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Dr. Aleksandar Mitić
Dr. Katarina Zakić (Eds.)

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THE BRI 2.0 AND THE ROLE OF NEPAL AS A SOUTH-SOUTHEAST ASIAN CONNECTOR

Tiago Botelho dos SANTOS*

Diogo BORGES

Abstract: The Belt and Road Initiative (BRI) is a global interconnection project aimed at promoting China's role in the global context, comprising six land economic corridors and one comprehensive maritime economic route, which form a network of interconnectivity and economic development. After the COVID-19 pandemic, the global order faced new economic challenges, and most of the countries were forced to redefine their external policies. These caused China to rethink its BRI initiative, as announced during the Third Belt and Road Forum for International Cooperation, focusing on connecting land-based corridors to achieve multidimensional connectivity. As such, in recent years, China has been focusing on achieving connections between its two main land corridors, the China-Pakistan Economic Corridor (CPEC) and the China-Indochina Peninsula Economic Corridor (CIPEC). The central objective is to provide overland access to the Persian Gulf and the Arabian Sea for Southeast Asian countries and offer a viable alternative to Malacca. The initial idea was to link the two corridors via the Bangladesh-China-India-Myanmar Economic Corridor (BCIM-EC). However, due to India's rejection of the project, China had to reconsider its connection strategy and search for new regional partners. Nepal surged as an appealing country, not only because of its geostrategic location but also because of its underexplored fossil fuel reserves. The aim of this research is to analyse the effects of the Nepalese alternative for CPEC-CIPEC connectivity in order to understand the change in China's foreign policy and the new Chinese interregional strategy.

Keywords: China, Nepal, BRI, South Asia, Southeast Asia, CPEC, CIPEC.

* Researcher at the Centre of International Studies (CEI-ISCTE) and PhD Scholarship Holder at the Macau Scientific and Cultural Centre (CCCM), Lisboa, Portugal; Email: tdbss@iscte-iul.pt, ORCID: 0000-0001-5539-1238.

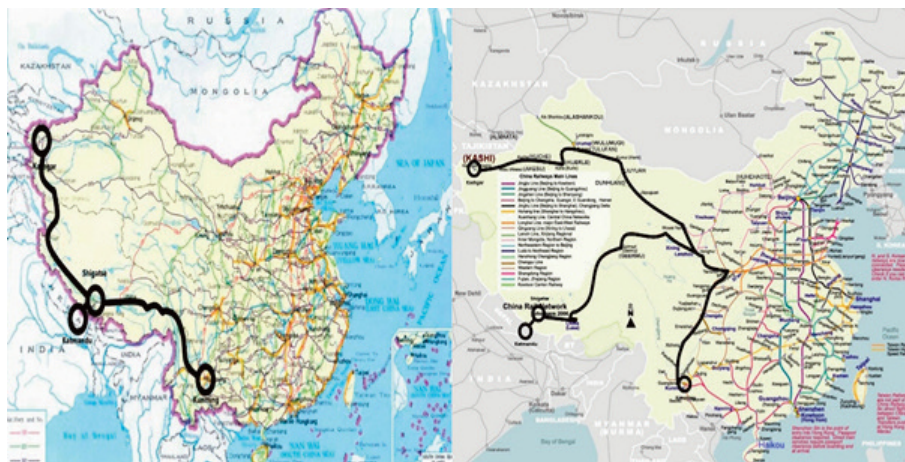
Researcher at the Centre of International Studies (CEI-ISCTE) and PhD Scholarship Holder at the Macau Scientific and Cultural Centre (CCCM), Lisboa, Portugal; Email: djlbs@iscte-iul.pt, ORCID: 0000-0001-9914-9048.

INTRODUCTION

In 2013, Xi Jinping announced the Belt and Road Initiative (BRI) as an interregional interconnectivity project during official visits to Kazakhstan and Indonesia (McBride et al., 2023). The aim of the BRI was to advance China's global role by allowing China to extend its influence beyond its traditional sphere through two pivotal routes, the Silk Road Economic Belt (SREB) and the 21st Century Maritime Silk Road (21st MSR), which together form a land-sea network that facilitates connectivity and economic growth between the parties involved. While the SREB was composed of six economic corridors, namely the China-Pakistan Economic Corridor (CPEC), the China-Indochina Peninsula Economic Corridor (CIPEC), the Bangladesh-China-India-Myanmar Economic Corridor (BCIM-EC), the New Eurasian Land Bridge (NELB), the China Central-West Asia Economic Corridor (CCWAEC), and the China-Mongolia-Russia Economic Corridor (CMREC), the 21st MSR was a Southeast and South Asia-focused project that was revived and expanded over time to allow China to control its main trade and energy import routes in the Indian Ocean Region (IOR) (China SCIO, 2020).

