

Nepal's Foreign Policy Priorities

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Summary

Nepal's Prime Minister Pushpa Kamal Dahal, who ascended to power on 25 December 2022, faces an arduous task of maintaining cordial ties with the big powers, particularly India, the United States and China. After returning to power, Dahal's first foreign visit to New Delhi from 31 May to 3 June 2023 indicated Kathmandu's preference. This paper analyses the foreign policy priorities of the Dahal-led coalition government. The coalition is a mixed bag of communist, liberal democratic and Madhesi ethnic parties. Due to differences in the political ideology of the alliance partners, the coalition government's Common Minimum Programme does not provide any specific guidelines on how the government should conduct its foreign policy.

Introduction

Nepal's Prime Minister Pushpa Kamal Dahal (also known as Prachanda) returned to power for the third time in December 2022 with the support of the second largest party – the Communist Party of Nepal–Unified Marxist–Leninist (CPN–UML) and several smaller parties such as the Janata Samajbadi Party (JSP) and Rastriya Swatantra Party (RSP), among others. Dahal was earlier prime minister in 2008 and 2016. However, the alliance with the CPN–UML was short-lived due to differences over several issues. Soon after the coalition government was formed after the national elections, the alliance partners were less than comfortable working together. Differences over the presidential candidate was an immediate reason that widened the crack in the coalition. On 28 February 2023, days before the presidential election, the CPN–UML withdrew its support from the Dahal-led government.¹ The collapse of the Maoist–UML coalition led to a new alliance, comprising the Nepali Congress (NC), the Janamat Party, the Communist Party of Nepal (Unified Socialist) and the JSP.

In examining the foreign policy of the Dahal-led government, it is imperative to analyse the coalition partners' election manifestos and political documents. In the 2022 election manifesto, the Communist Party of Nepal (Maoist Centre) had elaborated its foreign policy priorities in detail. It stated the following key points:²

1. The country shall be freed from all sorts of foreign military activities and shall be declared a zone of peace.
2. Nepal should not become a part of any bilateral or multilateral military alliances.

¹ Ram Kumar Kamat, "UML withdraws support to government", *The Himalayan Times*, 28 February 2023, <https://thehimalayantimes.com/nepal/uml-withdraws-support-to-government>.

² "Pratibadhta Patra: Pratinidhi Sabha Tatha Pradesh Sabha Nirvachan-2071", https://inseconline.org/np/wp-content/uploads/2022/10/CPNM_Pratibaddtapatra.pdf, p. 20-22.

3. The open borders with India should be controlled and regulated.
4. The Peace and friendship treaty of 1950, the Tripartite Agreement of 1947, Transboundary Water Agreements and Trade and Transit related treaties would be reviewed and, if necessary, scrapped.

The NC's manifesto pledged to adopt an independent and balanced foreign policy in line with the United Nations (UN) Charter, a long-standing non-alignment policy of the country and principles of *Panchsheel*.³ Like the Maoists, the NC is opposed to joining any military alliances. The CPN (Unified Socialist), a member of a five-party coalition, stated that it wants to establish a cordial relationship with neighbouring countries based on international law, the UN Charter, *Panchsheel* and the policy of non-interference.⁴ Unlike the other parties, the party only had a brief section on foreign policy. The JSP and RSP's manifesto included almost similar statements as the other aforementioned parties on foreign policy matters.

To iron out their political differences over many issues, including foreign policy, the coalition government has adopted the Common Minimum Programme (CMP), which briefly touched on foreign policy and is full of ambiguities. The key points related to the foreign policy mentioned in the CMP are as follow:⁵

1. Protecting the country's national independence and national interests.
2. Ensuring the rights of land-locked countries, a relationship based on equality between big and small countries.
3. Enhancing the policy of non-interfering in each other's internal affairs.
4. Adopting the UN Charter, *Panchsheel*, non-alignment, world peace and operating international relations based on international laws.
5. Maintaining a friendly relationship with neighbours and all friendly nations for peace, stability, economic reformation and the people's prosperity based on mutual benefits and welfare.
6. Forging a national consensus for the conduct of foreign policy.

Despite ambiguities and differences between the coalition partners over the direction of Nepal's foreign policy, all handling the country's affairs accept the fact that relations with India are extremely important, largely due to territorial proximity, centuries-old people-to-

³ "Nepali Congressko Sankalap : Pratinidhi Sabha r Pradeshsabha Nirvachan 2071", <https://inseconline.org/np/wp-content/uploads/2022/10/NC-Manifesto-10-29-2022-website-final-1.pdf>, p. 20. The principles of *Panchsheel* include mutual respect for each other's territorial integrity and sovereignty; mutual non-aggression, mutual non-interference in each other's internal affairs; equality and mutual benefit; and peaceful co-existence.

⁴ "Pratinidhi Sabha Tatha Pradesh Sabha Nirvachan 2071: CPN (Unified Socialist) ko Ghoshna Patra", https://inseconline.org/np/wp-content/uploads/2022/10/Ghosana-CPN_S.pdf, p. 8.

