

## Nepal, India and China Economic-Diplomatic (NICED) Relationship

Jagannath Kafle<sup>1</sup>

### Abstract

*This paper is based on the potential trilateral economic cooperation between immediate neighbour countries Nepal, India, and China (NIC). The study attempts to reveal Nepal's economic diplomacy through geographic perspectives, focusing on the centre and periphery and aiming to enhance the present mode of operation of immediate neighbourhood economic activities between Nepal, India, and China. The potential cooperations attempt to apply the concepts of Economic Geography, Development Cooperation, and Centre-Periphery ideologies. The concept has presumed an integrated equitable approach to the 'Nepal, India, and China Economic-Diplomatic Relation' (NICED Relation), the central and peripheral power of different economic market centres within and between these countries. The economic-diplomatic relationship between participating countries depends on the degree of diplomatic relationship they adopt that should help better neighbourhood cooperation and mutual benefits for the entire regional 'Protection (security), Peace, and Prosperity' between these immediate neighbours.*

**Keywords:** *Nepal-India-China, NICED relations, Economic geography, Centre-periphery, Development cooperation*

### 1. Introduction

Nepal's aim of graduating from the least developed countries (LDCs) in 2026 and the achievement of the UN sustainable development goals (SDGs) by 2030 are crucial for Nepal (Pandey et al., 2022; UN, 2022). With the transition of Nepal, achieving SDGs are equally important also for India and China. The economic relationship and activities between partner countries are always guided by the diplomatic relations between them. These relationships are more important between immediate neighbouring countries. The UN has recognized that the sovereignty of any country is neither big nor small (UN Charter, 1945) but the size, population, economic, and military powers practically classify the weak and powerful countries. A country, that is successful in maintaining a balanced relationship with its immediate neighbours and powerful nations, may have only a little negative impact on the stability and progress of the country in the long run. One-sided foreign policy regardless of the neighbouring geopolitics of a country may not be sustainable. The existing foreign policy and the geographic, demographic, economic, socioeconomic, political, and geopolitical situation of the neighbouring countries also be examined and considered for a mature foreign policy (Khanal, 2018).

<sup>1</sup> Doctoral researcher, Economic Geography, Department of Marketing and International Business, Turku School of Economics, University of Turku, Finland.

Diplomatic skills, ethics, fairness, and integrity are the backbone of the foreign policy of a country that Nepal has been maintaining a uniquely long history and privileges with its immediate neighbour countries India and China and still, additional stronger cooperation is essential for the upcoming changing era (Taneja et al., 2020).

With limited expertise in diplomatic affairs I have considered the trilateral economic geography and development cooperation with India and China as an intervening variable for Nepal's participation in global trade and development cooperation with other international development partner communities. Nepal can utilize its soft powers as equitable cooperation with immediate neighbours (Karki & Dhungana, 2020). It is presumed that sustainable management and use of domestic and external resources for a country, in turn, helps for bettering economic activities through sustainable livelihoods, building production capacity, and developing trade links between the centre and periphery within and between countries (Hannerz, 2015). If the economy of a centre and its periphery is to be made sustainable with strong cooperation with immediate neighbour countries, it is necessary to have better management and use of local resources with building production capacity and trade links. 'Aid for Trade' (AfT) plays an important role in this matter. Apart from this, the trade relationship can be connected to the international market if the external resource is mobilized with the domestic one. If indigenous knowledge and local resources are identified, managed, developed, and commercialized properly, they may not only be potentially useful in the domestic arena but also in international markets (Kincheloe & Semali, 2011).

Overall, better cooperation could strengthen domestic empowerment and mutual benefit between these partners (MOFA Nepal, 2020). The centre and periphery and AfT initiatives are identified and contextualized relating to the three countries' scenarios. The local economic activities are to be linked to domestic and international markets for achieving sustainable development goals as a conclusion.

