CESIF
Centre for Social Innovation and Foreign Policy

A Case for Nepal's AI Diplomacy

# Artificial Intelligence and Diplomacy

## A Study Report

Mahesh Kumar Kushwaha
Rajib Neupane
Arya Khanal

A Case for Nepal's AI Diplomacy

# Artificial Intelligence and Diplomacy

A Study Report

**Artificial Intelligence and Diplomacy: A Case for Nepal's AI Diplomacy**

**Authors**
Mahesh Kumar Kushwaha
Rajib Neupane
Arya Khanal

**Research Coordinator**
Arpan Gelal

**Research Support**
Sambhavi Shiwakoti
Sangya Pandey

**Published by**
Centre for Social Innovation and Foreign Policy (CESIF)



ISBN 978-9973-9630-5-3

# Executive Summary

The proliferation of Artificial Intelligence (AI) has far-reaching implications for society, politics, and the economy, necessitating cooperation and diplomacy for its development and governance1. For smaller, developing nations like Nepal, balancing AI innovation with regulation is particularly challenging, requiring collaboration with regional and global actors. This report examines how AI is reshaping geopolitics, national security, and foreign policy, and how Nepal can leverage diplomacy to optimize this technology.

## Key Findings

- **AI's Impact:** AI's rapid development has transformative impacts on society, economy, and politics, presenting both opportunities and challenges for national security and governance. AI enhances healthcare, education, and accessibility for people with disabilities. It can improve productivity, policymaking, and crisis response. However, AI also poses risks such as job displacement, economic inequality, privacy invasion, political manipulation, and cybersecurity threats.

- **Geopolitical Competition:** The US and China are engaged in intense AI competition, impacting countries caught in the middle. The release of DeepSeek's R1 model, termed AI's "Sputnik Moment," highlighted this competition. The increasingly complex geopolitics of AI requires countries to strategize and adopt AI diplomacy.

- **Global AI Policy Landscape:** The global AI policy landscape has evolved through ethical guidelines, regulatory frameworks, and national AI strategies. Key players like the EU, China, India, and the US have different approaches, presenting both challenges and opportunities for Nepal.

- **Nepal's AI Landscape:** Nepal's AI development faces challenges such as limited digital infrastructure, a lack of skilled human capital, and data availability issues. The government introduced an AI Policy Concept Paper and a draft National Artificial Intelligence Policy, but they lack clarity on implementation plans and international cooperation.

- **Cybersecurity Threats:** As artificial intelligence evolves, so do the threats it enables. Inconsistent data protection standards, a position as a proxy battlefield for cyber warfare, and reliance on foreign AI dependence are some of the greatest threats.

- **AI Diplomacy:** AI diplomacy involves addressing AI's impact on geopolitics, including AI as a prominent topic on diplomatic agendas, and using AI as a practical tool in diplomatic activities. Nepal can leverage AI in diplomacy for communication, negotiation, public outreach, conflict prevention, and cyber defense.

- **Challenges and Opportunities for Nepal:** Nepal faces resource disparities, differing priorities, and a lack of trust in AI collaboration. Opportunities include, participating in international forums, joining multilateral negotiations, and strengthening bureaucratic capacity.

- **Tech Neutrality:** As Washington and Beijing engage in technological one-upmanship, from semiconductor embargoes to knowledge transfer restrictions, both superpowers are throwing up barriers that threaten to lock out nations without their own robust AI infrastructures. For Nepal, this presents several critical challenges.

- **Strategic Hedging:** Nepal can adopt models such as G2G, B2B, or professional-to-professional collaborations to tap into the ripple effects of AI advancements in China and India. At the same time, Nepal should actively seek collaboration with its distant neighbors.

## Policy Recommendations

- Develop a National AI Strategy with clear priorities, focusing on key sectors and addressing ethical considerations.
- Invest in digital literacy and AI talent development, strengthening university programs and supporting vocational training.
- Establish a robust AI governance framework that balances innovation with regulatory frameworks.
- Strengthen cybersecurity and data protection measures, investing in domestic capabilities and international partnerships.
- Attract foreign investment and position Nepal as an AI hub, offering incentives and streamlining FDI applications.
- Enhance diplomatic capacity for AI governance, integrating AI into diplomacy courses and actively participating in global and regional AI discussions.

By implementing these recommendations for a robust AI diplomacy, Nepal can navigate the AI landscape effectively, harness its potential for national development, and minimize its disruptive impacts.

# Contents

# Introduction

The proliferation of Artificial Intelligence (AI) has attracted significant attention not only from the private sectors but also from policymakers, leaders, and diplomats, particularly due to its transformative impact on almost all aspects of society, politics and economy– both positive and negative. On the one hand, AI presents an unprecedented strategic opportunity for economic growth, military modernization, and technological advancement. On the other hand, its potential negative consequences on those aspects have raised alarm among policymakers and leaders around the globe. This conundrum has necessitated cooperation and diplomacy for both development and governance of the rapidly evolving landscape of AI.

For smaller, developing, and global south countries like Nepal, governance of emerging and transformative technological innovation proves particularly challenging because of the dual effect of such technologies. Situated between two regional powers, India and China, both of which have taken remarkable leaps in AI research and development, Nepal sits at a crucial crossroad of having to balance innovation with regulation–in a way that allows the geopolitically sensitive country to maximize its benefits while mitigating its disruptive impacts. This requires collaboration and cooperation with states and non-state actors regionally and globally, through both bilateral and multilateral mechanisms.

Nevertheless, the rapidly-evolving AI landscape characterized by a complex ecosystem of cooperation on innovation and regulation prove challenging for countries like Nepal, which have limited research and development capabilities and resources. Such countries find it difficult to keep up with the pace of the development and strategize timely and efficient policies. They also face the risk of becoming only passive recipients of AI models and tools being developed by technologically advanced countries having enough capital, skills, and resources–along with a robust private sector and big tech companies. Only by monitoring this evolving landscape, analyzing their implications, and identifying timely responses, particularly through diplomatic and collaborative efforts from an early stage, can countries like Nepal fully harness AI's potential while mitigating its risks.

This study is a careful yet deliberate attempt to move forward in that direction. It aims to generate a foundational understanding about how AI's surge is (re)shaping geopolitics, strategic competition, and international relations, what that means for Nepal's national security and foreign policy, and how Nepal may use diplomacy to leverage this technology optimally. This study has employed a qualitative approach that combines: an extensive review of academic literature, governments' official documents, non-governmental and multilateral agencies' reports, and media reports; semi-structured key informant interviews–with experts, practitioners, and stakeholders; case-studies of five key international actors–US, China, India, European Union, and Bangladesh; two focus group discussions (FGDs) with stakeholders.

The research highlights the evolving and complex landscape of AI innovation and regulation efforts, moderately polarizing in two blocks led by the US/West and China. With both the US and China striving for AI supremacy, their strategic competition now incorporates a relatively new yet vital dimension of AI and critical technology. Countries around the world caught in the middle of this geopolitical contest are "forced to

choose between Chinese or American AI systems,"[1] despite the considerable challenges involved.

This study also discerns the ongoing and emerging international cooperation on AI development and regulation–both bilateral and multilateral, most of which roughly aligns with either the West-led or China-led initiatives. More often than not, countries have sought to integrate these efforts through the UN, and other pre-existing regional, ideological, or thematic blocks, such as G20, BRICS, G7, and African Union among others. For Nepal, which is still in the early stages of AI governance and regulation, these initiatives and collaborations offer both an opportunity and a challenge. The opportunity lies in its ability to voice its concerns and priorities regarding global AI regulation and development. However, the challenge arises from the risk that, without a clear outline of national priorities and a robust diplomacy, the country could find itself embroiled in a larger geopolitical entanglement with significant implications for national security.

This study consists of six sections. The next section discusses the implications of AI on national security and geopolitics and establishes the need for an AI-focused foreign policy and diplomacy, especially for countries like Nepal. Drawing from this rationale, the third section provides an overview of the global AI landscape, highlighting the regulatory and cooperation efforts at state, bilateral, and multilateral levels. The fourth section examines Nepal's AI landscape, primarily concentrating on the current AI ecosystem and the government's efforts for its governance. Contextualizing Nepal's foreign policy, national security and geopolitical realities, the fifth section explores key areas of AI development and governance that require cooperation/collaboration via multiple channels, discusses Nepal's key opportunities and challenges for AI adoption, and makes a case for AI diplomacy to address them. Finally, the sixth section concludes this study by summarizing the key findings and providing actionable policy recommendations for Nepal's AI diplomacy.

# Artificial Intelligence, National Security, and Geopolitics: An Overview

As a rapidly evolving field, with an ever-expanding application in different domains of society, politics, and economy, Artificial Intelligence has quickly become a major component of national security and an equally important instrument of foreign policy. The year 2024 was particularly important for AI innovation and advancement, which saw a number of major breakthroughs including generative AI for videos, OpenAI's CLIP model, and AI's advanced application in health research.[2] The Council on Foreign Relations (CFR) listed "Developments in Artificial Intelligence (AI) Continue to Astound—and Concern" as one of the "ten most significant world events in 2024."[3] The 2024 Nobel Peace Prize for Physics went to John J. Hopfield and Geoffrey Hinton "for foundational discoveries and inventions that enable machine learning with artificial neural networks."[4] Similarly, Deepmind scientists Demis Hassabis and John Jumper won the Nobel Peace Prize in Chemistry for predicting proteins' complex structures by developing "an AI model to solve the 50-year-old problem."[5]

Predictions for 2025 have shown further advancement of AI in 2025, with most of them stressing on Agentic AI going mainstream.[6][7][8] The beginning of the year has not disappointed on this front; On 20 January 2024, a Chinese company released the latest version (R1) of DeepSeek, a free AI-powered chatbot, which is "reportedly as powerful as OpenAI's o1 model" but built with a fraction of cost compared to any of the US models.[9] This incredible feat, being termed as AI's "Sputnik Moment," has challenged not only the US dominance over AI but also some foundational assumptions regarding its development.[10] Similarly, in late January of 2025, Chinese company Alibaba released the Quen 2.5 max,[11] and Moonshot AI released the Kimi k1.5,[12][13] As such, the new and emerging AI technologies either outperform the existing ones or are in a head-to-head contest with them.

The rapid pace of these developments and their implications on politics, society, and economy have prompted leaders, policymakers, and diplomats alike to view AI as "a profound paradigm shift in our societies," something that is "more than an industrial and technological revolution."[14]

## AI's Transformative Impacts on the Society, Economy, and Politics

Assessing AI's overall impacts on humanity remains a quest beyond the scope of this research. However, evaluating its implications for geopolitics requires a brief discussion of how AI has been shaping society, politics, and economy.

AI's implications on society spans a wide range of sub-domains, with both positive and negative impacts that continue to expand. On a positive side, for instance, AI has not only been advancing research in healthcare and medicine,[15] but has also been transforming the entire ecosystem of the healthcare industry by providing the opportunity "to reduce human error, assist medical professionals and staff, and provide patient services 24/7."[16] Advancement in AI has also made it possible to overcome

different challenges that have restricted access to quality and equal education opportunities for all. AI-based solutions such as personalized adaptive learning platforms, AI tutors, AI-enabled teacher coaches, AI lesson-planning support programs, and AI assistants can remove some of these bottlenecks.[17] Similarly, despite challenges and crucial considerations, AI has the potential to improve assistive technology,[18] which can provide technological tools and solutions to people with visual, hearing, and mobility impairments as well as cognitive disabilities. On the other hand, however, AI poses critical challenges for society. For instance, AI's adoption, especially in social media recommender algorithms, search engines, and job portals have already raised ethical questions about AI's role and implications for society. The AI/digital divide is another area of concern, which risks further exacerbating the existing socio-economic divide in society—both within a country and among them.

The implications of AI and impacts on the economy has perhaps received the most attention globally, and understandably so. On a positive side, AI, especially generative AI (genAI), has the potential to improve productivity across various industries by automating repetitive and data-intensive tasks to enhance operational efficiency and reduce human errors. According to multiple reports, genAI has "increased productivity of call center customer support agents, software developers, and mid-level professionals."[19] AI has also been argued to be "a catalyst for sustainable development" and innovation.[20] This positive development can transform the existing jobs and create new ones.[21] For instance, a World Economic Forum (WEF) report estimates that AI will help create 97 million new jobs by 2025.[22] AI-powered risk assessments and analyses are also likely to improve resource allocation and risk management for several industries across the world. Despite these optimistic outlooks, however, AI also presents a risk of economic disruption. For instance, the same WEF report notes that by 2025, automation will displace about 85 million jobs globally. The rapid displacement of largely the low and semi-skilled workers will not only disrupt the labor market but also breed economic inequality. While jobs in advanced economies are more exposed to AI, compared to those in middle and low-income countries, they are also

"better equipped for AI adoption."[23] This fundamental fact risks not just a global economic competition but also a further exacerbation of economic disparity among countries.

In politics, too, AI has both positive and negative consequences. Considering the silver lining, it has the potential to enhance policymaking and governance through data-driven analyses and recommendations. By adopting AI tools and techniques, governments can streamline their service delivery and performance by integrating the needs and sentiments of the public more effectively. AI chatbots and tools can also provide governments, political parties, and institutions as useful tools to engage with people and deliver improved public services,[24] therefore, helping strengthen democracy and governance. AI can also help enhance national security by providing efficient tools to monitor, detect, and respond to crises such as natural disasters, health emergencies, and cyberattacks. For instance, AI and Machine Learning (ML) have proven to be "a game changer" in "detecting, predicting, and responding to" cybersecurity threats.[25] On the flip side, however, AI also has real negative impacts on democracy and governance. AI-powered surveillance systems "can lead to invasion of privacy."[26] AI tools and techniques can provide malignant actors with easy tools and techniques for political manipulation through mis/disinformation and deepfakes.[27] Similarly, algorithmic biases in AI-powered recommender algorithms, such as social media platforms, can also lead to political polarization.[28]

## AI and National Security

AI's tremendous impacts on society, economy, and politics already suggest its crucial implications for national security. However, it is essential to discuss the more direct and visible role of AI in either shaping or influencing national security. First of all, AI-enabled surveillance systems, threat-detection tools, autonomous drones, and resource-optimization softwares provide countries with unprecedented opportunities to strengthen their national security. Similarly, AI tools and techniques provide states both offensive and defensive cybersecurity

capabilities, which have equally important implications for national security. AI has also further sophisticated the hybrid warfare techniques,[29] where state and non-state actors use deepfakes, coordinated disinformation campaigns, and psychological operations to erode public trust in institutions, political leaders, and democratic processes–often swaying elections in one way or another.

### *AI Transforming How Wars Are Fought*

One of the most direct instances of AI's impact on national security is the inter-state wars, where countries have increasingly used new advanced AI tools and techniques to gain military advantage against their rivals. For instance, AI-powered image recognition allows a military to flag objects and launch sophisticated and highly-accurate attacks.[30] With more advanced AI models integrated into the kill chain, even the decision-making in wars can be automated. An AI-enabled commander receives not just the locations and activities of the opponents but also predictions, inferences, value rank for each of the potential targets, and recommendations for action, which makes the entire process much more efficient. Shashank Joshi, Defense Editor at the Economist, stresses that AI-enabled "precision guidance" in the battlefield has brought about "a real shift in the character of warfare."[31] Notably, against Hamas in Gaza, Israel used AI-powered advanced tools and softwares for targeted military operations and strikes.[32] The shift in the character of warfare has been more apparent in the Russia-Ukraine war, where both sides have been making a growing use of AI-enabled advanced military equipment and techniques. Ukraine has been using "millions of hours of footage from drones…to train AI models in combat tactics, spotting targets, and assessing the effectiveness of weapon systems."[33] Ukraine is not the only side using AI to "make decisions on the battlefield;" Russia has also used AI-enabled drones against Ukraine[34]–less than a decade after president Putin declared to a group of young children, "whoever leads in AI will rule the world."[35] Nevertheless, taking away the human component out

of the military decision-making at each stage of the overall process in wars has deep ethical considerations–and an immense risk of existential threat in a more extreme case of AI gaining singularity.

