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Nepal: Continuity and Change in a Himalayan Monarchy

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An Intelligence Assessment

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*NESA 83-10307
November 1983*

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Nepal: Continuity and Change in a Himalayan Monarchy



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An Intelligence Assessment

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This paper was prepared by 
 Office of Near Eastern and South Asian
Analysis. It was coordinated with the Directorate
of Operations. Comments and queries are welcome
and may be directed to the Chief, South Asia
Division, NESAs, 

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Key Judgments

Information available as of 3 October 1983 was used in this report.

King Birendra's largely cosmetic modernization of Nepal's feudalistic political system has bought time for the monarchy as a ruling institution in one of the world's poorest and most backward countries. Having let the reform genie partly out of the bottle, however, neither Birendra nor his successors can reverse course without risking a serious popular backlash.

After four years of cautious reform, royal power remains intact, and the King's legitimacy is undisputed. Stability will depend on the King's resolve and ability to sustain the reform process. Ultimately, he must decide how much power to share with the people's representatives and how to balance elite interests with aspirations of newly politicized groups eager to benefit from participation.

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Prospects for reform are clouded by the King's many doubts about Nepal's future.

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His liberalizing instincts are offset by a natural tendency—reinforced by conservative members of his family—to preserve his power. He has concentrated on liberalizing only local aspects of Nepal's partyless system of government without diluting royal authority over important national issues. He appears oblivious to broader problems of national integration that could destabilize Nepal in the longer term.

Although the death of the 37-year-old King would pose no major succession problems, his replacement by a palace hardliner would almost certainly bring a reassertion of royal authority and increase popular discontent. Working against the possibility of widespread disorder, however, is the tradition-bound nature of Nepalese society, which in our view minimizes the chances of violent revolution in the near future.

US interests derive from Nepal's location as a buffer between Asia's two giants—India and China. Although we believe these states are unlikely to fight over Nepal, prolonged instability there could lead to intervention by one or both powers and trigger a serious confrontation. We believe Nepal will continue to provide a moderate and pro-US voice in the nonaligned movement and other international forums. As a psychological defense of its sovereignty against India's regional supremacy, Nepal will continue to seek international recognition as a zone of peace.



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NEPAL: Between Two Giants



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Nepal: Continuity and Change in a Himalayan Monarchy

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Nepal's recent political history has centered on King Birendra's efforts to provide some representative local government without diluting royal authority over important national issues. Although his reforms are only a cautious half-step toward sharing power, we believe they have set a precedent for future liberalization. According to numerous press reports:

- Nepalese voters in May 1980 chose to retain partyless democracy, a bitter pill for proponents of a multiparty alternative.
- King Birendra amended the constitution the following December to provide for direct elections to the National Panchayat (Assembly) on the basis of adult franchise, to empower the National Panchayat to submit a single name to the King for the prime ministership, and to make the Council of Ministers responsible to the assembly instead of the palace.¹
- Voters returned to the polls in May 1981, Nepal's first general election in 22 years, to choose a new National Panchayat. In what proved to be a serious miscalculation, most of the banned parties decided against having their members run as independents. This left a clear field to candidates within the system who were backed by the Prime Minister and/or the palace.



King Birendra

Camera Press ©

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Liberalization and the Monarchy

Since opening itself to the outside world three decades ago, Nepal has become increasingly polarized between traditional and modern ways of life, values, attitudes, and political institutions. Knowledgeable observers see this tension reflected throughout government and society and, most importantly, within the King himself.

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Nepal's feudal elite is reacting to pressures for more change by trying harder to keep power centralized in Kathmandu and to govern the rest of the country through traditional repressive techniques, according to Embassy analyses. Progressive forces—liberalizing elements within the National Panchayat, the student population, the rising middle class, and the multiparty opposition—are diffuse, divided, and directionless. Mass education and increasingly modern communications, however, are working against the established elite by awakening political aspirations among traditionally disinherited groups.

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Although these reforms introduced some genuine political changes, many others were cosmetic—a reflection, in our view, of the King's ambivalence toward delegating any real authority. He can still maneuver his own choice into the prime ministership without much difficulty and can dismiss him without explanation should he need a scapegoat. The number of royal appointees to the National Panchayat has been increased slightly to give the King more supporters. In an empty gesture to the parties, the King opened the system to all "nationalist elements" but then required candidates to swear allegiance to the partyless system.

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¹ For further information on Nepal's partyless system of government, see appendix A.

