

Professor Yadu Nath Khanal Lecture Series

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Nepal-China Relations in the Context of South Asia: Opportunities, Challenges and the Road Ahead

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Ministry of Foreign Affairs, Kathmandu

12 June 2025

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This is full text of lecture delivered by
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Honorable Foreign Minister Dr. Arzu Rana Deuba
Honorable Ministers, Foreign Secretary Mr. Amrit Bahadur Rai
Former Foreign Ministers, Former Ambassadors
Distinguished guests, scholars
Ladies and gentlemen,

First of all, I would like to thank the Ministry of Foreign Affairs (MOFA) to have asked me to speak on Nepal-China Relations in the context of South Asia particularly in view of the opportunities, challenges and the road ahead. What I am going to present here in my speech is going to be, of course, a part of Professor Yadu Nath Khanal Memorial Lecture Series. So, I will quote the late Khanal extensively as his profound reflections and diplomatic anecdotes written in his books bring a bearing upon what we are doing today and what we may possibly do in our relations mainly with China, India and USA. I will do so in the hope that his experience and statements will guide us in these challenging times.

Right now, we in Nepal feel that we are at a crucial juncture in South Asian geopolitics to discuss a subject of great importance in the light of the evolving relationship between Nepal and the People's Republic of China. Given the inexorable rise of China as a global super power, we should genuinely explore how both countries can mutually benefit from their cooperation. At the same time, we should also be careful about how Nepal can navigate the growing Chinese-Indian geopolitical rivalry and manage the American strategic interest in the region.

This occasion also reminds us of Nepal's historical foreign policy doctrine, as exemplified by our leaders like King Mahendra, a realist, and B. P. Koirala, an idealist, and as executed by competent

diplomats like Professor Khanal, an advocate of ‘balance’ in the implementation of our foreign policy. Their approach remains deeply relevant to Nepal even in the 21st century. Professor Khanal was acutely aware of the fact that Nepal faced a challenge in maintaining a friendly balance between the two most populous nations of the world, India and China, with different political ideologies, which would be inevitably in trouble with each other on serious issues as indicated in the Sino-Indian border clash of 1962 and several incidents in subsequent years. He always said that Nepal needs constant vigilance and dispassionate assessment of the emerging patterns of power reality on both sides as in the past.

Professor Khanal often said: “That Nepal has pursued a vigorous policy of friendship with China is generally recognized. But it has also found it necessary to be assured from time to time at high levels of Chinese leadership that in its relations with Nepal China will not display any big power chauvinism. Nepal has always been sensitive to its national interests in dealing with China as with other countries too. In any case, it is Nepal’s belief that simultaneous pursuit of friendship with India and China is in its best national interest and also in the interest of a wider regional community. It is the central principle of non-alignment to promote interdependence and not confrontation among nations, and in Nepal’s case interdependence between India and China and Nepal is a geographical compulsion.

The Historical Context

The relationship between Nepal and China is not recent. It is rooted in centuries of cultural, religious, and trade interactions going back to the Licchavi, Malla and Shaha periods of Nepal’s history as exemplified by the marriage of Princess Bhrikuti to Prince Songtsen

Gampo and the visit of Nepalese artist Araniko who built many monuments in China and left his marks of contribution in its civilization. For many centuries in the medieval period, Nepal had greater foreign trade with Tibetan Autonomous Region (TAR) of China than with any other parts in its neighborhood.

In the modern times, formal diplomatic relations between Nepal and China were established in 1955 marking the beginning of a new era in our efforts to expand and balance our foreign policy. And since then, the ties have steadily deepened and widened. China is now Nepal's second-largest trading partner, a major source of infrastructure investment, and an increasingly important geopolitical factor. We are celebrating this year as the seventieth anniversary of Nepal-China diplomatic relations.

