

Professor Yadu Nath Khanal Lecture Series
Second Edition, 2023

**Safeguarding Nepal's National Interests:
Foreign Policy Choices in the Changing
International Environment**

Madhu Raman Acharya



Ministry of Foreign Affairs, Kathmandu
25 June 2023

Professor Yadu Nath Khanal Lecture Series
Second Edition, 2023

**Safeguarding Nepal's National Interests:
Foreign Policy Choices in the Changing
International Environment**

Madhu Raman Acharya



Ministry of Foreign Affairs, Kathmandu
25 June 2023

This is the full text of the lecture delivered by
Madhu Raman Acharya at the second edition of
Professor Yadu Nath Khanal Lecture Series 2023.

Disclaimer: The views expressed in this lecture text are those of the author and do not necessarily reflect the views of the Ministry of Foreign Affairs.

Hon. Foreign Minister,
Mr. Foreign Secretary,
Excellencies,
Distinguished guests,
Ladies and gentlemen

I am grateful to Foreign Secretary, Mr. Bharat Raj Paudyal, for the kind word of introduction and for inviting me to this lecture.

(Disclaimer: I do not have scholarly credentials, nor do I have profound diplomatic experience. I was just a foot soldier and a humble messenger of Nepal's diplomacy for a brief stint, and I have made a few attempts to write or speak on foreign policy.)

It gives me immense pleasure to be a speaker at this lecture series established in honour of Professor Yadu Nath Khanal, a celebrity of Nepal's foreign policy and diplomacy. I commend the Ministry of Foreign Affairs for initiating and continuing the lecture series, which is a fitting tribute to the towering personality. Professor Khanal once said, "We cannot communicate with the world unless we communicate effectively with ourselves."¹ I believe we are doing just that through this lecture series.

I did not get to work with Professor Khanal but was fortunate to know him and share a few commonalities with him. My birth name was Yadu Nath too. I happened to be his successor as Foreign Secretary after an interval of several occupants. While I lived in a house next to his I occasionally had the opportunity to visit him and hear his wise words.

After I became Foreign Secretary, we requested Professor Khanal and the other surviving veterans of diplomacy to narrate their experiences during the negotiations they held with India and other countries on Nepal's behalf. In the auspices of the Institute of Foreign Affairs,

we compiled the narration of their experiences, which remain the treasure of our diplomacy.

Professor Khanal immensely contributed to Nepal's foreign policy and diplomacy. He is attributed to have "started the intellectual explanation of Nepal's foreign policy."² Academic write-ups on Nepal's foreign policy and diplomacy are replete with his quotes.

He came from where Ved Vyas meditated and wrote ancient treatises. We can call him the Vyas of Nepal's foreign policy and diplomacy.

Professor Khanal helped strengthen Nepal's relations with India, China and the United States of America, where he served as an ambassador separately. He served as Foreign Secretary twice during politically challenging times and defining moments of Nepal's foreign policy. He helped articulate its interests and positions in the Non-Aligned Movement and the United Nations. We can find his marks in the policies and speeches of King Mahendra and Prime Minister B. P. Koirala. His tenure stands out as the golden period of Nepal's foreign policy and diplomacy. He represented Nepal with great distinction. Professor Khanal was the Father of Nepal's Foreign Service, for he helped set up one in 1961, albeit the effort was short-lived.

His speeches and lectures reflect his unparalleled academic and literary taste as a learned intellectual and a legendary diplomat in him. Through diplomatic, academic and literary writings, he helped enhance Nepal's image, dignity and interests. He continues to inspire us and the generations to come. I take this opportunity to pay my tributes to him.

Professor Khanal has dwelt profusely in his writings and lectures on the adjustments we should make in our foreign policy and diplomacy to fulfil our national interests according to the changing international

and geopolitical circumstances, the subject I am speaking about today.

National interests are the *raison d'être* for foreign policy. Advancing national interests is the main objective of our foreign policy.

We should tailor our foreign policy to suit our national interests and pursue an interest-based foreign policy that defends and promotes our interests.

Nepal's constitution lists the national interests explicitly. "Safeguarding of the freedom, sovereignty, territorial integrity, national unity, independence and dignity of Nepal, the rights of the Nepali people, border security, economic well-being and prosperity are the national interests of Nepal," it reads. An elaboration of the same can be found in our foreign and national security policies, aiming to fulfil national interests.

Nepal's *Foreign Policy 2020* acknowledges that the fundamental national interests are permanent and that priorities in foreign policy can change based on the dynamics in international, regional and geopolitical circumstances. It goes along with an adage, "In foreign policy, there are only permanent interests, no permanent friends."

The *National Security Policy* identifies our national security interests and the challenges from geographical location and open border, regional and global security environment, conflicting concerns and interests of neighbouring and other countries and their strategic competition.

Our core national interests include safeguarding our independence, sovereignty, and territorial integrity. Our vital national interests include strategic autonomy, border security, and trade, transit, and energy security. We should defend the core and vital national interests at all costs, sometimes even if we must compromise our sectoral interests. National interests should get priority over sub-national and

partisan interests. To safeguard our national interests, our leaders and political actors must rise above their political, partisan and personal interests.

We must safeguard our interests in exploiting our natural resources, in which investors from neighbouring countries and elsewhere have keen interests. We should generate long-term benefits from them without compromising our present and future interests. Water is Nepal's strategic resource that we must use prudently. Our hydropower can reduce our trade deficit and bring the petroleum import bill down while helping fight climate change through clean energy. The recent understanding between Nepal and India for long-term power trade and power export to Bangladesh is a welcome development. We need a regional energy market with energy grids and power trade agreements.

We must consider our domestic aspirations and challenges while safeguarding our national interests.

Recently, Nepal has seen a tremendous domestic political and socioeconomic transformation. We are a federal democratic republic that accommodates the diverse interests of people through inclusion and fair play. We have made significant strides in infrastructure, human and social development, including education, life expectancy, and poverty reduction. We have promises to fulfil for raising people's living standards, economic development and prosperity, for which we need to secure a conducive and supportive external environment.