## AI and Geopolitics

Due to its ability to shape the critical domains of countries' power accumulation and projection, such as economy, politics, and military, AI has increasingly been an important component of geopolitical competition, especially between the US and China. As implied above, the ensuing "AI race," is a product of the belief that "the winner could well dominate the coming decades both economically and geopolitically."[36]

### *DeepSeek: the 'Sputnik Moment' in AI*

The release of DeepSeek's R1 model in January 2025 left the entire world in awe. This event brought attention to the geopolitical dimension of artificial intelligence like never before. A small Chinese company had built an AI model at a significantly lower cost than what the American tech giants like OpenAI, Meta, and Google had been pouring into AI infrastructures–despite multiple constraints, such as US export control on the most advanced AI chips. DeepSeek's innovation in AI was so significant that on 27 January 2025, US chip-making company Nvidia lost "$589 billion in market capitalization," which was by far the single greatest one-day value wipeout of any company in history." The DeepSeek-induced Nvidia's stock plunge "shook confidence in US dominance in generative AI,"[37] prompting many to term it as "Sputnik Moment" in AI.[38] US officials even warned that it was "a wake-up call for the American AI industry" and ensured that the White House was "working to ensure American AI dominance."[39] On the same account, Professor Mihir A. Desai points to "deeper changes in our financial markets" and argues that "the Nvidia route is only the start" in what he considers a gradual revelation of the "illusion propagated by a mythical and messianic belief in technology and these companies."[40]

DeepSeek R1 is trained with pure reinforcement learning, meaning the model learned itself without humans in the learning process, and uses the "Mixture-of-Experts" (MoE) method for its model architecture, a technique different from most other existing models.[41] By activating "only a small fraction of parameters for any given task," DeepSeek's MoE architecture allows it to significantly reduce computational cost and enhance efficiency.[42] It is also said to use distillation, a technique that "enables smaller models to inherit the advanced reasoning and language processing capabilities of their larger counterparts, making them more versatile and accessible."[43] US companies and the government have expressed apprehension about Chinese companies' use of the distillation technique and vowed to take measures against the practice. However, blocking specific companies from using US AI models may be extremely difficult–although some AI companies have begun "blocking all Chinese IP addresses from accessing" AI models on clouds, a measure that may get more common and stringent in the future.[44]

As contended by many, including Professor Geoffrey Hinton, popularly known as the 'Godfather of AI, the relative cost of DeepSeek to that of OpenAI and Gemini may be exaggerated, especially because its $5.7 million training cost account "just for the final training run," which was probably around $100 million for the American companies–not billions of dollars.[45] Nevertheless, the DeepSeek saga makes the superpower competition for a dominance over AI quite apparent; all countries, irrespective of their relative power and diplomatic capabilities, face a geopolitical landscape increasingly being dominated by AI's transformative impact where they have to respond not only to its challenges and opportunities but also navigate the intricate geopolitics around AI's development and regulation. They have increasingly strategized, adopted, and practiced AI diplomacy as a crucial foreign policy tool.

## AI Diplomacy

Scholars and policymakers have explored different approaches to help states devise foreign policy and national security strategies, and diplomatic tools to best address AI's transformative impact through cooperation and collaboration. A good amount of literature on AI and diplomacy has focused on the role and importance of a robust foreign policy and diplomacy to prevent malicious usage of AI and "facilitate the dialogues necessary to help all interested parties develop a shared understanding and coordinate efforts to utilize AI for the benefit of humanity."[46] However, AI and diplomacy intertwine in more complex ways, which require exploration for a comprehensive picture of their inter-relationship. As Diplo highlights, AI diplomacy may be categorized broadly into three aspects: "AI's impact on geopolitics;" "AI as a prominent topic on diplomatic agendas;" "using AI as a practical tool in diplomatic activities."[47]

Due to the intensifying geopolitical competition surrounding AI, countries around the globe have had to respond to the ever-evolving dynamics through diplomacy, negotiations, and consultations at different levels. Besides, AI in itself presents the countries with immense opportunities and challenges that require international collaboration to address collectively. AI itself has become "a defining element of geopolitical power and an instrument of traditional and public diplomacy, influencing the global balance of power," as highlighted by Konovalova, while making a case for not only "AI for Diplomacy" but also "Diplomacy for AI."[48] As a result, AI has appeared as a prominent topic on diplomatic agendas for a progressively larger number of nations. Some of the key areas of AI diplomacy include governance and norm-setting, AI research and development, cybersecurity and digital sovereignty, data privacy and transfer, and so on. Finally, the practice of diplomacy has seen the incorporation of various technological tools over the centuries–from letters to telegrams to radios, televisions, social media, and now AI. Researchers have investigated the integration of these tech tools to transform diplomatic engagements and foreign policy practices. For

instance, exploring "how digital technologies are changing the field of diplomacy," Frey has argued that emerging technologies "have the potential to automate complex diplomatic negotiations, enhance the security of diplomatic communications, and even redefine the interactions between states and non-state actors."[49]

While the studies focusing on AI's rise, its impacts, and a growing competition among major countries have informed a general sense of direction for AI in diplomacy, and vice-versa, their implications for smaller and global south countries have received little attention. In Nepal's context, too, despite AI's growing role, usage, and implications, its relationship with foreign policy and diplomacy remains an unexplored but important area of research for actionable policy recommendations. This research aims to bridge this particular gap; the next sections will explore the evolving global AI policy landscape and international cooperation to identify the opportunities and challenges for Nepal and provide recommendations to address them through AI diplomacy.

# Global AI Landscape: Policy and Cooperation

Governments across the world have stepped up to respond to the rapid proliferation of AI, albeit with different approaches and degrees of effectiveness. While AI collaboration initially sounded like an endeavor for private companies and businesses aiming to boost research and innovations, with the consequences of AI transcending traditional borders, countries have increasingly felt the need to cooperate, at least with their strategic partners, to both elevate their AI innovation and adoption potential and avoid the potential risks through regulation. The following sub-section outlines a brief overview of how the global AI policy landscape has evolved and what it means for Nepal.

## Policy Landscape

*Phase One: Ethical Guidelines (2015–2019)*

The initial surge of AI enthusiasm in the mid-2010s prompted a worldwide effort to establish guiding principles for its responsible development. Countries and international organizations convened to draft ethical frameworks aimed at safeguarding privacy, ensuring fairness, and holding AI systems accountable. These foundational values—transparency, fairness, and accountability—became the pillars upon which later regulations would be built. Governments and global bodies recognized that while AI's potential was vast, unchecked growth could lead to significant social and ethical challenges.[50]

*Phase Two: Regulatory Frameworks (2020–2023)*

The European Union (EU) took the lead in shaping AI policy through a strong regulatory approach, prioritizing privacy and ethics. Its stringent data protection laws became a benchmark for other countries, setting off global conversations about responsible AI governance.[51]

In contrast, China adopted a more targeted strategy, focusing on key sectors like healthcare, education, and public security. By channeling its efforts into specific industries, China rapidly became a dominant player in the AI landscape, leveraging its regulatory agility to fuel technological breakthroughs.[52]

Meanwhile, the United States pursued a decentralized approach, with AI regulations emerging at both federal and state levels. While this created a patchwork of policies, it also allowed for localized experimentation and innovation, reflecting the country's broader commitment to technological leadership.[53]

In the Asia-Pacific region, AI policy development varied widely by country. India leveraged its advanced digital infrastructure to drive AI adoption, while Bangladesh, in the midst of a digital transformation, crafted policies that reflected its own developmental needs. This diversity in AI governance underscored the fact that a one-size-fits-all approach was not feasible.[54]

*Phase Three: National AI Strategies (2023–2024)*

By 2023, governments around the world recognized the necessity of comprehensive AI strategies that aligned with national interests. Building upon the ethical guidelines and regulations from previous phases, countries formulated official policies that integrated AI into economic growth plans, social development initiatives, and national security frameworks. These strategies reflected the lessons learned from previous

regulatory experiments, emphasizing long-term sustainability in AI development.[55]

*Implications for Nepal*

One key consideration for Nepal with regards to different approaches on AI policy is geopolitical influence. As its neighbors make aggressive strides in AI, Nepal must craft its policies strategically, ensuring that it benefits from collaboration without compromising its own interests. By forging partnerships on its own terms, Nepal can balance external pressures while securing its place in the AI economy.[56]

Another major challenge for Nepal is regulatory compatibility. The global AI policy landscape is fragmented—Europe emphasizes privacy, China prioritizes sector-specific AI growth, and the U.S. maintains a flexible but decentralized model. Nepal must design a regulatory framework that aligns with international best practices while being adaptable to local needs.[57]

At the same time, diplomatic opportunities abound. As AI governance discussions take center stage in international forums, Nepal has a chance to position itself as an emerging player. By participating in regional AI initiatives, global summits, and knowledge-sharing platforms, Nepal can attract investment, foster innovation, and influence AI policy at an international level.[58]

## Power Dynamics & Model Adoption

To reap the benefits of AI and limit its potential risks, Nepal's diplomacy and international cooperation efforts must take in account the approaches and power dynamics of AI policy, particularly of the important global and regional players. Therefore, before diving into the specifics of the existing and emerging AI cooperation efforts, it is essential to briefly look into AI

policy models of some of these key players and assess their relevance for Nepal.

China's state-centric model operates like an imperial court, where AI innovations report directly to the central government. This approach ensures rapid coordination across sectors such as healthcare, education, and disaster management, maintaining consistent standards nationwide. However, adopting such a model could impose significant administrative and financial burdens on Nepal and might stifle independent innovation.

In contrast, India employs a hybrid strategy, blending state oversight with private-sector innovation. Initiatives like national digital ID systems coexist with a thriving startup ecosystem, fostering competition while maintaining regulatory frameworks. For Nepal, adopting a similar stance could mean balancing regulation with encouraging the creative energies of local innovators. The challenge lies in ensuring that this balance does not tip into chaos.

The European Union offers a meticulously layered, risk-based system, adapting regulations based on the level of AI threat. From minimal-risk personal assistants to high-risk facial recognition tools, the EU's approach ensures that not all AI is treated equally. For Nepal's budding regulatory landscape, this tiered framework can help focus resources where they matter most, such as medical diagnostics or critical infrastructure, while allowing low-stakes applications more freedom.

On the other hand, the United States favors a laissez-faire approach, allowing industries to self-regulate with minimal government intervention. This fosters rapid innovation but may lead to inconsistent standards and oversight challenges. For a smaller nation like Nepal, it might be tempting to adopt elements of this free-market approach to attract foreign investment or spark local startups. However, a balance must be struck to ensure that freedom
does not lead to a loss of control.

These varied methodologies present Nepal with a unique opportunity to learn and tailor its own AI strategy.

Given Nepal's developing regulatory and institutional capacity, a careful rollout is crucial. Borrowing the EU's tiered risk classification could help Nepal channel its limited resources toward the greatest potential threats, focusing initially on AI in public services, critical infrastructure, and large-scale data analytics. Gradually, regulations can be refined and expanded to cover less sensitive or lower-risk AI domains.

An overture to China's centralized vision might also prove useful for building synergy across different provinces and sectors in Nepal. Coordinating a national AI strategy in areas like disaster management, agriculture, or digital literacy could spur momentum and ensure consistency. The biggest hurdle would be ensuring that the government has the capacity to enforce these rules effectively.

Bangladesh's experiences offer valuable insights for Nepal. Both nations grapple with challenges like fragile infrastructures and limited resources, making Bangladesh's AI journey particularly relatable. For instance, Bangladesh has been investing in high-speed internet connectivity, cloud computing services, and data centers to support AI applications. This focus on building robust digital infrastructure is essential for AI to flourish. Additionally, Bangladesh is exploring AI-driven solutions in healthcare, agriculture, and finance. For example, AI is being utilized to enhance efficiency and inclusion in Bangladesh's financial sector.

Engaging with neighboring giants requires a nuanced approach. Collaborating with China on AI research and development can be advantageous, but it is crucial to safeguard national interests to avoid over-reliance.

## AI & Cybersecurity

As a relatively new technology, discussions surrounding AI are focused on its more novel applications and associated risks. However, it is important to consider how the implementation of AI technology impacts existing risks and poses threats to already addressed matters of national interest such as cybersecurity. As artificial intelligence evolves, so do the threats it enables. AI-driven cyberattacks now move faster, adapt quicker, and strike harder than ever before. For a country like Nepal, where the digital landscape is still maturing, this presents an unprecedented security challenge. Nepal's growing reliance on global digital infrastructure exposes it to both state-sponsored cyber operations and opportunistic non-state actors, all seeking weak points to exploit.

One of the greatest threats comes from inconsistent data protection standards. When data crosses national lines without a unified regulatory framework, Nepal risks losing control over personal and sensitive information, making it a prime target for cybercriminals.[59]

At the same time, Nepal's position as a proxy battlefield for cyber warfare is becoming increasingly evident. With relatively weaker cybersecurity infrastructure, the country could become a testing ground for sophisticated AI-driven cyber exploits. Both state and non-state actors may use Nepal as a low-risk environment to refine their infiltration tactics before deploying them elsewhere. From espionage campaigns to covert infiltration, a single weak link in Nepal's digital defenses could trigger consequences on a much larger scale.[60]

Nepal's limited resources mean that acquiring a cutting-edge cybersecurity arsenal is not a simple task. As a result, the country is left vulnerable to AI-powered attacks—a new breed of cyber threats that leverage machine learning to outmaneuver traditional defenses. Self-evolving malware, hyper-personalized phishing scams, and automated social engineering campaigns thrive in environments where digital literacy remains low.[61]

Another major risk comes from foreign AI dependence. If Nepal leans too heavily on imported cybersecurity solutions, it risks unwittingly introducing vulnerabilities within its own systems. Many AI-powered security tools operate as "black boxes," meaning Nepal might not have full visibility into how they function or what hidden weaknesses they might contain. This could leave the nation exposed to backdoors and data exfiltration threats.[62]

Concerningly, Nepal's digital infrastructure could become a cyber guinea pig for hostile actors. Hackers looking to test new offensive techniques often seek out smaller, less-defended networks before launching full-scale attacks on high-profile targets. In this sense, Nepal could inadvertently become the testing ground for cyberattacks that are later deployed against larger economies.

Addressing these concerns requires identifying several weak links that currently make Nepal more susceptible to digital vulnerabilities. On the cross-border front, the establishment of bilateral and regional agreements for secure data exchanges prevents malicious exploitation of regulatory gaps.[63] Furthermore, Critical infrastructure, such as power grids and financial systems, are being integrated with our networks.[64] This connects directly to building domestic expertise. The training and development of a next generation of cybersecurity professionals becomes crucial in order to guard these systems from malicious actors.[65] Furthermore, to defend against these attacks, AI-driven detection systems are required in addition to trained personnel. Building these capabilities requires deeper engagement with global AI providers, consequently understanding how to maintain control over digital assets becomes paramount. Many nations have started to implement strict regulations for local data storage, and conduct rigorous security analysis of foreign AI solutions before deployment.[66]

## International Cooperation on AI

Given the rapid pace of its development and an increasingly complex ecosystem, Artificial intelligence (AI) has become a focal point of international cooperation, driven by its transformative potential and the recognition that its development and governance require global collaboration.[67] This cooperation spans various forms, including bilateral agreements, multilateral initiatives, and international organizations' efforts.[68] Although a comprehensive review of all collaboration efforts is challenging due to the rapidly-evolving nature of AI, this section will give an overview of the major multilateral initiatives and bilateral efforts of the key international actors.

*Key Areas of Cooperation*

As the landscape of AI evolves, with consequences on an increasingly-diverse range of domains, international collaboration efforts expand to more areas, as well. However, some of the key areas of AI cooperation can be categorized into the following:

- **Research and Development (R&D)**: One of the most important areas of AI cooperation involves research and development efforts, where countries and businesses engage in joint research projects, knowledge sharing, and talent exchange to accelerate AI innovation and adoption.[69]

- **Standards and Governance:** With the rapid pace and increasingly complex web of AI research and development, countries have also focused on developing common ethical guidelines, technical standards, and regulatory frameworks to ensure responsible AI development and deployment.[70]

- **Data Sharing and Infrastructure:** Another key area of AI collaboration involves facilitating cross-border data flows and building shared infrastructure for AI research and development.[71]

- **Capacity Building:** As a growing form of AI cooperation, developing countries collaborate with technologically-advanced countries to boost their AI capabilities through education, training, and tech transfer.[72]

- **Addressing Global Challenges:** Leveraging the power of AI to address global issues such as public health emergencies, natural disasters, climate change, pandemics, and sustainable development constitutes another emerging area of AI cooperation.[73]

### *Multilateral AI Initiatives*

Due to the overarching nature and far-reaching implications of AI, the above-mentioned areas of AI cooperation have occurred in different forms and through a number of platforms. The multilateral engagement on AI spans not just the United Nations (UN) framework but other existing regional organizations, blocks, alliances, and multi-stakeholder initiatives. The focus of these initiatives varies depending on the nature and purpose of multilateral bodies, but they generally extend to one or more of the key areas of AI cooperation mentioned above.