The year 1955 was also remarkable in that Nepal attended the Bandung Conference of Afro-Asian nations attended by Jawaharlal Nehru of India and Zhou En-Lai of China. Professor Khanal wrote the Bandung speech of the Nepalese delegation outlining the fundamentals of our foreign policy for the first time in an international forum. He also wrote King Mahendra's first address to the NAM summit in Belgrade in 1961. His contribution has been well-recognized in Nepal and abroad. It is often said that Prithvinarayan Shaha unified Nepal, Bhanubhakta Acharya standardized the Nepali language and Yadu Nath Khanal intellectualized Nepal's foreign policy.

Yadu Nath Khanal, a Professor of English at Tri-Chandra College for twelve years, was appointed foreign secretary of Nepal twice (1960-1962 and 1967-1969 under King Mahendra) and ambassador to India (1963-1967 under Nehru, Shastri and Gandhi), to

USA (1973-1975 under the Nixon administration) and to China (1978-1982 under the leadership of Deng Xiaoping). Those were all very critical years in Nepal's diplomacy. The year 1961 was turbulent as King Mahendra had dissolved the first elected parliament of Nepal in mid-December 1960, and India had taken the king's 'take-over', a euphemism for a coup, not only as 'a setback to democracy', but an anti-Indian step too.

Amidst these difficulties, foreign secretary Khanal accompanied the king on his visit to China in 1961, when Nepal and China signed the historic boundary treaty in Beijing where he incorporated in King Mahendra's speech what President Liu Shao-Chi had told them in private. It was a heartening assurance to the international community that was apprehensive of Communist China's intentions. However, the year 1962 unfortunately witnessed China-India border war that put Nepal in a very difficult situation. Even then, Professor Khanal played a very important role in those years not just as a foreign secretary of Nepal but also as a scholar highly knowledgeable of the sensitivity of international peace and security. One can read in my biography of Professor Khanal what exchange he had with the then Indian ambassador Harishwar Dayal in Kathmandu.

While as Nepal's ambassador to India (1963-1967), Professor Khanal was very active not just as a Nepali diplomat but also as an intellectual par excellence. He gave many lectures and interviews (altogether 10 in the year 1963) compiled them in his book *Reflection on Nepal-India Relations* (1964). In one of the lectures given at the Indian School of International Studies, Sapru House, New Delhi, to the Indian Foreign Service Probationers, on January 27, 1966 (included in his second book *Stray Thoughts* (1966) containing 14

articles, he spoke comprehensively as a diplomat responsible for reducing regional tension in Asia in general and between China and India in particular. He believed, and clearly and convincingly explained, that Nepal's friendship with India and China was not just a bilateral matter; it was an integral part of regional peace in Asia. So, he said in his speech, "Though Nepal and China believe in different social systems, considerable progress has been made in the establishment of friendly relations between the two countries since the Nepalese revolution of 1950-51. The general atmosphere of resurgence in Asia coupled with such specific steps as the Treaty of Peace and Friendship and the Boundary Treaty has gone a long way to bring Nepal and China into the present state of friendship. We believe that this friendship is in the interest of Nepal, *and of peace and progress in Asia* (italics supplied). To illustrate the spirit of the five principles of peaceful co-existence, which are embodied in the Treaty of Peace and Friendship King Mahendra, while addressing a mass rally at Peking on October 5, 1961, summed up the Nepalese position as follows."

"In the course of the past few days we have had the pleasure and the opportunity to meet your great leaders, Chairman Mao Tse-Tung, Chairman Liu Shao-Chi, Premier Chou En-Lai and others, and we have been impressed by their wisdom and statesmanship. I take the liberty of recalling a part of the conversation we had with Chairman Liu Shao-Chi in which he frankly stated that like all big powers, the People's Republic of China might have the tendency to ignore the just and rightful claims of small neighbors and nations, that China in the past defeated other peoples and had been defeated by

others, and that the present government led by the Communist Party of China had learned the lesson of history very well, and will never take the road of aggression and invasion against the territorial sovereignty and political independence of its neighbors and for that matter any other country, and that China will take meticulous care to avoid the repetition of such blunders. We have taken note of this assurance made by Chairman Liu Shao-Chi and we deeply appreciate the sentiments which led to the expression of this statement.”