We are graduating from the LDCs. We need a transition strategy that consolidates our gains. After graduation, we must thrive upon competition, not on concessions. We should focus on our competitive advantages, including natural beauty, geographic, cultural and biological diversity, strategic location, youth bulge, trainable human resources, and peace-loving people. As a country aspiring to be a

Middle-Income Country, we should meet this promise with new confidence. It requires sustainable and inclusive economic growth and an income level on par with other developing countries.

Nepal remains on the international radar for its post-conflict situation, transitional justice, human rights, and low-ranking indices on governance, corruption, human development, and ease of doing business. We should conclude the conflict-era cases of human rights violations and disappearances through the legal process of truth and reconciliation and recourse to justice, as per our peace accords and constitutional provisions. We need to improve our ranking on governance and development indicators. To earn the international community's trust, we must bring all the culprits of the fake Bhutanese refugee scam to book under the law.

We should develop a strategy to defend our national interests.

Historically, Nepal defended its national interests through instruments such as a defensive posture, a limited engagement with foreign powers, resistance and wars, appeasement, opening up, diversification of relations, non-alignment, and balancing the ties with immediate neighbours.³ Today, Nepal has, at its disposal, various instruments for defending its national interests, including "a dignified and principled foreign policy, persuasive diplomacy, defensive and deterrent military power, international treaties and institutions, and regional cooperative partnerships."⁴ A strategy to defend national interests should involve building robust institutions, strengthening diplomatic capacity and developing strong economic foundations.

We should apply all instruments of national power- political, economic, military, diplomatic, and soft power, at our disposal to defend our national interests, sometimes applying them in concert.

We should prioritize our foreign relations according to our national interests.

We have concentric layers of engagement and relations with the immediate neighbours, the extended neighbourhood, great powers, partner countries, countries generating trade, investment, tourism and remittance, like-minded countries, and international and regional organizations. We need to define our priorities of engagement with them according to our national interests. A high-level panel that I was a member of suggested prioritizing our relations with strategically and economically important countries, categorizing our missions broadly as strategic, functional and representative, and equipping them with human and other resources accordingly.⁵ The government should consider such recommendations.

We should understand the interests of our neighbours and great powers to find converging interests and avoid confrontations with them.

We should deal with our friends based on our national interests, just as they do on theirs. Bilaterally, or multilaterally, most countries have converging, competitive, or conflicting interests. They deal with each other in either of three modes: cooperation, competition and confrontation. We should maximize mutual benefit in converging interests. In competing interests, we should focus on our national interests without entering into disputes. In conflicting interests, we must clearly define our red lines in dealing with our friends and partners without compromising our interests.⁶

Nepal has pledged not to allow its soil against the legitimate security interests of its neighbours. Professor Khanal viewed that Nepal should earn the confidence and trust of our immediate neighbours by respecting their legitimate security interests.

For that matter, we should not compromise the vital security interests of great powers as well. Otherwise, they may invoke their powers to protect their interests on their own. In that process, we must not lose sight that we cannot please foreign powers by compromising our national interests. We cannot win over great powers and neighbours through appeasement. Just as they work for their interests, we should be guided by our national interests.

The foremost challenge in Nepal's foreign policy comes from the adjustments we should make in the changing geopolitical and international circumstances, including managing the conflicting interests, geopolitical rivalries, and strategic competition of our neighbours and great powers.

The strategic competition between India and China is not new. Another great power, the United States of America, has entered the scene, sometimes with competing strategic interests.⁷

We have to operate without being a playground for competition among our neighbours and great powers and being dragged to their sides. Nepal does not wish to be drawn into the "geopolitical contest," "strategic competition," and "big power rivalry."

The three-way geopolitical competition in Nepal involving India, China, and the United States is not necessarily against Nepal's interests, as it can generate benefits and opportunities in aid, trade, and investment. We should develop relations with all powers, focusing on our interests and without taking sides in their geopolitical contests.

During the Cold War era, we managed to maintain the best relations with the superpowers- the United States and the Soviet Union-, and obtain aid and support from both. There is no reason why we cannot maintain the best relations with India, China and the United States

and benefit from their support and cooperation simultaneously. We do not have to choose between one or another great power or a neighbour. We should deal with them based on our national interests while finding a niche in their competition so we can benefit from them.

Because of our relations with major powers and immediate neighbours, we often face difficulty in reaching decisions regarding the initiatives or proposals they bring from time to time, also because they sometimes contain competing interests. The United States of America has been pursuing its Indo-Pacific Strategy (IPS) and seeking to apply it in the countries of the “Indo-Pacific Region,” including through its Millennium Challenge Corporation (MCC). China has launched multiple initiatives, including the Belt and Road Initiative (BRI), Global Development Initiative (GDI), Global Security Initiative (GSI), Global Civilization Initiative (GCI), etc.

We should develop principles for dealing with diplomatic proposals from great powers or our immediate neighbours.

We should accept them if they are in our interests and not entertain any if that undermines our foreign policy principles. According to our policy on non-alignment, we cannot become a party to any security or military alliance. We should avoid any overture that has a political or strategic objective that seeks to use us against one or another power or neighbour. We should respond to such proposals by assessing their economic viability and benefits rather than political preferences. We should retain our decision-making autonomy without being compelled to choose for or against such proposals. If we maintain such clarity and keep reiterating them, decisions concerning them will be easier.

We should take into account the emerging alliances and partnerships in the region, without being dragged into their competition.

They include the IPS, Quadrilateral Security Dialogue (Quad), the trilateral partnership between Australia, the United Kingdom, and the United States (AUKUS), the Regional Comprehensive Economic Partnership (RCEP), etc. We need not fear them but rather be vigilant without taking sides while not missing opportunities arising from them for our economic development.

We must assess changes in geopolitics and adjust our policies accordingly.

Though the world has become a “global village,” geopolitics is back. Geopolitical tensions have increased with the rise of new powers in every region, including ours.

There was a time when the power that commanded the seas ruled the world.⁸ Then, whichever power controlled the Eurasian mainland extending from the Volga to the Yangtze and from the Himalayas to the Arctic exercised supremacy.⁹ Today, the power commands the Asia-Pacific region can have geopolitical sway. Now called the Indo-Pacific Region, it is rapidly evolving as the centre of gravity for geopolitical contests.

