-China relations. Nepal believes that Taiwan and Tibet are inalienable parts of the People's Republic of China, and Nepal would not allow any forces to use its territory to conduct any activities against China.

In terms of Nepal's support for China's United Nations (UN) membership, Nepal had continuously taken the initiative for the People's Republic of China's full lawful representation in the UN. China also continues to support Nepal's sovereignty, territorial integrity and independence, and both countries are mutually committed to the five principles of peaceful coexistence and strengthening the intimate relations between the countries.

Economic and Infrastructure Cooperation

Economic and infrastructure cooperation is one of the pillars of Nepal-China relations. Collaboration on economic and infrastructure development through trade, and investment in different infrastructure development projects like highways and hydropower are aimed at strengthening Nepal-China relations and Nepal's economic and infrastructure development, while maintaining strategic regional balance.

There are several fields and issues of cooperation between Nepal and China. Among them, the Belt and Road Initiative can be taken as an example. It covers policy exchange, infrastructure connectivity, trade connectivity, financial integration, people-to-people contact, etc. Similarly, Nepal has supported the China-led Global Development Initiative (GDI), and since diplomatic relations were established, both countries are committed to mutual cooperation and support in international forums without any condition. Nepal and China can be observed as 'friends in need' and 'friends in crisis'.

Socio-Cultural Cooperation

Socio-cultural cooperation between the two countries is also a pillar of Nepal-China relations. It can be observed from two angles, as a beneficiary and image-building. There are several areas of cooperation in this regard. For instance, education, human resource development, cultural exchange, tourism promotion, promotion of the Chinese language and culture, cooperation between the two countries for controlling cross-border crimes, etc. In terms of education, the Chinese government provides scholarships and capacity-building training for Nepali students and bureaucrats, respectively. It helps to promote mutual trust between the two countries.

Nepal-China Strategic Partnership

Nepal-China relations can be observed as a strategic partnership of cooperation since Chinese President Xi Jinping's state visit to Nepal in 2019. President Xi's visit was the turning point in Nepal-China relations in terms of elevating the level of partnership and cooperation. The main idea of the newly defined partnership of cooperation is to upgrade Nepal-China relations, enhance connectivity between the two countries, and deliver more benefits to the people of both countries. During President Xi's visit, the MoU on exchange and cooperation on governance capacity building, the MoU on feasibility study of the China-Nepal cross-border railway project, and the MoU on the tunnel construction project can be taken as notable projects that may contribute to strengthening the newly defined friendship of cooperation between the two countries.

Nepal-China Post-Strategic Partnership

In the post-strategic partnership era between the two countries, the high-level exchange of visits is strengthening the relations between the two countries. For instance, Nepal's Prime Minister Pushpa Kamal Dahal visited China in September 2023. During Dahal's state visit, Nepal and China signed 12 different agreements, including an agreement for the construction of the Chilong-Kerung-Rasuwa Gadhi-Chilime 220-kilovolt transmission line. It can be taken as a notable agreement.

Similarly, Prime Minister K.P. Sharma Oli visited China in December 2024. During Mr. Oli's state visit, Nepal and China signed 9 agreements and an MoU, including an agreement on the BRI cooperation framework. The agreement on the BRI cooperation framework could be a game-changing agreement in terms of the implementation of the BRI project.

Future Opportunities and Challenges

In the post-strategic partnership era, several opportunities are knocking on the doors, and challenges are chasing us in the same way in the changing context. Both countries have to conduct meaningful discussions and dialogue about seizing the opportunities and coping with the challenges in the changing context. Some of the notable opportunities and challenges are identified as maximising the benefit from the BRI, utilising the transit and transport agreement, balancing the trade deficit, technology transfer, and promoting tourism.

Lessons Learned

Nepal and China have been true friends from ancient times. Both are critically important for each other. Both have accepted and respected differences in the political system, people's aspirations and specific roles and requirements. Nepal has to make sure that a change in government doesn't affect its foreign relations. China has to realise the specific situation and needs of Nepal.

Finally, as a conclusion, I will add a couple of sentences. Nepal-China relations have continued to evolve for thousands of years, marked by a partnership of cooperation in trade and investment, infrastructure development, health, education, human resource development, including people-to-people contacts. Mutual trust and understanding, exchange of visits at various levels, agreements and MoU between the two countries, ultimately strengthen the strategic partnership of cooperation, featuring everlasting friendship between Nepal and China.

Thank you.

Review of Nepal-China Relations

Paper 2: Dr. Wu Zhaoli*

Good morning and Namaste.

Just now, Dr. Bishwakarma reviewed Nepal-China relations. And I think next, I would like to briefly review the formation of the China-Nepal strategic partnership from the perspective of Chinese scholars. As is well known, China and Nepal have enjoyed warm and friendly ties for centuries. The exchanges of civilizations, knowledge, and philosophy, along with the contributions of historical figures, have played a significant role in deepening bilateral relations.

As I mentioned above, modern diplomatic relations between China and Nepal were established in 1955. Since then, China-Nepal relations have gone through 70 years. Over the past 70 years, China-Nepal relations have withstood the test in the complex and volatile international situation. With the joint efforts of both sides, China-Nepal relations have maintained a momentum of healthy development and set a model of harmonious coexistence among countries of different social systems.

There is no doubt that China-Nepal ties are smooth, stable, amicable, and friendly. The 70th anniversary of the diplomatic relations offers another historic moment for a retrospective review of bilateral ties. In recent years, China-Nepal relations have shown an encouraging trend of accelerated development. Especially in 2019, the relationship between China and Nepal was elevated from a comprehensive partnership of cooperation to a strategic partnership of cooperation. Taking this as an opportunity and a starting point, China and Nepal have made remarkable progress in cooperation in the fields of politics, economy, and people-to-people exchanges.

I remember that when President Xi Jinping visited Nepal in 2019, he published an article in Nepalese media summarizing China-Nepal relations with ‘four goods’: good friends, good partners, good neighbors, and good brothers. It can be said that these “four goods” have become a prominent feature of China-Nepal relations. Moreover, and more importantly, mutual respect, equality, harmonious coexistence, friendship for generations, and comprehensive cooperation have also become the main characteristics of the relationship between the two countries.

I will share my views on the progress made in China-Nepal ties in the past. First of all, I would like to talk about the political relations between China and Nepal. There

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are three key words in the political relation between China and Nepal, namely, “three mutuals.” You all know that. This is the foundation of the political relations between our two countries. The “three mutuals” are also a notable feature of the political relations between China and Nepal.

First, since the establishment of diplomatic relations, China and Nepal have always respected, trusted, and supported each other. On the one hand, China adheres to the Asian values of peace, cooperation, openness, and inclusiveness, commits to the principle of amity, sincerity, mutual benefit, and inclusiveness in neighborhood diplomacy, and advocates and promotes the building of a community with a shared future for neighboring countries. And, guided by these concepts, principles, and policies, China supports Nepal in safeguarding its national independence, sovereignty, and territorial integrity, respects Nepal’s political and social system, supports Nepal in choosing its own development path, and is willing to provide support and assistance within its capacity for Nepal’s economic and social development.

On the other hand, Nepal also reaffirms its commitment to the One-China policy and claims that no anti-China activity will be permitted from its territory. So, it can be said that the mutual support between China and Nepal on issues concerning each other’s core interests and major concerns constitutes a solid foundation for political and strategic mutual trust between our two countries and is a prerequisite and guarantee for promoting cooperation in other fields.