Quoting King Mahendra at such length was not only to inform India about the Chinese assurance to Nepal, but also to inform the whole international community that was apprehensive of the Chinese export of communism. Everyone (including China, India and other powers in the world) must have felt grateful to ambassador Khanal for his wisdom as such. He acted as if he was an ambassador of all the three countries (Nepal, India and China) to the world. It was Professor Khanal who drafted King Mahendra’s speech given in Beijing so he deliberately incorporated what Chairman Liu Shao-Chi had said.¹

¹ This is important even today as the world is just as apprehensive of China that has generated not only hope, admiration and inspiration but also fear of its economic, political and military power. It is reported that Mr. Liu Jianchao, head of the International Department of CPC, said something to the same effect recently (May 12, 2025) to a host of delegations from China’s neighboring countries including Nepal. “The CPC has decided to strengthen strategic confidence in the neighboring countries, promote regional development and reduce differences of thought through dialogue.” Answering a question from one of the delegates, he said, “We do not export our ideology and political system; we export only our goods and services.”

Professor Khanal visited China again as a second-time foreign secretary of Nepal in order to resolve an issue arising from an incident in Kathmandu that had disturbed Nepal-China bilateral ties, and he was able to amicably resolve it. His team led by foreign minister Kirti Nidhi Bista (Professor Khanal's former student at Tri-Chandra College) was received by all top leaders including Mao Zedong, Zhou En-Lai and Chen Yi. So, let me quote Professor Khanal again in a greater detail. He writes,

“The year was 1968. China's Cultural Revolution launched in 1966 was rising in intensity. The Red Guards were acting in an unusual manner before foreign Missions, particularly Western. The British Embassy was most affected. Such activities started to overflow selectively into China's Missions abroad also. I was asked to return to Kathmandu [from New Delhi in 1967] to take over from Jharendra Narayan Singh. I knew some incidents that happened in India. We had similar experience. This appeared to indicate a turn in China's policy in the direction of the ideological export of the Chinese Revolution. I recalled Liu Shao-Chi's and Chen Yi's earlier assurances. Militarily, China's strategy, based on the principles of people's war, was defensive. Concern grew in Nepal among the people. In these circumstances we thought that we should explore with the Chinese leaders themselves how they viewed the current state of Sino-Nepalese relations. I called the Chinese Chargé d'Affairs and requested him to inquire with his government whether it was convenient with his government if our foreign minister wanted to visit China. He brought me a positive reply a week later naming the last week of May. It was decided accordingly and announced. Next day the British Ambassador met me and told me that he was anxious and wondered how the British Chargé in Beijing was faring.

He asked me if I could keep in mind. I told him that though I could do little I would keep that in mind. In Beijing our talks went well. The leader on the Nepalese side was Kirti Nidhi Bista. Though our formal host was Chen Yi, most of the talks were led by Zhou En-Lai himself. He even attended the dinner at the Great Hall given in our foreign minister's honor. Warm and cordial talks indicated that the fury of the last year would not recur.² Zhou En-Lai gave even concrete assurances to that end. He gave us a detailed view of China on current international affairs in course of which the interpreter said British imperialism when Zhou En Lai had said American imperialism. Zhou shouted and corrected in English, "American imperialism." This incident was a further hint that China's new policy in foreign affairs was distancing itself from the fury of the Red Guards. That we were received by Mao in the presence of Lin Piao and Zhou En-Lai also confirmed the same conclusion. I saw the British Chargé d'Affairs at a reception at our Embassy. He looked hale and hearty though extremely alert and vigilant. I told the British ambassador on my return from China that his Chargé was well and that the outlook appeared promising for improvement in Sino-British relations. Things turned out that way soon afterwards."

On the Indian side, Professor Khanal writes: "It was the year 1968. India's ambassador Raj Bahadur had recently presented his letter of credence. According to the practice of the foreign ministry then a reception was held in his honor to enable him to meet Kathmandu-based diplomats and government high officials. The

² In a conversation, the late Kirti Nidhi Bista (1927-2017) told me that Premier Zhou En-Lai went to the extent of telling him that "if any letter of threat is written to you or your government by any of our staffs, you can write directly to me, and that such a staff would be transferred from his post."

