

Strengthening A 'Nepal, India, and China Equitable (NICE) Relationship' for Regional Development

Jagannath Kafle¹

Abstract

This paper explores the prospects of fostering equitable trilateral economic cooperation among the contiguous nations of Nepal, India, and China (NIC). The underlying concept advocates for an integrated framework termed the 'Nepal, India, and China Equitable Relation' (NICE Relation). The study endeavours to elucidate Nepal's economic diplomacy from a geographical standpoint, emphasizing the significance of fostering warm neighbourhood relationships. Its overarching objective is to optimize the existing operational modalities of immediate neighbourhoods and socio-economic activities among NIC partners. The potential cooperations have unveiled insights derived from the realms of Development Cooperation, Economic Geography, and Centre-Periphery ideologies. A trilateral alliance of this nature has been revealed to catalyse enhanced cooperation within the immediate neighbourhood, fostering mutual benefits and contributing to the overarching goals of 'Protection (security), Peace, and Prosperity (PPP)' in the broader Himalayan region shared by these neighbouring nations.

Keywords: *Development Cooperation, Economic Geography, Nepal-India-China, NICE Relations, Regional Development*

1. Introduction

Nepal's aspiration to graduate from the least developed countries (LDCs) by 2026 and achieve the United Nations Sustainable Development Goals (SDGs) by 2030 holds significant importance for the country (Pandey et al., 2022; UN, 2022). The successful realization of these goals is not only crucial for Nepal but also has implications for India and China. In today's interconnected world, the collaborative efforts of various nations are imperative for attaining such ambitious objectives. The economic interactions and collaborations between partner countries are heavily influenced by the strength of diplomatic ties. In the case of Nepal, these relationships gain particular prominence with its immediate neighbours, India and China. A nation's ability to maintain a balanced relationship with its neighbouring countries and global powerhouses can profoundly impact long-term stability and progress. Pursuing a foreign policy that takes into account the demographic, economic, socioeconomic, political, and geopolitical dynamics of neighbouring countries, is essential for sustainability (Khanal, 2018).

Nepal has historically upheld a unique and enduring relationship with its immediate neighbours, India and China, rooted in diplomatic skills, ethics, fairness, and integrity. However, adapting to the evolving global landscape requires even stronger cooperation. Initiatives like the 'Nepal, India, and China Equitable Relation' (NICE Relation) become imperative in navigating the challenges of the changing era (Taneja et al., 2020). This paper explores the trilateral economic geography and development cooperation involving

¹Kafle is a doctoral researcher at Department of Marketing and International Business (Economic Geography Unit) Turku School of Economics, University of Turku, Finland. Email: jagannathkafle1@gmail.com

Nepal, India, and China (NIC) to enhance Nepal's engagement in global trade and development. Emphasizing the importance of soft power, Nepal can foster equitable cooperation with its immediate neighbours (Karki & Dhungana, 2020). The premise is that sustainable management and utilization of both domestic and external resources contribute to improving economic activities. This, in turn, aids in establishing sustainable livelihoods, enhancing production capacity, and fostering trade links between central and peripheral regions within and across countries (Hannerz, 2015). Achieving economic sustainability for a major market centre and its periphery necessitates robust cooperation with neighbouring countries, requiring effective management of local resources to build production capacity and trade links. Development cooperation emerges as a pivotal factor in this context.

Furthermore, integrating external resources with domestic ones can connect trade relationships to the international market. Identification, proper management, development, and commercialization of indigenous knowledge and local resources have the potential not only to benefit the domestic arena but also to extend their usefulness to international markets (Kincheloe & Semali, 2011). In a nutshell, enhanced cooperation has the potential to fortify domestic empowerment and mutual benefits among NIC (MOFA Nepal, 2020). The paper contextualizes development cooperation initiatives within the dynamics of the three NIC countries and highlights the necessity of linking local economic activities to both domestic and international markets to achieve sustainable development goals.