Second, frequent high-level exchanges and close exchanges at all levels have consolidated the foundation of political relations between our two countries. From the perspective of the development of bilateral ties, it can be said that the year 2019 was a key juncture when China-Nepal relations entered a new stage. In April and October 2019, the leaders of our two countries paid mutual visits within a year, and the China-Nepal relationship has been elevated from a comprehensive cooperative partnership to a strategic cooperative partnership. The Covid-19 pandemic from 2019 impacted such exchanges, and the leaders of our two countries met in close communication through phone calls, video calls and letters. And, since 2022, high-level exchanges between China and Nepal have been more active. In March and August 2022, the Foreign Ministers of the two countries paid mutual visits within a year, and in September 2023 and in December 2024, Nepal’s Prime Ministers (Prime Minister Prachanda and Prime Minister Oli) visited China successfully. In fact, from 2019 to 2024, there were five high-level officials’ visits from China’s side. And during the same period, official visits from Nepal’s side took place six

times. It can be said that high-level exchanges at the bilateral level and on the multilateral stage, as well as interactions at all levels, have played an important leading role in consolidating our two countries' ties. It is also consolidating the political foundation of China-Nepal relations.

Third, the China-Nepal relationship has been upgraded from a comprehensive partner to a strategic partner, entering a new historical stage. China and Nepal established formal diplomatic relations in 1955. And in 1996, the two countries agreed to set up a good-neighboring partnership lasting from generation to generation. Then, in 2009, they decided to establish and develop a comprehensive cooperative partnership. And last, in 2019, it was upgraded to a strategic cooperative partnership of friendship. It seems to me that the establishment of a strategic cooperative partnership is a strategic guideline and a long-term plan for the development of bilateral ties, endowing the traditional friendship between our two countries with new connotations, promoting bilateral relations to enter a new stage, open a new chapter, and reach a new level, and enter a fast lane.

Fourth, as neighboring countries, China places Nepal in an important position in its neighborhood diplomacy. During Prime Minister Oli's visit to China in December last year, President Xi Jinping said that China places Nepal in an important position in China's neighborhood diplomacy and is willing to work with Nepal to consolidate traditional friendship and push for new progress in advancing the China-Nepal strategic partnership.

In summary, under the leadership of our two countries, China and Nepal have respected, trusted, and supported each other. This has not only pushed bilateral relations into a new historical stage but also injected new impetus into the traditional model of equality, friendly cooperation, and mutual benefit. Therefore, despite the difference in size and social system, relations between our two countries have always been exemplary, and the all-round friendly relations between our two countries have grown from stage to stage. This is my personal opinion on the political relations between China and Nepal.

Next, I would like to share my views on the bilateral economic, trade, and investment relations. China is an important trading partner and development partner in South Asia. Since bilateral ties entered a new stage in 2019, the cooperation between the two countries in economic and trade investment has been continuously deepened and solidified. First, economic and trade cooperation started earlier, and the cooperation mechanisms have been increasingly improved. China-Nepal economic cooperation

dates back to the formulation of bilateral relations in the 1950s. And the first agreement between China and Nepal on economic aid was signed in October 1956. From the mid-80s, the Chinese government has been providing grant assistance to the government of Nepal and the economic and technical cooperation program. By now, there are a number of bilateral mechanisms between Nepal and China. For example, the China-Nepal Inter-governmental Economic and Trade Committee, the border customs meeting, and the mechanism for facilitating the implementation of China-Nepal cooperation programs and projects in Nepal, among others.

Second, progress has been made in reaching consensus on cooperation under the framework of the Belt and Road Initiative, and China and Nepal have entered a new stage in high-quality joint construction of the Belt and Road. Especially in December last year, the two countries agreed to enhance the alignment of their development strategies, further promote high-quality cooperation under the Belt and Road Initiative, and sign the framework for Belt and Road cooperation. The framework clarified three principles of cooperation, including joint consultation for common development, pragmatic cooperation for meaningful efforts, improving policy environment for increased investment. This framework also lists five priority areas for cooperation, including economic cooperation, financial sector cooperation, transit transport connectivity, logistics cooperation, trade, industrial capacity and investment cooperation, and finally, customs cooperation.

The signing of the framework ushers in a new era of China-Nepal practical cooperation. More importantly, China has the willingness to help Nepal accelerate its transformation from a land-locked nation to a land-linked one by enhancing connectivity in areas such as ports, transportation, power grids, and telecommunications.

Thirdly, bilateral trade has increased significantly, and China's investment in Nepal has also risen. At present, China is the second-largest trading partner of Nepal. In 2024, the bilateral trade value reached 2.2 billion US dollars. And regarding China's FDI in Nepal, according to the report of the Ministry of Foreign Affairs of Nepal, China is the largest source of FDI in Nepal.

This is my simple summary of the economic, trade, and investment relations between China and Nepal. This is also based on the official statistics of the two countries. It is not comprehensive, but just an overview. Next, I would like to talk about the cultural and people-to-people exchanges between our two countries. But because the time is up, I am going to stop here.

Thank you.

Comments by Ms. Apekshya Shah*

Respected Mr. Chairman,

Respected Professors

Distinguished Guests:

First, I would like to thank PRI for inviting me over, and I would like to congratulate both PRI and NIIS for this collaboration. As we discuss Nepal-China ties, I think this is a big departure as well to see such collaboration between think tanks, and I would like to congratulate both organizations for organizing this timely event.

I was asked to review the papers and present my comments. I read Dr. Bishwakarma's paper more rigorously, so I would like to briefly put my thoughts on that. The paper titled "Review of Nepal-China Partnership" offers a brief and structured overview of Nepal-China relations, focusing on historical context, diplomatic developments, and economic engagement, particularly through the BRI.

One of the key strengths of the paper is its clear structure. It is organized into logical sections, including an introduction, historical background, diplomatic relations, and a description of economic cooperation between the two countries. The topical relevance of Nepal-China relations further enhances the paper's value, particularly given China's expanding regional and global role.

The paper also succeeds in offering a concise overview of Nepal and China ties and can serve as a useful starting point for readers unfamiliar with the topic. So, I would like to congratulate Dr. Bishwakarma for his paper as well; it's a very good paper to sort of look into the overview of Nepal-China relations.

Just to mention a few points that Dr. Bishwakarma has made in his paper: one is, of course, the significance of Nepal-China relations, which is grounded in strategic trust. He emphasizes sensitivities but also the fact that the two countries have managed to keep a very strong relationship and clear communication, and expectations have been quite clear with each other. So that is really great when we look into the paper.

The paper also looks into the issue of strategic cooperation, featuring "everlasting friendship for development and prosperity," a term formalized during President

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Xi's visit. He again does not fail to mention how Nepal-China relations are based on the five principles of peaceful coexistence, the UN Charter, and the four key pillars that were discussed during President Xi's visit, which I found very interesting. The four points made during that time were strategic communication, practical cooperation, people-to-people exchanges, and security coordination.

The paper also talks a little bit about the One-China policy and the fact that Nepal has been consistent on Beijing's One-China policy, while China has also consistently supported Nepal's national interest, for example, during the earthquake, which was also mentioned earlier in the morning. He highlights how China is not only an intimate neighbor but also a reliable partner that upholds a policy of good friendship.

I feel the paper touches upon all the important, relevant things. However, I do feel that the paper could have delved a little bit more into the details of what the strategic partnership entails. Although it briefly touches upon it, I think there is still a bit of clarity required in that front. I think it is also important for both governments to be very clear on what the expectations are. When we look at the strategic partnership concept, it is more flexible. When we look into it more theoretically and try to understand the concept, what my reading is, is that it is more flexible; it is not very much like an alliance. It was mostly a post-Cold War strategy that came about.

So, I think it's going to be very important for both countries to remain clear on the expectations that we both share. This has been one of the concerns in Nepali circles as well, that the relationship being promoted to a strategic partnership lacks a bit of clarity. I'm glad that we are having a discussion on that today, as today itself is a big change in that.

Also, at the same time, just borrowing from what was discussed in the morning, I think that's another thing that really stuck with me, how there was constant mention of a shared future and development cooperation. So, I think moving forward, Nepal-China relations should have clear priority areas that we want to work on together. One of the drawbacks of a strategic partnership and the strategic interaction that we're seeing right now is that it could lead to a lot of misinterpretations because there is not a very clear alliance in a strategic partnership. So, I think that is something that both countries should be a little careful about.

But having said that, I think there have been a few hiccups with the implementation of the BRI. Although the transit protocol has been endorsed, I think, we still need to look into how active both governments have been in implementing the protocol in the true sense. But I think these are the beginnings.