Economic Profile

Nepal's stagnant economy remains the country's most glaring long-term weakness. Popular discontent over last year's food shortages clearly demonstrated that, to avoid serious unrest in the next few years, visible economic progress will need to accompany the government's political modernization. [redacted]

shortages in several areas, which necessitated emergency food imports; a 3-percent decline in total agricultural production; and a sharp increase in the trade deficit, all of which brought about the first overall external payments deficit in eight years. [redacted]

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Correcting Nepal's many economic deficiencies may prove beyond the capacity of any government. For the past two decades, annual growth of real GDP has languished at a 2- to 3-percent rate, barely enough to keep abreast of population growth. Efforts by Prime Minister Chand's new government to mobilize resources and improve economic performance will be hampered by:

Heavy dependence on wood for fuel—an estimated 85 percent of total energy consumption—has been largely responsible for rapid deforestation and soil erosion in the hills. According to press reports, Nepal's forests have shrunk 25 percent during the past two decades. The loss of valuable topsoil has helped lower agricultural productivity in the hills which in turn has prompted an exodus of hill dwellers to the Terai region. [redacted]

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- An inadequate institutional base.
- Low productivity.
- Scarcities of managerial and technical skills.
- Limited natural resources.
- Growing population pressure on limited agricultural land. [redacted]

Water is Nepal's most valuable natural resource. The country's hydroelectric potential is sometimes estimated as high as 86,000 megawatts—about six times that of the United States and Canada combined—though vulnerability to earthquakes and the high cost of investment in distribution systems will prevent full exploitation. Development of major hydroelectric projects on the Karnali and Rapti Rivers would require considerable foreign financing, but exports of surplus power to India would boost the economy significantly by providing a steady source of export earnings. Although we believe Nepal wants to develop its water resources in cooperation with India, Kathmandu's deep-seated fears of being coerced by New Delhi continue to inhibit progress in bilateral negotiations. [redacted]

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The economy is heavily dependent on agricultural production, which in turn is vulnerable to the monsoon. Agriculture employs more than 90 percent of the labor force and normally accounts for about 60 percent of GDP and 75 percent of exports. The country's minuscule industrial sector is based largely on agricultural processing. Population increases, serious soil erosion, and weather fluctuations have eroded Nepal's status as a consistent food surplus country. A severe drought in 1982 contributed to food

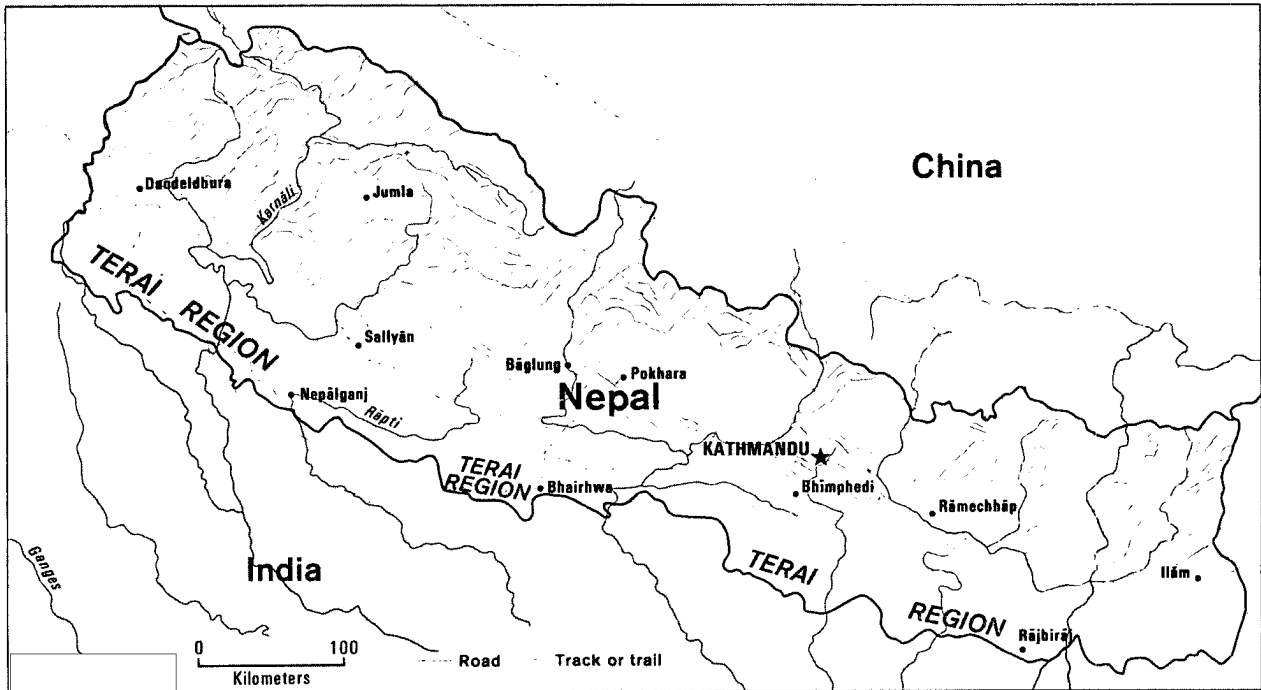
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Birendra's Western education—Eton, Harvard, and Tokyo University—enables him to serve as a link between traditional and modernizing forces and gives him a unique perspective within the highly conservative royal family. Unlike them, we believe he recognizes the value of royally controlled political liberalization concurrent with economic development to prevent upheaval and preserve the monarchy's power. According to Embassy sources, he is haunted by the fate of the late Shah of Iran. Nevertheless, Birendra himself has told US officials that he is convinced Nepal is not ready for unfettered democracy and that he intends to introduce change at a pace he believes the country can absorb. [redacted]