Chinese Chargé d’Affairs attended the reception. India was exploring at the time how China would respond towards a move in the direction of restoring normalcy in Sino-Indian diplomatic relations. A few days later T. N. Kaul came to Kathmandu on a visit. He asked me whether I could arrange a quiet lunch or dinner in a quiet hotel room which will be joined only by the Indian ambassador, the Chinese Chargé d’Affairs and me. My first reaction was skepticism. I said that even if it worked, I doubted if it would be useful. The Chargé was not substantively a high official. What Mao had told us in last May that China was in no hurry on its relations with India and was ready to wait twenty years was in the back of my mind. Kaul said that he understood the thinned character of the Chinese diplomatic representation in Kathmandu as it was so also in New Delhi. He still urged. Then as it was not my seeking and it was his urging I agreed to try. When I reported this matter to King Mahendra he saw highly complicated implications ahead. He discouraged me from further involvement. I had not yet contacted the Chinese Embassy. I was looking for an opportunity to inform the Indian ambassador. T. N. Kaul had returned to Delhi. One evening the ambassador met me during my usual stroll and said that as Kaul had not given him anything in writing on such a sensitive subject he could proceed no further. I was relieved.”

Afterwards, in the year 1969, Professor Khanal was able, by means of diplomatic negotiation, to get the Indian wireless operators withdrawn from the eighteen passes on Nepal-China border for the satisfaction of all sides. Notably, the withdrawal of the Indian Military Advisors and Wireless Operators, who had been stationed in Nepal since 1952, was so amicably negotiated that it did not result in any acrimony even on Nepal-India relations either.

Professor Khanal was Nepal's ambassador to the US also a very critical juncture of international relations particularly Sino-American relations. At the wake of Shanghai Communiqué of 1972 that established the framework within which relations between the two countries could develop further and remains one of the fundamental bases of the US-China relationship, Professor Khanal was sent as ambassador to the US in 1973-1975. It was the time when Nepal had, in July-September 1974, disarmed the Tibetan Khampa rebels (allegedly trained and assisted by CIA). Thus, besides its defense capability and credibility, Nepal had practically demonstrated to the world its political, diplomatic and security reliability thanks to the personality of people like Professor Khanal.

So, welcoming Professor Khanal as Nepalese Ambassador to the US, President Nixon said, "Mr. Ambassador, the United States is particularly honored that His Majesty has named a man of such repute and high esteem as Ambassador to the United States." When President Nixon said so, it was not just a perfunctory ritual. He definitely meant what he said as he was well-informed about Professor Khanal's critical role as Ambassador and as Foreign Secretary of Nepal dealing with both the Asian powers – India and China during very critical times of border clash and cold war. President Nixon was in the know that Professor Khanal was also approached to be the Secretary-General of the United Nations by the Soviet Union that felt that all the other UN Secretary Generals were too pro-America. That was what he meant by "a man of such repute and high esteem."

Another notable point in President Nixon's statement was reflected in the following sentence. "My administration is dedicated to building a new structure of peace in the world and I sincerely

appreciate the contribution His Majesty and the people of Nepal have made toward this great goal.” Opening the China-door for the American strategy to deal with the then Soviet Union was what had to be understood by “a new structure of peace”, and it was well-known in the high diplomatic circle that Nepal was approached as a channel to open the communication even though Nepal declined a role as such.