I would just like to end here and congratulate the organizers and the writers for a wonderful paper. I hope that this is just the beginning of the many events that we're going to have on Nepal-China relations. Again, I would like to reiterate that I think it is better to remain clear on what issues we want to cooperate on and what are the issues that we might not be able to engage in. I think our engagement, the strategic engagement, should be clear.

Thank you so much, sir, and thank you so much for having me.

Comments by Dr. Sun Xihui*

A Friend in Need is a Friend Indeed

The Improvement of China-Nepal Partnership and the Construction of China-Nepal Community with a Shared Future

Namaste, Good morning, ladies and gentlemen,

I would like to give some comments on Dr. Bishwakarma's remarks. It is a very good and important time on the occasion of the 70th anniversary of the establishment of the bilateral diplomatic relations between China and Nepal, and the seminar with its topic is of great significance. Dr. Bishwakarma gives us a quite specific and panoramic description of the progress of China-Nepal cooperation, which impresses me so much. I got some ideas about his views. For example, he said in his speech, China is a friend in need. Yes, I completely agree with him. The two countries are friends in need and also friends indeed.

In this situation, I think his views are quite accurate and impressive. Dr. Bishwakarma describes in detail the cooperation of the two countries in many fields. He lists some concrete examples of them, among which BRI is a typical example. It is China that proposed BRI, but it belongs to all countries that want to make progress and become prosperous.

In terms of economic cooperation, China put forward the establishment of the China-Nepal-India Economic Corridor (CNIEC) in 2015, and since then, cooperation between China and Nepal in various fields has been continuously strengthened. In March 2016, Prime Minister Khadga Prasad Sharma Oli visited China and he stated that the two governments should effectively build a community with a shared future between China and Nepal.

In March 2022, Chinese Foreign Minister Wang Yi emphasized during his meeting with Nepalese Foreign Minister Narayan Khadka that, regardless of changes in the international and domestic situations, China would steadfastly pursue a friendly policy towards Nepal, deepen mutually beneficial cooperation, and promote the construction of a community with a shared future between China and Nepal. He also elaborated on three aspects of China's support for Nepal: firstly, supporting

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Nepal to embark on a development path that is in line with its own national conditions; secondly, supporting Nepal's pursuit of independent and autonomous domestic and foreign policies; thirdly, supporting Nepal to participate more deeply in the "Belt and Road" construction.

In December 2024, PM Oli visited China, and the two countries stressed in the joint statement that they were willing to take this opportunity to further accelerate the implementation of the important consensus reached by the leaders of the two countries. Based on the Five Principles of Peaceful Coexistence and the principle of good neighbor and friendship, and in the spirit of a community with a shared future for mankind, the two countries were willing to maintain high-level exchanges, consolidate political mutual trust, deepen and expand mutually beneficial cooperation in various fields, promote the continuous new development of China-Nepal relations, and better benefit the two countries and peoples.

As we all know, China adheres to the non-alignment policy and the strategic partnership is the highest level in China's diplomatic relations. It not only involves cooperation in various fields between the two sides, but also involves coordinating their positions in international affairs. In December 2009, Prime Minister Madhav Kumar Nepal visited China and the two countries decided to establish and develop "Comprehensive Cooperative Partnership Featuring Ever-Lasting Friendship".

In October 2019, President Xi Jinping paid a state visit to Nepal and elevated the bilateral partnership to "Strategic Partnership Featuring Ever-Lasting Friendship for Development and Prosperity". Upgrading the partnership to a strategic partnership means a significant improvement in the relationship between China and Nepal and is of great significance for both countries to comprehensively strengthen cooperation. The continuous improvement of the China-Nepal partnership highlights the sustained development of bilateral relations and also deepens the cooperation of the two countries.

Dr. Bishwakarma also mentioned cooperation in education. I remember that he said he graduated from a university in China. In my opinion, it is a symbol and also a result of the close education cooperation between China and Nepal.

In the last part of his speech, Dr. Bishwakarma suggests that the two countries should pay attention to some points. One of his suggestions is that China has to realize the specific situation of Nepal. Yes, I totally agree with him on this point. Nepal is facing some kind of shifts in the government at present, and China should obtain more details about the changing situation in Nepal. Besides, I want to say,

China is politically stable, but China's situations in the fields of society and economy are quickly changing, too. I also sincerely suggest that the scholars from Nepal should pay more attention to situations in China.

Thank you.

Comments by Dr. Dinesh Bhattarai*

Thank you very much. I thank PRI and especially my dear colleague Dr. Khaga Nath Adhikari ji for his generous and kind introduction. Let me see how I can be true to his introduction. Thank you very much for having me here.

You have asked me to share my, I would say, thoughts on Nepal-China relations. And how we look forward, or where we should look forward. First of all, I would like to congratulate Dr. Bishwakarma on his presentation. And then, of course, to my predecessors, all previous speakers who have spoken so many things about Nepal-China relations. I need not repeat them here.

As we all know, Nepal and China are civilizational states enjoying age-old links. These age-old relations were formalized on August 1st 1955. The year 1955 was an important year in the diplomatic history of Nepal. We formalized our relations with China because they are age-old. The relations were there also before.

It was in the same year (1955) that Nepal became one of the 29 original participating countries in the Bandung Conference of Afro-Asian nations that laid the foundation of the Non-Aligned Movement in 1961. And it was also the year that Nepal joined the United Nations on December 14. Since then, we have never looked backward. The number of countries having diplomatic relations with Nepal now stands over 180.

The exchange of visits at various levels has been the highest tradition in the history of Nepal-China relations. These visits have strengthened the roots of bilateral relations, added a new dimension and introduced new dynamics in Nepal-China relations. To take the full benefits from the vast potential that exists in Nepal-China relations, a number of bilateral mechanisms have been in place. And they have been meeting from time to time.

As a close neighbor, friend, and reliable development partner, China has been assisting Nepal in the process of socioeconomic transformation. The Chinese financial and technical assistance has greatly contributed to Nepal's development, especially in the area of infrastructure, connectivity, and enhancing the establishment of industries, human resource development, health, education, and other sectors. Major ongoing projects, of course, include, among others, the improvement and expansion of the Kathmandu Ring Road. It is a matter of great satisfaction to see

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people-to-people contacts emerging as new dimensions and dynamics in Nepal-China relations.

China shares land borders with 14 states and in South Asia with five South Asian nations. Nepal and China share a long border, 1414 km. All outstanding border problems were resolved amicably in 1960 and the following year, the border agreement was signed between Nepal and China. Notwithstanding the high and mighty Himalayas that separate our two countries, Nepal and China are working to further consolidate the age-old friendship and expand areas of cooperation. Nepal has been consistently, I would add unequivocally, following one China policy. Kathmandu has made it clear time and again that it does not allow its territory to be used against our neighbors. True to its words, Nepal has maintained this position irrespective of changes at the regional and global levels.

On October 12 and 13, 2019, President Xi visited Nepal and elevated the friendship to a level of strategic partnership between Nepal and China. A Joint communique issued on October 13 says that, and I quote, “China and Nepal take the Belt and Road Initiative as an opportunity to depend mutually beneficial cooperation in all fields in a comprehensive manner, jointly pursue common prosperity and dedicate themselves to maintaining peace, stability and development in the region.” The bilateral relationship between Nepal and China has entered a new phase. Both sides decided, on the basis of the Five Principles of Peaceful Coexistence, the Charter of the United Nations, and principles of good neighborliness, to elevate the Nepal-China comprehensive partnership of cooperation featuring everlasting friendship to a strategic partnership of cooperation featuring everlasting friendship for development and prosperity.

Here, I would echo Professor Apekshya Shah’s remarks that we need a bit of clarity on the strategic partnership. Against this background, what I feel is that the moment has arrived when China-Nepal relations have to be analyzed in a broader global and multilateral strategic perspective rather than on the usual rhetoric for bilateral engagements and the cordiality that has characterized our relations. In this context, when we talk of strategic partnership, I would like to mention three points:

- 1) Economic benefits
- 2) Global influence, and
- 3) Enhancement of national security.