#### United Nations: A Multilateral Approach to AI Governance

The UN has been at the forefront of AI regulation when it comes to multilateral cooperation. Some of its key initiatives are as follows:

- **AI for Good Summit (2017-Present)**: the UN's leading agency for digital technologies International Telecommunication Union (ITU) established the AI for Good in 2017–as a platform "to leverage the transformative potential of artificial intelligence (AI) to drive progress toward achieving the UN Sustainable Development Goals

(SDGs)."[74] Co-convened with the Government of Switzerland and in partnership with over 40 UN agencies, the "multi-stakeholder community" includes "over 37,000 active contributors [representing governments, academia, industry, and civil society] spanning more than 180 countries."[75]

- **Inter-agency Working Group on Artificial Intelligence (IAWG-AI)**: In October 2020, the UN's High-Level Committee on Programmes (HLCP) established the IAWG-AI, "an inter-agency working group on artificial intelligence, to be co-led by UNESCO and ITU."[76] According to its terms of reference,[77] the main functions of the group are:
    - Facilitate exchange of information internally within the UN system
    - Strengthen internal system-wide capacity
    - Complement and contribute to existing efforts
    - Facilitate interagency cooperation capacity building activities to support Member States

- **UNESCO's Recommendation on the Ethics of AI (2021)**: In November 2021, the UNESCO adopted the "Recommendation on the Ethics of Artificial Intelligence," and recommended that "Member States apply on a voluntary basis the provisions of this Recommendation by taking appropriate steps, including whatever legislative or other measures may be required, in conformity with the constitutional practice and governing structures of each State."[78] Based on these recommendations, in September 2022, the United Nations System Chief Executives Board for Coordination endorsed the *Principles for the Ethical Use of Artificial Intelligence* in the United Nations System; the ten principles "grounded in ethics and human rights, aims to guide the use of artificial

intelligence (AI) across all stages of an AI system life cycle across United Nations system entities."[79]

- **High-Level Advisory Body on Artificial Intelligence:** In October 2023, the UN Secretary General created a 32-member high-level advisory body on AI, which included "experts in relevant disciplines from around the world" and aims to "offer diverse perspectives and options on how AI can be governed for the common good, aligning internationally interoperable governance with human rights and the Sustainable Development Goals."[80] In mid-2024, the Body released the final report, which included AI governance landscape mapping and options.[81] At the *Summit of the Future* in September 2024,[82] Member States considered adopting the *Global Digital Compact*, which aimed to "enhance international governance of artificial intelligence for the benefit of humanity," among other things.[83]

- **General Assembly Resolution on AI**: The UNGA has adopted two landmark resolutions on AI, led by the US and China each. Adopted on 21 March 2024, The first was on the promotion of "safe, secure and trustworthy" artificial intelligence (AI), which aims to protect human rights and personal data and to monitor AI for potential harms so the technology can benefit all. The resolution A/78/L.49 was "co-sponsored or backed by more than 120 other member states."[84] Similarly, on July 1, 2024, the UNGA adopted another resolution titled *Enhancing International Cooperation on Capacity-building of Artificial Intelligence*, "proposed by China and co-sponsored by over 140 countries."[85]

Global AI Partnerships

Outside the UN system, too, several AI collaborations and partnerships have emerged, roughly along the lines of either regional blocks, ideological groupings, or strategic partnerships. Some of them include, but are not limited to:

- **Global Partnership on Artificial Intelligence (GPAI)**: GPAI is a multi-stakeholder initiative involving governments, industry, and academia to foster international cooperation on AI.[86] GPAI was first launched in 2020, and it worked on four key areas: Responsible AI, Data Governance, Future of Work, and Innovation and Commercialization. GPAI later announced "an integrated partnership with the OECD," which brings together OECD members and GPAI countries to advance an ambitious agenda for implementing human-centric, safe, secure and trustworthy artificial intelligence (AI) embodied in the principles of the OECD Recommendation on AI."[87] For 2023-2024, India was GPAI's lead chair. During the "6th Meeting of the GPAI Ministerial Council held on 3rd July 2024 at New Delhi," GPAI members announced its "integrated partnership with the OECD bringing together all current OECD members and GPAI countries on equal footing, under the GPAI brand and on the basis of the OECD Recommendation on Artificial Intelligence."[88] Under the integrated partnership, OECD has identified seven priority issues: AI Futures; AI Compute and Climate; AI Risk and Accountability; AI and Health; AI Incidents; AI, Data, and Privacy; and Generative AI.[89] The meeting also reaffirmed a "commitment to pursuing a diverse membership, with a particular focus on low and middle-income countries to ensure a broad range of expertise, national and regional views and experiences based on our shared values." Accordingly, it called on countries, "regardless of their current membership status in the GPAI or OECD, to join us in this collaborative endeavor to harness the potential of human-centric, safe, secure, and trustworthy AI for the good of all."[90] Under this partnership, the GPAI aims to expand its initial membership from 44 to welcome new members "by consensus." For that, it has outlined the following requirements:[91]

    - Commitment to the shared values reflected in the OECD Recommendation on Artificial Intelligence by adherence

thereto or to the principles drawn verbatim therefrom through prior membership in GPAI.
    - Demonstration of a proactive role in advancing responsible AI, grounded in human rights, both on domestic and international levels, as well as with organisations and initiatives.
    - Demonstration of the capacity to nominate experts with sufficient knowledge of AI-related issues to inform the work of the Integrated Partnership.

Serbia has inherited the GPAI's chairmanship for 2024-2025, and a GPAI Summit 2024 was held in Belgrade, Serbia, on December 3-4, 2024.[92] It brought together "GPAI countries, global AI experts, international organizations, industry leaders, and academia to discuss common global challenges and solutions related to AI, with the aim of guiding the responsible and human-centric development and use of this technology."[93]

- **AI Safety Summit 2023:** Held in the UK in November 2023, as the first ever global summit on AI, the Summit brought together "international governments, leading AI companies, civil society groups and experts in research" and aimed to "consider the risks of AI, especially at the frontier of development" and "discuss how they can be mitigated through internationally coordinated action."[94]

- **AI Seoul Summit 2024:** Building on the AI Safety Summit 2023, in May 2024, the Republic of Korea and the UK co-hosted the AI Seoul Summit, "bringing together international governments, AI companies, academia, and civil society to advance global discussions on AI."[95]

- **AI Action Summit 2025**: In February 2025, France and India co-chaired the AI Action Summit, which brought together "Heads of State and Government, leaders of international organizations, CEOs of small and large companies, representatives of academia, non-

governmental organizations, artists and members of civil society" to discuss five key themes around AI: Public Interest AI, Future of Work, Innovation and Culture, Trust in AI, and Global AI Governance.[96] While several countries, including China, India, and France, signed the international AI declaration pledging for an "open," "inclusive," and "ethical" approach to AI development, the U.S. and UK notably opted out.[97] The two countries' concerns revolved around national security and impacts of over-regulation on innovation.

- **G7 and G20 AI Initiatives**: Both G7 and G20 have launched initiatives and regulatory frameworks on AI. For instance, in May 2023, G7 countries endorsed the *Hiroshima AI Process Comprehensive Policy Framework*, "the first international framework that includes guiding principles and code of conduct aimed at promoting the safe, secure and trustworthy advanced AI systems.[98] Similarly, G20 has also adopted its own G20 AI Principles (2019),[99] which was reaffirmed in the G20 New Delhi Leaders' Declaration.[100] The G20 has also endorsed the OECD AI Principles (2019).

- **African Union AI Working Group (AUWG):** In 2019, the African Union (AU) established the AUWG as "a pioneering platform" aimed at developing "a unified AI strategy for Africa."[101] Accordingly, in July 2024, the AU Executive Council adopted the AU Strategy on Artificial Intelligence. "The Continental AI Strategy proposes a people-centric, development-oriented and inclusive approach around five focus areas and fifteen policy recommendations."[102]

*Bilateral AI Cooperation*

With the proliferating use of AI globally, countries have also been increasingly seeking to forge bilateral partnerships that may allow them to maximize AI's benefits while reducing its possible harm. While identifying all existing and emerging bilateral partnerships extends beyond the scope of this research, some key developments on the AI front when it comes

to bilateral collaboration between the actors directly relevant (case studies) for this research include:

- **US-India AI Cooperation**: Over the years, the US and India have come to be close strategic partners when it comes to tech and AI cooperation. In March 2021, the Indo-U.S. Science and Technology Forum (IUSSTF) launched the US-India Artificial Intelligence Initiative (USIAI),[103] which serves as "a platform to discuss opportunities for bilateral AI R&D collaboration, share ideas for developing an AI workforce, and recommend modes and mechanisms for catalyzing the partnerships."[104] In 2022, the two countries launched the US-India Initiative on Critical and Emerging Technology (iCET), a "unique framework to deepen technological and economic cooperation between the United States and India."[105] Supported by these government-led initiatives, a host of private companies from both the countries have jumped on the collaborative journey to enhance AI innovation and capacity building. Early indications during the Trump administration's second term suggest that the U.S.-India partnership on AI, and tech in general, will further deepen in the years ahead.[106][107]

- **US-China AI Engagement**: Despite tensions, caused largely by US export control of its most-advanced AI chips, the two countries have found ways to bilaterally engage on AI regulation and governance. For instance, in May 2024, the US and China held the "first meeting of the inter-governmental dialogue on AI," where the two sides had "an in-depth, professional and constructive exchange of views on the risks of AI, global governance and other issues of concern."[108] Notably, the two strategic rivals have also been "the most frequent partners in AI research" for over a decade.[109]

- **EU-India AI Collaboration**: As mentioned above, India engages with the EU and its member states through the GPAI, which helps bridge AI research and policy between the two actors. In addition, they have also established the EU-India Trade and Technology

Council (TTC), which acts as a crucial platform for bilateral AI cooperation. During the first meeting of the EU-India TTC in May 2023, for instance, the two partners "committed to seek cooperation on trustworthy Artificial Intelligence and coordinate their policies with regards to the strategic semiconductors sector through a dedicated Memorandum of Understanding."[110] India has also been proactive in expanding its bilateral AI partnership with individual member states. For example, in January 2025, India and France agreed "to enhance partnership in high technology."[111] During PM Modi's visit to France in February 2025, the India-France bilateral partnership on AI was further strengthened with the India-France Declaration on Artificial Intelligence."[112] Similarly, India has also partnered with Germany to set up AI initiatives focusing on healthcare and sustainability, which is led by the Indo-German Science and Technology Centre (IGSTC).[113]

- **China's AI Partnerships**: As a leader in AI research and development, China has also exercised high diplomacy to forge bilateral partnership with countries across the world. A large part of its AI cooperation with Belt and Road Initiative (BRI) partner countries occurs under the broader framework of what it calls Digital Silk Road (DSR). Through the DSR assistance, China helps improve partner countries' AI capabilities through tech transfer, training, and exchanges, and provides them with "surveillance and artificial intelligence infrastructure."[114] China has also been cultivating bilateral AI cooperation with Russia[115] and the Association of SouthEast Asian Nations (ASEAN), the latter of which is "aimed at further strengthening digital infrastructure, promoting cloud computing and enhancing artificial intelligence governance."[116]

- **US-EU AI Cooperation**: As close strategic partners, the US and EU collaborate on a wide range of topics and areas in AI, including research, development, and regulation.[117] The EU-US Trade and Technology Council (TTC) serves as the institutional platform "fostering cooperation on trade and technology-related issues,"

where "promoting technology standards and trustworthy artificial intelligence" features as key priorities.[118] In September 2024, the US and EU signed the landmark *Council of Europe Framework Convention on Artificial Intelligence and Human Rights, Democracy and the Rule of Law,* the first ever international AI treaty that aims "to address specific challenges which arise throughout the lifecycle of artificial intelligence systems and encourage the consideration of the wider risks and impacts related to these technologies including, but not limited to, human health and the environment, and socio-economic aspects, such as employment and labour."[119] Nevertheless, Trump's push backs against Europe, his unpredictably transactional behavior, and a fundamentally different approach to AI regulation appear to fuel a renewed drive among the Europeans to enhance Europe's AI capability; on 11 February 2025, EU launched the InvestAI Initiative "to mobilize €200 billions of investment in artificial intelligence."[120]

As the above-discussed AI cooperation efforts and platforms suggest, the multilateral frameworks and initiatives, such as those by the UN, OECD, GPAI, and AU, largely aim to establish ethical standards, regulatory benchmarks, and governance guidelines. In comparison, the bilateral partnerships often seek to promote AI research, innovation, and development through tech-transfer and capacity building. Drawing from these international practices, the next section will delve into Nepal's AI landscape, explore the opportunities and challenges, and identify ways to enhance the country's AI ecosystem for national development through AI diplomacy.

# Nepal's AI Landscape

The Government of Nepal has introduced several policy and regulatory frameworks, such as the Electronic Transaction Act (2008), the National Broadband Policy (2015), the National ICT Policy (2015), and the Digital Nepal Framework (2019). Additionally, foundational initiatives like the Government Enterprise Architecture (GEA) and Nepal e-Governance Interoperability Framework (NeGIF) have also been developed to optimize government operations, enhance service delivery, and facilitate seamless integration and interoperability across various government agencies. The National ICT Policy, introduced in 2015, aims to advance the vision of transforming Nepal into a knowledge and information-driven society by leveraging rapid developments in the ICT sector. Likewise, The Digital Nepal framework identifies eight key sectors—digital foundation, agriculture, health, education, energy, tourism, finance, and urban infrastructure. Within these sectors, 80 digital initiatives have been identified to promote Nepal´s socioeconomic growth. These initiatives are designed to address critical challenges while unlocking the growth potential within each sector.[121] Aligning with the federal governance structure, these frameworks carry the potential to go beyond the centralized deployment of digital government services adapting to the provincial and local levels.

In the domain of AI, the Government of Nepal introduced an AI Policy Concept Paper in July 2024, followed by an initial draft of the National

Artificial Intelligence Policy in February 2025. These papers mark an important step toward leveraging AI for economic and social transformation in Nepal and broadly aim to establish an AI ecosystem in the country. However, they lack clarity on implementation plans. While these papers reference international practices, they are inadequate in addressing Nepal's unique cultural, technological, and developmental challenges, emphasizing the need for localized solutions. Above all, they have primarily focused on domestic policy challenges and do not outline a framework for Nepal's international relations. Building on this concept paper, the Ministry of Communication and Information Technology released the first draft of Nepal's first national AI Policy in February 2025. Although the ministry intends to collect stakeholders' comments and feedback and incorporate them for the final draft, an initial assessment of the document reveals that the AI Policy fails to sufficiently integrate components of diplomacy and international cooperation essential for Nepal's AI adoption, innovation, capacity building, and regulation. Drawing from the global, regional, and national AI landscape shaped by various actors and practices worldwide, this study, therefore, strives to generate key lessons, insights, and actionable recommendations for Nepal. Stressing the importance of AI revolution for national growth, it argues for a robust AI diplomacy for Nepal.

## Endemic Challenges in Nepal's AI Development

Nepal's nascent digital landscape requires the country to focus on fundamentals like reliable internet access and data centers. However, further challenges, namely a lack of access to skilled human capital—AI researchers, engineers, and data scientists—and issues relating to data availability, quality, and accessibility also loom. Consequently, the need for investment in digital infrastructure education, and upscaling of manpower is imminent. The inability to bridge digital divides across regions, ethnicities, economic classes, and genders simultaneously necessitates a policy approach that would entail leveraging substantial social capital to achieve equitable outcomes beyond securing human and financial capital. Multiple respondents interviewed for this research

observed a shortage of tech visionaries in Nepal. Moreover, policymakers and government officials show little enthusiasm—even when private companies offer to collaborate with government entities at a minimal or no cost. This is in part motivated by Nepali bureaucrats' prevailing mindset that AI-induced automation will lead to job losses, creating subtle resistance to its adoption.

Currently, Nepal is still navigating the Internet era, making it slow to catch up with the rapidly evolving AI ecosystem. As a consequence, broad AI literacy is still a long way off. Under these circumstances, intense global competition for AI talent makes it difficult for smaller countries like Nepal to attract and retain skilled researchers, engineers, and data scientists. Their talent is being drawn to larger economies offering higher salaries and more advanced research opportunities. In addition to this, according to AI practitioners, in terms of data availability, public data in Nepal offers little value—as truly useful datasets remain inaccessible due to a lack of digitization. In light of such a scenario, private tech companies in Nepal are at the forefront of AI innovation, driving much of the research and development in this field. As such, these companies can exert significant influence on government policy related to AI—through lobbying, participation in advisory committees, and public advocacy among others to mitigate the existing endemic challenges.

Many of our respondents share a consistent view of Nepal's evolving AI policy framework. They believe it should prioritize fostering innovation, with regulatory measures to be introduced at a later stage—after innovation and development have progressed to a certain stage. Furthermore, Nepal should prioritize enhancing digital literacy among its citizens, as this will likely strengthen the country's AI readiness and potential. Countries like the UAE have set up a dedicated Ministry[122] for AI, and while Nepal's limited budget and resources may limit similar institutional frameworks, the government's AI policy should emphasize mainstreaming AI among all its existing branches, officials, leaders, and diplomats and encourage upskilling and enhancing AI literacy through different arrangements and incentives. This initiative could drive long-

term solutions and deliver strategic advantages for the country's development.