Embassy sources say that the King envisages a political system in which final authority rests in the palace with details of running the country left with the people's representatives—the prime minister and the National Panchayat. Following royal tradition, he will seek to balance subordinate political forces to deny any group or individual sufficient power to challenge royal authority. Avoiding direct involvement would also shield the monarchy from growing popular criticism of government malfeasance and inefficiency. [redacted]

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Decentralization. The current centerpiece of Birendra's modernization blueprint grants decisionmaking authority on development planning and implementation to local officials. According to Embassy reporting, the King recognizes that the elitist political leadership that emerged under the unreformed panchayat system was seriously out of touch with popular aspirations. Last year's decentralization legislation sharply reduced the power of middle-level functionaries who formerly dominated panchayat politics and opened the way for a more democratic relationship between National Panchayat members and their constituencies. It should strengthen the representative role of National Panchayat members, who will need to reconcile the needs of their districts with national priorities and resources.

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Royal Doubts and Dilemmas. We believe royally sanctioned liberalization is unlikely to be smooth, although there are signs that democratization is slowly gaining in some areas. Embassy and press sources agree that Birendra's ambitious goals will require strong resolve and a steady hand at the helm. Birendra, however, is neither forceful nor dynamic, and we believe he harbors many doubts about Nepal's future.

Although he can formulate broad policy outlines, he is not adept at the political fine-tuning necessary to make his reforms work.

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In our judgment, the King is torn between his instincts to share power and a natural tendency—reinforced by conservative members of his family—to preserve it for himself. Plagued by this internal conflict, he often takes refuge in isolation and inaction.

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Although some of his personal inconsistencies may be intentional—to prevent subordinates from outmaneuvering him—we believe that many stem from indecisiveness and an innate discomfort with politics.

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The King has managed to avoid a real dilution of royal power. Despite the liberalization, we believe the palace will remain the nerve center of Nepal's political life for the near future. Although Birendra has adopted a public posture of withdrawing from routine matters—presumably to avoid casting doubt on his democratic intentions—Embassy reporting maintains that the palace continues to guide government policy from behind the scenes and to intervene in virtually every decision. [redacted]

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The National Panchayat—In Search of a Role

Nepal's National Panchayat has never carved out an institutional role for itself in the national decision-making process, according to various academic studies, and, in our view, the King is unlikely to grant the assembly significant legislative power in the near term that might enable it to challenge palace authority. An assembly of 140 members that meets only three months a year, the National Panchayat offers a measure of symbolic but essentially powerless participation in the country's political life. Until recently it mainly brought local grievances and aspirations to the attention of central authorities. In our view, on national issues it is little more than a rubberstamp for palace initiatives. [redacted]

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Royal control is enhanced by the absence of political parties to promote group interests and programs. Without any mechanism to impose discipline, proceedings usually focus on personality disputes instead of national issues. According to Embassy and press reporting, the assembly has traditionally consisted of a diverse collection of individuals who speak and campaign for themselves. Opinions on issues are usually fluid and ill defined—many members depend on the Prime Minister (and ultimately palace pressure) to bring order to their ranks on substantive matters. Although identifiable clusters occasionally coalesce, the formation of parliamentary factions is strongly discouraged. The Embassy also notes that, in the past, the King has co-opted specific interest groups by offering their leaders access to the Council of Ministers. [redacted]

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The Impact of Recent Changes. The intense electioneering of 1980 and 1981 appears to have greatly increased public interest in political participation at

all levels, according to press and Embassy reporting. Candidates campaigned for votes by pledging better roads, schools, and hospitals for their districts. As a result, newly elected legislators are being petitioned as never before by constituents seeking delivery of government programs and benefits. We believe public interest in National Panchayat activities has also been strengthened by greater media coverage of its proceedings—including explicit criticism of the government—which the King permitted for the first time last year. [redacted]