Economic benefit: When we talk about economic benefit, if we look at the world economically, where does the world stand? Has it become bipolar? It is because the third power that was projected to follow very closely is India. There is a big power gap between the fifth-largest economy and the second and first. And economically, we are very closely connected. We live in an increasingly interconnected and interdependent world. At the same time, we also have to think about our excessive and increasing dependence on our neighbors, both to the south and the north. I am saying this because economic strength has been the index of any country's political, diplomatic and strategic power.

And now the global influence: yes, we are happy to see our neighbor's growing role, influence, contributions and place at the regional and global levels. That is good. And as we see, China is no longer a free rider now. China has undertaken the cost. It has enhanced its contributions to the United Nations in recent years. It contributes more to the United Nations peacekeeping operation. And it headed, I think, four of the UN specialized agencies. Within the United Nations, China's role also has increased and we are happy to see that.

The third is the enhancement of national security. About national security, again, I would like to go back to the strategic partnership. We, as I said, and the previous speaker also said, established a strategic partnership between Nepal and China. And we made it clear that such a strategic partnership with China is not directed against any country. As was said earlier, we need a bit of clarity on this. Because we must be clear about what Nepal can afford to give to China in such a partnership? And where do we stand?

I remember, after we agreed to elevate our partnership to a strategic partnership with China, the present prime minister, who was the prime minister at that time, had said that he would likewise work to elevate Nepal's partnership with the southern neighbor, India. I am not clear what he was trying to say. He said this in an interview he gave to Kantipur daily. Against this background, what we need to do is list the various scenarios for the next decade. Where are we going?

And if we look at the emerging world order, the old order is gone. The new order is yet to be born. It's struggling to be born. And what kind of order we will have, we do not know. And militarily, it is still, to my understanding, not bipolar because no other country than the United States has the power projection capabilities at the global level. And politically, it's not bipolar. Politics either remains polarized or it

remains punctured. Religion has emerged as a focal point of politics, as we have recently seen in South Asia.

In a country like Nepal, we have to list, we have to construct the various scenarios for the next decade and how our partners, how our two neighbors would react for and against Nepal's interest, with or without a strategic partnership. We have to draw a chart of overall costs and benefits. I don't think such an exercise or exercises have been done so far. At least to my knowledge, it has not been done. In all these things, we must make sure that Nepal is not forced to become a camp follower. Nepal, given our complex geography, cannot side with any of our neighbors or with any of the great powers. We must make sure that we work in such a way that Nepal does not become a camp follower or a junior partner in the partnership.

Yes, as I said earlier, there was a fear in the beginning when China started its reform and opening-up process in 1979. China fear has become China fever now. China's diplomacy has earned several friends around the world. And with Nepal, Nepal-China friendship provides a model, provides an example of how countries of different sizes, countries at different levels of development, countries with different political and economic systems have remained close friends and lived side by side. That is a model that we should learn, that others should learn.

In South Asia, it was traditionally considered a preserve of India. Now, China's presence is increasing. And it's being seen as a good neighbor and a good partner in South Asia. We must be clear that while considering all these things that I tried to list, we must be clear that without a secure, sound domestic foundation, it will be difficult for Nepal to deal with our neighbors on equal footing. Strength abroad comes only from strength at home.

China well understands that without a secure foundation among its Asian neighbors, its rise at the global level will be difficult. President Xi has underlined the concept of a community of a shared future. The concept, to my understanding, prioritizes a UN-based international order that includes the WTO and other institutions. It opposes the US-led world order based on alliances and US-backed intervention beyond UN norms. China's officials continue, at times, to call for a new world order, but more recent emphasis on a community of a shared future that implies preserving much of the existing US-led world order and changing it along the lines favored by China. As I mentioned earlier, the Belt and Road, this Silk Road and at one time it was One Belt One Road, and now the Belt and Road initiative, China has

been presenting it in an exemplary way to promote mutually beneficial, what China calls win-win development, /win-win cooperation.

On diplomacy, China argues for inclusiveness. China favors the role of small states and their inclusion in the international system. And China talks of democratization of international relations.

Because of the time constraint, I conclude here.

I thank PRI for having me here and giving me this opportunity to share my thoughts. And I would like to thank all of you for your kind attention. And if there are any questions about my presentation, I would be glad to discuss them later.

Thank you very much.

Summary by Dr. Khaga Nath Adhikari, Moderator of the 1st Session *

Dear Sirs and Madams,
Friends.

During this session, we very well reviewed and summarized the 70 years of Nepal-China relations. Nepal and China have spent 70 years after the establishment of diplomatic relations in 1955. We have exchanged cooperation in every respect, in economic, socio-economic sectors, in political field, in the cultural field, in people-to-people contacts, in every sector. And, we are very happy that we have this kind of trust, mutual trust, mutual understanding and exchange of cooperation between our two countries. The year 2019 is, in a way watershed moment in our relationship. In October 2019, our two countries agreed to elevate the diplomatic relations from a comprehensive partnership to a strategic partnership. And here, we have realized that review of our past relationship is important because it may give us guidance for the future. I long ago read a poem by Robert Browning, *The Last Ride Together*. It contains two touching lines:

“Had I done that, had I done this,
What would I gain, what would I miss?”

It means we can review our relations over the last 70 years and ask among ourselves: what did we achieve? What were the difficulties that we faced, and what were the lessons that we can learn so that we can improve our future?. Therefore, the future, especially after 2019, is the era of a strategic partnership between our two countries. And, that’s the topic for the second session. The first session was a review of Nepal-China relations and the second component would be an analysis and discussion on the prospects of the strategic partnership between Nepal and China. The views expressed here highlighted that we, both of us, Nepal and China, should interpret strategic partnership and explain what it means. Dr. Bhattarai has mentioned the areas that need to be considered under strategic partnership. It can show us how we should move about and we are hopeful that these discussions will give some guidance on how to move about in the strategic partnership between Nepal and the People’s Republic of China.

With this, I thank both the presenters and both our respective commentators as well as Dr. Bhattarai. I also thank you all for listening to this discussion.

* Dr. Adhikari is a Senior Research Fellow, Policy Research Institute, Kathmandu.

Seminar Session 2

Prospects for Nepal-China Strategic Partnership of Cooperation

- a) Papers Presented by
 - 1) Dr. Zhang Qianyu, Assistant Professor, NIIS
 - 2) Dr. Hari Praksah Chand, Research Fellow, PRI
- b) Comments by
 - 1) Dr. Zhang Song, Assistant Professor, NIIS
 - 2) Dr. Mahesh Kumar Maskey, Former Ambassador of Nepal to PR China
- c) Summary by the Moderator of the Session

Prospects for Nepal-China Strategic Partnership of Cooperation

Paper 1: Dr. Zhang Qianyu*

Thank you. Thanks to my colleagues, Dr. Yang, and thanks for the invitation from PRI.

In today's presentation, I'm going to share with you some of my views on Nepal's new positioning in China's neighborhood diplomacy. I think some of the contents of my presentation may answer the questions Mrs. Shah raised in the previous sessions. As Mr. Wang Xin, the Deputy Chief of Mission from the Chinese Embassy in Kathmandu, mentioned in the inauguration, the neighborhood is where China survives and thrives, and the foundation of its development and prosperity. China attached great importance to neighborhood diplomacy and always prioritized the neighborhood on its diplomatic agenda, and remains committed to promoting regional peace, stability, development, and prosperity in Asia.

In April this year, the Central Conference on Work Related to Neighboring Countries was held in Beijing. The conference emphasized Chinese commitment to fostering friendship and partnership with neighbors and adhering to the principles of amity, sincerity, mutual benefits, and inclusiveness, and focusing on building a shared future with our neighboring countries to create a new prospect of regional cooperation in the future.