The primary objective of this paper is to provide a comprehensive perspective on Nepal's cooperation with its immediate neighbours within the realm of economic geography. The aim is to enhance the existing framework of trilateral neighbourhood activities involving NIC, fostering a more equitable collaboration. The paper advocates for an integrated approach to the 'NICE Relationship' complemented by robust diplomatic ties among these nations for future considerations (Kafle, 2017). Aligned with the central objective, the subsequent goal is to propose practical policy strategies that ensure equitable and sustainable cooperation among the NIC. The paper contends that reinforcing development cooperation, particularly in mobilizing domestic resources, contributes to fostering mutual cooperation between the central and peripheral regions of both domestic and cross-border economic relations. This, in turn, facilitates the realization of sustainable development goals within and across nations. The underlying hypothesis of this paper posits that the "enhanced application of equitable neighbourhood cooperation contributes to the long-term regional protection (security), peace, and prosperity (PPP) within NIC." Additionally, the second working hypothesis suggests that the "effective use of development cooperation promotes the sustainable management and utilization of local resources, thereby improving economic dynamics between the central and peripheral areas, ultimately contributing to the achievement of sustainable development goals within and between countries."

2. Literature Review

2.1 Development Cooperation

According to the hypothesis presented in this paper, it is crucial to illustrate the correlation between sustainable management and the utilization of local resources and development cooperation. The concept of foreign aid became an integral component of development cooperation, representing the interaction between developed and developing nations, particularly since the establishment of the United Nations. In

recent years, global communities have been exploring various models of development cooperation to effectively implement Sustainable Development Goals (SDGs). Historically, formal records of foreign assistance were absent until the 18th century, and its presence was minimal in the 19th century. The initiation of formal foreign aid dates back to 1812 when the United States Congress passed the Act of Relieving Earthquake-devastated Venezuelan citizens. Some private charitable contributions were extended to societies, schools, and scholarships in African and other colonial states before the First World War, primarily by the United States of America, Britain, and France. Following the First World War, the notion of government aid gained prominence, providing support, including food, to war-torn European states for humanitarian, political, and developmental reasons (Hjertholm and White, 2004). The post-Second World War era witnessed a new wave of foreign aid, predominantly in organizational form, aimed at reconstructing the war-damaged European economy. The successful implementation of the Marshall Plan and the establishment of international institutions such as the United Nations (UN), International Monetary Fund (IMF), and World Bank (WB) played pivotal roles in institutionalizing foreign resources to uplift the emerging world. Over successive periods, Europe fully recovered and transitioned into 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 development aid. The context of the underdeveloped countries has remained the same issue of fighting with multiple faced poverty permanently. Development assistance is becoming the most important tool for developing countries to strengthen their domestic production capacity and participate in global trade. The Aid for Trade (AfT) is a policy concept taken by the World Trade Organization (WTO) to build trade capacity, expand infrastructure development, promote trade links, and enhance 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); which addresses six policy areas methodologically measured such as (i) trade policy and regulations, (ii) trade development, (iii) trade-related infrastructure (transport, storage, communications, energies), (iv) building productive capacity (banking and financial services, business services, agriculture forestry fishing, industry and mining, tourism), (v) trade-related adjustment, and (vi) other trade-related needs which contribute to all seventeen sustainable development goals (OECD, 2021). The literature suggests that development cooperation can be an important element 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. Development assistance has become an effective tool in developing countries to help them integrate into the global trading system and benefit from increased trade links.

The concept of development cooperation has been widely discussed and debated in the academic literature on international trade and development. Some key contributors to the development cooperation

literature include economists, trade experts, development specialists, and representatives from international organizations. Jacob Viner's 'Trade Creation Theory' argues 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' spells 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 'Staple Theory' believes 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 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 development cooperation helps to increase the production capacity of a country by launching investment in infrastructure or training programs. 'Trade Facilitation Theory' advocates that donors can help 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 development cooperation 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 on how trade liberalization can stimulate economic growth and development, and how donors can support the process of trade liberalization (Panagariya, 2000). 'New Trade Theory' posits that trade can lead to technological upgrading and improved competitiveness which encourages developing countries to 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. Development cooperation 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 financing from development cooperation 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 cooperation 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 have been developed to support the literature. Overall, the literature on development cooperation has shown that while there are challenges, it is a valuable tool for promoting economic growth and sustainable development through strong equitable cooperation between immediate neighbouring countries such as NIC. However, development cooperation must be well-coordinated, targeted, and results-oriented; and it is delivered in a way that promotes ownership and sustainability for economic prosperity in the NIC region.

2.2 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 by 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 to define 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 not only Nepal but also India and China.

Examining how economic activities are distributed across space; how they are related to the physical and human characteristics of a place; and how economic activities are influenced by and shape social, institutional, political, and environmental factors is also the 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 (i) the phenomenon of the global economy; (ii) regional diversification, balance, and growth; (iii) sustainable development and inequality; (iv) urban-peripheral uneven changes and growth; (v) international trade and investment; (vi) innovation and technological changes; and (vii) 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 began 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 which 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). Lösch (1938) 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 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, and the relationship between agricultural land use, urbanization, and economic development (Fujita, 2011); (Berliant and 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 uncover able scholars have contributed to developing Economic Geography and New Economic Geography (Berliant and Mori, 2016).