The balance of power is shifting to developing countries, particularly in Asia. The continent is retaking its lost dominance in the world economically.¹⁰ Asia has also become a new theatre of great power contestation, including in the South China Sea.

Our region, South Asia, remains a geopolitical hot spot, thanks to the strategic competition involving great powers, Indo-Pakistan relations, extremism and terrorism, unresolved boundary issues, and the crisis in Afghanistan. The 2017 Doklam stand off and the 2020

Galwan Valley border scuffle between India and China highlight the potential risks of unresolved bilateral boundaries in regional stability and security.

India and China cooperate on several issues and platforms while engaging in competition in others. They cooperate on climate change, development, and global governance. Both are members of the BRICS, SCO, Asian Infrastructure Investment Bank (AIIB), etc. Their bilateral trade has reached \$135 billion.¹¹ They have a stake in working together for their interdependence and regional stability.

We have seen what can happen when they bypass us. Their 2015 agreement for opening the Lipulekh Pass for trade and pilgrimage came without consulting us. An African adage says, "Whether the elephants are dancing or mating, the grass will get crushed in either case".

In the past, we handled geopolitical challenges without compromising our independence and sovereignty. We should keep a constructive engagement with our neighbours and great powers by diversifying our relations, resolving outstanding issues, strengthening regional cooperation and economic integration, pursuing political stability and economic development, and fostering national unity.

We need not fear geopolitics but handle it according to our interests.

It is our priority to maintain the best relations with India and China and benefit from their economic progress.

We need to find a niche to benefit from their competition, especially in the economic realm, without being dragged into their sides. Both are our sources of trade, tourism, investment, and aid. So far, little automatic spillovers from their economic growth have come to Nepal. We must take proactive action to benefit from their economic growth.

Nepal's unifier king, Prithvi Narayan Shah, likened Nepal to a "yam between two rocks." The "yam" needs to extend its roots into the crevices of the "boulders." Nepal should seek economic integration with India and China entering their supply and value chains to benefit from their economic rise.

In economic growth, Nepal is a slow-moving tortoise between a marching elephant (India) and a flying dragon (China). It would be in our interest to invoke the Rhino (Gaida) in us to match them with an equally-robust growth trajectory. At the least, we can move like a rabbit- fast and vigilant- to benefit and catch pace with both.

We can benefit from India and China by promoting trade opportunities, offering ourselves as a transit economy, focusing on infrastructure development, including connectivity projects, attracting tourists and FDI, and transferring technology, knowledge, and skills from them.

We need to move beyond the slogans of "transit economy," "dynamic bridge," "land-linked economy," and "trilateral cooperation" that our leaders keep reiterating. We need evidence-based studies, proactive diplomacy and specific proposals and agreements. The opportunity to serve as a transit economy may not be there forever. We need to catch such opportunities until there are around with us.

We must strive to maintain the best relations with our immediate neighbours with a respectable framework of relations based on sovereign equality and mutual benefit. We need to resolve outstanding issues with India, concerning the review of the 1950 treaty and the Kalapani-Lipulkeh-Limpiyadhura boundary issue, including through the logical conclusion of the report of the Eminent Persons Group (EPG) instituted bilaterally.

We should focus on building trust and confidence at the political levels and continue to work at diplomatic and technical levels to

resolve the outstanding issues with neighbouring countries, mainly India.

With China, we should find a way to implement projects under the BRI and bring into operation the bilateral transit and connectivity agreements.

We should also have a neighbourhood policy of our own.

Nepal's neighbours and great powers have policies concerning South Asia, sometimes with conflicting interests. The government's *Foreign Policy 2020* policy acknowledges the priority of its relations with its immediate neighbours. We need a neighbourhood policy of our own, including priorities for expanding relations with the neighbouring countries and the extended neighbourhood for mutual benefits and a roadmap for regional economic integration through our membership in regional associations such as SAARC and BIMSTEC. We can also bring regional initiatives or policies of our own to engage our neighbouring countries on trade, investment, energy, transport, transit, and connectivity issues.

It is in our interest to remain active in regional cooperation.

Political differences, different stages of economic development, and the divergent economic interests of the countries in the region have undermined regional cooperation in South Asia. The initial euphoria associated with SAARC has diminished, and the regional association remains in limbo. We need to help bring the regional agenda to the level beyond a free trade area and a few unimplemented proposals and declarations. We should continue to pursue regional economic integration, free investment zones, economic corridors, transport connectivity, renewable energy trade, climate change action, and disaster risk reduction as a win-win for every country.

As host of its Secretariat and the current chair of SAARC, Nepal should strive to reinvigorate the regional association helping revive

its stalled summit through consultation visits or issue-focused or special meetings of ministers and foreign secretaries, as we had done in the past.¹² If terrorism is an issue, we can propose a ministerial meeting on regional security.

We joined BIMSTEC hoping not to miss the train of regional cooperation, for finding a bridge between South and Southeast Asia, for accessing the gateway to the Bay of Bengal and expecting that cooperation in this regional grouping would be better and faster because of the lack of political differences in it unlike in SAARC. To realize the value addition from BIMSTEC, we need to accelerate action focusing on our interest in economic integration, connectivity, transit, transport, energy and free trade.

Experts suggest developing a connectivity-driven approach to Nepal's economic integration regionally.¹³ Nepal would benefit from a connectivity blueprint of its own for seamless connectivity with its neighbours. It should include Nepal's priorities for road, rail, water, air networks, energy grids, and information connectivity, and agreements to implement them, such as on transport, power trade, air services and railways.

Our interests lie in pursuing active multilateral diplomacy.

Nepal has high stakes in multilateralism. Through its membership with the United Nations, Nepal contributes to the global issues of its national interest. It also receives benefits in socioeconomic development in partnership with the UN.

Global multilateralism is in disarray, and multilateral diplomacy remains deadlocked on issues of critical importance due to unilateralism, great power rivalry, and the apathy of great powers from multilateral arrangements. It has been unable to solve the protracted conflicts, mainly due to the deadlock at the UN Security Council. Multilateral institutions face politicization, such as that of

the WHO during the coronavirus pandemic. The current state-centric multilateralism provides little space for non-state actors such as private corporations. Its slow decision-making process allows it only to settle down with low ambitions and lowest common denominators, such as in the case of climate change. Major powers are taking multilateral decisions outside the framework of the UN through G7 and G20, but not doing enough in the case of climate financing and funding the SDGs.