## 1.1 Aim

The main aim of this paper is to reveal the wider view of Nepal's immediate neighbourhood cooperation from the lens of economic geography, aiming to enhance the present mode of operation of trilateral neighbourhood activities between Nepal, India, and China more equitable way. An integrated approach to the 'NICED Relationship' followed by a strong diplomatic relationship between these countries is proposed for future perspectives (Kafle, 2017). In line with the notion of the main aim, the subsequent aim is to suggest workable policy strategies for NIC equitably and sustainably. This paper presumes that proper use of 'AfT' for mobilizing domestic resources helps to better mutual neighbouring cooperation including economic benefits between the centre and periphery of domestic and cross-border that ultimately helps to achieve sustainable development goals within and between countries. The working hypothesis of this paper is that better application of equitable neighbourhood cooperation helps to maintain long-term entire regional protection (security), peace, and prosperity (PPP) within these three countries.

## 1.2 Method

This is a desk research. The qualitative empirical method is used to achieve the aim of the study. Existing literature is reviewed and analysed for the determined aim of this paper. The literature includes Economic Geography, Centre-Periphery, Development Cooperation, and Aid for Trade theories. The literature includes the connecting elements of Nepal, India, and China. Based on the qualitative literature studies, the working hypothesis shall be proven and disproven.

## 2. Economic Geography

Economic Geography study has evolved as an interdisciplinary subject between Economics and Geography as a subfield of Human geography. Looking back at the origin of the Economic Geography theory, there are three dimensions including human activities, economic activities in a certain location, and optimization method of the economic transaction (Coe et al., 2020). Clark has characterized three components which are spacing and hierarchical order of settlements; the optimal location of manufacturing and retail activities; and the geographical structure of trade and communication (Clark et al., 2000). Now Economic Geography has developed as the sub-discipline of geography which is a significantly growing field in contemporary economic life addressing spatial configuration of multidisciplinary economic activities from local to global scale (Krugman, 1991). The multidisciplinary fields include commerce, trade, development, globalization, localization, innovation, urbanization, agglomeration, industrial cluster, economic scales, market competitions, finance, economic centres, centre-periphery, process global economic changes, entrepreneurship, technological changes, and more evolving areas derived from the lenses and thoughts of economists and geographers (Krugman, 1991; Scott, 2001; Thisse, 2017; Clark et al., 2018). These characterizations attempted in defining Nepal's neighbourhood policy adoption for economic activities, cooperation, and trade links within and between partnering NIC countries. Then, Economic Geography is to be understood as the human economic activities in a specific geo-economic location that has to be acknowledged as an interdisciplinary field of study with the spatial organizational activities and the interactions between geography, economics, trade, aid, and other components of sustainable development for the common issues to address by NIC partner countries.

Examining how economic activities are distributed across space; how they are related to the physical and human characteristics of a place; how economic activities are influenced by and shape social, institutional, political, and environmental factors is also the concerning key area of Economic Geography (Coe et al., 2020). The literature is capturing the study of global trade and investment, local and regional economic development, rural-urban economic activities, and the relationship between economic activities with the natural environment within and between countries. The recent literature explores the geography of innovation, technology transfer, global value chain, mobility, and the spatial dimension of economic inequalities and distribution (Clark et al., 2018). The study of Economic Geography is subjective to be understood intensively as major theoretical approaches, empirical studies, methodological approaches, and policy debates. Economics and Geography cover the common areas and influence each

other mainly through the phenomenon of the global economy; regional diversification, balance, and growth; sustainable development and inequality; urban-peripheral uneven changes and growth; international trade and investment; innovation and technological changes; and the political economy of globalization (Clark et al., 2018; Boschma et al., 2017). The economic activities of spatial concentration within certain localities, regions, cities, neighbourhoods, mobility, and the periphery that spatial connection of economic activities have demonstrated significant effects on the social, economic, and ecological well-being of the people who move, live, and work in certain areas (Krugman, 1998). Economic geography is well grounded as an interdisciplinary field possessing the theories and methods not only from economics and geography but also sociology, anthropology, environmental science, and political science in recent days.