With the references of this literature, 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 are essentially to be allocated bigger share of the contributions equitably as the NICE relationship proposed. The theories of Economic Geography offer the multidisciplinary ground for equitable cooperation between NIC regions.

2.3 Centre-Periphery Theory:

The underlying hypothesis of this paper centres on optimizing the effective mobilization of both available endogenous and exogenous resources. Specifically, the focus is on the sustainable management and utilization of local resources in Nepal, coupled with development cooperation from India and China. This concerted effort aims to enhance mutual economic benefits for both the central and peripheral regions within and across countries. The paper advocates for a novel immediate neighbourhood policy within the NIC scenario, emphasizing integrated and equitable economic cooperation that facilitates mutual benefits through the implementation of a centre-periphery approach. The utilization of the centre-periphery concept in social sciences, particularly economic geography, gained prominence in the latter half of the twentieth century (Gidengil, 1978). Henri Lefebvre's Centre-Periphery theory, as cited by Hannerz (2015), illustrates the dynamic relationship between a dominant economic centre and subordinate periphery regions within the global economic system.

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 the world (Shils, 1977). The centre is characterized by the greater 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 fields of global capitalism, geography, and political economy.

The relationship between the centre and periphery can be revealed in two layers. One layer is within Nepal such as the relationship with the large economic centres such as Kathmandu, Pokhara, Biratnagar, and such big cities with the peripheral small municipalities, rural municipalities, towns, and villages. And, the second layer is to demonstrate the economic relationship of the economic centres of Nepal (such as Kathmandu) with the larger international economic centres of India, China (such as Delhi and Beijing), and the rest of the world that the Centre-Periphery theory is strongly applicable to the equitable cooperation between this NIC region from local to international levels.

3. Method

This study employs desk research and utilizes a qualitative empirical method to fulfil its objectives. The examination of existing literature is conducted to analyze and extract relevant information pertaining to the defined aim of the paper. The literature encompasses theories such as Development Cooperation, Economic Geography, and Centre-Periphery. It also encompasses the connecting elements of NIC, considering it within the framework of South-South Cooperation. Through qualitative literature studies, the working hypothesis will be subjected to both validation and negation. In summary, this paper adopts a qualitative approach throughout its methodology.

4. Discussion

4.1 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, regional and global security, and many more geo-political components. The shaping documents and factors of the foreign policy of Nepal are outlined through the constitutions of Nepal, activities of 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 while maintaining a friendly relationship with promoting regional and global cooperation.

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 i) Mutual respect for territorial

integrity and sovereignty; ii) Non-interference in each other's internal affairs; iii) Respect for mutual equality; iv) Non-aggression and the peaceful settlement of disputes; v) Cooperation for mutual benefit; vi) Abiding faith in the Charter of the United Nations; and, vii) 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.

4.2 Relation between Nepal and India

Nepal and India have made several treaties and agreements throughout history to strengthen the warmest neighbourhood coexistence. The most significant treaties and agreements that shaped the strong relationship between Nepal and India. Among them, 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 allows 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 had strong development cooperation with Nepal since India's independence. 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 amongst others (MOFA Nepal, 2022).

In recent periods, India has revealed its importance to Nepal as the most prioritized immediate neighbour country. Narendra Modi's government has adopted the "Neighbourhood First Policy of India (NFPI)" to foster cordial relations and synergetic economic development in Nepal including peaceful relations and collaborative synergetic co-development with neighbours in South Asia (Roy, 2015). The core component of the NFPI reveals the foreign policy for immediate neighbours to the new avenues for regional cooperation in the multi-disciplinary sectors such as economic, technological, environmental, defence security, space program, climate challenges, education, tourism, research, and different modes of digital and physical connectivity. India signifies the importance of neighbourhood policy that shifts closer to Nepal through Hindu heritage tie, infrastructure development, hydroelectricity business, and free trade and commerce in the overall more prosperous, peaceful and friendly relationship. In numerous instances, evident reservations arise concerning Nepal's encounters with disruptions in the smooth cross-border movement of goods and services, excess to seaports, unwanted political influences, and border disputes. This necessitates a thorough reassessment to establish a fair and balanced relationship.