The emergence of the COVID-19 pandemic precipitated a series of economic challenges for the global order, compelling many nations to re-examine their external policies in the context of these novel circumstances. In addition to the challenges posed by the global pandemic, China faced significant regional rivalries with India and the United States. These included India's refusal of the BRI and the rebranding of the BCIM-EC to the China-Myanmar Economic Corridor (CMEC), as well as the power rivalry between China and the US. These rivalries led China to rethink its BRI strategy and search for new forms of connectivity (Yu, 2024, p. 169). Consequently, at the Third Belt and Road Forum for International Cooperation (3rd BRI Forum) last year, China announced a new focus on interconnectivity through land-based corridors with the objective of achieving multidimensional connectivity (Jinping, 2023).

Figure 1. Map of how the Katmandu-Shigatse multimodal project would look on China's current infrastructure
(On the left are the Expressway infrastructure lines, and on the right are the Railway infrastructure lines)



Source: Raw images taken from China-Tour website and edited by the authors to highlight the Kashgar-THEC-Kunming connection.

Within this multidimensional project, one of the main corridors is the Trans-Himalayan Economic Corridor (THEC), whose primary objective is to integrate Nepal within the Chinese infrastructure network, allowing for Nepalese development and regional integration while granting Chinese access to the Himalayan energy reserves (HNS, 2019; Miller, 2022, pp. 12–13; Zhou, 2024). Furthermore, the integration of Nepal into the Chinese infrastructure network, primarily through the construction of a Kathmandu-Shigatse railway and motorway connecting to Kunming and Kashgar (Figure 1), would facilitate the development of the western region of China, with Nepal serving as a connectivity and logistics hub within the heart of the Himalayas.

Consequently, in line with the above factors, this article puts forth the hypothesis that China's objective in establishing the THEC is to create connectivity between South Asia and Southeast Asia. It further suggests that the primary Chinese objective in this endeavour is to establish a CPEC-CIPEC mega-corridor. The central objective of this link is to provide overland access to the Persian Gulf and the Arabian Sea for Southeast Asian countries.

Furthermore, the project is intended to provide a viable alternative to the Malacca Strait, which has been a source of tension between China and the United States. Therefore, our research goal is to understand the impact of the Nepalese alternative for CPEC-CIPEC connectivity in order to comprehend the transformation in China's foreign policy and the novel Chinese interregional strategy. This will be achieved through an examination of the ongoing BRI projects in Nepal, with a particular focus on the THEC, in order to ascertain how these projects can facilitate the Chinese desired multidimensional interconnectivity. Further, an exploratory analysis of the CPEC and CIPEC corridors would be conducted to understand their regional relevance and how the South-Southeast Asia connectivity strategy through Nepal fits into China's BRI 2.0.

In order to answer the above research question and test the current hypothesis, this study will follow a specific methodological and theoretical approach. Methodologically, it will mainly conduct a qualitative analysis of both primary and secondary sources to understand how China-Nepal relations have evolved. Theoretically, this study will take into account Buzan and Wæver's (2003) Regional Security Complex Theory (RSCT), mainly through an economic security perspective that is also one of the main pillars of China's foreign policy. The authors argue that powers act mainly within their respective regional complexes, which are determined by the power dynamics of their neighbourhood relations. However, Buzan and Wæver argue that China is seen as an Asian power acting simultaneously in three regional complexes, each of which includes South Asia and Southeast Asia, and that Nepal can be seen as a regional buffer due to its geostrategic location. Thus, using this notion of China as a multi-regional power and Nepal as a regional buffer, this study will analyse how China has included Nepal in its BRI 2.0 to address one of the biggest threats to its own energy security, the Malacca Dilemma.