Nepal is one of the key neighboring countries of China. Starting from this conference as a new historical milestone, China will continue to deepen the strategic partnership of cooperation featuring everlasting friendship for development and prosperity with Nepal, working towards a closer China-Nepal community with a shared future in a new era. With stronger resolve and greater efforts, China will support Nepal in achieving its development agenda, which is graduating from the list of least developed countries by next year and becoming a middle-income country by 2030, and realizing the sustainable development goals on schedule, thereby achieving Nepal's national vision of a 'prosperous Nepal, happy Nepalese.'

In my point of view, Nepal will present the following new positions in China's future neighborhood.

* Assistant Professor, NIIS/CASS

The first one is a reliable partner in China's regional cooperation with South Asia. Geographically connecting China, Tibet Autonomous Region with the South Asian subcontinent, Nepal serves as a critical node in the trans-Himalayan multidimensional connectivity network. China will continue to prioritize infrastructure in Nepal, including highways, railways, and airports, to help Nepal transition from a land-locked to a land-linked nation and enhance its role as a hub in the China-South Asia economic corridor. Additionally, China will work with Nepal in accelerating hydropower development and cross-border power transmission lines to leverage Nepal's resources into economic growth momentum and diversify its electricity export destinations.

The second one is a testing ground for China's digital economy cooperation with the Global South. There's no doubt that talent is the core driver of technological transformation in the digital era. Huawei Nepal's *Seeds for the Future* program stands as a model of China-Nepal cooperation in the digital economy. The program is aimed at cultivating digital talents who can contribute to society through innovation and entrepreneurship using advanced information technology. We noticed that *Seeds for the Future 2025* opened its application for Nepalese students just one week earlier. This marks the sixth edition of this program, and more than 150 Nepalese students have participated in this program since 2019. As an old Chinese saying goes, "Give a man a fish and you feed him for a day. Teach a man to fish and you feed him for a lifetime." So, I think the *Seeds for the Future* program demonstrates a cooperative model that focuses on capacity building, which not only helps bridge Nepal's digital divide but also empowers the country to take the lead in its own digital transition.

The third one is a demonstration nation for green transition and sustainable development through international collaboration. Nepal is rich in hydropower and solar energy resources, yet it faces some challenges in energy infrastructure development. Through technical assistance and project collaboration, China and Nepal are working to convert this resource into green development growth momentum. Among these, small yet smart people-centered projects have become a new highlight of bilateral cooperation. For instance, under the *Happy Community* program launched by the Chinese Embassy in Nepal, a solar-powered community bathroom and a roof photovoltaic project constructed in Kathmandu Valley with Chinese aid were handed over to the local community in October last year. This small but smart people-centered project not only improved the local living standards but also strengthened the friendship between our two countries.

The green economic collaboration also extends to agriculture. Nepal's exports of haylage to China have become a new bright spot in bilateral trade. Previously, post-harvest crop residues could only be burned, causing severe air pollution. Now, the China-Nepal haylage project processes these residues into high-quality feed and exports them to China, turning the waste into treasure. Through agricultural technology collaboration, haylage is poised to become Nepal's first 100-million-dollar-level export to China. This project not only boosts farmers' income and creates jobs but also addresses Nepal's agricultural waste challenge and alleviates seasonal feed shortage in some parts of China, which helps to achieve a win-win situation both in environmental and economic benefits.

Based on this achievement, we can find that China and Nepal have combined technology, empowerment, ecological sustainability, and livelihood improvement to move towards a shared future.

Last but not least, China and Nepal are good neighbors and partners on the path to modernization. China always wants to better align its development with that of its neighbors and works with them to build a better future with a shared future to deliver a better life to all. In the future, China will strengthen the experience sharing with Nepal in poverty reduction, rural revitalization, and public health. It will also enhance the technical training in emergency management and disaster prevention to improve Nepal's governance capacities. In the field of agriculture, we have witnessed many Chinese experts and Nepali farmers working together in the hybrid rice experimental field. China will also encourage more tourists to visit Nepal and more enterprises to invest here. We also welcome more Nepali students to come to China for study. We will lay a solid foundation for enduring bilateral relations through people-to-people exchange and cultural exchange.

I will pause my sharing for now. I eagerly look forward to hearing more perspectives from our colleagues and Dr. Chand on how our two countries can cooperate to move towards a better future. Comments and questions are warmly welcome later. Thank you.

Prospects for Nepal-China Strategic Partnership of Cooperation

Paper 2: Dr. Hari Prakash Chand*

Respected Chairman

Respected Madam Moderator

All the Distinguished Dignitaries,

Good afternoon.

I am not going to address it in detail because of time constraints, and I would like to directly enter it into my presentation. The topic of my presentation is “Prospect of Nepal-China Strategic Partnership”. Specifically, I have tried to study this area comprehensively and to share my perspective on the strategic partnership between Nepal and China.

A strategic partnership is the way to cope with systemic and issue-specific international challenges. The international system means an international structure and specific international challenges. We can consider a couple of examples of the Russia-Ukraine crisis and the India-Pakistan border dispute. These are issues of specific international challenges. Similarly, the strategic partnership is a multifaceted cooperation and collaboration for a common goal. There are three kinds of actors. First, cooperation and collaboration among state actors. Second, cooperation and collaboration between and among the state and non-state actors. And third, cooperation and collaboration between and among non-state actors. We can have various examples of all types of Strategic Partnerships.

There are three arenas of Strategic Partnership: a) political, b) economic, and c) social. Strategic partnership is developed in the field of the political arena, economic arena and social arena. I heard earlier that Ambassador Dr. Dinesh Bhattarai has rightly pointed out the three points that are mostly related to these three arenas. At the present context, the USA and China are the biggest strategic partnership builders who have more than 130 strategic partnerships in the current global affairs. And there are also some other actors like the European Union, Japan, Russia, Brazil, etc. They also have more than 50 strategic partnerships in the contemporary world.

* Dr. Chand is Research Fellow at Policy Research Institute, Kathmandu

We can understand strategic partnership in the context of military and security aspects. However, we can say that it is not only limited to the political goals but also ranges to economic, social and cultural, technological and scientific common destinations.

These three arenas are related to three types of partnerships, like bilateral, trilateral and multilateral, which are three orientations of Strategic Partnership. A bilateral strategic partnership has two actors, a trilateral Strategic Partnership has three actors and a multilateral Strategic Partnership has more than three actors. China-Russia strategic partnership and China-Pakistan strategic partnership are very good examples of Bilateral Strategic Partnership.

The examples of trilateral strategic partnership is China, Japan, South Korea trilateral trade ties and North American Free Trade Agreement (NAFTA) Strategic Partnership in the economic arena. The Indo-Pacific Strategy (IPS), started in 2017, the Shanghai Cooperation Organization (SCO) founded in 2001, and the Global Security Initiatives (GSI) proposed in 2022 are a few examples of multilateral strategic partnerships.

Problematizing the research gap, Nepal and China have agreed to upgrade Nepal-China relations from a comprehensive partnership to the elevated Nepal-China Strategic Partnership in 2019. In 2019, the Chinese president Xi Jinping wrote an article, and proposed four dimensions of strategic partnership. The first is deepening strategic communication, the second is broadening practical cooperation, the third is expanding people-to-people exchanges, and the fourth is enhancing security cooperation. In this scenario, Nepal has to frame a comprehensive perspective on strategic partnership with the People's Republic of China.

What is Nepal-China relation and strategic partnership? I have framed a conceptual 3-4 model of cooperation. Here, three means the three arenas (political, economic and social); and four means four dimensions as proposed by President Xi. The Three-Four model cooperation was started immediately after 1955, but conceptually, China proposed four dimensions in 2019. These four dimensions eventually contribute to the three arenas. That is the political, economic and social arenas.

The next point is that Nepal can propose a 3-4-3 model strategic partnership in a broader sense. It is basically dependent upon the literature that I have reviewed in the past to develop this paper.

I have studied some data from 2015 to 2024. I have considered the first phase and the second phase. The first phase is from 2015 to 2018, and the second phase is from 2019 to 2024.

I studied the high-level visits. There are 12 visits from the Nepali side and five visits from the Chinese side during the first phase. During the second phase, there were an equal number of bilateral visits, i.e., six visits from China and six visits from Nepal.