## AI Localization

Advanced economies of the world are establishing AI factories to imprint their unique identity on the development of artificial intelligence. In Asia, ASEAN economies are working on developing their own LLM models. As such, at regional levels, various initiatives are underway to support AI localization efforts.[123] In Europe, Denmark is the latest country to actively invest in sovereign AI, aiming to enhance domestic research and competitiveness. It introduced its own artificial intelligence supercomputer as part of a broader effort to develop sovereign AI initiatives. These initiatives aim to code a country's culture, history, and collective intelligence, with the potential of becoming "the bedrock of modern economics".[124] For AI to make effective decisions for Nepal, it must be trained on data that reflects the country's unique culture, politics, history, foreign policy, and diplomacy. This highlights the importance of understanding where and how AI systems are trained.

Along similar lines, as our respondent puts it, Nepal needs to focus on skilling and reskilling its existing workforce in the IT sector. In this context, the importance of funding for computational resources becomes evident. The country also faces a significant challenge due to the lack of sufficient digitized data, as it has yet to fully digitize its own information. These issues continue to present significant obstacles. For AI development, data is regarded as a strategic resource leading to tensions over data ownership, access, and cross-border data flows. In this realm, some countries, such as Brunei, China, Indonesia, Nigeria, Russia, and Vietnam, are implementing stricter data localization laws and regulations where data must be stored on servers within the country itself.[125] According to our respondent, the concept of developing Nepal GPT is gaining traction, but its implementation requires extensive data, which Nepal currently lacks.

## Nepal's AI Readiness

The 2024 AI Readiness Index assessed governments' preparedness to implement AI in the delivery of public services to their citizens. Unsurprisingly, Nepal lagged far behind, placed at 150th out of 188 countries.[126] Nepal's ability to become AI-ready—a digitally advanced and knowledge-centric nation—depends on its capacity to invest in capital-intensive ICT endeavors along with a robust digital public infrastructure system.

However, taking into account the country's available resources and capabilities, some of our respondents argue that, instead of attempting to compete in broad AI domains, Nepal can focus on niche applications relevant to its national and local context. For instance, Natural Language Processing (NLP) for Nepali languages: developing tools for translation, transcription, and analysis of Nepali text and speech; AI for Disaster Risk Reduction (DRR) and management: using AI for early warning systems, disaster response coordination, and post-disaster recovery efforts; AI in agriculture and rural development: applying AI for precision agriculture, crop monitoring, and livestock management to improve agricultural productivity and livelihoods in rural communities; AI for cultural heritage preservation: in digitizing, analyzing, and preserving Nepal's rich cultural heritage. As such, and as per our respondent, developing a national AI strategy with clear priorities should include, identifying key sectors where AI can have the maximum positive impact, outlining clear goals and objectives for AI adoption and development, addressing ethical considerations, data governance, and potential societal impacts, promoting public-private partnerships to leverage expertise and resources among others.

Similarly, as our respondent pointed out, another domain of prioritization can include education, skill development, and training in Science, Technology, Engineering, and Mathematics (STEM) fields such as data science and AI where skilling, reskilling, and upskilling can build a domestic talent pool. This can include strengthening university programs

in computer science, data science, and related disciplines alongside strengthening support to vocational training programs to equip workers with practical AI skills and promoting digital literacy and awareness among other domains. In a similar vein, another area of focus should be on Data Governance, which includes data protection and privacy, where clear data protection laws aligning with international standards (like GDPR) and addressing data collection, storage, use, and transfer need to be devised. Such governance builds public trust and fosters responsible data handling, essential for AI development. Likewise, policies should facilitate access to anonymized or aggregated datasets for research and development while protecting individual privacy. Open data initiatives for non-sensitive government data can also spur innovation. Moreover, clear guidelines on data ownership and intellectual property rights related to AI-generated content and data-driven innovations are needed.

Nevertheless, as per our respondent, targeted (not blanket) AI-specific regulations can facilitate avoiding overly broad regulations that stifle innovation. As such, targeted regulations can include high-risk AI applications, such as (i) AI in critical infrastructure that includes regulations for AI used in power grids, transportation systems, and financial systems to ensure safety and reliability; (ii) AI in law enforcement and surveillance that includes strict guidelines on the use of AI for facial recognition, predictive policing, and other surveillance technologies to protect civil liberties; (iii) AI in healthcare that includes regulations for AI-based medical diagnostics and treatments to ensure patient safety and efficacy among others.

Along similar lines, further areas worthy of consideration are (i) Liability and Accountability that includes establishing a clear legal framework for liability and accountability in cases where AI systems can cause harm—crucial for building public trust and ensuring that there are mechanisms for redress; (ii) Standards and Certification that includes promoting the development of standards and certification processes for AI systems to ensure quality, safety, and interoperability; (iii) Encouraging Experimentation and Sandboxes that include creating regulatory

sandboxes or innovation hubs where companies can test and develop AI technologies in a controlled environment with reduced regulatory burdens—fostering innovation while allowing regulators to learn and adapt; (iv) Addressing Bias and Fairness that includes promoting policies for the development and use of fair and unbiased AI systems—that incorporates addressing data bias, algorithmic bias, and ensuring that AI systems do not perpetuate or exacerbate existing inequalities.

However, the implementation of AI infrastructure requires substantial investment in data centers, skilled personnel, and robust governance frameworks. Reliance on foreign AI solutions may pose risks to national autonomy. Therefore, a phased and strategic approach is advisable, beginning with accessible applications like translation services and basic analytics, and progressively building capacity for more complex AI initiatives.[127][128] According to our informant, although Nepal is not yet in a position to fully assess the broader implications of AI, this early stage presents an advantage. By observing how AI is being developed and implemented globally, Nepal can learn from the experiences of others, including the potential negative consequences of AI adoption. This allows Nepal to strategize and implement AI in a way that minimizes its adverse effects while maximizing its benefits. For developing countries like Nepal, importing technologies after other nations have tested and refined them offers the benefit of foresight. By understanding the potential challenges and impacts, Nepal can better prepare itself to embrace AI in a more sustainable and thoughtful manner.

## Foreign Investments for Unlocking Nepal's AI Potential

Nepal is not far behind in terms of understanding and willingness to adopt ICT and AI.[129] However, when it comes to investment in digital infrastructure, the country lags significantly behind developed nations. In view of this, public-private partnerships and foreign investments are vital for developing Nepal's AI ecosystem, as they bring technological expertise and financial resources necessary for the sustainability and scalability of the program. Foreign investments can also provide Nepal

with valuable skills and insights from similar projects undertaken by international investors elsewhere. To attract foreign investments, potential actions include expediting FDI applications for Digital Nepal initiatives through a single-window system, raising FDI limits, and simplifying the repatriation of funds—allowing 100% FDI for Digital Nepal initiatives.[130]

Many of the biggest companies have pledged to achieve 'net zero' emissions by 2050, aiming for no net greenhouse gas emissions. However, they are struggling to meet this goal due to an unforeseen rise in energy demand from data centers.[131] In the past two years, data centers have increased global electricity demand, yet the shortage of clean energy continues to be a key obstacle to their growth. For instance, companies like Google and Microsoft are already using as much electricity as the entire country of the Netherlands. High-tech companies have a significant appetite for energy, and the climate crisis is pushing them to explore renewable energy options. Nepal's excess electricity generation capacity aligns with the growing global demand to power generative AI data centers.[132] Hence, creating an enabling environment for foreign investments and partnerships can offer an attractive proposition for AI companies, specifically to access Nepal's renewable energy, while simultaneously being aligned with Nepal's national priorities. By concentrating on specific areas such as cultural diplomacy, trade negotiations, and regional cooperation, Nepal can achieve significant benefits from targeted AI investments.[133]

As our respondent puts it, Nepal's AI ecosystem should focus on identifying its unique selling point to establish a strong foundation. One strategic approach is fostering consortiums and alliances through strategic partnerships, which also facilitate valuable learning opportunities. According to our respondent, high-income countries are often eager to support lower-income nations. Therefore, resource-constrained countries like Nepal should leverage this interest to advocate for the establishment of a Global AI fund. Such a fund could be utilized for research and development, with organizations like FNCCI and Nepal's IT sector

playing pivotal roles in such an initiative. The Government of Nepal, as such can collaborate with private tech companies on AI initiatives, recognizing the private sector's expertise and resources. These partnerships can involve joint research projects, data sharing agreements, and the development of AI-based solutions for public services.

## Cybersecurity in Nepal

Given the centrality of data and data-flow for AI, any discussion of the latter features a strong component of cybersecurity. Besides, AI provides tools and techniques for both cyber offense and defense capabilities. In the Nepali context, cybersecurity is a particularly important topic of AI discussions not only due to the current state of its cybersecurity preparedness but also the geopolitical context under which Nepal's AI ecosystem operates in.

Nepal's geopolitical position presents both opportunities and vulnerabilities. On one hand, the country can benefit from the AI advancements of its larger neighbors, leveraging their infrastructure and expertise. On the other hand, over-reliance on external AI ecosystems—particularly those governed by China or India—poses a significant risk to Nepal's autonomy. If Nepal becomes too dependent on foreign AI infrastructure, it risks being locked into external data policies and technological frameworks, potentially compromising its ability to make independent digital decisions.[134]

Yet, pursuing complete self-reliance is not an easy alternative. Building a robust AI ecosystem requires substantial investment in infrastructure, education, and policy-making. Limited resources and a small pool of domestic AI experts make it difficult for Nepal to develop its own technological independence overnight. This dilemma underscores the need for a balanced strategy—one that embraces international partnerships while protecting national security, personal data, and sovereign control.[135]

Despite these challenges, Nepal has a unique opportunity to craft a digital sovereignty strategy by learning from other nations. Many developing countries, such as Bangladesh and Indonesia, have faced similar dilemmas and responded with localized AI strategies and data protection policies. By studying their successes and missteps, Nepal can design a policy that best fits its socio-economic and geopolitical context.[136]

At the same time, regional collaboration presents an opportunity for Nepal to exert influence. By working with neighboring countries to establish cross-border data governance rules, Nepal can help shape a fairer digital ecosystem that safeguards smaller nations from being dominated by AI superpowers. A strong, well-coordinated regional framework could give Nepal greater negotiation power in global AI discussions and agreements.[137]

Ensuring digital sovereignty requires not just strong policies, but also a resilient technological foundation. Nepal must invest in key infrastructure, including domestic data storage facilities to keep sensitive information within national borders. Establishing localized cloud services and national data centers will help prevent data from being stored and processed in foreign jurisdictions, reducing the risk of external control over Nepal's digital assets.[138]

Beyond storage, Nepal must strengthen its cybersecurity defenses. AI-driven cyber threats are becoming more sophisticated, and Nepal needs to develop advanced cybersecurity systems that can detect, respond to, and mitigate potential breaches in real time. This involves fortifying national networks, implementing AI-driven threat detection mechanisms, and enhancing public and private sector cybersecurity awareness.[139]

A clear legal and regulatory framework is crucial to maintaining digital sovereignty. Nepal must implement a robust data classification system that differentiates between personal, strategic, and national security-critical information. Not all data is created equal, and securing high-risk data categories must be a top priority.[140] Additionally, strict security

protocols are essential to regulating how data is handled, encrypted, and shared across borders. A single oversight could expose Nepal to cyber espionage or malicious hacking attempts. By establishing clear rules on data governance, Nepal can prevent its digital assets from falling into the wrong hands while ensuring responsible AI development.[141]

## Nepal's Cyber-Resilience

Even the most advanced AI-powered cybersecurity defenses are only as strong as the people behind them. In Nepal's case, technology alone will not be enough to stave off attacks from increasingly sophisticated cyber threats. True cyber resilience requires well-trained, motivated, and culturally attuned defenders—individuals who can anticipate threats, communicate clearly, and adapt swiftly when digital crises emerge. Nepal faces a twofold challenge: shifting cybersecurity from a niche technical concern to an everyday responsibility while ensuring that people across all levels of society see themselves as active participants in digital defense. To do this, Nepal must address not just the technical aspects of cybersecurity but also the human factors that influence how people engage with security practices.

Nepal's social structure is deeply shaped by hierarchical relationships, communal living, and trust-based interactions. While these cultural norms create strong social cohesion, they can also introduce vulnerabilities in cybersecurity practices. In many Nepali organizations, a sense of deference to authority can lead to complacency—if senior leadership signals that everything is fine, employees may ignore warning signs or hesitate to report potential threats. Another key issue is Nepal's reliance on foreign cybersecurity solutions. While international expertise can provide valuable resources, an overdependence on external technology risks diminishing trust in local talent and expertise.

Developing this Human Capital requires understanding of human factors that go into building cyber-resilience. Cybersecurity professionals need more than just technical skills; they must also possess the ability to

communicate clearly, think critically, and manage crises effectively. Training programs should reflect Nepal's cultural and linguistic context, making cybersecurity concepts more accessible and relatable. Using localized case studies, real-world scenarios, and culturally relevant examples can enhance engagement and retention in security awareness programs.[142] Leadership development is another critical component. When a data breach or cyberattack occurs, organizations need leaders who can remain calm under pressure, coordinate response efforts, and make strategic decisions quickly. Establishing leadership training programs and mentoring initiatives will ensure that Nepal has a pipeline of cybersecurity professionals who are not only technically proficient but also capable of guiding teams through high-stress situations.[143] Mental health and well-being must also be prioritized. Cybersecurity teams often operate under extreme pressure, defending against persistent and evolving threats. Providing resources such as counseling services, peer support networks, and burnout prevention programs will help maintain high morale and prevent fatigue. A strong cybersecurity workforce is not just one that is skilled but also one that is mentally resilient.[144]

Currently, one of the biggest challenges to effective cybersecurity in Nepal is the siloed nature of institutions. Government agencies, private companies, and public utilities often operate independently, leading to fragmented responses to cyber incidents. Establishing cross-functional cybersecurity task forces that brings together policymakers, technical experts, and communication specialists can ensure a holistic approach to threat mitigation. Clear guidelines should define who is responsible for decision-making, how information is shared, and how swiftly actions are taken when a cyber incident occurs.[145]

# AI Diplomacy for Nepal

Modern international relations involve a combination of technology and foreign policy, where technology shapes foreign policy, and foreign policy drives the development and deployment of technology.[146] AI can influence diplomacy in two key ways: first, by altering the environment in which diplomacy is practiced, and second, by providing diplomats with new tools to assist in their work. To leverage AI effectively in diplomacy, it is essential to retrain diplomatic personnel and update diplomatic processes. The evolving landscape requires improved management and new skills, supported by the necessary structures and strategies, to navigate the AI-driven diplomatic realm.[147] AI is not only influencing high-level diplomatic strategies but also transforming daily diplomatic operations. Tools such as real-time translation applications and automated data analysis enable diplomats to overcome language barriers and cultural differences, thereby extending their reach and effectiveness.[148] For instance, advanced machine translation can facilitate smoother negotiations and interactions, allowing diplomats to engage more effectively in multilingual contexts. Additionally, AI-driven data analysis can assist in crisis management by identifying potential threats and enabling proactive responses, thereby enhancing a nation's reputation as a responsible and responsive actor in international affairs.[149]

In a similar vein, AI-powered translation tools can facilitate communication and negotiation with foreign counterparts, breaking

down language barriers and enhancing better understanding. Further to that, AI-powered chatbots and virtual assistants can be used for public diplomacy and outreach, providing information about Nepal's culture, policies, and tourism opportunities to a global audience. In addition, AI can be used to analyze historical data and identify potential conflict hotspots or areas of diplomatic tension, allowing for proactive diplomatic interventions. Not to mention, AI can play a crucial role in cyber diplomacy, helping to detect and respond to cyberattacks, negotiate international cybersecurity agreements, and promote responsible state behavior in cyberspace. In addition, AI-powered systems can streamline consular services for Nepali citizens abroad, such as passport renewals, visa applications, and emergency assistance among others.

As Nepali diplomats engage in debates and negotiations, AI tools can serve as a source of empirical insight. By simulating the outcomes of various diplomatic strategies, future outcomes can be identified—along with analyzing the strengths, weaknesses, opportunities, and threats in its negotiation and bargaining strategies. There is an observed propensity among authorities to be "present-focused rather than future-oriented, and often adopt a management by crisis approach rather than a management by anticipation style".[150] The ability to anticipate, through predictive analytics, hence, can help Nepal overcome this short-term orientation.

