

## Nepal: US Indo-Pacific Strategy at One Year

By Avasna Pandey

The Indo-Pacific Strategy (IPS) has been a hot topic in Nepal. However, Nepal has not explicitly endorsed the American geopolitical concept aimed at enhancing economic, diplomatic, and security cooperation among nations in the region spanning the Indian Ocean and the western and central Pacific Ocean. Still, some officials have clarified that the Indo-Pacific region and the Indo-Pacific Strategy are distinct entities. Former Prime Minister Khadga Prasad Oli and current Prime Minister Pushpa Kamal Dahal have both emphasized this distinction.

Nepal's engagement with great powers such as the United States and China has been motivated by its pursuit of national interest and development. [Nepal ratified the Millennium Challenge Corporation \(MCC\) compact](#) despite speculation about whether it was a tool to counter China's rise. Nepal is also a signatory to China's Belt and Road Initiative (BRI). The increasing engagement of the US in Nepal is reflected in its investment in the government and private sector, defense and military cooperation, and growing people-to-people ties.

The United States became the initial bilateral donor to Nepal in 1951 upon signing the Point Four program, thereby initiating a 70-year-long relationship of dedication, mutual respect, and trust toward the Nepalese people. And the engagement between the two countries has become even more pronounced over the years. The increase in US diplomatic visits to Nepal is a testament to growing engagement. Diplomatic dispatches from the US include Deputy Secretary of State for Political Affairs Victoria Nuland; Samantha Power, the chief of the USAID; and Deputy Assistant Secretary for South and Central Asian Affairs Afreen Akhter. The various vectors of engagement, such as economic, security, and cultural, are reflected in increased US investment, both in the public and private sector; increasing defense and military cooperation with Nepal, despite the nation's refusal to join the [State Partnership Program \(SPP\)](#); and growing people-to-people ties with many Nepalis living and studying in the United States as well as serving in the US Army.

The intensification of the strategic rivalry between the United States and China has become increasingly noticeable. In our case, it was most evident during the ratification of the Millennium Challenge Corporation (MCC) compact—a \$500 million grant. While the US promoted MCC as an “independent U.S. foreign assistance agency that is helping lead the fight against global poverty,” the Chinese perceive it as a tool to counter China's rise as well as reify US allies in the region. Regardless of the geopolitical rivalry, Nepal ratified the MCC; it is also a signatory to BRI. This means Nepal is rightfully engaging with great powers and not letting the US-China rivalry impose on the pursuit of its national interest and development.

As Tibet continues to be a geopolitical hotspot in China and the South and Central Asia region, Nepal's strategic value lies in the fact that it is the entry point through the Himalayan geographic barrier. Perhaps this reality enables Washington to friend-shore Nepal. Nepal has traditionally maintained a neutral foreign policy and has been cautious about getting involved in regional power dynamics. However, in recent years, there have been concerns about Beijing's growing influence in Nepal, particularly in the areas of infrastructure development and investment. This has led to some speculation about whether Nepal may eventually align itself more closely with China or with India and other Indo-Pacific countries.

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Given that, the challenge for Nepal is to adopt strategic autonomy and avoid aligning with any particular camp in the ongoing great power rivalry. Nepal's relationships with countries such as India, China, the United States, the United Kingdom, or any other nation hold significant importance for various reasons. However, any attempt to force Nepal to take sides would go against the fundamental principles of democratic societies that value pluralism and diversity. As a society that upholds these values, Nepal must allow them to inform its foreign policy decisions. We value human rights, freedom of expression, and a robust civil society, and these principles must not be compromised. While we may not share China's principles for organizing society, economic decoupling from China is, in fact, unimaginable, and the same is true for our relationship with our southern neighbor, India.

The MCC and the Indo-Pacific strategy are separate initiatives, but they are both part of the US government's broader efforts to promote economic development and strategic cooperation in the Indo-Pacific region. The implementation of the MCC in Nepal remains a contentious issue, and it remains to be seen how it will impact Nepal's relations with the United States and other regional powers.

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While India and China are experiencing a rise in authoritarianism and demagoguery, Nepal values different principles. Despite these challenges in our neighboring countries, Nepal shines in the protection of human rights, press freedom, and the implementation of its constitution. Furthermore, successfully completing the transitional justice process could establish Nepal as a normative example of building international law. These qualities distinguish Nepal from other countries in South Asia and contribute to its soft power as well as advance the goal of strengthening good governance, democratic values, and security and stability envisioned by the IPS. The fact that Nepal is scheduled to graduate from the status of Least Developed Country by December 2026 is cause for concern, and presents an opportunity for the international community, especially the West, to engage with Nepal and provide guidance during the process. Recently, Nepal and the United States signed a new agreement for a "development objective" worth \$659 million, which is a positive step forward.

For countries like Nepal, with limited economic and military influence in the larger global arena, US-China competition for investment, attention, and influence could offer an opportunity to strengthen the domestic government by leveraging the interests of both superpowers. As IPS includes references to areas like democratic values, technology, digital, climate, environment, and health, such a well-rounded strategy allows for 360-degree US engagement in Nepal. For Nepal, geostrategic tensions offer a chance to demonstrate its significance on the global stage, particularly with the presence of superpowers eager to advance Nepal's trade and support its youth, as well as address global issues like the conflict in Ukraine and human rights concerns. If Nepal can maintain political stability, formulate a coherent foreign policy, and cultivate an informed and robust national consensus on security, it could be a pivotal moment for the country to advocate for its needs and policies to major powers and showcase itself as an example of a country that is not solely influenced by external interests.

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