The formal origin and development of the literature on Economic Geography begin in the late 19th century and successively progressed continuing with the important contributions of several pioneer scholars. For the shaping, Economic Geography, Alfred Weber contributed 'Model of Industrial Location' or 'Location Theory' which has become an integral part of economic geography, regional science, and spatial economics which matters in the discipline of economic geography on what, where, and why the economic activities are located (Plehwe & Slobodian, 2019). Another pioneer Richard Hartshorne contributed literature and a methodical work of 'Location as a Factor in Geography' and 'The Nature of Geography' respectively added value to the interdependence of economic and geographic factors (Hartshorne, 1927). Walter Christaller has a big contribution to innovating the 'Central Place Theory' to explain the spatial distribution and hierarchy of settlements based on their accessibility and provision of goods and services that the economic activities are determined by the accessibility of markets and the availability of resources (Thrall, 2020; King, 1985). The scholar Harvey S. Perloff developed literature in Economic Geography with the study of the region, resources economic growth revealing interrelationships between resources, and different rates of economic growth among the different geographical sections with a quantitative methodological approach (Perloff, 1968; Perloff et al., 1960). August Lösch added the 'Theory of Functional Region' which introduced the concept of 'Minimum Necessary Distance' between economic activities and introduced the idea of 'Market Area' that argues the economic activities of a region are interdependent and can be analysed as a single unit (Lösch, 1938). Lösch added more value to Christaller's Central Place Theory.

For the development of literature in Economic Geography, another scholar Peter Hall added more blocks by contributing 'Urban and Regional Economic Development' that offered a comprehensive analysis of the evolution of cities and regions and the forces shaping their development (Hall, 2000). Same way, the literature on 'Regional Economics and Urban Geography' was added by Jean Gottmann which advocates the megalopolis and the geography of innovation. John Friedmann contributed to 'Political Economy' which added knowledge on urbanization, globalization, and transnational corporations (Friedmann, 1967). Edward Soja added a building block to Economic Geography through his contribution to economic geography, urbanization, and regional development (Soja et al., 1983; Soja, 2010). His significant work was a spatial division of labour and the politics of urban growth. Michael Porter added building blocks in

Economic Geography with the concept of 'Cluster Development' and the 'Competitive Advantage of Nation' that focused on the importance of regional factors for determining the cluster competitive advantages of firms, industries, and nations driving economic growth (Porter, 1990).

Paul Krugman contributed a new dimension to the evolution of Economic Geography literature by propounding its subfield, the concept of New Economic Geography (NEG) in the 1990s. He introduced the concept of 'Agglomeration Economics' that emphasizes the crucial role of increasing returns to scale and transportation costs (Krugman, 1991). Further, he proposes shaping the spatial distribution of economic activities leading to the impact of trade and globalization on regional development. Another pioneer Antony Venables introduced the idea of 'Vertical Linkage' between different stages of production that contributed to the impact of trade and globalization on regional development and spatial distribution of economic activities such as trade and investment are influenced by transport costs and policy measures, tariffs and trade agreements (Venables, 1996). Another scholar David Audretsch contributed to the NEG by linking entrepreneurship, government policy, innovation, economic development, and global competitiveness (Audretsch, 2012). The scholar Masahisa Fujita has contributed to developing models of urban agglomeration, the role of transportation costs, the relationship between agricultural land use, urbanization, and economic development (Fujita, 2011; Berliant & Mori, 2016). The contribution of Jacques-Francois Thisse is also significant in the NEG literature that added value to spatial patterns of farms and industries and role of the transportation cost, location activities, human capital, and agglomeration economics in shaping regional development and urban development (Thisse, 2017). Besides these, many uncoverable scholars have contributed to developing Economic Geography and New Economic Geography (Berliant & Mori, 2016).

With the references of these literatures, the lens of Economic Geography in recent days is important on multidisciplinary issues to address the linkage of local, regional, and international cooperation within and between countries; economic behaviour, regional diversity, and balanced growth; connectivity and mobility; growth, development, and sustainable development; production, distribution and consumption; creativities, innovation, and technology transformation; economic behaviour, strategies, and practices; human, natural and financial resources; and other contemporary disciplines regarding where, why, and so what on an understanding of the economy (Clark et al., 2018) that is most relevant for the addressing issues for the case of equitable cooperation between NIC. Referencing the UN security and budget composition, the contributions could be allocated according to the sizes and capacity of these three nations. The powerful countries' essence is to be allocated a bigger share of the contributions equitably as the NICED relationship proposed. The theories of Economic Geography offer the multidisciplinary ground for equitable cooperation between NIC regions.