Fundamentally, rather than replacing the judgment of Nepal's diplomats, AI is likely to enhance diplomatic discussions by providing data-driven guidance to support their decision-making. Nevertheless, it is important to highlight that integrating AI into the delicate realm of diplomatic communications raises valid security concerns. Diplomacy often involves confidential discussions and sensitive information, where any breach could have severe consequences. Yet, this does not call for avoiding AI altogether but rather strengthening its security measures.[151] In light of this, security must be a fundamental consideration in AI development, built into the system from the outset. Secure data storage and algorithms designed to resist any malware is critical. That said, international

cooperation is essential for creating and enforcing cybersecurity standards for AI in diplomatic contexts.[152]

## Nepal's AI Cooperation: Challenges and Opportunities

Based on experts' responses and focus group discussions, some of the major obstacles for Nepal in the realm of AI collaboration include but are not limited to:

- **Resource Disparities**: Differences in resources and technical expertise between Nepal and its bi/multilateral partners can create challenges for effective cooperation.
- **Differing Priorities**: Different countries may have different priorities in AI governance, which can lead to disagreements and difficulties in reaching consensus.
- **Lack of Trust and Information Sharing**: concerns about national security and data privacy can hinder trust and information sharing between countries.

Despite these obstacles, Nepal sees a number of major opportunities it can harness. Some of them include:

- **Technology Transfer and Capacity Building**: Bi/multilateral partnerships can facilitate technology transfer, training programs, and joint research projects to help Nepal develop its AI capabilities.
- **Joint Development of AI Solutions for Specific Challenges**: Nepal can collaborate with other countries to develop AI-based solutions for shared challenges, such as disaster management, climate change adaptation, and cross-border crime among others.
- **Harmonization of Ethical and Regulatory Frameworks**: Bi/multilateral agreements can help to harmonize ethical guidelines and regulatory frameworks for AI, promoting interoperability and facilitating cross-border data flows among others.

## Navigating the AI Battleground

In the global tech arena, the United States and China are locked in an intense battle for AI supremacy. In this high-stakes race, advancements are rolling out faster than regulations can keep up, turning AI into both an economic weapon and a geopolitical bargaining chip. In this inevitable clash, smaller nations like Nepal find themselves caught in the crosswinds of both opportunity and peril. Multiple respondents interviewed for this research concur that Nepal's digital sovereignty and data security are highly vulnerable due to its strategic position between two economic powerhouses and emerging tech superpowers China and India. As China competes with the U.S. in the race for technological dominance, India is rapidly establishing itself as a major player, creating a complex dynamic of tech bipolarity where China and the U.S. are the two poles, with India also playing an increasingly dominant role in the AI world. . This places Nepal in a sensitive techno-geopolitical location. Under these circumstances, according to our respondent, Nepal should prioritize an AI policy focused on "how to embrace AI" effectively.

Furthermore, in this networked era, diplomacy extends beyond government-to-government interactions to include a range of actors, such as NGOs, corporations, and individuals, all of whom contribute to shaping global decision-making.[153] Certain tech companies are increasingly becoming influential players in diplomacy and the global economy, resembling the power of nation-states. Their economic and diplomatic strengths have grown to such an extent that their roles and actions at bilateral and multilateral platforms often mimic those of the large AI nations. Tech giants and multinational corporations are gaining significant global influence and economic power, potentially reshaping the world order in ways previously dominated by nation-states. Companies like Apple, Google, and Microsoft are likely to challenge governance, diplomacy, and the economy in the future.[154] The future of international security depends on how states address the challenges posed by the digital age. As a result, meaningful collaboration between governments and transnational tech corporations, such as Google, Apple,

Facebook, and Amazon (GAFA) in the US and Baidu, Alibaba, and Tencent (BAT) in China, could turn into a necessity, especially given the impact of artificial intelligence in transforming diplomatic practices.[155]

Within this context, Nepal must deploy tech diplomats to advance its technological and economic ties while making strategic promotion of its AI and technological innovations to its key partners such as India, China, Europe, and the US, argues one of the respondents. While this approach could help Nepal sign deals and collaboration agreements with different countries and big tech companies, as another respondent admits, it would be an expensive endeavor; Nepal's AI diplomacy would instead benefit more from tech/AI-literate and aware diplomats backed by a robust AI team at home.

## Tech Neutrality Amid Digital Colonialism

As Washington and Beijing engage in technological one-upmanship, the ripple effects are being felt worldwide. From semiconductor embargoes to knowledge transfer restrictions, both superpowers are throwing up barriers that threaten to lock out nations without their own robust AI infrastructures. For Nepal, this presents several critical challenges. One of the most pressing concerns is semiconductor access. Cutting-edge AI development hinges on high-performance chips, but recent U.S. export controls have made acquiring these essential components increasingly difficult. As part of its broader strategy to curb China's AI capabilities, the U.S. has imposed strict regulations on AI chip exports, limiting their availability to smaller countries as well. Without reliable access to advanced processors, Nepal risks being forced to rely on outdated technology, stunting its ability to compete in AI-driven industries. To mitigate this risk, Nepal must explore alternative supply chains, potentially securing partnerships with emerging semiconductor hubs or negotiating third-party agreements.[156]

Meanwhile, the rise of quantum computing threatens to reshape the AI landscape entirely. Quantum technology, still in its early stages, promises

computing power that could one day make traditional supercomputers look primitive. For Nepal, securing a stake in quantum research now is crucial to avoiding technological obsolescence in the future. By forging diplomatic ties with leading quantum hubs in the U.S., China, and beyond, Nepal can ensure it is not left behind when this next wave of computing disrupts AI development. However, this engagement must be carefully managed to protect Nepal's national sovereignty, ensuring that access to breakthrough technology does not come at the cost of political dependency.[157]

A major priority must be defensive AI infrastructure. Cyber threats are evolving at an unprecedented rate, and Nepal needs robust, AI-powered cybersecurity systems to protect its national networks. By investing in advanced cyber defenses and training a dedicated team of cybersecurity specialists, Nepal can build resilience against both state-sponsored cyberattacks and AI-driven misinformation campaigns. Forming security alliances with nations that share common interests in digital sovereignty will also be key to staying ahead of emerging threats.

Of course, AI's potential is not limited to economic development. The technology is increasingly being weaponized, with military powers worldwide exploring AI-driven surveillance, autonomous weapons, and cyber warfare tools. For smaller nations like Nepal, this raises security concerns that cannot be ignored. At the same time, Nepal must adopt a policy of active neutrality. As global military powers experiment with AI-enhanced warfare, smaller countries risk becoming either testing grounds for experimental technologies or collateral damage in digital proxy conflicts. Rather than passively avoiding entanglement, Nepal should play an active role in pushing for international agreements that regulate the use of AI in military contexts. Advocating for clear norms around AI-driven surveillance, lethal autonomous weapons, and digital espionage can help smaller nations like Nepal secure a seat at the negotiating table—ensuring their interests are represented rather than dictated by larger powers.

As a member of the LDC group, Nepal primarily remains a recipient of the already developed AI ecosystem. In this context, diplomacy plays a vital role, enabling Nepal to collaborate with international communities of like-minded nations and voice its concerns for equitable geographical representation in the AI domain. Without such efforts, Nepal risks merely adopting what others have already established. Moreover, our respondent reiterates that, as a resource-constrained nation, Nepal faces significant risks if it becomes a passive user of AI. The key challenge lies in ensuring the responsible use of AI. With a growing monopoly of limited countries and tech companies over data, countries like Nepal are vulnerable to falling into a digital colonialism trap perpetuated by tech companies over several decades. Therefore, rather than relying solely on big data, Nepal must explore ways to democratize it—potentially via pushing regional initiatives. Nations in the Global South lack the capacity to compete with dominant AI platforms like OpenAI, making it crucial for Nepal to balance regulation and innovation effectively. But as discussed in above sections, new tech innovations have demonstrated ways to bypass some of these hurdles. By actively engaging in international and bilateral discussions on AI development and governance, Nepal can not only ensure that its interests are fairly represented but can also contribute to shaping a global AI landscape that is beneficial for all.

Despite these challenges, Nepal has several strategic avenues to strengthen its position in the global AI race. One of the most promising is targeted talent cultivation. A forward-thinking approach would be the establishment of a consortium of AI professionals—one that attracts experts from Silicon Valley, Beijing, and other AI powerhouses to help train Nepal's next generation of developers and data scientists. By participating in the development of international AI protocols concerning data sharing, privacy, and transparency, Nepal can help ensure that emerging norms are equitable and consider the interests of smaller nations.[158] In addition to this, by investing in homegrown talent, Nepal can reduce its reliance on foreign expertise and foster a domestic AI ecosystem capable of independent innovation.

Another crucial factor is strategic infrastructure partnerships. AI's digital backbone relies on data centers, cloud computing facilities, and high-speed networks. If these are the fortresses of the digital age, Nepal must be cautious about who gets to build and control them. While collaboration with international tech giants is inevitable, Nepal should ensure that it maintains ownership and oversight over its digital infrastructure. Losing control over these assets could leave the country vulnerable to external political pressures or data sovereignty concerns.

## Nepal's Techno-geopolitical Location and AI Diplomacy

As AI innovation continues to advance, its widespread adoption is often delayed by the need for scrutinized global governance frameworks. In the meantime, "grey zone aggression"—that is "a threat which is difficult to define but critical to recognize" persists.[159] This includes disinformation campaigns, cyberattacks, and proxy wars, which blur the boundaries between traditional warfare and peacetime activities. Such emerging forms of conflict are pervasive, posing complex challenges for states to build the capability and creativity required to address them effectively. For Nepal, these challenges are particularly acute given its limited financial and human resources. The risks extend beyond cybersecurity vulnerabilities to include the potential for democratic backsliding, especially as political systems struggle to meet rising public expectations amplified by algorithm-driven social media echo-chambers. For instance, multinational companies developing AI solutions often overlook individual national priorities. Therefore, when application-based services enter Nepal, they should be required to meet the specific needs of the Nepali market. For instance, social media platforms like Facebook should be integrated into Nepal's digital ecosystem to contribute meaningfully to the country. Such tech companies must register in Nepal, given their large user base, and the government should push to bring them under state regulation, ensuring accountability for their liabilities and responsibilities. Even in the absence of a physical presence, Nepal should seek mechanisms to hold these companies accountable.

Moreover, there is a call among the public intellectuals in Kathmandu to swiftly modernize Nepal's approach to public and political discourse, where technology is the new language, to be recognized on the global stage.[160] Nepal's approach currently, in Tech and AI collaboration, has largely been initiated by private entities. While these efforts offer a silver lining amid challenges, they remain in their infancy. This approach dominated by private sector actors and lobbies risks Nepal adopting a protectionist regime that restricts foreign companies while prioritizing Nepali ones. While it may appear economically sound in some instances, making it difficult for foreign companies to operate in Nepal may slow down AI innovation and adoption. To fully realize the potential of AI collaboration, therefore, Nepal's AI diplomacy must involve pursuing more extensive, pro-innovation collaborations with many global actors.[161] In context, Bangladesh has strengthened its relationship with India by initiating discussions on an economic agreement aimed at enhancing collaboration in key technology sectors, such as fintech and cybersecurity among others.[162] Likewise, given the momentum of the emerging global order and geo-tech landscape, Nepal can evaluate its tech foreign policy and adopt tech diplomacy, either bilaterally or multilaterally, to address global tech and AI challenges.[163] Similarly, Nepal must take proactive steps to establish Data Protection Regulations to safeguard individuals' private data. This would not only enhance citizens' personal sovereignty and dignity but also strengthen national security.[164]

Countries worldwide are now appointing ambassadors specifically for the tech sector, acknowledging the growing influence of Big Tech as a powerful supranational force. As Big Tech companies gain immense global influence, many governments have designated diplomats to focus exclusively on working with Silicon Valley. These 'tech ambassadors' are responsible for representing their nation's interests and serving as intermediaries between their government and tech companies. For example, they convey their country's values, and the views and concerns of citizens and government, to the global tech industry.[165] As such, multilateral tech diplomacy, geopolitical balancing, and techno-economic cooperation are key to fostering stronger relationships with neighboring

countries and other global superpowers.[166] For this, Nepal should appoint diplomats with strong diplomatic and technical expertise, enabling them to engage in more confident and influential diplomatic dealings. These diplomats can help promote Nepal's national tech interests by influencing host countries. Nepal should also establish a tech cooperation framework both regionally and internationally, appointing tech envoys to specific countries to foster techno-economic cooperation, ultimately advancing its long-term economic and security goals.[167] Most importantly, Nepal should work to reduce the trust deficit with neighboring countries and other powers to strengthen its bilateral relations.[168]

## Strategic Hedging in a Tech-Driven World

Adopting models such as G2G, B2B, or professional-to-professional collaborations could enable Nepal to tap into the ripple effects of AI advancements in China and India. At the same time, Nepal should actively seek collaboration with its distant neighbors. As such, Nepal should adopt a strategic hedging approach to build ties with all global tech powers. This strategy would enable Nepal to maintain good relationships with various tech nations by applying a range of policy options, including selective involvement, restrained opposition, and partial compliance, all aligned with its national interests in AI. In doing so, Nepal should focus on both bilateral and multilateral cooperation ensuring multiple alignments with different technological powers. This approach could help Nepal strike a balance between realism and self-confidence optimizing benefits through collaborative partnerships.[169] Carefully balancing relationships with larger powers is essential to preserve national independence while benefiting from technological advancements.[170]

Turning to Nepal's immediate neighbor, Nepal and India have strong historical, cultural, and economic ties, providing a solid basis for AI diplomacy. With open borders, a shared cultural legacy, and significant socio-economic interdependence, the two countries have long been development partners. AI diplomacy can strengthen this partnership by fostering collaboration in key areas that benefit both nations. As an

emerging global leader in science and technology, India can offer significant contributions. From breakthroughs in information technology to space exploration and biotechnology, India's scientific and technical knowledge represents a vital resource for Nepal's innovation and development.[171] As such, AI diplomacy offers a framework for the two countries to create joint research agendas, collaborate on scientific initiatives, and co-develop solutions that can positively affect the lives of millions in both nations. Additionally, AI diplomacy, as such, offers an opportunity for Nepal and India to work together on health research, exchange data, and engage in capacity-building initiatives that enhance health security in both nations.[172] Furthermore, such initiatives have an immense potential to create cohesive regional responses to environmental challenges.

Coming up to Nepal's northern neighbor, according to our respondent, during the COVID era, China developed a significant volume of technology-based products that required a market for distribution. However, these products could not be sold or supplied internationally as anticipated. As such, in the current geopolitical climate, China perceives Nepal as a potential ally, a perspective reflected in the actions of both the Chinese government and Chinese private firms. As such, Nepal does not share the Western (and Indian) apprehension against China and has been engaging with both China and the West (or India), including in the landscape of AI collaboration. One of our respondents had a consistent view that, for Nepal, China is quite open to IT and AI collaboration internationally. For instance, the World Robot Cooperation Organization (WRCO)—China-based robotics research, development, design, production, and application-based organization—has been opening a collaborative platform with the Robotics Association of Nepal (RAN). Moreover, Nepal participated in the BRI Skills Competition—showcasing skills in diplomacy. As part of the BRI, Nepal has been participating in such competitions. In a similar vein, Nepali private organizations like RAN have also participated in summits, like in the ITU—a global assembly themed AI for good summit—accelerating the UN sustainable development goals.

Speaking in relation to China and India, one of our respondents consistently highlighted a notable contrast. When a Nepali Robot Research Center sought collaboration with an Indian counterpart of a similar nature, Indian private organizations responded that they already had numerous global options for such partnerships. On the flip side, a similar proposal to a Chinese firm was met with enthusiasm and a welcoming attitude. Such experiences suggest that collaborating with Chinese firms is often relatively easier due to their eagerness to establish partnerships. Additionally, as noted by the respondent, there are greater opportunities for collaboration with institutions in China across national, provincial, and local levels. This process is further facilitated by China's perception of Nepal as a market for its IT and AI products, making such partnerships more accessible. This highlights the nature of Chinese and Indian B2B engagements with Nepal in the context of IT and AI collaboration—where Chinese firms tend to adopt a more open approach to South-South partnerships, while Indian firms are comparatively more reserved.

Against this backdrop, both of Nepal's neighbors approach their relationship with other countries through a "security first" lens, focusing on both conventional and non-conventional security concerns. As such, Nepal's policy of non-alignment offers a principled framework for engagement, enabling the country to diversify its security practices without aligning with the security blocs of major powers.[173] One respondent suggests that while Nepal has been seeking grants and concessional loans from its neighbors for infrastructure development, it should similarly prioritize requesting funding for skill and technology transfer from major global powers. For instance, rather than focusing on less impactful projects such as trading buffaloes or building an Ayurvedic University via Indian support, Nepal could push for initiatives that are more aligned with its developmental needs, such as establishing wings of India's IIT and IIM in Nepal. Likewise, with the Chinese government supporting the development of the Madan Bhandari University of Science and Technology, Nepal could propose integrating a research lab focused

on cybersecurity and AI into this project. This would not only aid in producing skilled human resources but also open avenues for further collaboration to create employment opportunities, targeting a significant share of job creation in the AI sector.