We need a layered multilateral system that protects "global commons" and promotes "global public goods." It should operate at global and regional levels based on principles such as sovereign equality, common but differentiated responsibilities, the rule of international law, subsidiarity, and equitable geographical representation.

To strengthen our multilateral diplomacy, we should continue to press for reforms in the UN and international organizations focusing on rule-based multilateralism, inclusiveness, and accountability. Recently, Nepal has earned a series of commendable successes in the elected positions at the UN, including its organs and agencies. We should pursue more elected positions in them and leverage them for our interests, including diverting their programs for Nepal's development.

We should assess the trends and intentions of global and rising powers and their rivalry in shaping the world order.

The rivalry among great powers, trade wars and disputes, and competition for technological supremacy have weakened global cooperation and multilateralism. Some liken the power rivalry between the United States and China to a "New Cold War." We hope this will not lead to the "Thucydides Trap," which says that a confrontation with the existing power is inevitable if another power rises.¹⁴ In not for war, the next great power confrontation will be on the economy, environment and technology.

Because of common interests in global peace, security and development, great powers will benefit from constructive engagement rather than conflict and confrontation. The growing interdependence between them reduces the chances of war, thanks to the interconnectedness brought about by technology and the economy. We can foresee that competition and cooperation between great powers may coexist in parallel. We should find a niche to benefit economically from their cooperation and competition while staying away from their confrontation.

Recently, the G7 leaders urged China to press Russia to end its war in Ukraine, acknowledging China's global role in ending the most pressing war of recent times, for which China is already believed to be working on a peace deal between Ukraine and Russia. Earlier, China brokered a deal on the diplomatic impasse between Iran and Saudi Arabia. It shows China's increasing role in global diplomacy.

In the short run, China's global diplomatic role may co-exist with the U.S.-led world order. The United States and China may engage in cooperation on pressing global challenges, constructive engagement on strategic and security issues and competition in the economy and technology.¹⁵ The United States and other powers may continue to pursue economic "decoupling" to check China's rise, though they said in the recent G7 meeting that they were only "de-risking," something China has discounted.

We should assess the ambitions, policies, proposals, and interests of the rising powers in our immediate neighbourhood and how they dictate adjustments in our strategy to safeguard our national interests.¹⁶

Officially, China's worldview includes political multipolarity, economic competition, and functional multilateralism. Its global ambitions are economic, technological, and diplomatic rather than military and political. But its strategic and economic interests can

come into conflict with other great powers, mainly the United States. Eventually, that may bring strategic and geopolitical realignment, increased geopolitical tensions, and a protracted rivalry between great powers.

Another rising power, India, is promoting itself as a "Vishwa Guru" and a responsible global player by promoting its soft and academic power, cultural and civilizational values, economic influence, and diplomatic outreach. This year, India is chairing G20, enhancing its global diplomatic role. India also seeks to become the "Voice of the Global South" and engage in a "balancing act" in global diplomacy. Its "multi-alignment" policy seeks to secure its "strategic autonomy," and engagement with global powers without being constrained by the traditional non-alignment principles. With the United States, India has a strategic partnership that encompasses defence and nuclear cooperation. India is engaged in partnerships, such as the IPS, Quad, and AUKUS. India is also promoting the rim cooperation around the Indian Ocean as a building block to the Indo-Pacific. India is also seeking a larger global role pursuing to be a Permanent Member of the UN Security Council and the Nuclear Security Group (NSG). India engages its neighbouring countries through its Neighbourhood First, Act East policies and priority to BIMSTEC over SAARC. For enhancing its global role, India can seize the opportunity for resolving its regional issues, while championing the agenda of climate change, development and economic integration.

The global ambitions and interests of our immediate neighbours are something we must cherish with caution and without compromising our interests. We should support their initiatives that also serve our interests without being taken for granted.

We must adapt to the changing global political and economic situation.

Politically, the world is in a “democratic recession,” with several erstwhile democratic countries heading towards electoral autocracy and authoritarianism.¹⁷ The rise of populism and nationalism has led to divisive and inward-looking policies that undermine global cooperation and multilateralism. We may need to keep a watch so we are not distracted by such trends.

Economically, the world is yet to come out of the crippling effects of the coronavirus pandemic. It is believed to be in the beginning phase of yet another recession. Recurrent financial and economic crises, the fall of commercial banks, the decline of the dollar and a shift towards other currencies, the rise of protectionism, and the “trade war” have shattered global economic confidence. We need to take into account these trends in repositioning our economic interests.

Many countries are already in debt crisis.¹⁸ We must remain vigilant so that crises do not cascade into our economy. Although our economic fundamentals are relatively strong, we are experiencing some hiccups that can hit a crisis anytime. Nepal's national debt has crossed 40 per cent of our GDP. Our annual debt servicing has exceeded the development-oriented capital expenditure.¹⁹ Though not alarming, we should proceed cautiously to avoid a debt crisis. We should learn from the countries that have faced debt crises with prudence in raising debts, austerity measures in public spending, and capital controls. We need not fear the hype of the “debt trap” but assess the financial and economic viability and the conditions while entering debt commitments for connectivity and infrastructure projects.

We live in a crisis-prone and technologically evolving world and must prepare ourselves accordingly.

We face unprecedented challenges from climate change, pandemics, economic crises and wars. In 2022, the Collins Dictionary's word of the year was "permacrisis" to describe the permanent crises of war, pandemics, food insecurity and energy crunch, from which we see no immediate exit. The world is in a state of "poly-crisis." The Russia-Ukraine war has truncated the global supply chain, increased the price of food and fuel, and created a massive humanitarian challenge uprooting millions of people. If it prolongs, it may increase geopolitical tensions, divert the war to cyberspace and the nuclear arena and bring a new arms race.

Today, the world spends more on defence than on development and the unmet promises for funding the SDGs, climate change action, pandemics, disasters and humanitarian crises.²⁰

In 2020, the World Economic Forum called for "The Great Reset" to create a post-pandemic economy and society that would need sustainable economic growth, a low-carbon economy, digital transformation, social justice, public-private partnerships, and strengthened international institutions. A new world order based on cooperation, economic integration, and accommodation based on multipolarity would be in our interest.