WHY IS CHINA SEEKING FOR ALTERNATIVES: THE NEW PATHWAYS OF THE BRI 2.0

In recent times, the international system has witnessed a series of geopolitical and geoeconomic shifts that have served to intensify the rivalry between China and the US. The primary arena of contention between the two

powers is the Indo-Pacific, a region that plays a pivotal role in the global economy by accounting for approximately 60% of global GDP and nearly two-thirds of the world's economic growth, making it a crucial area of interest for both nations (U.S. Department of State, 2024). Over the past decade, the competition for regional power has been most evident in the economic and security strategies of both China and the United States. In the case of China, this has manifested in the BRI and the Shanghai Cooperation Organisation (SCO) strategies. Similarly, in response to the wider Chinese BRI and SCO engagement, the United States supported the Free and Open Indo-Pacific (FOIP) and Quadrilateral Security Dialogue (QUAD). Therefore, it can be noticed that the tension between both sides has been growing and that the Indo-Pacific region has become the chessboard of this great power confrontation.

Regarding this power rivalry, one of the main challenges that China faces is directly connected to its energy security. As mentioned before, the BRI is composed of the SREB and the 21st MSR. Besides the fact that both parts of the initiative provide connectivity and economic growth to the parties involved, one should keep in mind that the development of these projects was partially influenced by two occurrences: firstly, China's significant energy import dependency on the Middle East, and secondly, the potential for a US blockade of Malacca (Anwar, 2019). To put the connection between these two considerations into perspective, China imports 60 to 70 per cent of its energy reserves from the Middle East, and these pass through the Strait of Malacca (Paszak, 2021). Therefore, this explains why China fears a scenario in which the US might block the Strait of Malacca in the event of a power confrontation, since it would cause a national energy crisis that would directly affect national security. This phenomenon, which has been a source of Chinese concern since the 1990s, was coined the Malacca Dilemma in 2003 by then-Chinese President Hu Jintao (Paszak, 2021).

Since the late 1990s, China has initiated a strategy to solve the problem based on building alternatives. One of these alternatives was the development of Pakistan into a regional hub, with the objective of establishing a direct connection to the energy routes of the Middle East. Around the time China showed the first concerns over the Malacca Dilemma, Pakistan promoted the Gwadar project as a mutually beneficial opportunity for both sides, offering China the opportunity to invest in an initiative that could enhance the Chinese presence in one of the most significant global energy and trade bottlenecks, namely the Persian Gulf and Arabian Sea (Khan et al., 2024, p. 5). Pakistan's

role as a possible Malacca alternative was further reinforced by a series of agreements and development plans. Of particular note are the two phases of the China-Pakistan Free Trade Agreement (CPFTA) (2006 and 2009); the completion of the Gwadar deep-water port Phase 1 and the Gwadar-Karakoram-Kashgar connectivity projects (2006); and the Pakistani admission into the Central Asia Economic Cooperation (CAREC) Program (2010) (CAREC Program, 2022; MC PRC, 2024). The implementation of these projects has enabled China to establish more direct and time-efficient routes¹, helping to reduce its reliance on the Strait of Malacca. In 2013, following a meeting between Pakistani Prime Minister Nawaz Sharif and Chinese Prime Minister Li Keqiang in Beijing, China consolidated all of its development efforts into one BRI economic corridor, designated as the CPEC, with the intention of transforming the Gwadar Port into a hub for energy trade directly connecting the Middle East to Kashgar (Khan et al., 2023, pp. 94–98; Mardell, 2020).

In the same year, China also proposed the BRI BCIM corridor to India, Myanmar, and Bangladesh as a successor to the Kunming Initiative, originally proposed in 1999, with the intention of avoiding the Malacca dilemma. However, the corridor was rejected by the Modi government after it refused to participate in the first and second BRI forums in 2017 and 2019, respectively (Ali & Khan, 2024, p. 15). The official justification advanced two principal motives. Firstly, it cited the historic Sino-Pakistani friendship. Secondly, it advanced India's argument that although the CPEC passes through Azad Kashmir, an area controlled by Pakistan, the whole of Kashmir is Indian and that, consequently, China is violating India's territorial integrity (Miller, 2022, p. 12). The Indian refusal, in conjunction with the Indo-US Civil-Nuclear Deal signed in 2005, served to exacerbate the Chinese concern regarding the Malacca Dilemma because China feared that India could utilise its influence within the Indian Ocean to impede the shipment of Chinese goods to Singapore. Nevertheless, both Bangladesh and Myanmar have elected to

¹ In a concise study conducted by Alam, Li, Baig, Muhammad, Sun, and Tariq (2023), the time and cost effectiveness of these routes were analysed. The results were presented for both China's trade with the Middle East and Europe. With regard to travel time, the aforementioned routes would allow a reduction in distance from 3000 to 10000 km, depending on the Chinese province or municipality of origin. Additionally, with respect to transportation costs, the authors concluded that these new routes would result in a decrease of approximately 2000 USD for departures from Xinjiang.

pursue their respective projects. In the case of Myanmar, China launched in 2017 the Kyaukpyu deep-water port expansion, which aimed, similarly to the Gwadar port, to build an alternative sea-land route that would connect China directly to the Indian Ocean (Fillingham, 2023). On the other hand, China also developed the Chittagong and Payra ports in Bangladesh in order to strengthen its presence within the Bay of Bengal while granting alternative ports for energy transportation (Fairman, 2019; Shepard, 2016).