## Nepal's AI Strategy in Regional and Global Forums

To maximize the benefits of AI through advocacy, lobbying, and collaboration with international actors, Nepal should focus on three key strategies, according to an expert. First, it should establish a watchdog to monitor AI developments across the globe, and within the region. Second, Nepal should prioritize joining multilateral negotiations early on to shape the emerging AI landscape. Additionally, the country needs to strengthen its bureaucratic capacity to address the economic disruptions caused by AI applications across various industries. These initiatives should align with the principle of "No one should be left behind," emphasizing AI as a global public good and pushing for the establishment of AI-related multilateral treaties, similar to those addressing poverty, health, education, climate change, and other global challenges. Third, in its foreign policy, Nepal should frame AI adoption and innovation around the values of equity, inclusion, and vigilance toward international regimes that will impact businesses, politics, and economies worldwide.

Our sources indicate that Nepal has been participating annually in the UN's STI Forum, which focuses on the role of science, technology, and innovation in achieving sustainable development. While Nepal's influence in shaping AI-related discussions at these forums is not particularly prominent, it is still engaged in the process to some extent. As the chair of the LDC group, Nepal also takes part in various discussions on AI and other emerging technologies, including the LDC Future Forum. This platform brings together researchers, leading global development experts, and policymakers to explore ways to leverage innovation, digitalization, and technology for structural transformation and sustainable development in LDCs. These discussions also extend into the realm of the voice of the future— "terra incognita". Currently, MOFA lacks the

necessary interest, capacity, and policy frameworks to address AI effectively. As a member of the LDC and G77 groups, Nepal should leverage these multilateral coalitions to negotiate and influence global AI policy, moving away from government-centric agencies in favor of broader, multi-stakeholder collaboration.

Similarly, Nepal should actively demonstrate strong participation in various multilateral organizations to enhance its global presence and participation. Regionally, despite its strategic location and potential, Nepal has yet to secure membership in the SCO, which could provide significant opportunities for regional cooperation, particularly in technology and innovation. In a similar vein, Nepal should also push for regional AI initiatives under the existing frameworks such as BIMSTEC and SAARC. In addition, Nepal should also work on joining other global and regional tech-related collaborations and initiatives, such as the GPAI.

As countries across the world navigate the divide between the Western-led and the China-led models, the issue of AI governance is becoming a matter of techno-geopolitics. This dynamic presents a challenging scenario for Nepal, as it seeks to position itself within an AI-driven global economy. On a broader level, while the US leverages global data and China operates with centralized data, Nepal must carefully navigate these tech power dynamics. Regarding Nepal's relations with India, in the realm of promoting a culture of AI diplomacy, both countries can focus on educational exchange programs and collaborative research initiatives to nurture scientific talent, such as in AI. Scholarships, exchange programs, and joint workshops can play a key role in developing scientists and diplomats capable of addressing complex global and regional challenges.[174] As such, Nepal should work toward developing its own tech foreign policy to safeguard its interests and promote sustainable growth in the digital age. As per our respondent, Nepal should harness innovative solutions by engaging with both close and distant neighbors without aligning explicitly with either. This approach allows Nepal to strategically navigate geopolitics. Additionally, European and ASEAN countries offer innovative approaches that Nepal can benefit from. To strengthen its

position globally, Nepal should ensure robust representation across diverse platforms, whether through private companies, academia, or government agencies.

Moreover, Nepal can also tap into the potential of AI in crisis responses by utilizing real-time data. This approach can be particularly effective in addressing challenges related to climate change and disaster risk management. By leveraging such data, Nepal can foster negotiations and partnerships with international stakeholders to collaboratively mitigate risks that impact all parties involved. As such, implementing AI projects in areas like humanitarian aid and cultural initiatives can enhance Nepal's soft power and demonstrate its commitment to innovation.[175]

# Conclusion and Recommendations

The field of research and development in AI has existed for decades. However, the breakthrough of big-data driven LLMs and genAI in the early 2020s proliferated the debates and discussions around AI innovation and regulation at different levels of society. As briefly discussed in the earlier sections, these new AI-powered tools and techniques have either already had or are set to have transformative consequences on society, economy, and politics, which has led experts, leaders, and policymakers across the world to assess the world of AI and take appropriate measures that allows harnessing AI's incredible potential while minimizing its potential risks. In this endeavor, diplomacy and international cooperation around AI has emerged as an essential feature of most countries' foreign policy. Tracking AI's role and impacts on global and regional geopolitics, this research aimed to contextualize the global AI policy landscape, its interaction with cybersecurity, and some of the key international collaboration efforts on AI to identify key opportunities and challenges Nepal could address through a robust AI diplomacy.

This study substantiated that AI, due to its transformative potential, has emerged as a central focus of global geopolitical competition, where the U.S. and China lead the AI race with a head-to-head competition. Other international actors like the European Union and India have also pursued highly nuanced AI strategies to forge partnerships at both bilateral and multilateral levels. While pushing for greater collaboration for research and development at bilateral levels, these actors often prioritize different

aspects of governance based on their unique national priorities and requirements. Meanwhile, the UN has taken its own measures, albeit limited, to facilitate AI innovation and integration both within its agencies as well as among its members. For countries like Nepal striving to bridge the development divide by benefitting from the fourth industrial revolution, a well strategized AI diplomacy proves essential, especially due to the transboundary nature of AI and these countries' limited resources and capability to fully harness its true potential alone.

As outlined in the preceding exploration, besides the application of AI tools and technologies in diplomatic conducts and practices, Nepal's overall diplomatic engagements with AI powerhouses in the region and around the world must constitute a strong component of artificial intelligence. This study has highlighted Nepal's geographic location, its bargaining power—demographic dividend, low-wage economy, hydropower potential—and global south's lobbying and leadership combined as some of the opportunities when it comes to AI cooperation with international partners. Nevertheless, challenges such as resource deficit, skill gap, cybersecurity vulnerabilities, and geopolitical pressures persist, too. On both fronts, a mature AI diplomacy with its regional and global partners can help Nepal harness AI's potential while minimizing its disruptive impact. Making a strong case for Nepal's AI diplomacy, the sub-section below details some actionable policy recommendations.

## Policy Recommendations

1. **Develop a National AI Strategy with Clear Priorities**:

    a. Nepal should formulate a well-defined national AI strategy that aligns with the country's development goals. This strategy should identify key sectors where AI can have the greatest positive impact, such as education, health, agriculture, climate change, disaster risk reduction, and cultural heritage preservation. The strategy needs to outline clear goals and objectives for AI adoption and development,

address ethical considerations, data governance, and potential societal impacts, and promote public-private partnerships to leverage expertise and resources. Nepal must leverage its existing bilateral and multilateral mechanisms of sectoral partnerships for AI development, adoption, and regulation in respective areas.

b. The AI policy should focus on fostering growth rather than imposing restrictive control mechanisms, especially in the early stages.

2. **Invest in Digital Literacy and AI Talent Development**:

   a. Nepal should prioritize education and training in STEM fields, data science, and AI-related skills to build a domestic talent pool. It must strengthen university programs in AI and related disciplines, support vocational training programs to equip workers with practical AI skills, and promote digital literacy and awareness among the general population.
   b. Nepal must address the brain drain issue by creating opportunities and incentives for AI experts to stay and contribute to Nepal's AI ecosystem.

3. **Promote International Cooperation and Knowledge Sharing**:

   a. Nepal must actively engage in bilateral and multilateral partnerships for knowledge sharing and technology transfer. It should actively participate in international research collaborations, data-sharing initiatives, and capacity-building programs to access expertise, resources, and technologies that would be difficult to develop independently.
   b. Nepal should engage with like-minded countries to learn from their AI adoption experiences.
   c. The government should prioritize expanding foreign scholarships, fellowships, and exchange opportunities for

Nepali students and practitioners in AI and critical technology.

4. **Establish a Robust AI Governance Framework**:

    a. Nepal should develop an autonomous and contextualized approach to AI governance that reflects Nepal's unique history, politics, society, economy, and developmental challenges. This framework should synthesize various international approaches, incorporating elements from China's centralized oversight, the US's innovation focus, and the EU's risk-based regulations, while adapting to Nepal's institutional capacities and socio-economic context.
    b. Nepal must prioritize a balanced approach that fosters technological innovation while implementing robust regulatory frameworks to mitigate associated challenges such as economic disruption, cybersecurity risks, and ethical concerns.

5. **Strengthen Cybersecurity and Data Protection Measures**:

    a. Nepal should invest in domestic capabilities and foster international partnerships to establish robust cybersecurity frameworks. It must develop AI-powered security systems and early-warning mechanisms, implement automated threat detection systems, establish secure data centers, and develop clear protocols for cross-border data protection.
    b. Nepal must prioritize data protection and potentially create its own communication tools.

6. **Attract Foreign Investment and Position Nepal as an AI Hub**:

    a. Nepali leaders, policymakers, and diplomats should intensify efforts to attract foreign investment in the ICT and AI sectors by organizing initiatives such as periodic FDI

summits. These initiatives should position Nepal as a hub for outsourcing AI projects, leveraging its low-cost labor economy, clean energy potential, and minimum capital requirements.

b. The Nepal government must offer tax breaks, subsidies, and grants to companies in Nepal, including international or foreign companies, to encourage investment and growth in the AI sector.

7. **Enhance Diplomatic Capacity for AI Governance**:

a. The Nepal government should integrate AI and technology components into diplomacy courses and training programs for diplomats. Diplomats to strategic locations such as India, China, Europe, and the United States must be given more detailed training, orientation, and mandate to enhance technological and economic ties.

b. Nepal must actively participate in global AI governance discussions and multilateral treaties, advocating for ethical AI governance that protects smaller nations' interests and advocate for AI as a public good. Multilateral platforms such as LDC and G77 as well as regional frameworks like BIMSTEC, SAARC, and BBIN can be useful vehicles for Nepal's AI diplomacy.

c. The Ministry of Foreign Affairs (MoFA) should be the point of contact (PoC) between its diplomats in other countries and the government's AI efforts. The proposed national AI centre must acknowledge MoFA's crucial role and make necessary institutional arrangements to ensure it plays the required role in bridging Nepal's AI ecosystem with the world via effective diplomatic efforts.

## Study Limitations and Future Direction

One of the most evident limitations of this research involves the rapid pace of development around AI innovation and regulation globally, which makes tracking and reviewing them an extremely challenging task. While the research has covered major events, initiatives, and developments to give a general outlook of AI and its implications on geopolitics, national security, and diplomacy, a host of new initiatives and developments are launched almost every day, both regionally and globally, which is not comprehensively reviewed in this study.

This study was conducted within a short time, spanning from December 2024 to mid-February 2025, which makes time constraints another obvious limitation. The timing of the research also limited the researchers' ability to schedule interviews with some key informants, particularly foreign diplomats who were on extended leave. Similarly, findings drawn from a limited set of case studies, expert interviews, and discussions may not offer broader generalizability for a broader context, particularly beyond Nepal's specific context. Researchers' positionality, the chosen analytical framework, and prior knowledge may have also shaped data interpretation. As such, implicit biases—subconscious prejudices—could have influenced data collection, analysis, and interpretation, potentially skewing the results. Since this study is primarily qualitative, it lacks empirical validation through large-scale statistical analysis. The absence of quantitative methods makes it difficult to assess the magnitude of observed trends and patterns.

Future research may expand on this baseline study to explore the specific trends, findings, and observations in a more detailed investigation. They could involve diverse data sources, supplementing expert perspectives with primary data from wider stakeholders. Incorporating nuanced media analysis and discourse analysis would also help triangulate findings and strengthen validity.

To mitigate potential expert bias in FGDs and KIIs, future research may consider increasing the sample size of respondents from diverse disciplines, sectors, and ideological orientations. Conducting anonymous surveys alongside FGDs could also help capture less-influenced, more candid opinions. Pursuant to that, integrating mixed-methods research—combining qualitative findings with quantitative surveys or big data analytics—would enhance the robustness of the study. Longitudinal and more nuanced policy-oriented research is also recommended to track changes over time. Furthermore, engaging with policymakers to assess how research findings can inform further decision-making and real-world applications can increase the practical relevance of future studies.

# *Endnotes*

[1] Booth, Harry. "How China Is Advancing in AI Despite U.S. Chip Restrictions." *TIME*, January 28, 2025. https://time.com/7204164/china-ai-advances-chips/.
[2] Ahmed, Mashaid. "Top 13 Artificial Intelligence (AI) Breakthroughs of 2024." Yahoo Finance, September 8, 2024. https://finance.yahoo.com/news/top-13-artificial-intelligence-ai-222907215.html?guccounter=2.
[3] Lindsay, James M. "Ten Most Significant World Events in 2024." *Council on Foreign Relations*, December 23, 2024. https://www.cfr.org/article/ten-most-significant-world-events-2024.
[4] NobelPrize.org. "Nobel Prize in Physics 2024," n.d. https://www.nobelprize.org/prizes/physics/2024/summary/.
[5] NobelPrize.org. "Nobel Prize in Chemistry 2024," n.d. https://www.nobelprize.org/prizes/chemistry/2024/press-release/.
[6] Toews, Rob. "10 AI Predictions for 2025." *Forbes*, December 24, 2024. https://www.forbes.com/sites/robtoews/2024/12/22/10-ai-predictions-for-2025/.
[7] NHH. "10 AI-predictions for 2025," n.d. https://www.nhh.no/en/research-centres/digital-innovation-for-growth/dig-news-and-blogs/2025/10-ai-predictions-for-2025/.
[8] Fusemachines. "2025 AI Predictions and Trends." *Fusemachines*, January 24, 2025. https://insights.fusemachines.com/2025-ai-predictions-and-trends/.
[9] Ng, Kelly, Brandon Drenon, Tom Gerken and Marc Cieslak. "What Is DeepSeek - and Why Is Everyone Talking About It?." *BBC*, February 4, 2025. https://www.bbc.com/news/articles/c5yv5976z9po.
[10] Milmo, Dan, Julia Kollewe, Amy Hawkins, and Robert Booth. "'Sputnik Moment': $1tn Wiped off US Stocks After Chinese Firm Unveils AI Chatbot." *The Guardian*, January 28, 2025. https://www.theguardian.com/business/2025/jan/27/tech-shares-asia-europe-fall-china-ai-deepseek.
[11] Afp. "Alibaba Launches Advanced AI Model Qwen2.5-Max to Rival GPT-4." *The Economic Times*, January 30, 2025. https://economictimes.indiatimes.com/tech/artificial-intelligence/alibaba-launches-advanced-ai-model-qwen2-5-max-to-rival-gpt-4/articleshow/117718799.cms?from=mdr.
[12] TIE Tech Desk. "After DeepSeek-R1, Kimi k1.5 Model by Chinese Startup Moonshot AI Outshines OpenAI-o1." *The Indian Express*, January 29, 2025. https://indianexpress.com/article/technology/artificial-intelligence/deepseek-r1-kimi-k1-5-model-by-chinese-openai-o1-9804116/.
[13] MoonshotAI. "GitHub - MoonshotAI/Kimi-k1.5." *GitHub*, n.d. https://github.com/MoonshotAI/Kimi-k1.5.
[14] Corteval, V. "Opinion | Artificial Intelligence Action Summit," *The Kathmandu Post*, January 31, 2025. https://kathmandupost.com/columns/2025/01/31/artificial-intelligence-action-summit.
[15] Google Health. "Advancing Healthcare Research & AI in Medicine." *Google*, n.d. https://health.google/health-research/.
[16] IBM Education. "AI Healthcare Benefits." *IBM* (blog), January 27, 2025. https://www.ibm.com/think/insights/ai-healthcare-benefits.
[17] Kazmi, Asyia. "Can AI Transform Education to Ensure All Students Benefit?" *Gates Foundation*, September 11, 2024. https://www.gatesfoundation.org/ideas/articles/ai-tools-education-technology.
[18]World Health Organization: WHO. "Assistive Technology." *WHO*, April 24, 2023. https://www.who.int/europe/health-topics/assistive-technology#tab=tab_1.
[19] Kane, Aidan T., and Martin Neil Baily. "How Will AI Affect Productivity?" *Brookings*, May 2, 2024. https://www.brookings.edu/articles/how-will-ai-affect-productivity/#will-ai-improve-productivity.
[20] Bhowmick, Soumya. "AI As a Catalyst for Sustainable Development." *ORF*, June 1, 2024. https://www.orfonline.org/expert-speak/ai-as-a-catalyst-for-sustainable-development.

[21] Curry, Rachel. "How A.I. Can Help Create Jobs for Humans, Not Just Automate Them." *CNBC*, August 10, 2023. https://www.cnbc.com/2023/08/10/how-ai-can-help-create-jobs-for-humans-not-just-automate-them.html.

