

ISAS Brief

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Nepal in 2018:

The Challenge of Building a ‘New Nepal’¹

In 2018, Nepal’s new leadership is expected to face challenges in its internal political restructuring and in its engagement with the neighbourhood. There will be slippery steps and steep slopes in both these areas. This paper looks at the challenges that the present leadership needs to address. Failing this could push the polity into a directionless chaos.

S D Muni²

The people of Nepal have been chasing their dream of a ‘New Nepal’ rather vigorously for more than a decade now, since the Peoples’ Uprising (*Jan Andolan-II*) of 2005-2006. The outcome of the results of the recently-held elections (November-December 2017) for the National Parliament and Federal Assemblies under a Republican, Federal, Democratic and Secular Constitution, adopted in September 2015, is a reiteration of that dream, though its contours and content have undergone some redefinition. The vision of a ‘New Nepal’ is no longer what was originally constructed by the Maoists through their peoples’ war that was

¹ The Institute of South Asian Studies (ISAS) at the National University of Singapore (NUS) has undertaken a prognosis of the eight South Asian countries in 2018. This is both opportune and relevant, given significant developments in the region. Although it requires some crystal ball-gazing, such prognosis is important in providing an understanding of the outlook for each country. This paper is part of a series of nine papers on key development in the eight South Asian countries, namely, Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka, this year.

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eventually submerged into the uprising of 2005-06. However, many of the core elements of the original vision continue to be reflected in the popular aspirations. The Nepalese have rejected feudal monarchical order and have pushed out the forces representing religious extremism. However, there is now a new nationalism which has ethnic (Hill upper castes) flavour with a noticeable anti-India under-current that had no place in the original vision. The Nepalese have entrusted the Left Alliance (LA) of the two major communist parties, the United Marxist Leninist (UML) and the Maoist Centre (MC), to build a politically stable, democratic and prosperous Nepal.

The new government formed after the elections will have to grapple with two major challenges, namely, i) of giving Nepal a stable, democratic and development-driven good governance; and ii) crafting a creatively balanced relationship with the world, especially with its two giant and mutually-competing neighbours, India and China. These apparently normal looking challenges are indeed complicated and difficult to cope with. To begin with, there are two obvious options to form a government. The first is of the LA which has been clearly and overwhelmingly voted by the Nepalese while the second is through the Maoists breaking the LA, and joining all other parties and forces by isolating the UML. Which option would emerge in the coming month or so of the transition period, would depend squarely on how the UML and the MC work out their power-sharing arrangements (who gets what in the government and who leads the party), ideological angularities and pending issues of constitution (Madhes and marginalised representation), peace process (Truth and Reconciliation) and political structure. In doing so, they have to dissolve their years of mutual conflicts and rivalries, both at the leadership and cadre levels.

Hopefully, the government will be formed by the LA and it may be stable. However, if the pending issues are short-circuited and if the ruling alliance leaders indulge in their respective constituency consolidation through the politics of patronage, which they have been used to thus far, not only the stability of the government would become vulnerable, but the promise of good governance and development would also suffer. The alternative governance of a broader coalition, led by the MC and excluding the UML, will also be inherently unstable as it would be in defiance of the popular verdict and standing on the foundations of rank political opportunism.

Once the government is formed, it has to attend to the pending task of Nepal's earthquake reconstruction. Since 2015, discordant political chorus of power struggle and constitution making had not allowed Kathmandu to seriously undertake this task. None of the parties, prior to the elections, had seriously worked on defining its approaches to fighting corruption and regenerating economic growth. All of them were guilty of nursing the first, that is, corruption, and neglecting the second, that is, economic growth, by taking shelter of loud rhetoric. Switching on gears against the temptation of the years of inaction and political deception may be easier said than done. The two critical areas of economic growth are the harnessing of Nepal's hydro-power potential and building tourism infrastructure. The lack of progress in these two sectors has sent millions of young Nepalese out of the country, seeking jobs and careers in near and distant countries. Raising resources for investments for economic growth will call upon the Nepali leaders to work out a development-oriented foreign policy and create a truly inclusive polity where the alienation of the marginalised communities is transformed into engagement and involvement for nation building.