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Recent reforms may prompt the National Panchayat to press for a greater share of power and a more responsible role in government. In our view, the introduction of direct elections through adult franchise has given the assembly a new authority to speak for the public interest. It has also encouraged a new and younger breed of politician who is less dependent for election on caste and family-based local influence and more reliant upon the political skills necessary to appeal to a larger cross section of voters. Several Embassy sources have reported that the King himself has encouraged the transition toward a new generation of leaders to infuse life into his liberalization efforts. [redacted]

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The influx of new people with more varied backgrounds may foster a trend toward interest-group development centered on issues but probably will not lead to a formalized factional structure. Press analyses note that the National Panchayat elected in May 1981 is younger and generally better educated than its predecessors. Of the 112 elected members, almost half are newcomers without official palace backing. Several, including one of the two winners in populous Kathmandu, were clearly antiestablishment agitators elected as a form of protest. [redacted]

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New Assertiveness? The National Panchayat is beginning to show uncommon assertiveness in its relations with the palace, [redacted] In the past three years a group of young, reformist legislators dedicated to the partyless ideal united successfully to achieve an objective contrary to palace wishes—the removal of controversial Prime Minister S. B.

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Thapa. Embassy reporting indicates that the King's retention of Thapa strengthened their resolve to unseat him. By July 1983 the liberals mustered enough support for an unprecedented vote of no confidence against Thapa, and we believe the King acquiesced in his removal both to distance himself from an unpopular minister and to discourage the fledgling opposition from further tests of strength. [redacted]

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The anti-Thapa opposition's success, in our view, has infused a new sense of purpose into National Panchayat proceedings that could encourage challenges to the palace. [redacted]

[redacted] As long as opposition remains within bounds, the King will tolerate it in the broader interests of political liberalization. [redacted]

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Opposition Parties—The Politics of Impotence

Nepal's political parties, in our judgment, continue to sink into irrelevance and are unlikely to significantly threaten the monarchy or the survival of the panchayat system. We believe they are not viewed by the public as a national alternative and have effectively denied themselves a role in the King's reform process. [redacted]

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We believe a key contribution to party decline has been a lack of organization and strong leadership and a pervasive indifference to programs and ideology. In their public statements, political parties have tended to bid for voter support by opposing the panchayat system instead of proposing concrete solutions to national problems. Although all have pockets of strength, in our view none can really claim a national base. Allegiances are largely ephemeral and governed by personal loyalties. With the possible exception of small, scattered radical groups, the parties generally support the monarchy because to do otherwise would remove them from the Nepalese mainstream. [redacted]

Palace Tactics. In his pursuit of national unity, the King would welcome participation by party elements in national politics, in our view, but only on his terms. For their part, we believe the parties would like to join, but psychologically they cannot bow to Birendra's insistence that they renounce party labels and swear loyalty to a system they have bitterly opposed for two decades. [redacted]

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Fully legalized party activity is not likely to return to Nepal in the near term. Respected observers have long contended that, like his father, Birendra deeply distrusts parties and politicians, whom he views as antinational agents of foreign powers. In our view, Birendra acknowledges that these groups are potentially useful vents for antigovernment frustration. Recent events suggest he will probably keep the parties alive but impotent, using his resources and influence to keep them preoccupied and off balance. [redacted]

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Since the death last year of NCP stalwart B. P. Koirala, the King's actions suggest he has begun to regard the NCP as less of a threat to his authority and to recognize the merits of retaining it as the moderate center of Nepalese politics. As a result, he has begun to boost NCP fortunes at the expense of Communist and leftist elements. [redacted] In November 1982 Birendra allowed the party to hold its first formal national conference in 23 years, which gave the NCP a chance to confirm its post-Koirala leadership. The palace also granted permission for the party to hold a large rally commemorating the anniversary of Koirala's death last July. [redacted]

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Students—The Vanguard of Dissent. Nepal's vocal, leftist-dominated student movement is critical of the panchayat system, but we do not believe it constitutes an effective political force. Like the various parties with which they are affiliated, student organizations [redacted]

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Major Political Parties

The Nepali Congress Party (NCP)—still by far the most important political element—has managed to survive the death in July 1982 of its revered leader B. P. Koirala, the kingdom's only politician with a claim to national leadership. According to press and Embassy analyses, Koirala's successors, a triumvirate of his lieutenants, are continuing his policy of reconciliation with the monarchy, but they appear to have inherited his [redacted] optimism that the King will eventually need to include them in any liberalized political system. [redacted]

among the country's Communist leaders, [redacted]