[22] World Economic Forum. "The Future of Jobs Report 2020." World Economic Forum, October 20, 2020. https://www.weforum.org/publications/the-future-of-jobs-report-2020/in-full/executive-summary/

[23] Georgieva, K. (2024, January 14). "AI Will Transform the Global Economy. Let's Make Sure It Benefits Humanity." *International Monetary Fund*, January 14, 2024. https://www.imf.org/en/Blogs/Articles/2024/01/14/ai-will-transform-the-global-economy-lets-make-sure-it-benefits-humanity

[24] Wirtschafter, V. "For AI to make government work better, reduce risk and increase transparency." *Brookings*, January 16, 2025. https://www.brookings.edu/articles/for-ai-to-make-government-work-better-reduce-risk-and-increase-transparency/

[25] Daryanani, M. "How AI influences cybersecurity." *KPMG*, 2023. https://kpmg.com/ch/en/insights/cybersecurity-risk/artificial-intelligence-influences.html

[26] Pfau, M. "Council Post: Artificial Intelligence: The New Eyes Of Surveillance." *Forbes*, August 12, 2024. https://www.forbes.com/councils/forbestechcouncil/2024/02/02/artificial-intelligence-the-new-eyes-of-surveillance/

[27] Constantineanu, C. (2024, November 8). "Deepfakes: The New Frontier in Political Disinformation." *The Security Distillery*, November 8, 2024. https://thesecuritydistillery.org/all-articles/deepfakes-the-new-frontier-in-political-disinformation

[28] Junqueira, H. "Digital extremism: How algorithms feed the politics polarisation." *Ipsos*, October 17, 2023. https://www.ipsos.com/en/flair-collection/digital-extremism-how-algorithms-feed-politics-polarisation

[29] Sheikh, H. "AI As a Tool of Hybrid Warfare." *Journal of Information Warfare* 21, no. 2 (2022): 36–49. https://www.jstor.org/stable/27199968.

[30] Johnny Harris. "AI Is Changing War. Just Not With Killer Robots," January 30, 2025. https://www.youtube.com/watch?v=geaXM1EwZlg.

[31] Joshi, S. See. "AI Is Changing War. Just Not With Killer Robots," January 30, 2025. https://www.youtube.com/watch?v=geaXM1EwZlg.

[32] Serhan, Yasmeen. "How Israel Uses AI in Gaza—And What It Might Mean for the Future of Warfare." *TIME*, December 18, 2024. https://time.com/7202584/gaza-ukraine-ai-warfare/.

[33] Hunder, M. "Ukraine collects vast war data trove to train AI models." *Reuters*, December 20, 2024. https://www.reuters.com/technology/ukraine-collects-vast-war-data-trove-train-ai-models-2024-12-20/

[34] Reuters Staff. (2024, October 11). "Russia says it is ramping up AI-powered drone deployments in Ukraine." *Reuters*, October 11, 2024.

[35] Britzky, H. "Putin: Whoever leads in AI will rule the world." *Axios*, December 15, 2017. https://www.axios.com/2017/12/15/putin-whoever-leads-in-ai-will-rule-the-world-1513305253

[36] Bremmer, I. A. N., & Kupchan, C. "Top risks 2018." *Eurasia Group*, 2018. https://www.eurasiagroup.net/files/upload/Top_Risks_2018_Report.pdf.

[37] Saul, D. "Biggest Market Loss in History: Nvidia Stock Sheds Nearly $600 Billion As DeepSeek Shakes AI Darling." *Forbes*, January 27, 2025. https://www.forbes.com/sites/dereksaul/2025/01/27/biggest-market-loss-in-history-nvidia-stock-sheds-nearly-600-billion-as-deepseek-shakes-ai-darling/

[38] Milmo, Dan, Julia Kollewe, Amy Hawkins, and Robert Booth. "'Sputnik Moment': $1tn Wiped off US Stocks After Chinese Firm Unveils AI Chatbot." *The Guardian*,

January 28, 2025. https://www.theguardian.com/business/2025/jan/27/tech-shares-asia-europe-fall-china-ai-deepseek.

[39] Shalal, Andrea, David Shepardson, and Kanishka Singh. "White House Evaluates Effect of China AI App DeepSeek on National Security." *Reuters*, January 28, 2025. https://www.reuters.com/technology/artificial-intelligence/white-house-evaluates-china-ai-app-deepseeks-affect-national-security-official-2025-01-28/.

[40] Desai, M. A. "Opinion | Nvidia's Fall Shows an Uncertain A.I. Future." *The New York Times*, January 28, 2025. https://www.nytimes.com/2025/01/28/opinion/nvidia-deepseek-ai-valuation-ouroboros.html

[41] ColdFusion. (2025, January 29). "China's DeepSeek - A Balanced Overview." *YouTube*, January 29, 2025. https://www.youtube.com/watch?v=-KK8SuvwoRQ

[42] Janakiram MSV. (2025, January 26). "All About DeepSeek - The Chinese AI Startup Challenging The US Big Tech." *Forbes*, January 26, 2025. https://www.forbes.com/sites/janakirammsv/2025/01/26/all-about-deepseekthe-chinese-ai-startup-challenging-the-us-big-tech/

[43] Ibid.

[44] Reuters. "Why blocking China's DeepSeek from using US AI may be difficult." *The Kathmandu Post*, January 30, 2025. https://kathmandupost.com/science-technology/2025/01/30/why-blocking-china-s-deepseek-from-using-us-ai-may-be-difficult

[45]LBC. (2025, January 30). "Godfather of AI" predicts it will take over the world." *YouTube*, January 30, 2025. https://www.youtube.com/watch?v=vxkBE23zDmQ

[46] Feijóo, C., Y. Kwon, J.M. Bauer, E. Bohlin, B. Howell, R. Jain, P. Potgieter, K. Vu, J. Whalley, & Xia, J. (2020). "Harnessing artificial intelligence (AI) to increase wellbeing for all: The case for a new technology diplomacy." *Telecommunications policy*, vol. 44, no. 6 (2020): 101988-101988.

[47] Diplo. "AI DIPLOMACY: Geo-politics, Topics and Tools in 2025 | Diplo," n.d. https://www.diplomacy.edu/topics/ai-and-diplomacy/.

[48] Konovalova, M. "AI and Diplomacy: Challenges and Opportunities." *Journal of Liberty and International Affairs (Bitola)*, vol. 9, no. 2 (2023): 522-23.

[49] Frey, C. "Digital Diplomacy: The Impact of Technology on Modern Diplomacy and Foreign Policy. Current Realities and Future Prospects." *Romanian journal of European affairs*, vol. 24, no. 1 (2024): 107.

[50] IAPP. "Global AI Law and Policy Tracker." *IAPP*, (n.d.). https://iapp.org/resources/article/global-ai-legislation-tracker/

[51] Szewczyk, B., Cecilia Malmström, and Carl Bildt. "Spotlight Series on Global AI Policy -- Part I: European Union | Inside Global Tech." *Inside Global Tech*, April 5, 2024. https://www.insideglobaltech.com/2023/10/04/spotlight-series-on-global-ai-policy-part-i-european-union/.

[52] HAI. "AI Index Report 2024 – Artificial Intelligence Index." *Stanford*, (n.d.). https://aiindex.stanford.edu/report/

[53] Gweon, A., Matthew Shapanka, Holly Fechner, and Yaron Dori. "U.S. AI Policy Expectations in the Trump Administration, GOP Congress, and the States." *Global Policy Watch*, December 18, 2024. https://www.globalpolicywatch.com/2024/12/u-s-ai-policy-expectations-in-the-trump-administration-gop-congress-and-the-states/

[54] IAPP. "Global AI Law and Policy Tracker." *IAPP*, (n.d.). https://iapp.org/resources/article/global-ai-legislation-tracker/

[55] "The Global AI Strategy Landscape," n.d. https://www.holoniq.com/notes/the-global-ai-strategy-landscape?utm_source=chatgpt.com.

[56] Galimberti, S. "Nepal needs a credible plan to regulate AI." *The Annapurna Express*, July 21, 2024. https://annapurna-express.prixa.net/story/49788

[57] Guragain, A. "Legal Blueprint for Artificial Intelligence and the Nepali Techonomy." *Nepal Economic Forum,* July 15, 2024. https://nepaleconomicforum.org/legal-blueprint-for-artificial-intelligence-and-the-nepali-techonomy/

[58] UNESCO. "Unveiling the Intricacies of AI Governance in Nepal: Multistakeholder Dialogue on Artificial Intelligence Governance," June 21, 2024. https://www.unesco.org/en/articles/unveiling-intricacies-ai-governance-nepal-multistakeholder-dialogue-artificial-intelligence.

[59] Nandikotkur, G. "Cybersecurity in Nepal: Essential Steps." *Bank Info Security*, June 8, 2020. https://www.bankinfosecurity.asia/cybersecurity-in-nepal-essential-steps-a-14396

[60] Faruqe, M. Y. "Navigating Nepal's digital frontier: Understanding cybersecurity in the digital age, ensuring data safety, and the role of AI." *The Himalayan Times*, December 19, 2023. https://thehimalayantimes.com/opinion/navigating-nepals-digital-frontier-understanding-cybersecurity-in-the-digital-age-ensuring-data-safety-and-the-role-of-ai

[61] Muraleedhara, P. "The Need For AI Powered Cybersecurity to Tackle AI Driven Cyberattacks." *ISACA*, April 23, 2024. https://www.isaca.org/resources/news-and-trends/isaca-now-blog/2024/the-need-for-ai-powered-cybersecurity-to-tackle-ai-driven-cyberattacks

[62] Faruqe, M. Y. "Navigating Nepal's digital frontier: Understanding cybersecurity in the digital age, ensuring data safety, and the role of AI." *The Himalayan Times*, December 19, 2023. https://thehimalayantimes.com/opinion/navigating-nepals-digital-frontier-understanding-cybersecurity-in-the-digital-age-ensuring-data-safety-and-the-role-of-ai

[63] Nandikotkur, G. "Cybersecurity in Nepal: Essential Steps." *Bank Info Security*, June 8, 2020. https://www.bankinfosecurity.asia/cybersecurity-in-nepal-essential-steps-a-14396

[64] Ibid.

[65] Konrad, Alex. "This AI Startup in Nepal Is Helping Figma and OpenAI Close Their Biggest Sales." *Forbes*, January 29, 2025. https://www.forbes.com/sites/alexkonrad/2025/01/29/this-ai-startup-in-nepal-is-helping-figma-and-openai-close-their-biggest-sales/.

[66] Faruqe, M. Y. "Navigating Nepal's digital frontier: Understanding cybersecurity in the digital age, ensuring data safety, and the role of AI." *The Himalayan Times*, December 19, 2023. https://thehimalayantimes.com/opinion/navigating-nepals-digital-frontier-understanding-cybersecurity-in-the-digital-age-ensuring-data-safety-and-the-role-of-ai

[67] UNGA. "UN General Assembly Adopts Resolution on International Cooperation on Artificial Intelligence – Pam," September 7, 2024. https://pam.int/un-resolution-artificial-intelligence/.

[68] Engler, Alex, Andrea Renda, Cameron F. Kerry, Joshua P. Meltzer, and Rosanna Fanni. "Strengthening International Cooperation on AI." *Brookings*, October 25, 2021. https://www.brookings.edu/articles/strengthening-international-cooperation-on-ai/.

[69] Ministry of Foreign Affairs (MFA). "Promoting Development for All and Bridging the AI Divide," *People's Republic of China,* September 30, 2024. https://www.mfa.gov.cn/eng/wjbzhd/202409/t20240930_11501255.html.

[70] OECD. "Artificial Intelligence," n.d. https://www.oecd.org/en/topics/policy-issues/artificial-intelligence.html.

[71] Engler, Alex, Andrea Renda, Cameron F. Kerry, Joshua P. Meltzer, and Rosanna Fanni. "Strengthening International Cooperation on AI." *Brookings*, October 25, 2021. https://www.brookings.edu/articles/strengthening-international-cooperation-on-ai/.

[72] Ministry of Foreign Affairs (MFA). "Promoting Development for All and Bridging the AI Divide," *People's Republic of China,* September 30, 2024. https://www.mfa.gov.cn/eng/wjbzhd/202409/t20240930_11501255.html.

[73] Goswami, Arijit. "The Role of Artificial Intelligence in Fostering Multifaceted Cooperation Among BRICS Nations." *APRI,* December 23, 2024. https://afripoli.org/the-role-of-artificial-intelligence-in-fostering-multifaceted-cooperation-among-brics-nations.
[74] International Telecommunication Union. "About Us - AI for Good." *AI For Good,* December 9, 2024. https://aiforgood.itu.int/about-us/.
[75] Ibid.
[76] UNSCEB. "Report of the High-level Committee on Programmes at its fortieth session." *Chief Executive Board for Coordination,* October 14, 2020. https://unsceb.org/sites/default/files/2020-12/CEB_2020_6_E.pdf
[77] IAWG-AI. "Inter-Agency Working Group on Artificial Intelligence: Terms of Reference (Draft)." *UN HLCP,* n.d. https://unsceb.org/sites/default/files/2021-07/IAWG-AI%20ToR.pdf
[78] UNESCO. "Recommendation on the Ethics of Artificial Intelligence." *UNESCO,* 2022. https://unesdoc.unesco.org/ark:/48223/pf0000381137
[79] UNSCEB. "Principles for the Ethical Use of Artificial Intelligence in the United Nations System." *UNSCEB,* n.d. https://unsceb.org/principles-ethical-use-artificial-intelligence-united-nations-system
[80] "High-Level Advisory Body on Artificial Intelligence | Office for Digital and Emerging Technologies," n.d. https://www.un.org/digital-emerging-technologies/ai-advisory-body.
[81] Ibid.
[82] United Nations. "Summit of the Future 2024 - United Nations | United Nations," n.d. https://www.un.org/en/summit-of-the-future.
[83] United Nations. "Summit of the Future Outcome Documents: Pact for the Future, Global Digital Compact and Declaration on Future Generations." *United Nations,* September 2024.https://www.un.org/sites/un2.un.org/files/sotf-pact_for_the_future_adopted.pdf
[84] UN News. "General Assembly Adopts Landmark Resolution on Artificial Intelligence," August 30, 2024. https://news.un.org/en/story/2024/03/1147831.
[85] Xinhua. "UNGA Adopts China-proposed Resolution to Enhance Int'l Cooperation on AI Capacity-building." July 2, 2024. https://english.www.gov.cn/news/202407/02/content_WS668394a7c6d0868f4e8e8c58.html.
[86] Department of Industry Science and Resources. "The Global Partnership on Artificial Intelligence Launches," 2020. https://www.industry.gov.au/news/global-partnership-artificial-intelligence-launches.
[87] OECD. "Global Partnership on Artificial Intelligence," n.d. https://www.oecd.org/en/about/programmes/global-partnership-on-artificial-intelligence.html.
[88] Government of India. "6th Meeting of the GPAI Ministerial Council Held on 3rd July 2024 at New Delhi." *GoI,* July 3, 2024. https://pib.gov.in/PressReleasePage.aspx?PRID=2030534.
[89] OECD. "Policies, Data, and Analysis for Trustworthy Artificial Intelligence." *OECD,* n.d. https://oecd.ai/en/.
[90] Government of India. "6th Meeting of the GPAI Ministerial Council Held on 3rd July 2024 at New Delhi." *GoI,* July 3, 2024. https://pib.gov.in/PressReleasePage.aspx?PRID=2030534.
[91] OECD. "Global Partnership on Artificial Intelligence," n.d. https://www.oecd.org/en/about/programmes/global-partnership-on-artificial-intelligence.html.
[92] OECD Events. "2024 GPAI Summit Serbia," n.d. https://www.oecd-events.org/summit-gpaiserbia2024/en.