In addition to the proposed corridors, China also presented the Kra Isthmus project in Thailand in 2015. This project involved the construction of a man-made canal, similar to the Panama Canal, that would connect the Gulf of Thailand and the Andaman Sea. The primary objective was to develop an alternative maritime route to the Malacca Strait that would facilitate connectivity between the South China Sea and the Indian Ocean while mitigating the risk of future US blockades. However, the project only regained focus at the end of 2023 with the Thai proposal for its redefining from a canal into a land bridge (Fillingham, 2023).

However, despite China's efforts to address the Malacca Dilemma, the post-COVID-19 global order has brought about changes to the international system that have compelled states to adopt new foreign policy strategies. According to Yu (2024, p. 170), this alteration was mainly driven by the crash in the international economy, leading to the necessity of building "an open world economy and resilient regional and global industrial chains". China was not immune to these changes and thus sought to adapt its principal international strategy, the BRI. The modifications to the BRI model were unveiled at the 3rd BRI Forum in October 2023 during Xi Jinping's closing remarks, which outlined the framework for the future of the BRI and emphasised the importance of establishing multidimensional connectivity (Jinping, 2023). This new BRI approach can be labelled as the BRI 2.0. Additionally, the failure of the BCIM corridor and the lack of success of individual projects in Myanmar, Thailand, and Bangladesh have contributed to the difficulties surrounding the Malacca Dilemma. This has prompted China to pursue a more intensive investment strategy in the SREB, with the objective of capitalising on the inter-regional success of the CPEC in connecting China to the Persian Gulf and in attracting new partners from Central Asia and the Middle East (Habibi & Zhu, 2020). The objective of this initiative was to reinforce the BRI and establish alternative continental trade routes by

promoting a mega-continental connection between Singapore and Gwadar via Kunming-THEC-Kashgar connectivity.

To achieve the above-mentioned connectivity, China sought to connect internally two of its national infrastructure network hubs, Kashgar and Kunming, which are the main connectivity nodes to the BRI. In order to establish a mega-continental corridor that could extend from the Middle East to the South China Sea, China has opted to connect its two principal SREB corridors, the CPEC and the CIPEC (Mardell, 2020; Rana & Xianbai, 2020, pp. 103–107). It is pertinent to note that the CIPEC is the Southeast Asian continental corridor that enables China to exert greater influence over the South China Sea and directly connects Kunming to Singapore. The junction of both corridors would allow China to circumvent the Malacca Strait to achieve energy security and avoid conflicts with India in the Indian Ocean. However, to connect Kunming to Kashgar, China would need to develop its internal infrastructure network. Although in Central and Eastern China the infrastructure network has been the target of a bigger development, the same cannot be said for the Tibet and Xinjiang autonomous regions, where the infrastructure network is underdeveloped (Figure 1) (Yuen, 2021). This is a significant concern for China, given that the current routes between Kunming and Kashgar are less direct and more time-consuming, which reduces their effectiveness. However, China has been progressing on this issue since the announcement of the Nepalese THEC by developing a southern Kunming-Lhasa-Shigatse-Kashgar alternative, as will be explored in more detail in the next section. This would allow China to achieve its connectivity objective within the BRI 2.0 framework.

EXPLORING TENDENCIES OF CHINESE INVESTMENT IN NEPAL: THE NEPALESE ROAD TO A CPEC-CIPEC CONNECTIVITY HUB

Since the creation of the British Raj, Nepal has been a landlocked country between two regional powers, China and India. Following the partition of the Indian subcontinent in 1947, which led to the creation of the states of India and Pakistan, Nepal found itself sandwiched between these two regional powers, both of which were vying for influence in the region. This resulted in the country pursuing a threat-balance agenda during the initial decades, as evidenced by a hedging strategy in which it sought to maintain cordial

relations with both sides while avoiding any form of conflictuality or bandwagoning (Johnny, 2024, p. 1). However, Nepal's landlocked status and proximity to India, the region's closest maritime power, have prompted the Nepalese government to prioritise strengthening its relationship with India with a view to facilitating access to the Bay of Bengal via Kolkata.