The common grounds between Nepal and India are geographical, cultural, and historical ties (Taneja et al., 2020). The similar terrain and landscape of the Himalayas, Mountains, and Terai are 1850 km long and 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 (Deepawali), Holi, Teej, Dussara (Dashain), Chhath, and many more festivals (Taneja et al., 2020). We have an agriculture-based economy, a labour-intensive economy, subsistence livelihoods, and ethnic diversity including shared history. Similarly, more important components are 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.

4.3 Relation between Nepal and 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. Among them, 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'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 mobilizing 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.

4.4 Trilateral NIC Relation

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 NICE cooperation.

Both India and China have been aware of potential threats from weak countries like Nepal in recent years. Both countries have a strong interest in influencing and controlling 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 the over influence 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). Over dependency with any country is ultimately harmful to Nepal. Nepal needs to gain 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 "NICE 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 there is also 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.

5. Conclusion

The study sheds light on the favourable impact of Nepal's historical and current foreign policies and close ties with immediate neighbours, laying the foundation for robust trilateral cooperation with India and China. The nation's neighbour-friendly foreign policies, strategic geographical location, untapped domestic resources, and multidimensional engagements with neighbouring countries provide compelling evidence supporting the hypothesis of interdependence for regional sustainable development. Economic

progress, intricately tied to diplomatic relationships, highlights the need for a shift from a 'Children-Guardian Relationship' to active participation in equitable development cooperation. The emergence of India and China as global economic powerhouses, facilitated by the establishment of BRICS, opens avenues for Nepal to tap into potential world markets. Embracing international development cooperation ideologies, particularly South-South Cooperation, and leveraging economic geography principles in strengthening trade relations between the centre and periphery, the NIC region stands to gain significant benefits. Aligning with the broader goals of 'Protection, Peace, and Prosperity,' the study advocates for an integrated approach to NIC's equitable efforts, emphasizing the 'NICE Relationship' for closer diplomatic ties. This comprehensive strategy offers a strong prospect for sustainable management of Nepal's endogenous resources, fostering better neighbourhood cooperation and mutual benefits for the entire regional landscape. In essence, the paper underscores the transformative potential of fostering equitable relations among Nepal, India, and China in shaping a prosperous and harmonious Himalayan region.

6. Limitation

This study is limited to drawing attention to the Nepal-India-China Equitable (NICE) Relationship based on literature. Some fundamental theories, basic policies and limited practical grounds are briefly discussed. The study of NICE relationships is still a continuous process. Foreign policy and diplomatic relations are taken as independent variables for establishing strong NICE relationships. Practical quantitative data and empirical evidence-based studies are still huge room for the study. The door is open for deeper empirical studies of the NICE relationship. This type of study requires a huge investment of time, money, and human resources. With the limited resources, the issues of the NICE relationship are just floored for the discussion.

Acknowledgements: My special thanks and honours go to Pro. Dr. Heli Marjanen and Dr. Ayu Pratiwi for their strong motivation and guidance in writing the papers. My huge respect goes to Pro. Dr. Katak Malla that this paper would not be completed without his directions and suggestions.

(Note: Most of the contents of this paper were discussed and presented in the Second National Economists' Conference organised by the National Economic Concern Society on 10-11 May 2023 in Kathmandu, Nepal. Additionally, the contents are used in the different courses of my doctoral studies)