We face the existential crisis of climate change, disproportionately affecting people and countries with lower incomes like us. Though we contribute a little, we suffer the most from it. We face the worst effects of climate change like depleting snow caps and permafrost in the Himalayas, melting glaciers, extreme weather patterns, recurring natural disasters, depleting food production, and harsh living conditions that people find difficult to adapt to. Nepal has made enough commitments, including the deadline for reaching "net zero" and introducing a national adaptation plan and a climate

change policy. Nepal's efforts alone are not enough to face the crisis. The global efforts to face this existential crisis are too little too late. There must be enough commitment to financing climate action. Nepal should strive to access more funding for climate action, including through the Green Climate Fund, Global Environment Facility, Adaptation Fund, Climate Investment Funds, Climate Finance Access Hubs, etc.

Global security challenges have intensified due to terrorism, cyberattacks, and unchecked use of technology. The world has become a theatre for competition for technological supremacy. It is at a loss how to manage the benefits and challenges of the advances in science and technology, including Artificial Intelligence (AI).

We are in the Fourth Industrial Revolution, which integrates technology, including digitalization, automation, robotics, AI, machine learning, biotechnology, 3D printing, 5G telecom, Internet of Things (IoT), blockchain etc. We should prepare to adapt to these advances and benefit from them while saving ourselves from the dangers of sinister or accidental harm from the same. The government can create a Technology Assessment Resource Centre to share, utilize and protect us from the technological advances in our national interest.

We should also take into account the shifts in international relations.

Though it has become old-fashioned to talk about realism, the national interests of powers remain the primary drivers of international relations. The practice of the states maximizing their power and interests through competition does not always work in the globalized and interdependent world. The foundations of constructivism, in which nations compete or cooperate based on ideas, norms, and values, are faltering. The liberalist assumption that states will benefit from cooperation, peace, democracy, human rights, free trade and

economic liberalization, is also shaking. Even the foundations of neoliberalism are cracking, as there is a backlash against free trade, investment, the free flow of capital and labour, and globalization as such. There is a shift towards post-modern, deconstructive, and ungovernable trends, facing uncertainties and vulnerabilities. The world has become unpredictable without an order of sorts. It lacks leadership and power that can call the shots.

We tend to put ourselves at the receiving end of international relations, whereas we have several ancient principles that can contribute to the same. For example, the Panchsheel, or peaceful coexistence, emanated from the teachings of Budhha, born in Nepal. Our ancient mantras promote peace on Earth (*Prithvi Shanti*) and space (*Antariksha Shanti*), and even plants (*Banaspataya Shanti*). They explain the world as one neighbourhood (*vasudhaivakutumbakam*) and wish happiness and peace for all (*sarve bhawantu sukhina, sarve santu niramaya*). Our Hindu-Buddhist worldview values peace, compassion, and the cosmic principles of co-existence. It considers the world a concentric circle of coexisting powers. It treats the world as a neighbourhood and wants peace and prosperity for all. We should promote these values and principles as our soft power.

Professor Khanal said, “Nepal’s meaningful relationship with the external world contains at its core profound ethical and cultural concerns.”²¹ We should underline the virtues of Nepal’s ancient civilization and its contribution to knowledge and philosophy. We should promote our culture, art, language, and literature through cultural diplomacy.

We need to pursue a consensus-based foreign policy

The government’s *Foreign Policy 2020* acknowledges the challenges and opportunities, including the international and geopolitical environment and articulates the principles and Nepal’s positions on

various issues. We must implement the lofty commitments we have made in our foreign policy.

A panel that I was a member of had suggested that the foreign policy document should be adopted as an “agenda for national consensus.”²² Consensus has often alluded to our foreign policy, as our political actors tend to politicize it through divisive stands on foreign policy issues. We may wish to review and refine foreign policy according to the changing realities and circumstances based on a national consensus.

For that matter, a national consensus does not just involve the political actors and state institutions, it should also include a consultative process to consider the views of academics, think tanks, the private sector, and the aspirations of the people in general.

A shortcoming in our foreign policy lies in its weak coordination with national security and economic policies. We need to better coordinate and establish organic linkage between diplomatic, national security and economic institutions for a whole-of-government response in foreign policy. Our decision-making mechanism encounters dispersed action on foreign policy matters from different actors, often bypassing the Ministry of Foreign Affairs. It was among the reasons for the uproar in the decisions regarding the MCC and SPP. We must ensure that the country's diplomatic establishment is on the lead, and consulted and kept in the loop when there is a deal or negotiation on sectoral issues with friendly countries.

The emerging trends in diplomacy also warrant a reorientation of our diplomatic efforts.

To keep pace with the recent trends, we should sharpen our public, social media, informal, and multitrack diplomacy. While serving as an ambassador, Professor Khanal engaged in public discussions through lectures and write-ups explaining Nepal's foreign policy

in the foreign media and academic institutions. Our ambassadors should pursue public diplomacy to promote our interests and create favourable public opinion about us abroad.

Great powers and neighbouring countries are engaging in high-level summits and personal diplomacy. We should brief, reorient and equip our leaders for the same. Diplomacy is becoming digital, virtual and hybrid. We should internalize such changes. Non-diplomatic actors have an increasing role in diplomacy, which has become integrative, all-encompassing, non-traditional and multi-dimensional. We should prepare our diplomats to work on emerging issues such as climate change, technology, and pandemics.

Nepal has long experience in diplomacy. In his book *World Order*, Henry Kissinger praises Nepal for having "skillfully balanced its diplomatic posture between India and China."²³ In my opinion, balanced diplomacy is not about pursuing the same policies with one neighbour and another. Nation-states can have balanced diplomacy when they can pursue their interests without taking sides. Professor Khanal believed that balanced diplomacy needed dynamism, not just a static balance.²⁴ Balanced diplomacy should operate like a bicycle, which will lose its balance once it stops moving forward.

We should broaden our regional and global engagement focusing on our comparative advantages and the ability to contribute. We cannot engage in everything from the deep sea to outer space. With "niche diplomacy," we can advance relations and contribute to issues of our interests. For example, we can speak with confidence on peacekeeping, climate change, development, and post-conflict rebuilding, based on our experience in these subjects.