Although Nepal was more focused on relations with India, China subsequently adopted a more proactive approach towards Nepal, seeking to develop Nepalese connectivity with Tibet. With regard to the Sino-Nepalese relationship, it was only after 1955, when both countries established formal diplomatic relations, that it became a well-established and stable partnership (Choudhury, 2023, p. 122). In that same year, the relationship between the two countries was further strengthened through the signing of the Nepal-China Friendship Treaty. Even though the bulk of investments was made after 2006, China actually started as early as 1955 to develop smaller infrastructure projects and the Kathmandu-Lhasa Road² (Cottle et al., 2019). Furthermore, throughout the 1950s, China and Nepal entered into a series of bilateral agreements pertaining to the demarcation of their respective national frontiers (Murton & Plachta, 2021, p. 334). These instruments, coupled with the implementation of infrastructural projects, culminated in the conclusion of the China-Nepal Highway Construction Agreement in 1961 (MFA PRC, 1961). Subsequent to the agreement and until the conclusion of the 1970s, China also provided assistance in the militarisation of the Nepalese border, thereby ensuring the continued independence of Nepal in the face of Indian pressure. The initial decades of Sino-Nepalese relations demonstrate that the primary Chinese objective was to delineate its territorial boundaries along the Himalayan border while simultaneously seeking to enhance connectivity between Nepal and Tibet. This was done with the aim of developing its own autonomous regions and gaining political and economic leverage in South Asia.

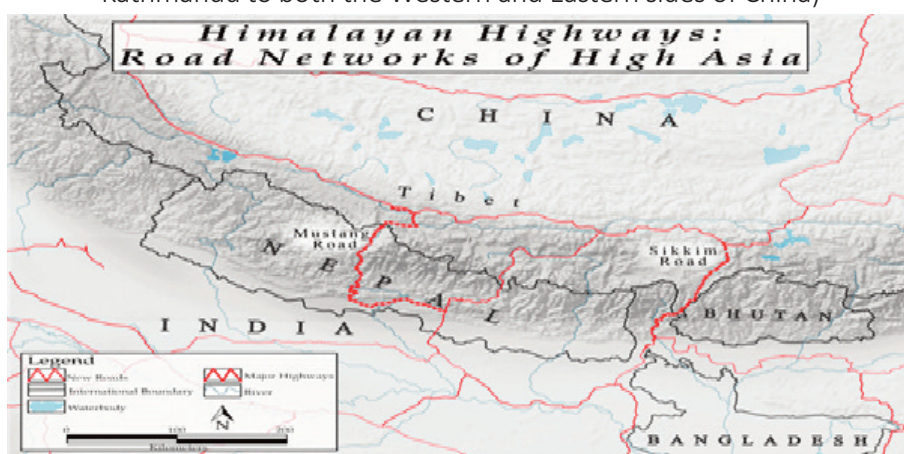
From the 1980s on, China's focus on Nepal centred on infrastructure investment and humanitarian aid. According to Cottle, Antonopoulos, and

² It is of significance to acknowledge that the year 1955 was the setting for the Bandung Conference. During this conference, the then Chinese Premier Zhou Enlai proposed to the Nepalese delegation the establishment of friendly relations, resulting in the signing of two agreements on friendly relations and trade and intercourse development in the same year. The Kathmandu-Lhasa Road can be traced back to the latter of these two agreements (Chandran, 2020; Sharma, 2018).

Thapa (2019, p. 94), this tendency could be observed by the fact that during this period, Chinese investment in Nepal demonstrated a growth trajectory while the China-Nepal trade remained low. During this period, China increased its investment in the Nepalese infrastructure, with the construction of additional highways being a notable aspect of this (Figure 2).

Figure 2. Map of the Himalayan Road networks

(In the Nepalese territory, it can be observed the highways that connect Kathmandu to both the Western and Eastern sides of China)



Source: Galen Murton, "Himalayan Highways: STS, the Spatial Fix, and Socio-Cultural Shifts in the Land of Zomia," *Perspectives on Global Development and Technology* 12, no. 5–6 (2013): 609–21.