References

- Audretsch, D. (2012). Entrepreneurship. *Research Management Decision* vol. 50 no. 5, 2012 pp. 755-764.
- Baldwin, R., & Okubo, T. (2006). Heterogeneous firms, agglomeration and economic geography: Spatial selection and sorting. *Journal of Economic Geography*, 6, 323- 346.
- Berliant, M., & Mori, T. (2016). Beyond urbanform: How masahisa Fujita Shapes us. *International Journal of Economic Theory* 13 (2017) 5–28
- Bhattarai, K., & Upadhyaya, S. (2018). Hydropower development in Nepal: A review of policies, strategies and issues. *International Journal of Water Resources Development*, 34 (4), 502-518.
- Bhattarai, G., & Pulami, M.J. (2022). Mapping Nepal's foreign policy behaviour towards great power politics: A study of Nepal's foreign policy response to the Russia-Ukraine crisis. *Nepal Public Policy Review*, Volume 2, 2022
- Boschma, R., Coenen, L., Frenken, K., & Truffer, B., (2017). Towards a theory of regional diversification: Combining insights from evolutionary economic geography and transition studies. *Regional Studies*, 51:1, 31-45, DOI: 10.1080/00343404.2016.1258460.
- Clark, G.L., Feldman, M.P., & Gertler, M. S. (2000). The oxford handbook of economic geography. Oxford University press inc., New York.
- Clark, G.L., Feldman, M.P., Gertler, M. S., & Wojcik, D. (2018). The new Oxford handbook of economic geography. Oxford University press inc., New York.
- Clausing, K. A. (2001). Trade creation and trade diversion in the Canada-United States free trade agreement. *Canadian Journal of Economics*, vol. 34, no. 3.
- Coe, N. M., Kelley, P., & Yeung, E. W. C. (2020). economic geography, a contemporary introduction. Third edition, wiley blackwell, John Wiley & Sons Ltd.
- Driem G. V. (2001). Languages of the Himalayas: An Ethnolinguistic Handbook. (Handbook of Oriental Studies 10/1-2.) Leiden: Brill, 2001. Vol. I, xxvi + 462 pp.; Vol. 2, viii+ 1113 pp.
- Egert, B., Drine, I., Lommatzsch, K., & Rault, C. (2003). The balassa-samuelson effect in central and Eastern Europe: myth or reality? *Journal of Comparative Economics*, 31 (2003) 552–572.
- Friedmann, J. (1967). A general theory of polarized development. The ford foundation urban and regional advisory program in Chile. *santo domingo* 504 (81)
- Fujita, M. (2011). Thünen and the new economic geography. *Regional Science and Urban Economics*, 42 (2012) 907-912.
- Gidengil, E. L. (1978). Centres and peripheries: An empirical test of galtung's theory of imperial. *Journal of Peace Research no. 1*, vol. XV, 1978.
- Gokhle, V. (2021). India’s fog of misunderstanding surrounding Nepal-China relations. Carnegie endowment for international peace publications department 1779 massachusetts avenue NW washington, D.C. 20036.
- Government of Nepal, (2015). Constitution of Nepal 2072.
- Hall, S. P. (2000). Creative cities and economic development. *Urban Studies*, vol. 37 (4): 639-649.
- Hannerz, U. (2015). *Center-periphery relationships*. International encyclopedia of the social & behavioral sciences, 2nd edition, volume 3.

- Hartshorne, R. (1927). Location as a factor in geography. *Annals of the Association of American Geographers*, Vol. 17, No. 2, pp. 92–99.
- Kafle, J. (2018). *Guidelines of prosperous Nepal*. Solidarity publication, Kathmandu Nepal
- Karki, S. & Dhungana, S. (2020). Soft power in international relations: Opportunities for small states like Nepal. *Journal of International Affairs* Vol. 3, 162-179.
- Khanal, K. (2018). Nepal-US relations post 1950, in Pramod Jaiswal (ed) Nepal and great powers. Synergy books India, New Delhi, with Erika Smith, policy research institute, 2018 pp. 50-69.
- Kincheloe, J. L. & Semali, L. M., (2011). What is indigenous knowledge? Voices from the academy, indigenous knowledge, and schooling, volume 2, 1999. Garland reference library of social science, volume E1191.
- King, L.J. (1985). Central place theory reprint edited by grant Ian Thrall. *WVU Research Repository*, 2020.
- Krugman, P. (1991). Increasing returns and economic geography. *Journal of Political Economy*, 99(3), 483-499.
- Krugman, P. (1998). What's new about the new economic geography? *Oxford Review of Economic Policy*, 14 (2), 7-17.
- Kumari, P., & Kushwaha, R. (2019). Sugauli treaty 1816. *International Journal of History*, 1 (1), 42-47.
- Lösch, A. (1938). The nature of economic regions, *Southern Economic Journal*, 5 (1), 71-78.
- Mainali, R. (2022). Analysing Nepal's foreign policy: A hedging perspective. *Journal of Asian Security and International Affairs*, 9 (2) 301-317.
- Markusen, J.R., & Venables, A.J. (1998). Multinational firms and the new trade theory. *Journal of International Economics* 46 (1998) 183–203.
- MOFA. (2021). Statement by minister for foreign affairs hon. Dr. Narayan Khadka at the general debate. the 76th session of UN general assembly, ministry of foreign affairs.
- MOFA Nepal, (2020). Reports on Nepal's foreign affairs 2019-2020. Ministry of foreign affairs government of Nepal, singh durbar, Kathmandu Nepal.
- MOFA Nepal, (2022). Nepal development partner profile book. International economic cooperation coordination division, ministry of finance, singha durbar, Kathmandu, Nepal.
- MOFA, (2021). Foreign policy of Nepal 2077. Ministry of foreign affairs, shinahadurbar, Kathmandu, Nepal. Nepal's foreign policy - ministry of foreign affairs Nepal MOFA.
- Nepal, D. (2021). Nepal's relationship with India and China in the changing context. *Mangal Research Journal*, vol. 2 pp 37-46.
- Panagariya, A. (2000). Preferential trade liberalization: The traditional theory and new developments. *Journal of Economic Literature*, vol. 38, no. 2 (2000), pp. 287- 331.
- Pandey, P.R., Kharel, P., Dahal, K., Singh, D., & Aryal, S. (2022). Nepal's graduation from the LDC category: Implications for international trade and development cooperation. Kathmandu: south asia watch on trade, economics and environment (SAWTEE).
- Pankaew, A., & Kaewkhunok, S. (2022). The new equation of south ssia region: The rising role of China in Nepal's foreign policy. *International Area Studies Review*, 2022, Vol. 25(2) 121–137.