### 3. Centre-Periphery Theory

The presumed hypothesis of this paper focuses on the proper mobilization of available endogenous and exogenous resources (especially, sustainable management and use of local resources of Nepal with the development cooperation of India and China) to help

bettering of mutual neighbouring economic benefits to the centre and periphery within and between countries. As this paper proposed, a new kind of immediate neighbourhood policy between NIC scenario that is an integrated equitable economic cooperation that could help to achieve mutual benefits in the implementation of a centre and periphery approach. The concept of centre and periphery has been prominently used in social sciences including economic geography after the second half of the twentieth century (Gidengil, 1978). Henri Lefebvre's concept of Centre-Periphery theory depicts the relationship between a dominant economic centre and subordinate periphery regions within a world economic system (Hannerz, 2015).

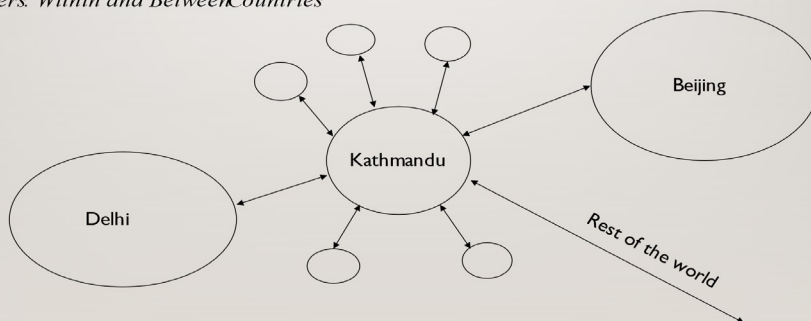
This centre-periphery theory is vastly applicable to the social and economic phenomenon of concentration of powerful activities 'Centre' of the system and its relationship with subordinate outer parts 'Periphery'. The 'Centre-Periphery' model especially reveals the coexistence, interdependence, and influences of each other. This dynamic leads to the exploitation of the periphery by the centre, perpetuating the unequal distribution of resources and economic power in the region, nation, or in world (Shils, 1977). The centre is characterized by the more concentration and influence of wealth, power, and economic attraction while the periphery is characterized by more scattered and weaker economic activities, wealth, power, resources, and underdevelopment situations. The centre-periphery theory is applicable within the organization, at local, regional, national, and global levels to explain the pattern, composition, activities, and power balance of the economic and other social phenomena (Gidengil, 1978).

From the economic point of view, centres always play a crucial role due to the composition of developed market power, agglomeration, industrialized, wealthy, and vibrating economic activities on production, consumption, and exchange. The centres are always dominant in goods, services, and resource control over the periphery. On the contrary, the periphery is generally less powerful, less developed, less economic activities, has fewer influences on resource control, and is dominated by centres (Shils, 1977; Hannerz, 2015). The model developed with this theory can create a more comprehensive relationship between the centre and the periphery in the local global economy. The original and developed ideas are applied in the field of global capitalism, geography, and political economy.

In this paper, I have attempted to reveal the relationship between the centre and periphery in two layers. One layer is within Nepal such as the relationship with the economic centres Kathmandu, Pokhara, Biratnagar, and such cities with the peripheral rural municipalities and villages. And, the second layer is to demonstrate the economic relationship of Kathmandu with Delhi and Beijing (economic centres of India and China) that the centre-periphery theory is strongly applicable to the equitable cooperation between the NIC region.

## ESTABLISHING STRONGER ECONOMIC RELATIONSHIP BETWEEN CENTRE AND PERIPHERY

*Two Layers: Within and Between Countries*



*Figure: Centre-Periphery within Nepal and between Nepal and partner countries*

### 4. Foreign Aid and Aid for Trade

According to the hypothesis of this paper, it is imperative to demonstrate the relationship between sustainable management and the use of local resources and Aid for Trade. Foreign aid became an integral part of development cooperation as an interaction between developed and developing countries with the establishment of the UN. In recent years, the world bank has launched the Aid for Trade initiative to implement SDGs (UNCTAD, 2008). It is in this regard; I have developed a working hypothesis for this paper: better use of 'Aid for Trade' helps sustainable management and use of local resources which in turn helps betterment of the economy between centre and periphery that ultimately helps to achieve sustainable development goals within and between countries.