Similarly, we can also study and compare trade data. This is related to the economic arena of strategic partnership. This data shows that Nepal export was decreased in the second phase, but Nepal's export was little bit higher in the first phase. But interestingly, we can see that the data of imports increased in the second phase of the strategic partnership despite having COVID-19 and so many issues. It shows that our dependency is really critical in the current scenario.

An analysis of 10 years of agreements and announcement of financial support shows that there were 10 agreements and announcements of financial support in the first phase and 12 announcements, agreements and financial support in the second phase.

This is the analysis of the joint statement signed in 2016. There are 14 points of agreement in the joint statement. I have quantified the qualitative data of the joint statement. Five number of partnerships are linked to the political arena, six number of partnerships are linked to the economic arena and three partnerships are linked to the social arena.

I have taken another example of a joint statement partnership signed in 2023 during the visit of the then prime minister of Nepal, Pushpa Kamal Dahal, to China. We can see the trend of analysis of that joint statement. There were 12 points related to political arena, 19 points partnership in the economic arena and the same number of partnerships in the social arena.

Based on this analysis, we can conclude that no progress has been made after the elevated Nepal-China strategic partnership. The situation seemed better before 2019, at the time of this study. So, Nepal and China have to work seriously to materialize the elevated Nepal-China strategic partnership and to reach a new height of cooperation.

As I mentioned earlier, there are three prospects related to the political arena, economic arena and social arena. The first prospect is related to the political arena.

There are 14 points. The first point is establishing a bilateral mechanism. Second is all political cooperation except for the military alliance. We cannot afford to go and decide for military alliance because of our very sensitive geographical location. Third is a meaningful high-level visit exchange that has to be conducted from both sides. The meaningful visit means we have to set the defined goals and objectives. Those goals and objectives have to be achievable and measurable, rather than increasing arrivals and departures only. Areas of agreement and the MoU should also be finalized based on the evidence-based research recommendations.

The next point is the monitoring mechanism. We can form a bilateral monitoring mechanism to monitor the implementation of past MoUs, agreements, etc. Similarly, it would be better to conduct the state visit in each tenure of the head of state or head of government from both sides, from China to Nepal and Nepal to China.

Furthermore, both countries have to develop the sister city and sister province relations. Lastly, Nepal has committed to one China policy and China has fully committed to Nepal's sovereignty, territorial integrity and independence, which are indispensable parts of Nepal-China harmonious relations.

One of the most important points is the CNIB economic corridor. The CNIB economic corridor it is a corridor linking China, Nepal, India and Bangladesh. If we diplomatically deal with India to renovate the Phulbari-Banglabandha highway, then the Nepal-China economic corridor can be converted into the CNIB economic corridor and this corridor can be a part of the Belt and Road Initiative as well in the future.

The prospects in the economic arena include 10 points. The first point is developing a common framework for financial support, resource sharing, taking loans and financial investment under the Belt and Road Initiative. Nepal is a little bit different country because it is the immediate neighbor of China. The second point is that Nepal is an underdeveloped country. The third point is that Nepal and China are interdependent in the field of security matters. So, China can reframe or reset the trend and provide financial support to Nepal, as agreed between the two sides, under the framework of the Belt and Road Initiative.

Both countries can deal and agree on Chinese investment in Nepal for establishing a leading industry in every province of Nepal. There are seven provinces and it would be better to support or to encourage Chinese investors to invest in Nepal to establish at least one industry in each of the provinces.

The next is social arena. There are 13 points under this arena. A highlighted point is G-to-G and B-to-B approaches would be the best approach for visit exchange and for the scholarship provision from China to Nepal, rather than any political recommendation and other way.

The merit-based approach is the most important for selecting scholars in this arena rather than high-level political recommendations. Equal distribution of scholarships to all seven provinces of Nepal is the most important. Nepal government can distribute the scholarship provided by China in all seven provinces equally and also in the local municipalities as well.

As the concluding remarks, I would like to conclude that the 3-4-3 model of strategic partnership can be the best framework for the Nepali side. Three means three arenas, four means four dimensions proposed by President Xi Jinping, and the last three are three orientations, i.e., bilateral, trilateral and multilateral. There are no specific policies made, targets set and progress achieved in the said elevated Nepal-China strategic partnership so far. This is the conclusion of my research paper. My research paper is more than 40 pages long. But because of time constraint I could not present the whole content of that paper. To make this strategic partnership more specific, successful and goal-oriented, both countries have to make a huge effort in all three arenas and four dimensions of Nepal-China strategic partnership, as recommended above as the prospects.

Thank you very much!

Comments by Dr. Zhang Song*

The China-Nepal Economic and Trade Relations

Distinguished guests and colleagues,

Good afternoon.

It is a great honor to be here today to share an analysis of the current state and future trends in the economic and trade relations between China and Nepal. In this address, I will highlight recent developments, current cooperation and achievements, and propose potential areas for deeper economic collaboration in the years ahead from an economic point of view.

I. Overview of Bilateral Trade

In 2024, the total trade volume between China and Nepal reached approximately 2.35 billion USD, representing a significant year-on-year increase of 18.13%. Among this, China's exports to Nepal amounted to 2.329 billion USD, while Nepal's exports to China stood at 21.64 million USD—a slight decrease of 5.68% from the previous year. These figures reflect the growing commercial connectivity between our two nations, albeit with room for more balanced trade growth.

II. Structure of Major Trade Goods

The structure of trade between China and Nepal reveals the natural alignment of each country's comparative advantages. In 2024, the top Chinese exports to Nepal included electrical machinery and equipment, vehicles and parts, mechanical appliances, and iron and steel. On the other hand, Nepal's main exports to China consisted of carpets and textiles, copper and copper products, garments and accessories, as well as oil seeds, medicinal plants, and animal feed. This composition of goods highlights a pattern of international specialization that benefits both parties.

III. China's Foreign Direct Investment (FDI) in Nepal

According to the Nepal Rastra Bank's 2022/23 FDI Survey Report published on August 30, 2024, China has become Nepal's second-largest source of foreign

* Assistant Professor, NIIS/CASS

direct investment. The stock of Chinese FDI in Nepal stands at 35.46 billion Nepalese Rupees, accounting for 12% of Nepal's total FDI—second only to India. Notably, Chinese investment is primarily concentrated in hydropower, manufacturing, and tourism sectors, underscoring the shared vision under the Belt and Road Initiative.

IV. Key Areas of Cooperation in 2024

Several important milestones were reached in 2024 that advanced our bilateral cooperation. First, traditional border trade points, such as Gyirong and Zhangmu, were reopened in May, greatly facilitating the flow of daily goods, agricultural products, and handicrafts. Second, by the end of the 2023/24 fiscal year, China's investment commitments to Nepal surged to 254.7 billion Nepalese Rupees, making up over 51% of Nepal's total foreign investment. Finally, starting from December 1, 2024, China implemented a zero-tariff policy on all taxable goods exported from Nepal to China—an important step toward greater trade liberalization.

V. Suggestions for Deepening Future Economic Cooperation

Looking ahead, there are several key areas where China and Nepal can deepen their economic cooperation.

Firstly, infrastructure development should be a shared priority. Accelerating the construction of the China-Nepal cross-border railway could significantly reduce logistics costs by connecting Nepal to China's Western Land-Sea Corridor. Additionally, building cold chain warehouses at the Gyirong port can help address Nepal's 30% agricultural product loss rate during transport.

Secondly, we propose initiating a pilot program for direct currency settlement between the Chinese Yuan and Nepalese Rupee at the Gyirong port. This would help mitigate exchange rate risks associated with the U.S. dollar. Drawing from the China-Russia experience, where local currency settlements reached 65% in 2023, this model is both feasible and advantageous.

Finally, establishing a cross-border economic zone modeled on the China-Kazakhstan Horgos cooperation center could facilitate trade and investment. Reducing customs clearance times, which currently average 3.5 days, is another tangible goal. For reference, projects like the "Customs-Railway Linkage" with the China-Europe Railway Express have already improved clearance efficiency by 40%.