Nepal's peacekeeping role in the United Nations has earned international goodwill and respect while enhancing its visibility and contribution to global peace, security, and conflict prevention. We should strive to become the topmost contributor of troops from

the current second-largest. We should claim more senior leadership positions in UN peace operations, including civilian, military and police. Our Peacekeeping Training Centre can serve as a regional centre of excellence to share our experiences and expertise. Nepal recently hosted an international symposium on technology in peacekeeping in partnership with the United Nations. We can initiate a dialogue among the troop-contributing countries to reform the UN peace operations, including its operational challenges like the contingent-owned equipment and the safety and security of peacekeepers.

We must strengthen our diplomatic capacity to defend our national interests.

We should institutionalize and professionalize the Foreign Service, equipping it with the resources needed to serve our interests. We need a pool of well-trained diplomats to negotiate with our neighbouring countries on boundaries, water resources, security, and in multilateral settings on climate change, trade etc. We should create expert groups to support the official negotiations on each subject.

We maintain a light diplomatic footprint, with 40 diplomatic missions in 30 countries, though we have diplomatic relations with 179 countries. Countries with comparable size and capacity have diplomatic missions in many more countries. We need to expand our diplomatic outreach, establishing missions in countries with the potential for trade, investment, and tourism, and in multilateral hubs significant to us.

We should reflect upon our strengths, weaknesses, and opportunities in our foreign policy and diplomacy, focusing on our national interests.

Our strengths come from our location, our pursuit of independent, non-aligned and principled foreign policy, international goodwill,

trust, and a long experience and track in diplomacy. Our diplomacy is grounded in reality and pragmatism. Our neutrality and non-alignment allow us to maintain our soft influence on big powers and neighbours. We can leverage our influence, goodwill, soft power, and diplomacy to enhance our national interests. We must retain a confident posture in foreign policy and diplomacy that makes us thrive on our strengths and potential, not fear our weaknesses.

Our political instability challenges us to maintain a coherent and consistent foreign policy and diplomacy. Our diplomatic strength emanates from foreign policy stability, national unity and consensus on foreign policy issues, and our soft power. We should compensate for our shortcomings in military and economic power by strengthening our diplomacy. We need to invest in strengthening the state's capacity and its vital institutions. Weak state institutions cannot defend national interests.

If not in other powers, we can excel in strategic thought. The government can create a National Institute of Strategic Studies by integrating the resources of the foreign and defence ministries to fill in the strategic void in the absence of proper studies in the field, preferably under the proposed National Defence University. The appointment of a National Security Advisor (NSA) is a welcome development. We should institutionalize the office of the NSA on a par with the counterpart institutions in neighbouring countries.

Our economy has structural problems, including a low export base, a high trade deficit, and dependence upon a few countries on trade and remittance. The external drivers of our economic growth include export, FDI, tourism, foreign aid, and remittances. Annually, Nepal receives around \$15 billion from external sources, which we can augment with more proactive and targeted economic diplomacy, in countries economically significant to us.²⁵ While we should explore the potential for increasing export, FDI, and tourism, we need to reduce our dependence on aid and remittances. Aid cannot be a

permanent source given the global decline in ODA, and the possible loss in the concessional aid on our graduation from the LDCs.

Investing in diplomacy is in our national interest. We spend below half of one per cent on diplomacy. There is a suggestion that government earmark 0.50 % of its budget for foreign affairs, including economic diplomacy.²⁶

To attract talents in diplomacy, we can allocate 10 per cent of vacancies in the entry positions in the Foreign Service to candidates with prior working experience in reputed international or academic institutions abroad, or with proficiencies in an additional UN language other than English. Foreign Service officials should be allowed to choose a career in bilateral, multilateral, economic or consular affairs and develop professional expertise in their respective fields. Every foreign service official should opt for at least one thematic cluster to develop expertise in trade, climate change, human rights, international law, or security-related issues and learn an additional UN language other than English for their upward mobility. Nepal can also send its diplomats in secondment to the UN and other international organizations.

Sometimes, we struggle to implement the Diplomatic Code of Conduct and to check the excessive indulgence of outside powers on our domestic issues, for which we must fix the red lines following international practices. We also need to keep our house in order. A nation divided on foreign policy will be a perfect recipe for foreign interference.

Our system of appointing and tasking our ambassadors is far from perfect. We should improve upon the terms of reference and the criteria for appointing ambassadors and implement the same. We should develop performance-oriented work culture, including performance contracts with targets on economic diplomacy, and effective performance evaluation.

Nepal's diaspora spread over 85 countries²⁷ has helped expand our outreach, relations, image, dignity, and interests in the respective countries and societies. The Non-Resident Nepali Association (NRNA) boasts itself as a "formidable force that can represent Nepal's interests globally."²⁸ We need to sharpen our diaspora diplomacy by engaging the Nepalis studying, working, doing business and living abroad to utilize their talents, resources and contacts for the country's economic development. Many countries provide their diaspora communities with financial incentives, opportunities for investment, cultural and educational exchanges, platforms for collaboration, and engage in dialogue with diaspora organizations. We should continue lobbying for supportive policies for Nepalis abroad so they can contribute to our economic interests while contributing to the respective states and societies. We should capitalize on the reverse gain from the diaspora abroad, including in trade, investment, tourism and cultural connections. The government's effort to establish a Brain Gain Centre is commendable. It should generate imaginative ideas for partnerships between the government and NRN community.

Nepal must continue to work multilaterally to strengthen the regime for safe, regulated and orderly global migration and the safety and security of migrant workers so they can contribute to their respective societies without fear of discrimination and xenophobia while contributing to economic development back home.

There are opportunities around us. We should seize them.

Our geography does not just bring us constraints of landlockedness and geopolitical challenges. Our location offers us opportunities such as access to big markets for benefitting their economies. India and China are the largest sources of trade, investment, and tourism, which offers advantages. In recent years, they have brought diplomatic overtures and proposals that can transform Nepal's economic development and connectivity with neighbouring

countries. Our graduation from the LDCs will offer opportunities to be more competitive, focusing on our comparative advantages.