There was no formal record of the presence of foreign assistance till the 18<sup>th</sup> century and very negligible seems in the 19<sup>th</sup> century. The formal foreign aid begins in 1812 when United States Congress passed the Act of Relieving the Earthquake-devastating Venezuelan citizens. Some private charity to society, school, and scholarship was provided to the African and other colonial states before the First World War. The supporters were mainly the United States of America, Britain, and France. After First World War, the idea of government aid came to support food to war-torn European states for humanitarian as well as political and developmental reasons (Hjertholm & White, 2004). The new wave of foreign aid came through organizational form after the Second World War, especially for the reconstruction of the war-damaged European economy. Implementation of the successful Marshall Plan and establishment of the United Nations, International Monetary Fund, and World Bank were the cornerstones to institutionalizing foreign aid as international resources to bust up the emerging world. In Successive periods, Europe fully recovered and became capable to be listed as a donor nation (Arndt et al., 2010).

The aid history reveals the different names of development as Community Development in the 1950s, Green revolution technology, and infrastructure development in the 1960s, Integrated Rural Development, Import Support, Poverty Focused Aid in the 1970s, Poverty to Adjustment, Structural Adjustment in the 1980s, New Poverty Alleviation Agendas in 1990s, New Millennium Development Goal (poverty alleviation programs) in 2000s (Riddell, 2014), and sustainable development and poverty alleviation programs in the 2010s and 2020s. To eradicate poverty from the world by 2030 is currently in progress in the form of development aid. The context of the underdeveloped countries has remained the same issue of fighting with multiple faced poverty permanently.

AfT is a policy concept taken by World Trade Organization (WTO) to build trade capacity, infrastructure development, promote trade, and economic development by assisting developing and least-developed countries. Instead of granting regular development aid, AfT is found to be more successful in lowering barriers to trade through strengthened economic infrastructure and productive capacity (UNCTAD, 2008; Cali & Verde, 2011). AfT is becoming the most important tool for developing countries to strengthen their domestic production capacity and participate in global trade. The AfT addresses six policy areas (UNCTAD, 2008) that are methodologically measured as trade policy and regulations, trade development, trade-related infrastructure (transport, storage, communications, energies), building productive capacity (banking and financial services, business services, agriculture forestry, fishing, industry and mining, tourism), trade-related adjustment, and other trade-related needs which contribute to all seventeen sustainable development goals (OECD, 2021). The literature suggests that AfT can be an important tool for promoting sustainable development and poverty reduction in developing countries, but it needs to be designed and implemented in a way that addresses the specific needs and constraints of the recipient countries. In recent years, AfT has used development assistance as a tool that is provided to developing countries to help them integrate into the global trading system and benefit from increased trade.

The concept of AfT has been widely discussed and debated in the academic literature on international trade and development. Some key contributors to the AfT literature include economists, trade experts, development specialists, and representatives from international organizations such as the World Bank, the International Monetary Fund, and the World Trade Organization. Jacob Viner's 'Trade Creation Theory' has supported AfT that trade liberalization can lead to the formation of a free trade area, customs union, increased economic growth, and improved welfare for both trading partners (Clausing, 2001). The 'Export-Led Growth Theory' provides ground for AfT that increased exports can drive economic growth by boosting demand for domestic production and increasing the efficiency of businesses (Shirazi and Manap, 2005). Similarly, the 'Balassa-Samuelson Effect' tells that if a country becomes more productive for trading goods, the wages will increase relative to other sectors which leads to a rise in the overall living standards of the locals (Egert et al, 2003). The AfT is supported by the 'Staple Theory' which posits that countries having specialization in producing some staple goods (such as primary commodities) can generate revenue by taking benefits from increased trade and diversifying their economies (Watkins, 1963; Stanford, 2020). 'Market Access Theory' argues that AfT can help developing countries increase their exports by improving their market access by removing trade barriers

(Sousa et al, 2012). In the same way 'Production Capacity Theory' argues that AfT helps to increase the production capacity of a country by investment in infrastructure or training programs. 'Trade Facilitation Theory' advocates that AfT can help to reduce the costs and time involved in trading by improving customs procedures, enhancing export performance, and building transportation systems (Vijil & Wagner, 2012).