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The Communist elements in Nepal have far less following than the NCP—at most only a few thousand members—while suffering most of its structural weaknesses, according to Embassy sources. We believe there is little public sympathy for Communism as an ideology, especially in the conservative, tradition-bound countryside where most Nepalese live. Embassy reporting suggests that Communists tend to be strong on campus and in the eastern Terai area, where their numbers may be growing but not enough to threaten the government. [redacted]

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Ironically, the palace has pursued a deliberate policy over the past two decades of co-opting Communist and leftist groups into the government as a means of fostering national unity and outflanking the moderate NCP, [redacted]

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We have no way to judge the extent of this Communist presence but do not believe it constitutes a near-term threat to the government. Members of the CPN's pro-Moscow wing, led by Keshar Jung Rayamajhi, who is a longtime supporter of the monarchy, have run for office as independents at both local and national levels—presumably at Soviet behest—but with limited success. In the past Birendra has surprised [redacted] observers by appointing senior officials with Communist connections as long as he believed they were completely loyal to him. [redacted]

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Man Mohan Adhikari, the leader of one faction of the much-divided Communist Party of Nepal (CPN), in our view, comes closest to rivaling Koirala's popular appeal. [redacted]

[redacted] Formerly pro-Chinese but now posing as a nationalist, Adhikari has a reputation as a responsible moderate

are highly factionalized and reflect the general political disunity in the country. Nonetheless, we believe they remain an important political barometer because they are permitted to conduct elections and operate more openly than their sponsors. [redacted]

Memories of the student role in disturbances in 1979 have not faded, and we believe the King is determined to keep abreast of—and occasionally manipulate—student activities. Palace fears of growing Communist

influence in the country are focused on student groups as well as parties. [redacted]

reporting. Embassy informants indicate that the palace has recently taken steps to improve the Army's ability to handle domestic unrest, and we believe it can suppress all but the most serious and widespread disturbances. Although we do not regard the leftist threat as serious now, perceived government indifference to critical problems like last year's food shortages would almost certainly erode public confidence in both the government and the monarchy and provide dissident groups with a means of rallying popular support. [redacted]

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The Role of the Army

The King's power rests largely on the support of the small Royal Nepalese Army—the principal instrument for maintaining internal security. The Army is commanded by members of elite families who have traditionally and faithfully served and been served by the dynasty. Although our evidence is scanty, we believe Army leaders are generally loyal to Birendra and, on balance, are well looked after by him. [redacted]

Corruption—A Threat to the Monarchy? In our view, the royal family is especially vulnerable on the issue of corruption. In recent years there have been signs of a backlash against privilege—particularly among educated but unemployed youth—that could eventually spill over to the palace. Prohibitions against public criticism of the King and his family have helped Birendra distance himself from the issue of government corruption, which has received considerable press recently, but the rest of the royal family is commonly perceived to be benefiting from it. According to Embassy reporting, corruption among the palace secretaries, who are thoroughly susceptible to bribery, is also damaging the King's reputation. [redacted]

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No signs of widespread disloyalty are apparent, but we believe service outside the kingdom in UN peace-keeping efforts has broadened the political perceptions of many officers and increased their resentment of the feudal elite's monopoly on power. So far, most of this discontent has been focused on politicians, bureaucrats, and senior officers for inefficiency, favoritism, and rampant corruption. Although Birendra has occasionally cashiered senior officers for corruption, Embassy sources have indicated that some middle-grade officers have criticized the King personally for not doing more. Other knowledgeable observers report that, in defiance, many officers and enlisted men violated "orders" by voting for a prominent—and ultimately successful—antiestablishment candidate in Kathmandu during the 1981 general election. [redacted]

Unlike his siblings, the King is generally regarded as honest by his subjects, according to Embassy sources, but we believe he risks being tarred with the same brush by appearing to tolerate his family's shady business activities. Although Birendra is aware of palace corruption, some trustworthy observers suggest that he is deeply frustrated by a combination of reluctance and inability to discipline his family and the palace entourage. His last campaign to do so, three years ago, was both halfhearted and short lived. [redacted]

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The Army shows no signs of political ambition, but, in our view, it would seize power at least temporarily if the King were assassinated and a destabilizing power vacuum resulted. We believe the Army would also take over if Nepal's economy, public order, or strategic situation deteriorated to such an extent that national independence was threatened and the King appeared unable to respond. [redacted]