We should develop clear messages and communicate them well.

In foreign policy, we should maintain clarity, consistency, credibility and coherence in our messages.

Our society and political actors have the habit of making judgments and statements based on social media posts and conspiracy theories, which dwell upon negativity and lack objectivity. We cannot afford to make mistakes in foreign policy because that can compromise our hard-earned international reputation and goodwill.

Our image abroad also suffers from an uncanny relation between our politics and diplomacy. We cannot separate politics from diplomacy. In our case, politics often dominates and sometimes undermines diplomacy, something we should avoid. Our political actors tend to politicize foreign policy issues with neighbouring countries and great powers for partisan or personal political gains. Sometimes, they are divided in support or against one or another power. Our leaders must stop externalizing our internal issues for political purposes and never allow our domestic issues to be a subject of foreign relations. They should stop asking for personal favours and give up saying goodies while in power and making negative statements about foreign policy issues when in opposition.

Nepal stands ready to make its progress as a responsible member of the international community, contributing to global cooperation and multilateralism. We want to develop relations based on sovereign equality, mutual benefit, and mutual respect. Multilaterally, we crave non-discrimination, a rule-based international system, and an international rule of law. We want an equitable geographical representation with our voice in international institutions. We need a global governance system that helps resolve disputes between states

peacefully, without the use or fear of the use of force and tackles the pressing issues of our times such as climate change, pandemics, economic crises, and wars. For our socioeconomic development, we want a conducive and supportive international environment and policies for trade, investment, and the flow of finances to fight climate change and implement the SDGs. We need recognition of our contribution to various international issues and institutions. We must remain firm on our commitment to human rights, democracy, peace, good governance, development, and the rule of law. We should demonstrate continuity and consistency in these messages while remaining adaptable and flexible to adjust to the changing times.

We need to broaden our foreign policy choices.

Professor Khanal said, “Nepal’s national interests dictated a policy of non-alignment in foreign affairs.”²⁹ He viewed it "more practically in national interests to temper our emotional propensity toward the ideal of non-alignment with a little bit of realism based on the proper assessment of material power and influence."³⁰ Though the Movement itself has to find its relevance in the realignment of the global power structure, its founding principles are still relevant to us. Non-alignment to us is not just mechanical neutrality to blocs of power. It is about pursuing our independent foreign policy. It is about maintaining the best relations with all powers without taking sides. It is about conducting foreign relations based on our national interests. It is about taking positions on issues based on the principles of non-alignment, not on political preferences for one or another power.

While maintaining the best relations with our "land neighbours"- India and China, we should also continue balanced relations with our "sky neighbours"- including the United States and the European Union- as they are partners in our progress.

Some countries adopt “hedging” as a foreign policy choice for building alliances and partnerships with regional and global powers, reducing dependence upon just a few neighbours for mitigating their security risks, and diversifying economic cooperation. As a foreign policy choice, hedging can complicate managing multiple interests and erode the neighbouring powers' trust, undermining their relations with them.

Mongolia seeks to diversify its relations with countries beyond its immediate neighbours, Russia and China, through its "Third Neighbour Policy," which includes the United States, the EU, and Japan. With this policy, the landlocked Central Asian state is reducing its dependence on its neighbours for security and stability, increasing its international profile and connections beyond its immediate neighbourhood.³¹

We can weigh such options in foreign policy to safeguard our national interests. Nepal should diversify its economic and security cooperation, reducing dependence upon just a few countries, enhancing its strategic autonomy and finding a way out from taking sides in the competition between powers. It will require careful crafting of policy and apt diplomacy for its implementation.

In the past, Nepal's diplomats played constructive roles in defining the rights of the landlocked countries in the UN Law of the Sea. As the chair of the LDCs, Nepal helped articulate the development agenda of the world's poorest countries during the Fourth UN Conference on the LDCs and is chairing the group again. We can champion the development agenda and transit rights of landlocked states and become proactive in the Non-Aligned Movement and G77, hosting their ministerial meetings or summits. We can make Nepal a hub of international conferences and meetings through better conference diplomacy that can contribute to our tourism and promote our dignity.

We can promote Lumbini, the birthplace of Buddha in Nepal, as the centre for world peace and inter-faith dialogue, while promoting sustainable tourism without compromising its heritage values. We can also establish a world peace museum and develop spiritual and meditation retreats there.

We can showcase the Himalayas and the mountains that constitute Nepal's international identity. We should promote the Himalayas as the core of our assets and heritage, focusing on climate change, sustainable tourism, and the centre of attraction for the indomitable human spirit and adventure. We can champion the global fight against climate change based on the plight of the mountains, including the melting Himalayas and their glaciers. The government has announced to launch a commendable initiative called the Save Himalayas. It can help to bring nations and stakeholders in the Himalayan region to cooperate on climate change, environment and water resources. That can complement the proposed Sagarmatha Dialogue in showcasing the plight of the Himalayas and efforts to address climate change.

In conclusion, our foreign policy and diplomacy should be independent, interest-based, inclusive, integrated, institutionalized, and innovative.

We should continue to pursue an independent foreign policy that safeguards our national interests and makes inclusive, integrated and institutional decisions through a consensus-based and consultative process. It should generate imaginative ideas that can appeal to future generations.

A challenge in our foreign policy is maintaining continuity while seeking to adjust to the dynamic external environment. Our geography and history dictate continuity in our foreign policy, but the changing regional and international circumstance warrant changes in the same. Professor Khanal said Nepal's foreign policy needed to be "creative."³² While maintaining the continuity of the

core elements, we should introduce new ideas to break the monotony of the old principles and narratives. We need to pursue a bit more creative foreign policy and imaginative diplomacy.

Last, but not the least, our foreign policy needs to be backed up by adequate research and studies. For an enlightened discourse on foreign policy, the government should remain engaged with think tanks, Track II, and the private sector by providing support and funding, including for evidence-based studies to advance our diplomatic, economic and security interests.

Just as our ancestors protected our independence and sovereignty with pragmatic foreign policy and apt diplomacy, we can promote our political, strategic, economic, environmental and cultural interests by broadening our worldview, increasing foreign policy choices, and pursuing proactive diplomacy, as outlined above.

Thank you for your kind attention.