In conclusion, the partnership between China and Nepal has made meaningful progress, yet vast potential remains. By fostering infrastructure development, deepening financial integration, and expanding special economic cooperation zones, we can build a stronger and more resilient bilateral economic relationship. I look forward to working with all of you to turn these shared aspirations into reality.

Thank you.

Comments by Dr. Mahesh Kumar Maskey*

Mr. Chairman,

Friends from Nepal and China

At the outset, I express my thanks to the Policy Research Institute for organizing this very important interaction program. Since I have only six minutes, I've thought carefully about what to focus on. The paper I was asked to review, written by Dr. Hari Prakash Chand, was over 40 pages long and covered many important issues. Rather than commenting on everything, I will focus on a few ground realities. First, I would like to congratulate and thank Dr. Chand. I'm also glad to see two young scholars from China and Nepal presenting today. It reminded me of my own time as Nepal's Ambassador to China and the significant developments that occurred in 2016, moments that Dr. Chand has analyzed well.

Even before the strategic partnership between Nepal and China was formally established during President Xi Jinping's visit to Nepal in 2019, we had already laid the groundwork through key MOUs, joint statements, and agreements in 2016. The concept of a strategic partnership was already emerging. Unfortunately, we have not been able to implement it effectively, and that's what I want to talk about.

Nepal needs to approach China from a position of sovereignty. Too often, when we talk about enhancing relations with China, we begin by asking whether it will upset other neighbors, particularly India. To be frank, there's a kind of 'India-phobia' when it comes to China. But we forget that China and India, despite their deep and ongoing border conflicts, are cooperating economically. Over the last five years, their bilateral trade has increased significantly, now reaching around USD 120 billion. Nepal's trade with China stands at just USD 1.2 billion; 100 times less.

Despite tensions, India and China are cooperating in multilateral forums like BRICS and even collaborating in scientific ventures, such as lunar missions. So why should Nepal hesitate? Why can't we confidently say that as a sovereign nation, we have the right to strengthen our relationship with China, just as others do?

Over the years, we've signed numerous agreements and partnerships with China, yet we've failed to capitalize on the opportunities they present. China's economic rise is like an ocean into which rivers from across the world flow. Almost every

* Former Ambassador of Nepal to the People's Republic of China

country is trying to benefit from trade with China—even the European Union, despite disagreements under Trump’s administration. But Nepal, a direct neighbor, still lags behind in trade and cooperation, despite decades of agreements.

We need to learn from both China and India. Take China, for example. Despite historic conflict with the United States, they found a way to engage in economic cooperation. They studied what America needed and positioned themselves accordingly. When their export-driven model came under stress after the 2008 financial crisis, they shifted strategy, developing western China, initiating the Belt and Road Initiative, and expanding their global partnerships. That adaptability is why China’s economy remains strong despite tariff threats and political tensions.

Meanwhile, Nepal is not even following through on its own commitments to China. We say we want development projects and investment, but once we return home after signing agreements, we either forget or ignore them. Why?

When the Prime Minister visited China in 2024 to sign the BRI framework agreement, the debate in Nepal was reduced to a simplistic question: Should we take a loan or a grant? That entire debate missed the larger point. The BRI, by principle, is not entirely grant-based. It includes loans. A better strategy would have been to request concessional loans, considering Nepal’s economic constraints. That would have sent a clear message to China that we’re serious but negotiating within our limitations. Instead, we went there implying: “If you give us grants, we will proceed; if not, we won’t.” That sends the wrong signal, one that suggests Nepal isn’t truly interested in the BRI.

This inconsistency weakens our credibility. We often speak of cooperation in glowing terms, but the ground reality is quite different. Strategic partnerships must begin with strong bilateral engagement. Only then can we think about trilateral or multilateral cooperation, something that is far more complex. It’s also important to understand that the word “strategy” has multiple meanings. Some strategic partnerships, like the one between Pakistan and Russia, include military alliances. But Nepal does not seek military alignment. This must be clearly communicated. When we rejected the Indo-Pacific Strategy (IPS), it was precisely because it was framed with a military alliance intended to counter China. Nepal’s approach to strategy must be peaceful, development-oriented, and strictly non-military.

Security cooperation, in our case, should be limited to issues like border management. Without secure and efficient border infrastructure, we can’t improve trade with China. Consider the Tibet Autonomous Region (TAR), currently one of China’s

fastest-growing regions. In 2023, it received around 63 million tourists, despite a population of just 3.6 million. The demand generated in TAR alone could be a massive opportunity for Nepal. We don't have to look far; simply building trade infrastructure that links Nepal to TAR could transform our economy.

Someone mentioned earlier that the infrastructure is meant to supply goods to Tibet. Anyone who has flown from Nepal to China can observe how the Himalayan geography shifts dramatically. Nepal is lush and green, whereas Tibet is dry and arid. This natural contrast creates a trade complementarity that we haven't tapped into.

So many opportunities exist. But do we have the political will and determination to seize them? Let's not keep making excuses like "India might think this way, India might think" India and China are trading and cooperating despite their problems. They're in BRICS together and working on joint ventures. What's stopping us? In my experience, China is open to discussion and flexibility. What they expect is consistency. If we say we want cooperation, we should mean it and stick to it. If we communicate clearly what we can and cannot do, China will understand. But if we constantly change our stance, how can we expect them to take us seriously?

Therefore, we are lucky that we are between two great economic powers. But we should have the ability to utilize that opportunity, economic opportunity, that is bestowed upon us, maybe by chance.

Thank you very much.

Summary by Dr. Yang Xiaoping, Moderator of the 2nd Session*

In the previous Session, our colleagues have helped us understand where we are. And during this Session, we tried to explore the potentials and challenges for deepening our future bilateral partnership of cooperation.

I would like to use a few minutes to wrap up, to conclude, to summarize this session. Dr. Zhang has listed several domains for future Nepal-China bilateral relations, and especially highlighted the digital economy. We can explore in the future. We had two participants to contribute their own views on how they understand the trade deficits and the economic dependence and how it impacts, and especially where we are for China-Nepal strategic cooperation. I'd like to appreciate Dr. Maskey for listing the difference between military alliances and security cooperation. And also, we respond, have an open floor and responses from our speakers and discussants. So, thanks to all speakers and discussants for your active contributions to this session.

* Dr. Yang is an Associate Professor in the National Institute of Strategic Studies/Chinese Academy of Social Sciences.

Closing Remarks by the Chair*

All our respected dignitaries, Diplomats,
Scholars and all participants,
Ladies and gentlemen.

Today, we made our initiative, the first seminar that we concluded successfully. For this, I would like to extend my sincere thanks to the Chief Guest, our respected Foreign Secretary, for taking the time despite his busy schedule. And all other dignified guests from different positions who accepted to deliver remarks on the papers, offer comments and suggestions, and share their reflections on the Nepal-China relationship, including future prospects. I also want to take a moment to thank the team that worked diligently to organize this seminar. Since last month, we have begun planning this event. I would like to extend my sincere thanks to the Nepali and the NIIS-CASS teams. Furthermore, we signed an MOU, which further enhances our cooperation in finding paths to make a Nepal-China strategic partnership with more tangible outputs in the future. So, we'll continue with the dialogue, discussion, and research, and we'll make different recommendations. That recommendation will finally be helpful in addressing the situation. I'm happy to have the opportunity to work with China's think tanks, and government think tanks, as we are also Nepali think tanks, though smaller than NIIS or the overall CASS.

Today, our experts presented four papers at the seminar. Two papers were related to a review of the Nepal-China relationship from ancient to modern times. The relationship before modern China, modern Nepal, and the relationship after modern China and Nepal, and the present scenario of the geopolitical transition, which is fluid. Next, we discussed more about the prospects and how we can build up this strategic partnership in a meaningful way. So, I have to offer special thanks to all these contributors, paper writers, presenters, reviewers, commentators, and those who provided insight into these issues. I am not an expert in international relations, diplomacy, and trade. But as a conscious educator, I read papers, watch television, listen to interviews, and do similar things. All these things also made me think a little differently. Sometimes, why are we unable to materialize the relationship? We make numerous visits and sign many MOUs, letters of agreement, and other

* Prof. Dr. Lekhnath Sharma is the Executive Chairman of the Policy Research Institute. He chaired the Seminar.

documents, but actual implementation is far less. This is a question I ask myself. As an intellectual, it is a question for me, just as it is a question for all of us, for every scholar.