Finally, Professor Khanal was Nepal’s Ambassador to China in 1978-1982. That was regarded as a crucial period in the modernization of China led by Deng Xiaoping. So, he writes, “I was serving in China as ambassador of Nepal when the pro-West tilt of China’s current foreign policy was most pronounced. The pro-West euphoria was somewhat comparable to the Sino-Indian euphoria of the fifties. There is always an element of unrealism in such political euphoria. Euphorias are transitory but national interests are permanent. Neither China nor the West is prepared to sacrifice what it regards its vital interest. Though, thanks to the efforts of the pragmatic statesmen of the American and Chinese side, the way was opened for Sino-American strategic and economic cooperation, the bargaining on the way has proved harder than the Chinese possibly anticipated. And, yet considerable progress has been made. Foreign trade has increased from \$4.29 billion in 1970 to \$35 billion in 1980. The percentage of trade with industrialized capitalist countries in total trade was 64 in 1975 as compared with 46 in 1966. Today, the percentage must be even higher.”³

“The products traded have been diversified even to include the purchase of armament by China. Negotiations on such armaments as

³ In 2024 the volume of Chinese foreign trade reached \$5.98 trillion, with exports totaling \$3.47 trillion and imports at \$2.5 trillion.

the British Harrier Jump Jets have been somewhat protracted both because it took long to agree on the extent of the transfer of technology involved in the transaction and also because the Soviet Union, interpreting them as with high anti-Soviet potential, exerted some diplomatic pressure on the United Kingdom.”⁴

Regarding the foreign policy of China, Professor Khanal makes an enlightening comment that is instructive to us. He writes, “There is a tendency in Nepal to associate in any change in Chinese policy with a certain personality. The current pragmatic policy regarding internal modernization and external opening up has been heavily linked to Deng Xiaoping. This is true only up to a point. There is no doubt that Deng’s has been the greatest input, both political and philosophical, in the present course of China’s development. But ... behind China’s change of policy and, for that matter, behind the American change of policy, there are profound strategic and economic considerations. These considerations involve national interests as distinct from personalities.”

We can see Professor Khanal’s judgment reflected in the fact that even in 2025, despite the differences between the US and China, China has recently agreed to let the sensitive and precious rare earth material flow to the US. What Professor Khanal said was in the context of the 1980s but it holds good even today.

Regarding China’s policy toward Nepal, Professor Khanal writes: “Chinese are realists. They recognize that relations between Nepal and China, between Nepal and India and between China and

⁴ As we can see, the situation today has changed. China imported armaments from Russia for some time but now it is almost completely self-reliant in sophisticated defense production.

India are basically independent. Each of them has its own logic of development. Each must be pursued on its own merit. To my knowledge they value Sino-Nepalese friendship and respect our independence and sovereignty. They are not likely to pursue their relations with other countries at the expense of Nepal. Their leaders are very particular about this. Again, however much they may value Sino-Nepalese friendship, they are realistic enough to recognize that this friendship cannot be a substitute for either Indo-Nepalese friendship or Sino-Indian friendship. As they are working independently to improve their relations with due respect to the sensibilities of their friends with a hard look at their own national interest, so they expect us to do the same in our pursuit of relations with India.”

If the validity of Professor Khanal’s judgment has changed, it may only be in a certain degree, but not in essence. For that reason, I have purposely quoted Professor Khanal at great lengths because what he said long ago still guides us in understanding the dynamism of China’s relations not only with Nepal but also with India that occupies a large part of South Asia. And, we know that there is a greater element of continuity than change in any country’s foreign relations particularly when they border each other. Besides, what I have quoted from his writings also indicates how he dealt with both Chinese and Indian politicians and diplomats with sincerity and a serious sense of purpose that enabled him to achieve success in his mission in a broad sense of the term. We should ask ourselves today: Are we doing the same in the same spirit and with the same level of confidence, or have degenerated? This is serious question for us to reflect upon.

Opportunities

With the rise of China in a powerful way and its proximity, Nepal and China have immense opportunities to deepen their partnership in ways that are mutually beneficial. Economically, China can help Nepal overcome its infrastructure deficit. The BRI, if implemented with transparency and Nepalese agency, could transform Nepal's connectivity to international markets.