When it comes to mobilising investments from abroad for Nepal's development, China emerges as an attractive source. This is more so since the UML leader K P Sharma Oli, who is now expected to become Prime Minister in the LA-led government, made a bold move in 2015 in this respect. In order to beat Indian pressures, Oli sought and secured China as an alternate transit route for Nepal's third-country trade, along with help in infrastructure within the framework of the Chinese Belt and Road Initiative (BRI). The basic concept of China as a transit for Nepalese trade was politically impressive but, both logistically and economically, a flawed one, in view of Nepal's geo-political location and the history of its economic evolution. China, of course, looks determined (recall Chinese President Xi Jinping's 2018 New Year commitment to the BRI), on advancing with the BRI, which includes infrastructure support to Nepal to connect it to Tibet through rail and road network. How far and how fast will Oli, with the support of his MC partners, be able to proceed with his China initiative remains to be seen.

Before 2015, neither Oli personally, nor his UML as a party, was economically driven towards China. Even Prachanda and his Maoist group saw only a limited tactical advantage in playing the China card. The UML is known as the non-government organisation (NGO) party in Nepal's political gossip circles. Most of the NGOs supporting the UML's vote banks are funded by the Europeans and Americans. Will the Oli-led LA government be able to go beyond the European and American comfort zone in their dragon hug? And if they try to back out from

this hug, will China let it do so that conveniently as China has raised its stakes in assertively entering South Asia both economically and strategically? Further, have the Nepalese seriously worked out the dependency and strategic costs of sinking deep into the BRI model, as dissenting voices have already started appearing in Nepali media? The answers to these questions would shape the new Nepali government's China policy.

India will equally watch closely and carefully Nepal's moves towards the north. Oli knows the extent of Indian reactions to such moves better than many Nepali leaders. India deeply resented King Mahendra's efforts during the early 1960s to exploit Sino-Indian tensions. King Birendra faced Indian opposition, including economic 'blockade' for flashing the China card during the late 1980s, and so did his brother King Gyanendra in the 2005-2006 period. Oli had also to lose power and his ally Prachanda in 2016 as a result of his China adventure, along with his rigidity on constitutional and Madhes issues. Both Oli and Prachanda had promised their voters during the election campaign to conduct a balanced relationship with both India and China. Both of them are aware of the Indian redlines that constitute India's sensitive strategic space with regard to Nepal's relations with China or any other external powers. These redlines, in the least, would mean that the Chinese are not offered cooperation in Nepal's defence sector or access to the Nepalese army. It would also mean that China's infrastructure projects do not reach Nepal Terai, nor do they carry strategic underpinnings and make Nepal economically dependent in the long run.

There are clear signals from New Delhi that it is willing and prepared to bridge its alienation gap with Nepal. As a bigger neighbour, India must make the first and credible move in this direction. It should seriously review and redefine not only its Nepal priorities, but also its style of dealing with Nepal. India needs its muscular diplomacy to be overhauled and put on the back burner while pursuing, with deft resilience and sincere accommodation, a 'New Nepal's' genuine and legitimate aspirations. That would greatly help and facilitate Kathmandu's search for a balanced neighbourhood policy.

The year 2018 would see Nepal's new leadership negotiating many of the slippery steps of its internal political restructuring and climbing many of the steep slopes in their neighbourhood engagements. It cannot afford to slip anywhere, not even once, for that could lead to pushing the whole polity into a directionless chaos. The present leadership has only seldom, in the past, demonstrated any reassuring capability to move in the desired direction. It has tremendous

popular support and would do well by encouraging consensual politics that aggregates national, not factional, strength.

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