Same way, 'Human Capital Theory' proposes that AfT can help to improve the human capital of developing countries by providing education and training programs to workers and entrepreneurs (Tan, 2014). 'Trade Liberalization Theory' focuses that trade liberalization can stimulate economic growth and development, and AfT can support the process of trade liberalization (Panagariya, 2000). 'New Trade Theory' posits that trade can lead to technological upgrading and improved competitiveness, and AfT can help developing countries overcome market failures and participate in global value chains (Markusen & Venables, 1998). 'Supply-Side Constraints Theory' argues that developing countries face numerous supply-side constraints that hinder their ability to trade, and AfT can help to address these constraints by financing infrastructure, human capital development, and institutional reforms (Vijil & Wagner, 2012). 'Development Theory' emphasizes that trade can be a means of promoting sustainable economic growth and reducing poverty, and AfT can support this process by providing resources and technical assistance to help developing countries participate in the global economy (Pieterse, 2010). However, there is no single individual who can be considered a contributor to the development of AfT literature. Instead, the idea of using development assistance to support trade has been developed and refined over time by a range of scholars, policymakers, and practitioners. Several theories are developed to support the literature on AfT. Overall, the literature on AfT has shown that while there are challenges, it is a valuable tool for promoting economic growth and sustainable development through the strong equitable cooperation between immediate neighbouring countries Nepal, India, and China. However, it is important that AfT is well-coordinated, targeted, results-oriented, and that it is delivered in a way that promotes ownership and sustainability for economic prosperity in the NIC region.

## **5. Immediate neighbourhood relations of Nepal**

### **5.1 Shaping the Foreign relationship of Nepal**

The foreign relations of a country are guided by foreign policy, strategic geographic location, historical relationship, demographic features, economic position, domestic resources, and regional and global security. The shaping documents and factors of the foreign policy of Nepal are outlined through the constitutions of Nepal, the Ministry of foreign affairs, bilateral and multilateral treaties and agreements, political leadership, and special relationships with the strategic partners. The current constitution of Nepal 2015 (B.S.2072) has outlined foreign policy objectives and principles. Nepal shall pursue an independent foreign policy based on the principles of the UN Charter, non-alignment, and peaceful co-existence with maintaining a friendly relationship with promoting regional and global cooperation (Constitution of Nepal, 2015).

The Ministry of Foreign Affairs is the primary government agency responsible for

developing and implementing Nepal's foreign policy. The basic policies are outlined as 1) Mutual respect's territorial integrity and sovereignty; 2) Non-interference in each other's internal affairs; 3) Respect for mutual equality; 4) Non-aggression and the peaceful settlement of disputes; 5) Cooperation for mutual benefit; 6) Abiding faith in the Charter of the United Nations; and, 7) Value of world peace (MOFA, 2021). Additionally, the issues addressed and decisions taken regarding regional cooperation, economic partnerships, and international security by the prime minister, foreign ministers, and high-level diplomats also shape the foreign policy of Nepal. Nepal's relationships with strategic partners, such as India and China, also guide its foreign policy regarding trade, investment, cooperation, and security matters significantly. The border dispute between Nepal and India, Nepal and China, and India and China with potential rivalry conditions among these countries are subject to resettling with keeping in mind the protection, peace, and prosperity of this region; which is the equal responsibility of all three countries.

## 5.2 Tying with India

Nepal and India have made several treaties and agreements throughout history for strengthening the warmest neighbour coexistence. The most significant treaties and agreements that shaped the strong relationship between Nepal and India are: The Treaty of Sugauli 1816 between the British East India Company and the Kingdom of Nepal; the Nepal-India Friendship Treaties of 1950 to strengthen friendship and cooperation; the Mahakali Treaty of 1996; the Treaty of Transit 1999 and 2018 for the use of Indian ports for Nepal's third-country trade and for the movement of cargo vehicles between the two countries; Bilateral Investment Protection and Promotion Agreement (BIPPA) 2011; and Power Trade agreement 2014 for the sales and purchase of electricity are the major treaties (Kumari & Kushwaha, 2019; Mainali, 2022; Gokhle, 2021). Nepal and India share a close and complex economic relationship. Nepal is heavily dependent on India for trade and commerce, while India is Nepal's largest trading partner and accounts for the majority of its imports and exports (India accounted for 56% of Nepal's total trade in 2020-2021, Ministry of External Affairs, Government of India). India has strong development cooperation with Nepal since the independence of India. Nepal has been receiving support in its quest for priorities, prosperity, and development. In the last 5 years, India has disbursed 340.8 million US dollars under different sectors of development; mainly, health, education, local development, road transportation, drinking water, and among others (MOFA Nepal, 2022).