The Long View. Growing regional and ethnic strains in this highly pluralistic society are likely to challenge the King's attempts to maintain stability as his reforms take root in the years ahead. We believe the limited liberalization achieved thus far has whetted popular appetites for change without addressing a number of fundamental political and social inequities. [redacted]

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Potential Threats to Stability

The Nepalese Government believes that the most likely threat to internal security would be civil disturbances or local insurrections mounted by scattered radical leftist groups, according to defense attache [redacted]

Succession Prospects

A family history of heart trouble coupled with the King's tendencies toward obesity and heavy drinking, increase the risk that the 37-year-old Birendra could die relatively young. Both his father and grandfather succumbed to heart attacks while in their early fifties. [redacted]

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We believe King Birendra's death in office should pose no insurmountable succession problems despite the minority of 12-year-old Crown Prince Dipendra. Prince Gyanendra, the King's younger brother, and Queen Aishwarya would probably share control as regents, at least initially. In our view, however, these hardliners would almost certainly halt the reform process and reassert royal authority, which could ultimately lead to a destabilizing confrontation between traditionalists and liberals. [redacted]

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If the succession leads to a palace power struggle, Gyanendra could seize power with the backing of the military and his conservative stepmother, Queen Mother Ratna. Gyanendra occupied the throne briefly as a child during the 1950 revolution, and Embassy reporting suggests he may consider himself better qualified for the throne than his brother, although he does not question Birendra's legitimacy. A formidable figure in the palace power structure, according to Embassy [redacted] Gyanendra has a greater ability to command, strike hard deals, and reward personal loyalty than the King. We believe he would relish the royal role. [redacted]

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Prince Gyanendra [redacted]

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Queen Aishwarya [redacted]

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Despite recent reforms, the panchayat system remains inherently unrepresentative. Reputable scholars have noted that, under the Constitution, participation in the National Panchayat is weighted heavily in favor of the sparsely populated hill and mountain districts—the traditional backbone of support for the monarchy and the panchayat system—and against the teeming Terai belt adjacent to northern India.² This disparity grew out of a conscious palace effort in the 1960s to disenfranchise the Terai region, which

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² The narrow Terai region, which runs along Nepal's southern border, is ethnically and topographically an extension of the north Indian plains. [redacted]

knowledgeable observers consider a breeding ground for Indian-financed political discontent and occasional underground activity aimed at the monarchy. [redacted] 25X1

Failure to integrate the Terai into the national mainstream could seriously jeopardize Nepal's political and economic future, yet [redacted] 25X1 governing elements in Kathmandu are not interested in righting the balance. The region comprises 17 percent of Nepal's land and about 40 percent of its population, yet it contributes well over half of the

country's GDP and its domestically generated government revenue. We believe widespread political unrest in the Terai could prove ruinous for Nepal's fragile economy. Some scholars conclude that, socially and politically, the plains people of the Terai feel alienated from the hill-dominated government in Kathmandu and closer to India. Tensions in the region are being further aggravated by overcrowding, which stems from a continuing influx of hill peoples from the north and Indians from the south seeking economic opportunity. According to Nepalese Government studies, the population growth of the Terai is almost double that of the hill and mountain areas, and we believe it will continue to surpass them through the end of this century. [redacted]

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Nepal must also begin to deal constructively with a growing political awareness among ethnic groups traditionally outside the system but now seeking access to power. [redacted] certain tribes are likely to challenge the established high-caste domination of government in the years ahead. Recent reforms and election activity appear to have awakened these groups to the benefits of political participation. Government election statistics indicate that voter turnout in both national elections was highest in rural areas, where 90 percent of Nepal's population lives. The group of newcomers in the National Panchayat includes several tribal politicians who were elected against high-caste opponents, which knowledgeable observers believe reflects increased ethnic awareness and dissatisfaction with the ruling elite. [redacted]

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Attempts by elite communities to stifle rural aspirations would undermine national unity and could lead to widespread unrest. [redacted]

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Outlook

We believe that Birendra will remain the central figure in Nepalese politics for the near future. His modest liberalization program has almost certainly bought time for the monarchy as a ruling institution. How much time, however, will depend on the role he establishes for himself and the power he proves willing to surrender to the people's representatives. In releasing some pressures for change, he has unleashed unprecedented social and political forces that he may neither understand nor be willing to accommodate. [redacted]

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Political stability, in our view, will depend significantly on how Birendra plays his hand. Although Prime Minister Chand favors increased democratization, his ability to impart a sense of movement will require the backing of the King. Caught between the forces of change and those of the status quo, Birendra can be expected to give up as little actual power as possible but will keep the liberalization process moving at a pace he believes Nepal can tolerate. Having let the genie of reform out of the bottle, however, neither the King nor his successors can reverse the process without risking grave political consequences. To preserve political stability and national unity, he will have to strike a balance between liberal and conservative forces—a highly complex game that we believe may prove beyond his ability or resolve. [redacted]

