

NIE 38.1-61 ADVCON  
11 July 1961

*NATIONAL INTELLIGENCE ESTIMATE*

THE OUTLOOK FOR NEPAL



- Political prospects
- Economic outlook
- International affairs

NOTE: This is an advance copy of the conclusions of this estimate as approved by the United States Intelligence Board. The complete text will be circulated within five days of this issuance.

Central Intelligence Agency

*Submitted by the*

**DIRECTOR OF CENTRAL INTELLIGENCE**

*The following intelligence organizations participated in the preparation of this estimate: The Central Intelligence Agency and the intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and The Joint Staff.*

*Concurred in by the*

**UNITED STATES INTELLIGENCE BOARD**

*on 11 July 1961. Concurring were the Director of Intelligence and Research, Department of State; the Assistant Chief of Staff for Intelligence, Department of the Army; the Assistant Chief of Naval Operations (Intelligence), Department of the Navy; the Assistant Chief of Staff, Intelligence, USAF; the Director for Intelligence, Joint Staff; the Assistant to the Secretary of Defense, Special Operations; and the Director of the National Security Agency. The Atomic Energy Commission Representative to the USIB and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.*

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CENTRAL INTELLIGENCE AGENCY

11 July 1961

SUBJECT: NIE 38.1-61: THE OUTLOOK FOR NEPAL

THE PROBLEM

To estimate probable developments in Nepal and in Nepal's relations with India, the Communist countries, and the West during the next few years.

CONCLUSIONS

1. Nepalese political developments in the near future are likely to be centered on the conflict between King and Mahendra/the Nepali Congress Party exile movement. The King has not demonstrated the qualities of leadership necessary for the difficult tasks that face him. Nevertheless, he has a number of factors in his favor, notably his control of the country's security forces. (Paras. 8-14)

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2. The Nepali Congress exile movement, which is led by former Deputy Prime Minister Subarna Shumshere, has developed only limited strength to date in its campaign to end the King's direct rule. Most of the party's leaders, including former Prime Minister B. P. Koirala, are under arrest. However, the Nepali Congress is in the best position to take advantage of the political unrest that is likely to develop under the King's rule, but its ability to do so will depend on its success in securing army support or passivity. The 10,000 man army presently appears loyal to the King, but if faced with continued political deterioration the army might throw its support to the Nepali Congress, seize power itself, or force the King to compromise with the opposition movement. Considering all factors, Mahendra's government is unlikely to remain in power beyond another year or two. (Paras. 15-16, 18-19)

3. The Communist Party of Nepal has a limited but growing ability to influence events in Nepal. The party has let the Nepali Congress take the initiative against the King while it concentrates on improving its organization and infiltrating governmental and other organizations. Conditions in Nepal will provide growing opportunities for the Nepalese Communist. (Paras. 17, 20)

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4. Nepal has had little success in developing its subsistence economy to date, and the outlook for any significant economic growth during the next few years is poor. Its development efforts will continue to be almost entirely dependent on foreign aid. However, a lack of economic progress is unlikely to have serious political repercussions in the near future. (Paras. 21-23)

5. Virtually all Nepalese leaders are convinced that Nepal should follow a neutralist foreign policy, particularly in the UN. Mahendra, however, is more suspicious of India than are the Nepali Congress leaders, and is likely to continue to follow a more cooperative though still cautious policy toward Communist China, which the Chinese Communists have reciprocated. The King appears convinced that he can use the threat of reliance on the Chinese to keep India from gaining too strong an influence in Nepal. (Paras. 24-26)

6. India's major interest in Nepal is to preserve the country's integrity as a key element in the Indian security position. India is likely to encourage Mahendra to reach a compromise with the Nepali Congress, although in the event of an extended struggle Indian support is likely to be increasingly

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engaged on the side of the Nepali Congress. Nevertheless, we believe that India will pursue a cautious course for fear that Mahendra, if pushed too far, might rely more heavily on Chinese support to stay in power. (Paras. 27-28)

7. Nepalese relations with the West are likely to remain relatively good. Nepal will continue to rely on the US for substantial aid for its development program. (Para. 29)

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