Academically, we discuss, we present everything, and the beautiful words we can say about the Nepal-China relationship, the contribution we get from China in our infrastructure development. And if we talk about the 11th–12th century, Kathmandu was the center, and the things we see here, the cultural heritage here, that was the product of the business trade between Nepal and Tibet, Kathmandu being the center, Europe, and all. We see all these things. Those are the beautiful histories of the past. And also, we can express beautiful words and a beautiful interpretation of the Nepal-China relationship. But the most important thing is to think about the shared future. What exactly is this shared future? We have not defined it very well. If we do not define the shared future we are discussing and what the strategic partnership means to us, there will be different interpretations. If Nepal is engaged in strategic partnership with China, it may mean to be something related to military partnership. People are making comments on that line also.

But it is not actually. We have to make things clear. Because I am from the field of mathematics, I can explain what mathematics usually does: it involves assumptions, actions, postulates, definitions, and theorems. If you connect all these elements, you produce another theorem. The same thing, a more structured, logical framework, is necessary if we want to materialize this strategic partnership in the future. I think we should not make any comments that are specific to today's presentations. But one thing I want to say is that it is the beginning. We started this discussion, debate between think tanks, and as think tanks, we are free to make critical observations, more justified observations, and presentations. So, it's the beginning and let's have hope in the future. We can make a good publication for the recommendations. And we'll have a lively sort of interaction, exchange in the future and materialize things more.

There are different propositions on how strategic partners can be made better. But we have not yet discussed a lot of these things critically. So, it means that we opened up the issues, we opened up the possibilities for the future as well as we opened up the issues why we could not materialize the strategic partnership cooperation between Nepal and China at bilateral level at least. So, thank you very much for giving me this opportunity to chair this Seminar, give a welcome speech, and finally deliver a few words as final remarks. Thank you very much. And it's my opportunity

to have this good relationship between think tanks working in different areas of collaboration. Finally, thank you all very much.

With this, I conclude today's Seminar.

Thank you.

Annex

List of Participants

A. Guests from NIIS, CASS, Beijing

- 1) Dr. Shen Minghui, Deputy Director General, NIIS, CASS
- 2) Dr. Wu Zhaoli, Associate Professor, NISS, CASS
- 3) Dr. Yang Xiaoping, Associate Professor, NISS, CASS
- 4) Dr. Sun Xihui, Associate Professor, NISS, CASS
- 5) Dr. Zhang Qianyu, Assistant Professor, NISS, CASS
- 6) Dr. Zhang Song, Assistant Professor, NISS, CASS

B. Embassy of the People's Republic of China, Kathmandu

- 1) Mr. Wang Xin (Deputy Chief of Mission)
- 2) Ms. Wu Shengnon
- 3) Mr. Li Chengze
- 4) Fu Shuqi

C. Guests from Nepal

- 1) Mr. Amrit Bahadur Rai (Foreign Secretary, Ministry of Foreign Affairs)
- 2) Mr. Bhriгу Dhungana, Joint Secretary, Ministry of Foreign Affairs
- 3) Mr. Prakash Kumar Suvedi (Executive Director, Institute of Foreign Affairs)
- 4) Dr. Khagendra Prasai (Dean, Nepal Open University)
- 5) Dr. Ishwori Prasad Kandel (Central Department of Economics, Tribhuvan University)
- 6) Mr. Ritesh Shah (Section Officer, Ministry of Foreign Affairs)
- 7) Mr. Yam Lal Bhusal (Joint Secretary, Office of the Prime Minister and Council of Ministers)
- 8) Dr. Arjun Baral (Executive Director, Center for Economic Development and Administration, Tribhuvan University)
- 9) Ms. Apekshya Shah (Head, Department of International Relations and Diplomacy, Tribhuvan University)

- 10) Dr. Dinesh Bhattarai (Former Ambassador, Foreign Affairs Adviser to former Prime Ministers of Nepal)
- 11) Dr. Mahesh Kumar Maskey (Former Ambassador of Nepal to PR China)
- 12) Dr. Lal Bahadur Pun (Head, Policy Lab, Kathmandu University School of Management)

D. Policy Research Institute

- 1) Prof. Dr. Lekhnath Sharma (Executive Chairperson)
- 2) Dr. Pusparaj Rajkarnikar (Board Member)
- 3) Prof. Dr. Arvind Kumar Keshari (Board Member)
- 4) Dr. Shyamu Thapa Magar (Board Member)
- 5) Dr. Indra Kumari Adhikari (Board Member)
- 6) Laxman Prasad Bhattarai (Office Manager)
- 7) Dr. Hari Sharma Neupane (Senior Research Fellow)
- 8) Dr. Mohan Kumar Sharma (Senior Research Fellow)
- 9) Dr. Deepak Kumar Khadka (Senior Research Fellow)
- 10) Dr. Mukti Ram Rijal (Senior Research Fellow)
- 11) Dr. Khaga Nath Adhikari (Senior Research Fellow)
- 12) Dr. Kalpana Khanal (Senior Research Fellow)
- 13) Dr. Giri Raj Sharma (Research Fellow)
- 14) Ashok Pandey (Research Fellow)
- 15) Dr. Niranjan Devkota (Research Fellow)
- 16) Dr. Hari Prakash Chand (Research Fellow)
- 17) Dr. Subash Adhikari (Research Fellow)
- 18) Dr. Pradeep Panthi (Research Fellow)
- 19) Dr. Jham Kumar Bishwakarma (Associate Research Fellow)
- 20) Dr. Maheswar Giri (Associate Research Fellow)
- 21) Dr. Prabhat Raj Dahal (Associate Research Fellow)
- 22) Gopal Acharya (Associate Research Fellow)
- 23) Rija Manandhar (Analyst)

- 24) Soniya Bashyal (Analyst)
- 25) Bimal Chandra Sharma (Library Management Coordinator)
- 26) Subin Ulak (Graphic Designer)
- 27) Sanju Kumari Sarbariya (Senior Assistant)
- 28) Parbat Bhattarai (Senior Assistant)
- 29) Gita Neupane (Senior Assistant)
- 30) Milan Shrestha (Senior Assistant)
- 31) Ayushka K.C. (Intern)
- 32) Ashish Bhandari (Intern)
- 33) Kumari Alike (Intern)
- 34) Dhiraj Bhatta (Intern)
- 35) Juna Shrestha (Intern)
- 36) Bijaya Koirala (Intern)
- 37) Balihang Limbu (Intern)
- 38) Snehi Rijal (Intern)
- 39) Satish Sapkota (Intern)



PRI is a think tank of the Government of Nepal established on 26 September 2018 in accordance with the Policy Research Institute Board (Formation) Ordinance with a vision to contribute to effective and responsive public policy for national prosperity. PRI's mission is to establish itself as a credible institution that offers informed public policy and its goal is to generate reliable, evidence-based and transformative knowledge for public policy. Its seven core values – quality, objectivity, integrity, diversity, transparency, accountability and engagement – define its workings.

PRI carries out policy research on all issues and sectors of public policy concerns and recommends to the Government of Nepal what reforms it has to undertake in each of these policy areas. All researches are conducted in accordance with PRI's public policy research process and standard, which form part of a broad policy cycle.

Knowledge management is an important component of PRI. It operates a public policy dialogue forum as a regular mechanism for learning, sharing and debating policy issues. In PRI's belief, public policy formation requires the combination of three types of knowledge: (a) scientific knowledge generated through research and analysis, (b) administrative knowledge gathered through bureaucratic experiences and (c) societal knowledge developed through social and political processes, such as political debates, media advocacy as well as people's experiences.