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Given the tradition-bound nature of Nepalese society, in our view, change is likely to occur slowly, although probably faster than the King would like. Traditionally disinherited groups will continue to seek a larger share of power and political profit. Stresses and strains produced by accommodating these new participants may cause some local unrest—especially in the volatile Terai region—but they are unlikely to threaten national unity provided Kathmandu begins soon to deal with them constructively. [redacted]

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US Interests

US interests in Nepal derive primarily from its role as a buffer between India and China. We believe the key US interest in regional stability would be threatened only in the unlikely event that domestic turmoil in Nepal provoked a confrontation between these two

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neighboring states. Nepal itself has been a moderate and generally pro-US voice in most nonaligned and Third World forums, and in the past Kathmandu has rendered valuable international service by contributing troops to UN peacekeeping operations. [redacted]

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In our view, Washington's interest in Nepal would be best served by an orderly transition toward political liberalization in tandem with accelerated economic development. US ability to encourage this, however, will be severely limited by Nepalese sensitivities about foreign involvement in the kingdom. An unqualified endorsement of Nepal as a zone of peace, which Kathmandu ardently seeks, would risk complicating US relations with a clearly unsympathetic India. [redacted]

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Appendix A

The Background to Political Liberalization

25X1 Nepal is one of the world's most backward countries, with an estimated per capita GDP of \$156 and one of the highest population growth rates in Asia (2.5 percent). The kingdom is struggling to enter the 20th century, but modernizers face an uphill battle. Progress is inhibited by a natural resistance to innovation, illiteracy (about 80 percent), and grinding poverty. []

25X1 Socially, economically, and politically, Nepal is an anachronism. Unlike India, it was neither colonized by the West nor exposed to Western philosophies of government. Until the early 1950s Nepal was virtually isolated from the outside world. Ruled by one of the world's few remaining absolute monarchs, the country continues to be dominated politically by its feudal past. []

25X1 Geography inhibits communication and transportation and has been a major hindrance to economic development and national integration. Even today the only motorable route from Kathmandu to western Nepal lies through Indian territory, and distances in the hilly regions are often measured in the number of days it takes to walk them. Until 1769, when the country was unified by an ancestor of the current King, Nepal consisted of numerous small principalities in deep valleys isolated from each other by high mountain ranges. []

25X1 Social fragmentation continues to plague national integration. The country's 16 million people comprise a mosaic of ethnic, cultural, and linguistic diversity. No single ethnic group constitutes a majority, and, according to Nepalese census figures, only about 52 percent of the people speak Nepali as a mother tongue. Tribes of the far north are of Tibetan extraction, but most Nepalese—including the royal family—claim Indian descent and embrace Hindu social and religious values. Although discrimination on the basis of caste is prohibited, attitudes and relationships inherent in the Indian caste system pervade Nepal's political and social life. []

The Feudal Basis of Politics

The legitimacy of the monarchy, which is deeply rooted in Nepal's history and religion, is virtually undisputed, a judgment on which scholars and Embassy reporters agree. The King plays a critical unifying and stabilizing role in this highly complex society. He is a symbol of Nepal's separate identity from India and the guarantor of its sovereignty, as well as the source of all political authority. Modern Nepalese kings have consistently undercut any political leader or group that could challenge the supremacy of the palace. Religious values bind the King to his people. A potent source of Birendra's power is his acceptance by Nepal's Hindu majority (89 percent) as a reincarnation of the god Vishnu—an ancient tradition reserved for Nepalese kings. [] 25X1

Academic studies and Embassy sources indicate that positions of power and profit continue to be monopolized by a narrowly based feudal elite consisting of a handful of high-caste families who base their privileges on a history of service and allegiance to the royal family. Although caste data are no longer included in Nepalese censuses, we believe these groups represent a distinct minority in the kingdom. [] 25X1

"Partyless Democracy"

Histories of the period record that most of Nepal's halting attempts at democratic government in the 1950s were politically unproductive, and all resulted in reversions to direct royal rule. The most successful of these experiments was launched in 1959, when the Nepali Congress Party (NCP)—a democratic socialist party then influenced and guided by the Indian Congress Party—easily won a majority in the country's new parliament, and its leader, B. P. Koirala, became Prime Minister. Eighteen months later, however, then King Mahendra, chafing in his unaccustomed constitutional role, staged a royal coup and resumed direct rule, abolishing the parliament and jailing most of the senior politicians. [] 25X1

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Scholars agree that Mahendra considered parliamentary democracy unsuited to Nepal's culture and level of development, and that he replaced it with a four-tiered hierarchy of councils known as panchayats to build political participation upward from the grass-roots. Political parties, which could articulate interests and possibly challenge the palace, were outlawed as detrimental to national unity.