Of particular significance is the second Trans-Himalayan Highway, which connects Nepal with the Xinjiang-Tibet Highway (Upadhyay, 2012, p. 110). The principal reason for the observed change can be attributed to the significant political change that occurred in China in 1978, which saw the rise of Deng Xiaoping and the subsequent focus of the new government's strategy on economic development, with internal development and infrastructure connectivity becoming one of its core pillars (Dorn, 2023). In this context, Nepal played an essential role as a conduit for the Tibetan region to become more interconnected and develop economically. Additionally, as a supplementary rationale for this investment, we can argue that China was

already developing an alternative for the Nepalese connection to Kolkata with the intention of reducing Nepal's dependence on India. The completion of the Karakoram Highway in 1979 constituted the primary factor enabling this achievement, mainly by facilitating connectivity from Kashgar, in Xinjiang, to Hasan Abdal, near Islamabad, and the Karachi Port through the connectivity with the Pakistani national highway system (Hodge, 2013). As such, we can consider that this argument is reinforced by the fact that shortly after the completion of the Karakoram Highway, China proceeded to construct the aforementioned Trans-Himalayan Highway, which connected Nepal to Xinjiang. The establishment of this new route, although it was still longer than the Kolkata route, demonstrated that China was engaged in efforts to displace Nepal from the Indian sphere of influence.

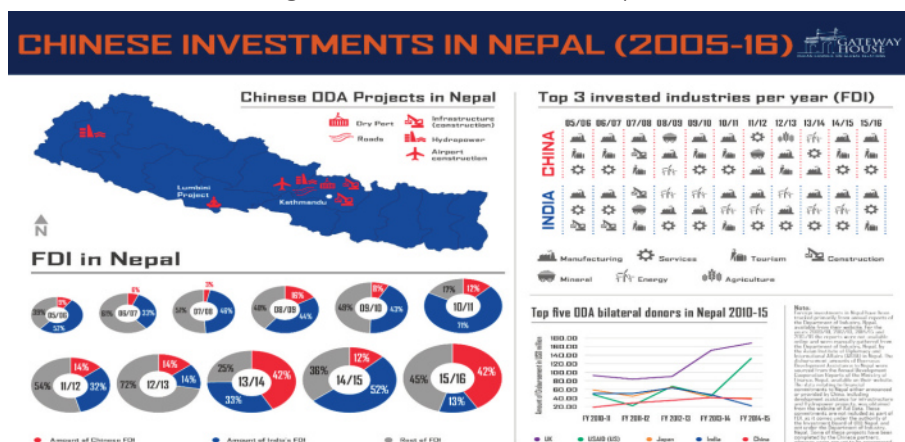
Continuing its efforts to gain leverage over Nepal, China proposed to Nepal in 1995 that Nepal should adopt an equal approach to aid and investment from both China and India (Cottle et al., 2019, p. 94). In the same year, China provided RMB 80 million in financial and technical assistance to Nepal, again for the construction of highways and transport infrastructure to improve connectivity in the Himalayan country (Cottle et al., 2019, p. 95). In the subsequent year, during an official visit from the then-Chinese President Jiang Zemin to Nepal, both countries concurred to establish a partnership founded upon good neighbourly relations, with intentions to serve as the bedrock for future relations (Choudhury, 2023, p. 123). The aforementioned Chinese foreign policy choices for Nepal demonstrate that China was prepared to adopt a more assertive approach in order to assume the role in Nepalese foreign policy that was traditionally occupied by India. In order to achieve this, China continued to foment its economic relationship with Nepal, mainly in the financial, transport infrastructure, and aid sectors, while simultaneously helping the country reach internal stability by supporting the Nepalese King Gyanendra in the Nepalese Civil War (1996-2006) (BBC News, 2005). This Chinese strategy of multilayer support allowed for the expansion of Chinese influence in Nepal, which in turn impacted Nepal's decision to join Pakistan, Bangladesh, and Sri Lanka in supporting China's adhesion to the South Asian Association for Regional Cooperation (SAARC) as an observer state in 2005 (Kelegama, 2016, p. 192; Kumar, 2015, p. 302). From this point on, it can be argued that Sino-Nepalese relations underwent a transition from the previous stage of intensification to a point where they assumed a higher overall importance for Nepal than Indo-Nepalese relations. The

forementioned argument is supported by the fact that, following China's admission as a SAARC observer state, China began to invest in critical areas for Nepal, such as digitalisation. This included the construction of a 100-kilometre fibre optic cable between Zhangmu and Kathmandu in 2008, which allowed Nepal to be connected to China's information network and, after 2019, to integrate the Digital Silk Road (DSR) (Bleie, 2022; People's Republic of China Embassy in Nepal, 2007).