Energy not just in terms of hydropower but also in terms of wind and solar power, and digital infrastructure are other promising areas. Nepal has abundant potential in these areas, and it can benefit from Chinese technology and investment. Nepal's current internal need of energy is still far from being fulfilled. The future demand for its tourism, agriculture, industry and other sectors will still be more, and one can see it being exported not only to India and Bangladesh but also Tibetan region of China. Nepal and China can also promote educational and cultural exchange to reduce misunderstandings and build lasting people-to-people ties. Besides, Nepal can serve as a gateway for Chinese citizens seeking spiritual tourism in Lumbini or adventure tourism in the Himalayas.

Geopolitical Competition

But these opportunities are not without complications. Nepal is wedged between two of Asia's rising giants — China to the north and India to the south. Each has significant historical, cultural, and strategic interests in Nepal. The Pokhara International Airport, for instance, is a recent example that illustrates the challenges. Built with Chinese loan and technical knowhow and heralded as a milestone in Nepal's infrastructure modernization, the airport remains

underutilized due to India's refusal to grant air route permissions for international flights via its airspace. This impasse exposes the limits of Chinese infrastructure diplomacy when it does not account for the regional security sensitivities of India. But with proper diplomacy and negotiating skill, we can resolve such issues and move forward for the benefits of all concerned.

It is well-known that India has always maintained that its security interests in Nepal are non-negotiable. Open borders, deep-rooted cultural and religious ties, and economic interdependence mean that Nepal's actions are under constant scrutiny from New Delhi. When Nepal signed on the BRI, India responded with strategic discomfort, interpreting it as a potential threat to its sphere of influence. But that should not necessarily be the case. A senior Indian diplomat who served as ambassador to Nepal was positive about Nepal joining BRI.⁵ Another Indian diplomat who served as ambassador to China says that there is India's fog of misunderstanding surrounding Nepal-China Relations. His study with a subtitle says: "New Delhi's

⁵ If India and China come together and formalize the Line of Actual Control, there could perhaps be a progress in economic ties between the two countries, feels former foreign secretary M.K. Rasgotra. He was speaking after receiving the Professor M. L. Sondhi Prize for International Politics, 2018. Rasgotra said though it is untenable to accept the Belt and Road Initiative in its present form, there could be hope of a China-India Friendship Railway Economic Corridor some day. He said instead of getting worked up about Nepal turning to China for travel and transit solutions, India should welcome it. "If at all China does build a railway line from Lhasa to Kathmandu, it could some day be connected to the line that India is taking from Raxaul to Kathmandu. And if we have, in the meantime, come up with a practical definition of the LAC, the railway line could be extended right through Sarnath and Gaya, to Bangalore and Hyderabad and even connect the ports on the west coast," he suggested, noting that there could also be economic hubs along this transit route. (*New Spotlight Online*, Dec. 1, 2019, 9:08 a.m.)

close relationship with Nepal, bound by history and culture, and the misperception about China's relations with Nepal before 1950, have contributed to a skewed understanding of Sino-Nepali relations.”⁶ As it is acknowledged as ‘fog’, it can be cleared by well-informed, studied and sincere dialogue and the obstacles, if any, can be removed.

American Interests

Amidst this Sino-Indian rivalry, the United States has emerged as a third pole of influence. The Millennium Challenge Corporation (MCC) compact, now in limbo under the new administration but hopefully moving ahead in the future, is the most prominent symbol of American engagement. While framed as an economic assistance project, the MCC has become politically contentious in Nepal, with critics arguing that it drags the country into U.S. strategic designs to counter China but that should not be the case either. A Chinese scholar on South Asia very candidly says, “South Asia does not need to choose either Beijing or Washington; it should choose its own interest.”⁷

The U.S. also views Nepal as a strategic frontier in its broader Indo-Pacific strategy. The fear is that unchecked Chinese influence may erode democratic governance and lead to dependency through opaque loans and political influence. To manage this, Nepal must maintain a proper balance in its diplomatic relations, assert its sovereignty, and enhance transparency in all foreign engagements as was evidenced by the diplomatic dealings of Professor Khanal. Also, Leo Rose, in his seminal work *Nepal: Strategy for Survival*, argued

⁶ Gokhale, Vijay. 2021. *India's Fog of Misunderstanding Surrounding Nepal-China Relations*, New Delhi: Carnegie Endowment.