[93] Ibid.
[94] "AI Safety Summit 2023 - GOV.UK," February 13, 2025. https://www.gov.uk/government/topical-events/ai-safety-summit-2023.
[95] "AI Seoul Summit 2024 - GOV.UK," February 7, 2025. https://www.gov.uk/government/topical-events/ai-seoul-summit-2024.
[96] elysee.fr. "Artificial Intelligence Action Summit," n.d. https://www.elysee.fr/en/sommet-pour-l-action-sur-l-ia.
[97] Kleinman, Zoe and Liv McMahon. "UK And US Refuse to Sign International AI Declaration." *BBC,* February 11, 2025. https://www.bbc.com/news/articles/c8edn0n58gwo.
[98] "Hiroshima AI Process," n.d. https://www.soumu.go.jp/hiroshimaaiprocess/en/index.html.
[99] Center for AI and Digital Policy. "G20 and Artificial Intelligence," n.d. https://www.caidp.org/resources/g20/.
[100] Ibid.
[101] Stip Compass. "African Working Group on Artificial Intelligence," n.d. https://stip.oecd.org/stip/interactive-dashboards/policy-initiatives/2023%2Fdata%2FpolicyInitiatives%2F26474
[102] African Union. "Continental Artificial Intelligence Strategy." https://au.int/sites/default/files/documents/44004-doc-EN-_Continental_AI_Strategy_July_2024.pdf
[103] Government of India. "US India Artificial Intelligence (USIAI) Initiative Launched." *Department of Science & Technology*," n.d. https://dst.gov.in/us-india-artificial-intelligence-usiai-initiative-launched.
[104] "Introduction: U.S. - India Artificial Intelligence (USIAI) Initiative." *IUSSTF,* n.d. https://usiai.iusstf.org/introduction1
[105] Chaudhury, Rudra and Konark Bhandari. "The U.S.–India Initiative on Critical and Emerging Technology (iCET) from 2022 to 2025: Assessment, Learnings, and the Way Forward." *Carnegie India,* October 23, 2024. https://carnegieendowment.org/research/2024/10/the-us-india-initiative-on-critical-and-emerging-technology-icet-from-2022-to-2025-assessment-learnings-and-the-way-forward?center=india&lang=en
[106] Jha, Prashant. "Modi Begins US Visit, Holds Meetings With Waltz, Musk." *Hindustan Times,* February 13, 2025. https://www.hindustantimes.com/india-news/modi-begins-us-visit-holds-meetings-with-waltz-musk-101739473642266.html.
[107] Jha, Prashant. "TRUST Replaces iCET: New Brand, Old Spirit on Tech Partnership." *Hindustan Times,* February 14, 2025. https://www.hindustantimes.com/world-news/trust-replaces-icet-new-brand-old-spirit-on-tech-partnership-101739524899203.html.
[108] Xinhua. "China, U.S. Hold First Meeting of Inter-governmental Dialogue on AI." *Xinhua,* May 16, 2024. https://english.www.gov.cn/news/202405/16/content_WS664579edc6d0868f4e8e7268.html.
[109] Alam, Khadija, and Munira Mutaher. "Despite Tensions, U.S.-China AI Research Collaborations Are Alive and Well." *Rest of World,* January 23, 2025. https://restofworld.org/2025/us-china-lead-global-ai-collaboration/.
[110] European Commission. "First EU-India Trade and Technology Council," May 16, 2023. https://ec.europa.eu/commission/presscorner/detail/en/ip_23_2728.
[111] HT Correspondent. "India, France Agree to Enhance Partnership in High Technology." *Hindustan Times,* January 21, 2025. https://www.hindustantimes.com/india-news/india-france-agree-to-enhance-partnership-in-high-technology-101737468433494.html.

[112] Ministry of External Affairs, Government of India. "India-France Declaration on Artificial Intelligence (February 12, 2025)," n.d. https://www.mea.gov.in/bilateral-documents.htm?dtl/39034/IndiaFrance+Declaration+on+Artificial+Intelligence+February+12+2025.

[113] Gandharv, Kumar. "India's Top Three International Collaborations on AI." *India AI,* May 6, 2022. https://indiaai.gov.in/article/india-s-top-three-international-collaborations-in-ai

[114] Council on Foreign Relations. "China's Digital Aid: The Risks and Rewards." *CFR,* n.d. https://www.cfr.org/china-digital-silk-road/.

[115] Reuters. "Putin Orders Russian Government and Top Bank to Develop AI Cooperation With China." *Reuters,* January 1, 2025. https://www.reuters.com/technology/artificial-intelligence/putin-orders-russian-government-top-bank-develop-ai-cooperation-with-china-2025-01-01/.

[116] Yu, Cheng and Ma Si. "China, ASEAN to boost digital cooperation." *China Daily,* January 22, 2025. https://www.chinadailyhk.com/hk/article/602991

[117] European Commission. "The European Union and the United States of America Strengthen Cooperation on Research in Artificial Intelligence and Computing for the Public Good." *European Commission,* January 27, 2023. https://digital-strategy.ec.europa.eu/en/news/european-union-and-united-states-america-strengthen-cooperation-research-artificial-intelligence.

[118] European Commission. "Digital in the EU-US Trade and Technology," n.d. https://digital-strategy.ec.europa.eu/en/policies/trade-and-technology-council

[119] Council of Europe. "Council of Europe Framework Convention on Artificial Intelligence and Human Rights, Democracy and the Rule of Law." *COE Treaty Office.* https://www.coe.int/en/web/conventions/full-list?module=treaty-detail&treatynum=225

[120] European Commission. "EU Launches InvestAI Initiative to Mobilise €200 Billion," February 11, 2025. https://ec.europa.eu/commission/presscorner/detail/en/ip_25_467.

[121]Ministry of Communication, Information and Technology. "Digital Nepal Framework." *Government of Nepal: Ministry of Communication, Information and Technology*, 2018. https://mocit.gov.np/content/455/455-digital-nepal-framwork/.

[122] Artificial Intelligence. (n.d.). Artificial Intelligence Office, UAE. https://ai.gov.ae/

[123] Musaddique, Shafi. "Southeast Asian nations battle to become the region's top AI hub." *CNBC,* December 14, 2024. https://www.cnbc.com/2024/12/14/southeast-asian-nations-battle-to-become-the-regions-top-ai-hub.html

[124] Letzing, John. "What is "sovereign AI" and why is it so appealing?" *World Economic Forum*, November 13, 2024. https://www.weforum.org/stories/2024/11/what-is-sovereign-ai-and-why-is-the-concept-so-appealing-and-fraught/

[125] "Welcome to Women in Localization." *Women in Localization*, January 8, 2020. https://womeninlocalization.com/data-localization-laws-around-the-world/

[126] Oxford Insights. "Government AI Readiness Index 2024." *Oxford Insights*, 2023. https://oxfordinsights.com/ai-readiness/ai-readiness-index/.

[127] Kremidas-Courtney, Chris. "Artificial intelligence, diplomacy and democracy: From divergence to convergence." *Friends of Europe, March 3, 2023*. https://www.friendsofeurope.org/insights/artificial-intelligence-diplomacy-and-democracy-from-divergence-to-convergence/

[128] Höne, K. "Event Recap: The Impact of AI on Diplomacy and International Relations." *Center for Data Innovation,* February 4, 2019. https://datainnovation.org/2019/02/event-recap-the-impact-of-ai-on-diplomacy-and-international-relations/

[129] Ghimire, Narayan Prasad. "News Commentary: As AI ecosystem overwhelms world, Nepal needs to augment pace." *The Rising Nepal*, April 1, 2024. https://risingnepaldaily.com/news/40997

[130] Ministry of Communication and Information Technology. "2019 Digital Nepal Framework: Unlocking Nepal's Growth Potential. Government of Nepal." *Ministry of Communication and Information Technology*, n.d. https://giwmscdnone.gov.np/media/app/public/22/posts/1663132711_92.pdf

[131] Pandey, Bikash. "Nepal as an AI power bank." *Nepali Times*, January 20, 2025. https://nepalitimes.com/opinion/people-power/nepal-as-an-ai-power-bank

[132] Ibid.

[133] Kremidas-Courtney, Chris. "Artificial intelligence, diplomacy and democracy: From divergence to convergence." *Friends of Europe, March 3, 2023*. https://www.friendsofeurope.org/insights/artificial-intelligence-diplomacy-and-democracy-from-divergence-to-convergence/

[134] Yayboke, E., C.G. Ramos, and L.R. Sheppard. "The Real National Security Concerns over Data Localization." *CSIS*, 2021. https://www.csis.org/analysis/real-national-security-concerns-over-data-localization

[135] *Digital Rights Nepal*. https://digitalrightsnepal.org/

[136] Giovane, Del, C., J. Ferencz, and J. López González. "The Nature, Evolution and Potential Implications of Data Localisation Measures", *OECD Trade Policy Papers*, No. 278, 2023, OECD Publishing, Paris.
https://doi.org/10.1787/179f718a-en.

[137] Yayboke, E., C.G. Ramos, and L.R. Sheppard. "The Real National Security Concerns over Data Localization." *CSIS*, 2021. https://www.csis.org/analysis/real-national-security-concerns-over-data-localization

[138] *Digital Rights Nepal*. https://digitalrightsnepal.org/

[139] Faruqe, M. Y. "Navigating Nepal's digital frontier: Understanding cybersecurity in the digital age, ensuring data safety, and the role of AI." *The Himalayan Times*, December 19, 2023. https://thehimalayantimes.com/opinion/navigating-nepals-digital-frontier-understanding-cybersecurity-in-the-digital-age-ensuring-data-safety-and-the-role-of-ai

[140] *Digital Rights Nepal*. https://digitalrightsnepal.org/

[141] Ojha, Anup. "Government's cybersecurity policy raises privacy and implementation concerns." *The Kathmandu Post,* August 17, 2023. https://kathmandupost.com/science-technology/2023/08/17/government-s-cybersecurity-policy-raises-privacy-and-implementation-concerns

[142] Dhungana, Raj Kumar, Lina Gurung, and Hem Poudyal. "Cybersecurity Challenges and Awareness of the Multi-Generational Learners in Nepal." *Journal of Cybersecurity Education Research and Practice*, *2023*(2). https://doi.org/10.32727/8.2023.17

[143] Ibid.

[144] Ibid.

[145] Ibid.

[146]Aacharya, GP. "Impact of Artificial Intelligence on New Global Order: A Nepalese Security Perspective." *Unity Journal*, February 2024. https://www.nepjol.info/index.php/unityj/article/view/63189

[147]Shrestha, Madhav. "Artificial intelligence: Strategic Tool in Diplomacy." *The Himalayan Times*, September 23, 2021. https://thehimalayantimes.com/opinion/artificial-intelligence-strategic-tool-in-diplomacy.

[148] Walker, Vivian S. "AI and the Future of Public Diplomacy." *USC Centre for Public Diplomacy,* August 22, 2023. https://uscpublicdiplomacy.org/blog/ai-and-future-public-diplomacy

[149] Ibid.

[150] Rashica, Viona. "The Benefits and Risks of Digital Diplomacy." *SEEU Review,* Vol. 13 (December 2018). https://sciendo.com/article/10.2478/seeur-2018-0008

[151] Loeb, Malak Trabelsi. "Revolutionizing Diplomacy with Artificial Intelligence: Navigating New Frontiers for a Peaceful Tomorrow." *LinkedIn,* November 1, 2023. https://www.linkedin.com/pulse/revolutionizing-diplomacy-artificial-intelligence-new-malak-6x63f/

[152] Ibid.

[153]Salman, Aneel. "How AI and Digital Diplomacy are Redefining Global Relations in Pakistan." *Linkedin,* September 5, 2024. https://www.linkedin.com/pulse/how-ai-digital-diplomacy-redefining-global-relations-pakistan-salman-xtlaf/.

[154]Aacharya, GP. "Tech Diplomacy: Navigating Democratic and Rational Technological Future." *My Republica,* October 23 2021, https://myrepublica.nagariknetwork.com/news/tech-diplomacy-navigating-democratic-and-rational-technological-future.

[155]Vacarelu, Marius. "Artificial Intelligence: To Strengthen or to Replace Traditional Diplomacy. Artificial Intelligence and Digital Diplomacy." *Springer,* September 2021. https://www.researchgate.net/publication/354267165_Artificial_Intelligence_To_Strengthen_or_to_Replace_Traditional_Diplomacy.

[156] Boak, Josh and Matt O'Brien. "Biden's administration proposes new rules on exporting AI chips, provoking an industry pushback." *AP News,* January 13, 2025. https://apnews.com/article/biden-ai-artificial-intelligence-chips-computer-trade-4495b5b4a48e856dc612e7abe3e47d20

[157] Carchidi, Vincent and Mohammed Soliman. "The Role of the Middle East in the US-China Race to AI Supremacy." *Middle East Institute*, November 19, 2024. https://mei.edu/publications/role-middle-east-us-china-race-ai-supremacy

[158] Diplo. "AI Diplomacy: Geo-politics, Topics and Tools in 2025." *Diplo,* n.d. https://www.diplomacy.edu/topics/ai-and-diplomacy/.

[159] Cueto, Jonalyn. "Grey Zone Threats Escalate for Some Sectors-WTW." *Insurance Business,* December 11, 2024. https://www.insurancebusinessmag.com/uk/news/marine/grey-zone-threats-escalate-for-some-sectors--wtw-517541.aspx

[160]Mulmi, Amish Raj. "Nepal Needs to Play Catch-up." *The Kathmandu Post,* December 9, 2022. https://kathmandupost.com/columns/2022/12/08/nepal-needs-to-play-catch-up

[161]Shrestha, Madhav. "Artificial intelligence: Strategic Tool in Diplomacy." *The Himalayan Times*, September 23, 2021. https://thehimalayantimes.com/opinion/artificial-intelligence-strategic-tool-in-diplomacy; "Nepal and Spain Forge New Collaboration in ICT and Hydrogen Technology." *The Kathmandu Post*, June 28, 2024. https://kathmandupost.com/science-technology/2024/06/28/nepal-and-spain-forge-new-collaboration-in-ict-and-hydrogen-technology

[162]Reuters. "India to Start Economic Partnership Talks with Bangladesh." *Reuters,* September 6, 2022, https://www.reuters.com/world/india/india-start-economic-partnership-talks-with-bangladesh-2022-09-06/.

[163]Aacharya, GP. "Impact of Artificial Intelligence on New Global Order: A Nepalese Security Perspective." *Unity Journal*, February 2024. https://www.nepjol.info/index.php/unityj/article/view/63189

[164] Aacharya, GP. "Tech Diplomacy: Navigating Democratic and Rational Technological Future." *My Republica,* October 23, 2021.

https://myrepublica.nagariknetwork.com/news/tech-diplomacy-navigating-democratic-and-rational-technological-future

[165] Clarke, Laurie. "Tech Ambassadors are Redefining Diplomacy for the Digital Era." *Tech Monitor 30*, February 16, 2021. https://www.techmonitor.ai/policy/geopolitics/tech-ambassadors?cf-view&cf-closed

[166] Aacharya, GP. "Impact of Artificial Intelligence on New Global Order: A Nepalese Security Perspective." *Unity Journal*, February 2024. https://www.nepjol.info/index.php/unityj/article/view/63189

[167]Aacharya, GP. "Tech Diplomacy: Navigating Democratic and Rational Technological Future." *My Republica*, October 23, 2021. https://myrepublica.nagariknetwork.com/news/tech-diplomacy-navigating-democratic-and-rational-technological-future

[168]Aacharya, GP. "Impact of Artificial Intelligence on New Global Order: A Nepalese Security Perspective." *Unity Journal*, February 2024. https://www.nepjol.info/index.php/unityj/article/view/63189

[169] Neupane, Rajib. "Re-engineering Nepal's Foreign Policy." *The Kathmandu Post,* September 24, 2023. https://kathmandupost.com/columns/2023/09/24/time-to-re-engineer-nepal-s-foreign-policy

[170] Diplo. "Diplomacy of Small States: Trends in 2024," n.d. https://www.diplomacy.edu/topics/diplomacy-of-small-states/.

[171] Magar, Kamana and Sumit Kaushik. "Science Diplomacy: Building Bridges of Innovation and Cooperation Between Nepal and India." *Economic Times,* November 28, 2024. https://government.economictimes.indiatimes.com/news/policy/science-diplomacy-building-bridges-of-innovation-and-cooperation-between-nepal-and-india/115740263.

[172] Ibid.

[173] "Experts Call for More Proactive Handling of New and Old Security Threats." *The Kathmandu Post,* January 30, 2024. https://kathmandupost.com/national-security/2024/01/30/experts-call-for-more-proactive-handling-of-new-and-old-security-threats

[174] Magar, Kamana and Sumit Kaushik. "Science Diplomacy: Building Bridges of Innovation and Cooperation Between Nepal and India." *Economic Times,* November 28, 2024. https://government.economictimes.indiatimes.com/news/policy/science-diplomacy-building-bridges-of-innovation-and-cooperation-between-nepal-and-india/115740263

[175] Walker, Vivian S. "AI and the Future of Public Diplomacy." *USC Centre for Public Diplomacy,* August 22, 2023. https://uscpublicdiplomacy.org/blog/ai-and-future-public-diplomacy

# About CESIF

Centre for Social Innovation and Foreign Policy is a not-for-profit, autonomous and independent private research institution serving in the public interest, with significant independence from any interest group. Our mission is to help the government create a democratic, secure and just society by making informed and transparent decisions about policies and practices.

CESIF
Centre for Social Innovation and Foreign Policy

Kumaripati, Lalitpur, 44700, Nepal

info@cesifnepal.org

+977 01-5008814/05, 5537508

www.cesifnepal.org

9789937963053
Price: **NPR 400**