From 2010, the China-Nepal bilateral trade entered a new era, characterised by a notable increase in Nepalese imports from China (Acharya, 2019, p. 95; Naresh, 2022, p. 119). Chinese foreign direct investment (FDI) in Nepal also exhibited a notable surge (Figure 3) from 2012 onwards, with the exception of the 2014–2015 financial year, during which China held the distinction of being the largest single investor in Nepalese development projects. In 2014, Nepal took an unexpected step in its foreign policy when the then-Nepalese Prime Minister Sushil Koirala expressed the Nepalese interest in joining the BRI (Bhattarai, 2018). However, due to Indian pressure following this statement, Nepal was unable to join the BRI in the following years (Bhattara, 2019). As mentioned previously, this Indian opposition to the BRI was not limited to the Nepalese project but extended to the broader Chinese grand strategy. This was because India perceived that the CPEC, the flagship project of the BRI and a project between its two regional rivals, China and Pakistan, traversed through Jammu and Kashmir, a territory claimed by both India and Pakistan. Consequently, India viewed this as a violation of its territorial integrity and a direct threat to its national security (Ali & Khan, 2024, p. 15). The effectiveness of this Indian pressure would suffer a blow after the Gorkha earthquake in 2015. In the aftermath of the earthquake, India enacted a six-month trade embargo against Nepal, a move that further exacerbated the challenges faced by the country as it struggled to recover from the disaster without essential fuel and food supplies from its southern neighbour (Pandey, 2020). This presented a unique opportunity for China to expand its influence in the region by providing humanitarian assistance to the country, assuming the role of primary fuel and food exporter previously held by India, and offering the country the chance to end its landlocked dependency on Kolkata by gaining access to Chinese ports (Pal, 2021, pp. 15–16). This led Nepal to sign ten separate agreements and MoUs with China in 2016, mostly focused on the issues of transportation, infrastructure, cooperation, and port taxes. In that way, China created the basis for Nepal's adhesion to the BRI on May

12, 2017, two days before the Belt and Road Forum for International Cooperation (1st BRI Forum) (Cottle et al., 2019, p. 101; MFAGN, 2019a; OBOR Europe, 2017). This indicates that by the time of the 1st BRI Forum, China had already succeeded in securing the participation of all relevant South Asian nations in its global grand strategy, with the exception of India and Bhutan.

Figure 3. FDI tendencies in Nepal



Source: Rajiv Bhatia et al., "Chinese Investments in Nepal," Gateway House Indian Council on Global Relations, September 16, 2016, <https://www.gatewayhouse.in/chinese-investments-nepal-2/>.

The subsequent two-year period of negotiations between the two countries encompassed 35 initial projects, of which only nine were ultimately approved. Of these, five were directed at transport infrastructure, three at the energy sector, and one at digital infrastructure. The projects in question are the Rasuwagadhi Kathmandu road; the Tokha-Bidur road; the Kimathanka-Hile transport link; the Dipayal-Tibet transport link; the 762 mW Tamor Hydropower project; the 426 mW Phukot Karnali Hydroelectric project; the Galchhi-Rasuwagadhi-Kerung 400 kV transmission line; the Kyirong-Kathmandu railroad; and the Madan Bhandari Technical Institute (Giri, 2019). Also, besides the aforementioned projects, in 2018, China signed a Transit Transport Agreement (TTA) with Nepal in order to cement the Nepalese access to the seaports of Tianjin, Shenzhen, Lianyungang, and Zhanjiang, as well as the dry

ports of Lanzhou, Lhasa, and Shigatse (Panda & Sarkar, 2019; Yi, 2019). This indicates that the primary Chinese focus remained in the transport infrastructure and connectivity sectors, which serves to illustrate that China was laying the groundwork for Nepal to become a future hub of connectivity within the BRI (Murton & Plachta, 2021, p. 336). This became specifically clear after the Second Belt and Road Forum for International Cooperation (2nd BRI Forum) in 2019, when China and Nepal signed several agreements³ to coordinate procedures in the fields of connectivity and trade (Bhattara, 2019; Kathmandu Post, 2019; MFAGN, 2019b). Within these agreements, the most notable outcome was the announcement of the THEC, a corridor that would allow connectivity from Chengdu and Kunming (Figure 1) to Kashgar and further CIPEC-CPEC connectivity, using Nepal as a critical logistical centre (Singh, 2019). Also, an additional insight into China's strategic intentions regarding Nepal can be gleaned from a speech delivered by Xi Jinping during his visit to Nepal after the 2nd BRI Forum. In this speech, Jinping highlighted that Nepal had undergone a significant geopolitical transition, moving "from a landlocked to a land-linked nation" (UN China Mission, 2019).