25X1

The panchayat system has remained the King's personal vehicle for the political and economic development of Nepal—and for the preservation of royal power. Although panchayat democracy gives the impression of endorsing popular sovereignty, the US Embassy contends it is almost totally subservient to palace direction and manipulation. Before the recent reforms, only the lowest (village) level was directly elected. Higher councils were chosen by members of subordinate panchayats or appointed by the King. The system reinforced domination by Nepal's feudal elite, but critical to its operation was the King's ability to manipulate competing elite forces to remain in overall control.

25X1

Partyless democracy remained largely unchanged after King Birendra assumed the throne upon his father's death in 1972, but by 1979 the US Embassy was reporting it was beginning to show signs of strain. Popular frustration with the lack of movement toward a more liberal political system, increased government repression of the banned political parties, corruption and inefficiency in government, and discontent with flaws in the educational system triggered student-led strikes and demonstrations in Kathmandu that quickly won nationwide sympathy.

25X1

After violent confrontations in April and May 1979 between students and police in Kathmandu, King Birendra suddenly announced that a national referendum would be held to determine the future government of Nepal. He thus gave the public a choice between the existing partyless system with some unspecified reforms or a multiparty alternative. The King's concessions defused the crisis and launched Nepal on a program of unprecedented, royally sanctioned political reform.

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Appendix B

**India-Nepal-China:
The Root Between Two Stones**

Wedged between Asia's giants—India and China—Nepal has traditionally preserved its freedom of action by maintaining good relations with both countries and occasionally by playing one against the other—a policy Nepal calls equidistance. Strategically vulnerable, Nepal has no leverage over either neighbor and was once aptly referred to by an early king as a root between two stones. Recognizing its impotence, Nepal has concentrated on preserving and strengthening its national sovereignty. [redacted]

25X1

We believe India and China are unlikely to fight over control of Nepal, but prolonged instability there could lead to intervention by one or both powers and trigger a serious confrontation. Judging by its past behavior, India in particular would view with alarm any internal development—such as the fall of the monarchy—that would create an exploitable political vacuum. We believe India is unlikely to try to absorb Nepal, despite pervasive Nepalese fears of this possibility. Defense attache analysis concludes, however, that the 25,000-man Royal Nepal Army is strictly an internal security force and could not withstand a major invasion. [redacted]

25X1

Although Nepal maintains good relations with both neighbors, we believe India remains Kathmandu's major foreign policy preoccupation. India and Nepal share a long open border and are inextricably linked by historical, cultural, religious, and economic factors. Indian influence is pervasive, and a former Nepalese Prime Minister once described his country as not only landlocked but "India-locked." India controls Nepal's only access to the sea—a source of impressive economic leverage, which New Delhi has used occasionally to achieve political ends. [redacted]

25X1

Indian policy toward Nepal is determined chiefly by New Delhi's security interests along the sensitive northern frontier with China, according to numerous academic studies. Beginning with Nehru, Indian Prime Ministers have publicly insisted that India's

legitimate security concerns are bounded by the Himalayas and have resisted initiatives that might reduce New Delhi's security options. We believe that India interprets secret clauses in letters of exchange that accompanied the 1950 Indo-Nepalese friendship treaty as giving New Delhi the right to enter Nepal in force if its security is threatened, with or without Kathmandu's concurrence. Embassy reporting suggests that India is largely resigned to the close and friendly relations Nepal maintains with China but is willing to tolerate only a moderate level of Chinese influence there. [redacted]

25X1

We believe India's penetration of the Nepalese Government is considerable and that its growing political and economic influence in the Terai area—a traditional hotbed of antiestablishment political activity in Nepal—profoundly concerns Kathmandu. India sheltered and supported Nepali Congress Party elements for several years after the royal coup of 1960, [redacted]

25X1

25X1

For several years King Birendra has been seeking international recognition of Nepal as a zone of peace—a mostly psychological defense of Nepalese sovereignty in the context of India's regional supremacy. The Constitution now includes the zone of peace as a stated principle of Nepalese foreign policy, and varying degrees of support for it have been wrung from over 30 governments. The notable exception has been India, which we believe is unlikely to endorse any proposal that attempts to reduce its security options south of the Himalayan frontier. [redacted]

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