- Perloff, H.S. (1968). Key features of regional planning. *Journal of the American Institute of Planners*, 34:3, 153-159, DOI: 10.1080/01944366808977798
- Perloff, H.S., Dun, E.S., Lampard E.E., & Keith, R.F. (1960). *Region, resource and economic growth*. Baltimore John Hopkins Press.
- Pieterse, J. N. (2010). *Development theory deconstructions/reconstructions*. Second edition SAGE publications Ltd 1 oliver's yard 55 city road London.
- Plehwe, D.& Slobodian, Q. (2019). Landscapes of unrest: Herbert giersch and the origins of neoliberal economic geography. *Modern intellectual history* · August 2017. DOI: 10.1017/S1479244317000324.
- Rai, S. K., & Singh, R. (2018). Hydroelectricity in Nepal: status, challenges, and opportunities. *Renewable and Sustainable Energy Reviews*, 81, 2002-2013.
- Riddell, R.C. (2014). Does foreign aid really work? Key notes addressed to australian aid and development workshop, Canberra, 13 February 2014.
- Roy, P. (2015). Decoding India's 'neighbourhood first' policy. *The Indian Journal of Political Science*, 76 (4) pp 1024-1029.
- Scott, A. J. (2001). Economic geography: The great half-century. *Journal of Economic Geography*, 1(1), 1-41.
- Shils, E. (1977). Center and periphery: Essays in macrosociology. *Contemporary Sociology*, vol. 6, no. 2, pp. 257-258.
- Shirazi, N. S., & Manap, T. A. A. (2005). Export-led growth hypothesis: Further econometric evidence from South Asia. *The Developing Economies*, Xliii-4 (december 2005): 472–88.
- Soja, E. W. (2010). *Seeking spatial justice*. Minneapolis: University of minnesota press.
- Soja, E. W., Morales, R., & Wolff, G. (1983). Urban restructuring: An analysis of social and spatial change in los angeles. *Economic Geography*, 59 (2), 195-230.
- Sousa, J., Mayer, T., & Zignago, S. (2012). Market access in global and regional trade. *Regional Science and Urban Economics*, 42 (6), 1037-1052.
- Stanford, J. (2020). Mel watkins and the continuing evolution of staples theory. *Studies in Political Economy*, 101:3, 280-287
- Tan, E. (2014). Human capital theory: A holistic criticism. *Review of Educational Research*, September 2014, vol. 84, no. 3, pp. 411–445.
- Taneja, N., Prakash, S., Bimal, S., Garg, S., & Roy, R. (2020). Indo-nepal trade and investment: an analysis, indian council of world affairs (ICWA). *India Quarterly* 76 (2), 243-275.
- Thisse, J.F. (2017). Human capital and agglomeration economies in urban development. *The Developing Economies* 56(2): 117–139.
- UN Charter, (1945). Charter of the united nations and statute of the international court of justice. UN charter statue of the court of justic.pdf
- Vijil, M., & Wagner, L. (2012). Does aid for trade enhance export performance? Investigating the infrastructure channel. *The world economy 2012*, Blackwell publishing ltd.
- Watkins, M. H. (1963). A staple theory of economic growth. *The Canadian Journal of Economics and Political Science*, vol. 29, no. 2 (may 1963), pp. 141-158.