⁷ Huang Yunsong, “*Vikhandit Vishwako Sankramanma Dakshin Esiya*” (South Asia in the Transition of Fractured World), *Kantipur*, June 3, 2025.

that Nepal's foreign policy has always been about balancing between stronger powers to preserve its sovereignty. Rose emphasized strategic flexibility, subtle diplomacy, and an acute awareness of power asymmetry. Today, this strategy is more relevant than ever before. In a world increasingly marked by great power competition, Nepal must avoid becoming an arena of proxy rivalry. Instead, it should channel foreign competition into constructive development. Rose's counsel would be to avoid exclusivity in partnerships, insist on Nepalese ownership of projects, and to diversify foreign relations to avoid overdependence on any single actor. But his observation is not much different from what Professor Huang has recently said. What we need is a very clear and honest policy and diplomacy putting the national interest at the top.

Professor Khanal's Perspective

Professor Khanal consistently emphasized Nepal's sovereignty, national interest, and a 'balanced foreign policy'. But he also emphatically clarified that 'balance' is different from 'equidistance' or 'equi-proximity' as many people with shallow understanding of the subject matter harp on. And, he believed that Nepal should avoid aligning too closely with any major power while extracting maximum developmental advantage through pragmatic diplomacy.

Professor Khanal would likely have seen the Pokhara Airport situation as a cautionary tale — a development project caught in geopolitical crossfire. His guidance would be to conduct deep geopolitical assessments before embarking on large foreign-funded projects, especially those with strategic implications. Following his footsteps, I would say even this issue can be amicably resolved through sincere dialogue with both China and India.

Other Examples of Challenge and Opportunity

Nepal's attempt to access Chinese ports after the 2015 Indian blockade represents another significant moment. While this diversification was welcome, logistical and infrastructural bottlenecks have made it symbolic rather than transformative. The trans-Himalayan connectivity that China proposes, including a possible railway link from Lhasa to Kathmandu via Keyrung, holds promise but also stirs anxiety in India. However, we can discuss it with them and resolve any misgivings as we did in the 1960s in the case of Kodari highway connecting Kathmandu to Lhasa. Nepal's argument was that the highway was nothing but upgrading of the centuries-old trade route; so is the case of Keyrung-Kathmandu today too.

Policy Recommendations for Nepal

1. **Balance with Sovereignty:** Nepal should reinforce the doctrine of balance, while engaging clearly and confidently with all partners.
2. **Strategic Infrastructure Planning:** Large-scale infrastructure projects must be preceded by thorough geopolitical risk assessments. Multi-stakeholder consultation, including neighboring countries where relevant, should be institutionalized.
3. **Institutional Diplomacy:** Strengthen the Ministry of Foreign Affairs and diplomatic institutions to ensure long-term, coherent foreign policy planning, rather than reactive diplomacy.
4. **Transparency and Public Dialogue:** All foreign agreements should be transparent and subjected to public and parliamentary scrutiny.

5. **Strengthen Regional Diplomacy:** Nepal should proactively engage in sub-regional platforms like BBIN (Bangladesh, Bhutan, India, and Nepal) and BIMSTEC to diversify regional cooperation.
6. **Education and Cultural Exchange:** Promote cultural diplomacy with both China and India, as well as the U.S., to build long-term goodwill and understanding.

Policy Recommendations for China

1. **Respect Regional Sensitivities:** Chinese projects in Nepal should be mindful of the geopolitical balance in South Asia. Avoiding overtly strategic initiatives that may antagonize India will be key.
2. **Support Nepalese Agency:** Encourage Nepalese ownership and leadership of projects. Allow room for negotiation and revision based on Nepal's developmental needs.
3. **Improve Transparency:** Enhance transparency in BRI projects to counteract perceptions of debt-trap diplomacy.
4. **Encourage Multilateral Engagement:** China should consider engaging Nepal through multilateral regional mechanisms such as BIMSTEC that include India and other South Asian states such as Bangladesh and Bhutan.
5. **Promote Soft Power:** Increase investment in educational, health, and cultural sectors to build goodwill beyond hard infrastructure.