The common grounds between Nepal and India are geographical, cultural, and historical long ties (Taneja et al., 2020). The similar terrain and landscape of the Himalayas, Mountains, and Terai (1850 km) share the border with India, which has led to a significant exchange of people, goods, and ideas over the centuries. Both Nepal and India have significant followers of Hinduism and Buddhism. With these religions, both countries are tied to a strong influence on their cultures, customs, and traditions. In the same way, both countries have a rich cultural heritage, including traditional music, dance, art, and architecture. Besides these, we have similar traditional attire including the saree, kurta, and dhoti. We celebrate many of the same festivals, such as Diwali, Holi, Teej, Dussara-Dashain, Chhath, and many more festivals (Taneja et al., 2020). We have

an agriculture-based economy, labour-intensive economy, subsistence livelihoods, and ethnic diversity including shared history and cultural, social, economic, monetary, and political ties. We have similar varieties of cuisine with shared dishes of snacks, meals, and desserts. We have many similarities in languages Nepali, Hindi, Maithili, Bhojpuri, and many others rooted in Sanskrit and Vaidik cultures. The above-mentioned facts provide ground for a strong tie between Nepal and India.

### 5.3 Tying with China

Same as with India, Nepal and China also have made several treaties and agreements for strengthening the warmest neighbour coexistence. The most significant treaties and agreements that shaped the strong relationship between Nepal and China are: The Treaty of Thapathali 1792 signed between Nepal and the Qing dynasty of China to establish the boundary between the two countries, the Protocol on Tibet 1956, Sino-Nepal Treaty of Peace and Friendship 1960 to establish a close relationship and pledged mutual assistance in case of any external threat, mutual respect for each other's sovereignty, territorial integrity, and respect each other's internal affairs. Similarly, the Border Agreement 1961, Transit and Transport Agreement 2016, Economic and Technical Cooperation Agreement 2016, Memorandum of Understanding on Belt and Road Initiative 2017, and Protocol on Transit Transport 2018 for road and rail connectivity are the prominent treaties and agreements between Nepal and China (Pankaew & Kaewkhunok, 2022; Mainali, 2022; Gokhle, 2021). China continued to remain Nepal's second largest trade partner with 14% of total trade during 2019-2020. As South-South cooperation, China has pledged a significant amount of bilateral grants to Nepal. In the last 5 years, China has disbursed 380.45 million US dollars to Nepal under Nepal's development efforts areas. Mainly, the assistance is being mobilized for energy development, economic and technical cooperation, air transportation, reconstruction, and emergency support (MOFA Nepal, 2022). Besides these, Nepal has been receiving development support from China for infrastructure development, industrialization, post-disaster reconstruction, human resource development, health, education, water resources, sports, and amongst others.

Nepal and China have a border share of over 1,000 km on the Himalayan Mountain range with significant common characteristics in geography, climate, way of life, dresses, culture, language, ethnic similarities, foods, and many more socioeconomic similarities between the Northern part of Nepal and Tibet of China (Pankaew & Kaewkhunok, 2022; Mainali, 2022). Both Nepal and China have significant Buddhist populations and share a long common cultural and religious heritage, music, and festivals such as Lhosar. We share a rich tradition of mountaineering and trekking. We have a rich tradition of art, architecture, and cultural heritage with traditional temples (including Gumba, Stupa and Chaitya), palaces, and other historical monuments. Nepal and China have a strong tie in a linguistic root that the Chinese language is rooted in the Limbu language of Nepal (Driem, 2001; Pankaew & Kaewkhunok, 2022). Similarly, we have common long traditional health treatment methods, herbs and medicine, and ancient civilizations, with archaeological evidence dating back thousands of years of ties between Nepal and China.