In the two years that followed, Chinese investment was significantly impacted by the global economic downturn precipitated by the COVID-19 pandemic. However, by 2022, the levels of Chinese investment in Nepal had returned to normalcy and even surpassed previous figures, positioning China as the largest FDI in post-pandemic Nepal (Choudhury, 2023, p. 4). The primary focus of investment was on energy-based industries, particularly hydropower projects, the construction sector, and the infrastructure sector, which collectively accounted for over 98% of the FDI stock (Choudhury, 2023, p. 5). In 2023, China reinforced its relationship with Nepal by completing the construction of the Pokhara International Airport, which has enabled visa fee exemptions for Nepalese citizens since May of this year (Jha, 2024; Wilkins, 2024). Furthermore, China has increased its investment in energy projects such as the Upper Trishuli Hydropower Plant and the West Seti Dam (Jha,

³ It is of particular interest to highlight the following agreements: the Agreement on China-Nepal Boundary Management System, the MoU for China-Nepal Promotion of Key Projects of Investment and Cooperation on Productive Capacity, the MoU for China-Nepal Feasibility Study for Cross-Border Railway Project, and the MoU for China-Nepal Cooperation on Tunnels Construction. The full list of the 20 agreements can be found in MFAGN, 2019c.

2024). Also, regarding energy projects, it can be highlighted that in May 2024, Nepal and China began joint oil and gas exploration in Dailekh (Han, 2024).

Returning to the central point of the current study, the Nepalese centrality for connectivity between the CPEC-CIPEC multidimensional corridor within the BRI 2.0 framework can be observed in the trends of Chinese investment in the country. As has been demonstrated, Chinese investment trends in the country have been characterised by an initial and continuous focus on transport infrastructure, energy production, and logistical centres, as well as connectivity projects between Nepal and the regions of Tibet, Xinjiang, Sichuan, and Yunnan. It can be argued that these efforts have resulted in Nepal becoming the pivotal logistical centre for China's infrastructure goals in the Himalayas. It is our contention that this decade-spanning Chinese focus on Nepal, which reached its zenith with the implementation of the BRI, has the overarching objective of establishing Nepal as the focal point for connectivity between the Southeast Asian logistical hub of Kunming and the Central-South-West Asian logistical hub of Kashgar. The incorporation of Nepal as a link in China's national infrastructure grid has facilitated the advancement of the country's western regions while simultaneously ensuring the continuity of a land network that connects the various BRI economic corridors across the aforementioned Asian regions. This serves to reinforce our primary contention that following the 3rd BRI Forum, with the proclamation of a new age of multidimensional connectivity, China succeeded in integrating its two principal corridors, the CPEC and CIPEC, into a continuous and systematic mega-corridor.

CONCLUSION

The present study examines the evolution of economic relations between China and Nepal, as well as the implementation of the BRI in the region. Additionally, it explores the transformation of the BRI from a complex network of connectivity routes to a more streamlined network in Asia. China's strategy towards Nepal has been characterised by patience and adaptability. This has enabled China to displace India from its position of influence in the Himalayan country, thereby creating a privileged relationship that has facilitated the proliferation of the BRI projects in the Himalayan region. It can be argued that this has provided China with a potential long-term foothold, allowing it to

further expand both the BRI economic corridors and its influence. This prompts the question of the potential impact of the recently established single CPEC-CIPEC mega-corridor on the BRI 2.0, with the THEC acting as a connector, and on Nepal's development. This mega-corridor will facilitate a more time- and cost-efficient connectivity route, which may finally provide a definitive solution to the Malacca Dilemma. This is feasible primarily because the mega-corridor links the Port of Singapore to Gwadar, offering a solution to the Dilemma while facilitating market diversification for Southeast-South-Central Asia countries. Furthermore, this newly acquired status as a logistical hub may prove an opportunity to foster Nepal's development and reinforce its regional positioning.

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