Conclusion

As Nepal stands at the crossroads of 21st-century geopolitics, the choices it makes today will define its sovereignty and prosperity for generations to come. The lessons of Professor Khanal urge Nepal to pursue a prudent, sovereign, and balanced foreign policy.

Nepal can benefit from China's rise, from India's neighborhood policy, and from Western development aid, but only if it remains firmly committed to its own national interest, democratic accountability, and strategic clarity. In the words of Professor Khanal, foreign policy is not about emotion, but about national interest based hard reality. And national interest is best served when policy is based on knowledge, clarity, and vision.

Let us therefore envision a Nepal that is not a passive recipient of great power agendas, but an active, sovereign participant shaping its destiny in a turbulent world.

Thank you.

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Keynote Speaker Prof. Jaya Raj Acharya



Professor Jaya Raj Acharya obtained his Master's degrees in Sanskrit and English from Tribhuvan University in 1976 and his Ph. D. in Theoretical Linguistics from Georgetown University, USA in 1990. He was ambassador to the United Nations during 1991-1994, when he was Vice-Chairman of UN Special Committee against Apartheid, and UN Committee for Disarmament.

Professor Acharya was a Fellow at the International Institute for Asian Studies (IIAS) Leiden University of the Netherlands (1995), Center for International Affairs, Harvard (1995-96), and the US Institute of Peace Washington D. C. (2006-07).

Professor Acharya began his teaching career as a Lecturer in 1978 and retired as a Professor of English in 2003. His books and research articles in Nepali, Sanskrit and English are published from Nepal, India and USA. He has authored a biography of Yadunath Khanal in Nepali (Kathmandu: Sajha Prakashan, 2001). Some of his other publications include:

- *Traditional Grammars: English and Nepali: A Study* (Navin Press: Kathmandu, 1980).
- *A Descriptive Grammar of Nepali and an Analyzed Corpus* (Georgetown University Press, USA 1991).
- *The Nepala-Mahatmya of the Skandapurana* (Nirala Publications, New Delhi, 1992).
- श्रीमनःकामनामाहात्म्यम् *Written in Sanskrit and translated into Nepali, Hindi, English, Newari and Maithili languages* (Manakamana Darshan Private Limited, 1999).
- *Nepal's Foreign Policy: A Reflection* (Center for Democracy and Development, Kathmandu, 2009).

Dr. Acharya is married to Usha, and has two sons Avidit and Achal and two grandsons Devin and Arunav.

About Professor Yadu Nath Khanal



Born in Tanahun district of Nepal in August 1913, Professor Yadu Nath Khanal served as Nepal's Foreign Secretary twice (1961-62 and 1967-70) and as Ambassador to China, India and the United States, in addition to taking up various other public responsibilities.

Professor Khanal's contribution to the development and intellectualization of Nepal's foreign policy and contribution to the conduct of diplomacy at crucial times have been proven to be pragmatic and important guideposts to the nation. Professor Khanal demonstrated the sharpness of judgement of how Nepal could successfully pursue its vital national interests amidst many constraints and uncertainties. He endeavoured to establish the foundation of a professional, specialized and well-nurtured foreign service. He has left an indelible mark on the diplomatic outlook of Nepal and has been an inspiration to the practitioners of diplomacy even today.

Beyond the domain of diplomacy and foreign policy, Professor Khanal was an erudite scholar of Sanskrit and Nepali literature and prolific writer with profound knowledge and understanding of eastern philosophy. He has left behind some of the most impactful books and reflections on foreign policy and diplomacy as well as in Nepali and Sanskrit literature. His scholarly contributions have found place in renowned national and international journals. He was awarded an honorary Doctor of Law degree by Claremont University of California in 1974. Professor Khanal passed away in 2004.

The Ministry of Foreign Affairs launched Professor Yadu Nath Khanal Lecture Series in 2022 as a tribute to his distinguished service to the nation.