I would be pleased to receive your questions and comments.

Notes and References:

- 1 Khanal, Y. N. (2000). *Nepal's Non-Isolationist Foreign Policy*. Satyal Publications. p. 697.
- 2 Acharya, Jaya Raj (2020). *Yadu Nath Khanal Scholar; Diplomat Critic* (in Nepali). Pairavi Prakashan. p.-53
- 3 Acharya, Madhu Raman (2019). *Nepal Worldview*. Adroit Publishers.
- 4 Acharya, Madhu Raman (2019). *Ibid*.
- 5 Ministry of Foreign Affairs (December 2017). *Revitalizing Nepal's Foreign Policy: Report of the High-Level Task Force*. Unpublished.
- 6 Khanal, Y. N. (2000). *Ibid*. p. 244.
- 7 The rising U.S. interest is also reflected in the increasing number of officials visiting Nepal in connection with its MCC pact.
- 8 That gave rise to the famous Sea Power Theory, attributed to Alfred Mahan (1890). Mahan, Alfred T. (1890). *The Influence of Sea Power Upon History 1660-1783*. Little, Brown and Company.
- 9 That was the gist of Halford Mackinder's Heartland Theory, which came in 1904. Mackinder, Halford John (1904). *The Geographical Pivot of History*. Royal Geographical Society.
- 10 In the 1800s, India and China commanded over half of the global GDP. Today they cover over half of the global economic growth.
- 11 According to *The Economic Times* (January 13, 2023), The volume of India-China bilateral trade reached an all-time high of \$135.98.
- 12 As the chair of SAARC, Nepal convened 2003 a special meeting of the Foreign Secretaries that agreed on a date for the long-postponed 12th SAARC summit.
- 13 Rana, P. B. and Karmacharya, B. (2014). A Connectivity-Driven Development Strategy for Nepal: From a Landlocked to a Land-Linked State. *ADB Working Paper Series*. No. 498. September 2014. Asian Development Bank Institute.
- 14 Allison, Graham (September 24, 2005). The Thucydides Trap. Are the U.S. and China Headed for War? *The Atlantic*. Accessed at hksharvard.edu

- 15 A senior U.S. official (U.S. Treasury Secretary Janel Allen speaking at the Johns Hopkins University) cited in Joshi, Manoj (May 23, 2023). *Where is US's China policy headed?* Orfonline.org.
- 16 Acharya, Madhu Raman Acharya (2020). *Nepal's National Interests, Foreign Policy and Strategic Affairs. A Perspective Paper*. Policy Research Institute.
- 17 According to the *Democracy Report 2023* of the V-Dem Institute, entitled *Defiance in the Face of Autocratization*, 72 per cent of the world's population, 5.7 billion people, live in autocracy in 2022, compared to 46 per cent a decade earlier in 2012.
- 18 The 2021 UNDP report entitled *Sovereign Debt Vulnerabilities in Developing Countries* claimed that 72 countries were debt vulnerable, and 19 were severely so.
- 19 According to the budget speech of 2023/24, Nepal's projected debt servicing commitment will be Rs. 331 billion, against the total development-oriented capital expenditure of Rs. 320 billion.
- 20 According to the Stockholm-based institution SIPRI, the world's defence expenditure reached \$ 2.24 trillion in 2022.
- 21 Khanal, Y. N. (2000). *Ibid.* p. 747.
- 22 Ministry of Foreign Affairs (December 2017). *Revitalizing Nepal's Foreign Policy: Report of the High-Level Task Force*. Unpublished.
- 23 Kissinger, H. (2014). *World Order, Reflections on the Character of Nations and the Course of History*. Penguin.
- 24 Acharya, Jaya Raj (2020). *Ibid.*
- 25 Acharya, Madhu Raman (2015). *Investing Diplomacy*. Report Submitted to the Ministry of Foreign Affairs. Not published.
- 26 Acharya, Madhu Raman Acharya (2020). *Ibid.*
- 27 The Non-Resident Nepali Association (NRNA) claims on its website (www.nrna.org) that it has National Coordination Councils of the NRNs in 85 countries.

- 28 Non-Resident Nepali Association. Website www.nrna.org
- 29 Khanal, Y. N. (2000). Ibid. p. 29.
- 30 Khanal, Y. N. (2000). Ibid. p. 241.
- 31 Jargalsikhan, Mendee (2021). Navigating Geopolitical Rivalries: Mongolia's Third Neighbour Policy. *Gaida's Dance with Tiger and Dragon*. Ed. Bhatta Chandra D and Menge, Jonathan. Friedrich Ebert Stiftung Nepal Office. P.200
- 32 Khanal, Y. N. (2000). Ibid. p. vi.

Keynote Speaker

Madhu Raman Acharya



Mr. Madhu Raman Acharya is a former civil servant and career diplomat of Nepal.

He joined Nepal's Foreign Service as Joint Secretary in the Ministry of Foreign Affairs in 1996. During his diplomatic career, Mr. Acharya served as the Deputy Chief of Mission at the Embassy of Nepal in New Delhi (1997-1998), Nepal's Ambassador to Bangladesh (1998-2001), Foreign Secretary (2002-05), and Permanent Representative to the United Nations (2005-2009).

In 1983, he entered the Nepalese Civil Service as a Section Officer in the Ministry of Home Affairs. He joined the Ministry of Finance in 1990 as Assistant Secretary, and from 1993 to 1996 he was Under-Secretary in that Ministry.

Mr. Acharya began his career in 1982 as Assistant Lecturer at Tribhuvan University, Kathmandu, from where he holds a Master's Degree in science and public administration and a graduate diploma in law.

Mr. Acharya also served as Director of the United Nations Assistance Mission to Iraq (UNAMI) (2010 -2011). During the 1990s, he also served in United Nations missions in Cambodia, South Africa and Liberia.

Mr. Acharya is the author of *Business of Bureaucracy* (2014), *Nepal: Culture Shift!* (2001), *Nepal Worldview* (2019), *The Talking Points* (2020), *Race Against Time* (2022).

Born on 24 February 1957 in Udayapur, east Nepal, he is married and has two children.

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 on 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 and an honorary D. Lit by Tribhuvan University in 1997. Professor Khanal passed away in 2004.

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