## 5.4 Trilateral Equitability

The working hypothesis of this paper is to reflect a better application of neighbourhood cooperation that helps to maintain balancing long-term entire intra-regional betterment. The foreign policies taken by Nepal, previous treaties, agreements, development cooperation, trade relations, and common characteristics offer the hypothesis to apply in action between these NIC immediate neighbour countries. In the last 75 years, Nepal has been getting strong support from neighbouring countries. If indigenous knowledge and local resources are identified, managed, developed, and commercialized; such an endeavour may be potentially useful not only in the domestic arena but also in international markets (Kincheloe & Semali, 2011). The development cooperation from India and China to Nepal can be used for sustainable management and use of local resources for local livelihood development, trade capacity development, and establishing stronger trade links with the economic centres of both neighbouring countries. The evidence reveals the huge ground for NICED cooperation.

Both India and China are aware of potential threats via weak countries like Nepal in recent years. Both countries have a strong interest to influence and control over Nepal due to inconsistent relations of different leaders of changing different new governments of Nepal. Nepal seems to convey stronger stands based on the UN Charter and the constitution of Nepal towards both neighbours. Recently, India has had a misperception about the relationship between Kathmandu and Beijing, and China also has the same doubtful perception of overinfluence of Delhi over Kathmandu. The solution could be to have triangular dialogues and re-establish a strong equitable common-talk relationship between Nepal, India, and China (Gokhle, 2021). Overdependency with any country is ultimately harmful to Nepal. Nepal needs to get more strength in exploring its endogenous resources and areas of competitive advantage (Mainali, 2022). The immediate neighbours India and China are drawing global attention through their emergence as world superpowers in economic, military, innovation, technological, environmental, social, and other dimensions of progress (Global Economics Paper No: 99). A "NICED relationship" creates a "win-win" opportunity for tripartite equitable shaping of the political and economic landscape for not only the development and prosperity of the region but also for creating a strong chance of shaping the world economic power (Khanal, 2018). The areas of Nepal's competitive advantage are the essence to be explored and use of the unexplored abundance of natural resources and biodiversity, water resources, human resources, indigenous knowledge, tourism potentialities, geographical location, cultural and linguistic cooperation, religious centres, potential transits, and business routes that offers space for the equitable presence of Nepal with India and China.

## 6. Conclusion

The study reveals basic important results that Nepal's past and current foreign policies and close ties with the immediate neighbours are favourable. With the close ties with its immediate neighbours, there is immense potential to adopt stronger equitable cooperation between these three countries. Nepal's neighbour-friendly foreign policies,

geographical location, unutilized domestic resources, and multidisciplinary tying with neighbours offer evidence to justify the hypothesis of dependences of economic progress and working together for regional sustainable development. Economic diplomacy depends on the practice of foreign policy and diplomatic relationships. The study reflects that Nepal has been practically applying a children-guardian relationship (Always asking for help instead of self-strengthening) with the immediate neighbour countries (including the rest of the development partners) which is challenging for the equitable presence among neighbours. The global trend of growth and development has given the green light to India and China as emerging world economic powers. The emerging economic powers of giant neighbouring economic centres may create an opportunity for developing markets for Nepal. The implication of ideologies developed by 'Economic Geography' and International Development Cooperation especially 'Aid for Trade, with the strengthening of the trade relations between the Centre and Periphery, the NIC region will be benefitted. As outlined in the aim of this paper, the wider view of Nepal's immediate neighbourhood cooperation is revealed to enhance the present mode of operation between Nepal, India, and China more equitably. An integrated approach to the NIC equitable efforts, closer diplomatic relations followed by the 'NICED Relationship' are strongly proposed to practice. There is a strong chance for sustainable management and use of Nepal's endogenous resources (and products). The economic geography reveals the center and peripheral power of different economic market centres within Nepal and Nepal's connection with the economic and market centres of India and China. This may help better neighbourhood cooperation and mutual benefits for the entire regional 'Protection (security), Peace, and Prosperity'.

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