⁵ "Common Minimum Program, 2023", Office of Prime Minister and Council of Ministers, Government of Nepal, <https://www.opmcm.gov>.

people bonds, cultural and religious symmetry, and Nepal's trade and transit dependence on its big neighbour. Making a pragmatic decision, as discussed in the following section, in 2023, Dahal, unlike in 2008, chose New Delhi as the first capital to visit after assuming office for the third time.

Dahal's Pragmatic Approach to India

Since joining the peace process with the Nepali establishment in 2006, Dahal's mantra is to adopt "a balanced foreign policy" with the neighbours – India and China. Though it has not been properly defined yet, many political analysts, mainly from India, believe that "balanced" means a greater tilt towards China.⁶ This perhaps became a little clearer when, in 2008, after Dahal became prime minister, he broke political tradition by choosing Beijing as his first foreign capital visit instead of New Delhi. However, realising his mistake, he tried to correct himself by stating that the visit to Beijing was not "political" and his first political visit would be to India. In 2016, Dahal began his tenure by sending special envoys to New Delhi and Beijing with a message signalling a "balanced foreign policy". In 2016, his first foreign visit as prime minister was to New Delhi. In 2023, before visiting India, Dahal said, "This time [in 2023], I felt that it would be appropriate to visit India first not only to maintain the tradition, but because of the necessity and also it would be appropriate to do so."⁷

Dahal's visit to Delhi in 2023 was focused on enhancing the economic and development partnership between India and Nepal, which, in recent years, has been overshadowed by political disputes such as the row over the boundary in the far Himalayas. There was a mixed reaction at home to Dahal's New Delhi visit. Opposition parties, including the CPN-UML, criticised Dahal for not raising key issues, such as the report prepared by Eminent Persons' Group (EPG) from both sides. Speaking to the media in New Delhi during his India visit, Dahal publicly said he did not raise the EPG issue with the Indian political leadership, considering that it could spoil the environment developed in other areas of bilateral relations. He added that the two countries could create an environment to address the EPG report's issues and address them sometime in future.⁸ On the boundary row, in his press statement, India's Prime Minister Narendra Modi said, "We will continue to work to give our relationship the height of the Himalayas, in this spirit, we will resolve all the issues, whether it is of boundary or any other issue."⁹

⁶ Seshadri Chari, "Nepal's new government will wear China tilt on sleeves at its own peril", 30 December 2022, <https://theprint.in/opinion/nepals-new-communist-govt-will-wear-china-tilt-on-sleeves-at-its-own-peril/1288892/>.

⁷ "Prachanda to visit India, For his first foreign trip", *ABP News*, 26 May 2023, <https://news.abplive.com/news/world/prachanda-to-visit-india-next-month-for-his-first-foreign-trip-as-nepal-prime-minister-meet-pm-modi-1588885>.

⁸ "One-to-One meeting with Modi helped in reaching deals with India: Dahal", *The Kathmandu Post*, 2 June 2023, <https://kathmandupost.com/national/2023/06/02/one-to-one-meetings-with-modi-helped-in-reaching-deals-with-india-dahal>.

⁹ "English Translation of press statement by Prime Minister Narendra Modi", Ministry of External Affairs, Government of India, 2023, <https://www.mea.gov.in/incoming-visit-detail.htm?36631/English+translation+of+Press+Statement+by+Prime+Minister+Shri+Narendra+Modi+during+the+visit+of+Prime+Minister+of+Nepal>.

Dahal's visit has been hailed at home for making progress on a long-term power deal between the two countries which is likely to spur more foreign investment in Nepal's power sector. India has pledged to import 10,000 megawatts (MW) of electricity from Nepal within the next 10 years. If Nepal produces such an amount of electricity, it will help the country to decrease its trade deficit with India. The Independent Power Producers Association, Nepal (IPPAN), has called Dahal's visit successful for long-term energy development with lasting importance, and the exporting of 10,000 MW of power in 10 years to India as a welcome step.¹⁰ India and Nepal entered into an electricity buying deal in 2014, but New Delhi changed its policy in 2018 and decided not to buy power produced by projects in which investments were made by countries that did not have a "bilateral agreement on power sector cooperation" with it.¹¹ The change was mainly directed at Chinese-funded projects or using its own equipment, workers and subcontractors. Four years later, in 2022, during Prime Minister Sher Bahadur Deuba's visit to India, the two countries signed a power sector cooperation to stimulate the production and export of power.¹²

Another achievement of the visit is the India-Nepal agreement under which Kathmandu can export electricity to Bangladesh. The Nepali side welcomed the Indian government's decision to facilitate the first trilateral power transaction from Nepal to Bangladesh through the Indian grid with the export of up to 40 MW of power. Both sides expressed their commitment towards greater sub-regional cooperation, including in the energy sector, which would lead to increased inter-linkages between the economies for the mutual benefit of all stakeholders.¹³ With India's nod, Nepal is likely to export 40 MW of electricity to Bangladesh in the near future. However, the details of the power export are yet to be finalised. Some private companies in Bangladesh have shown interest in investing in Nepal's hydropower but there has not been a final agreement yet.¹⁴

In many ways, as some foreign policy analysts find, Dahal's visit was different and a shift from the previous visits by Nepali prime ministers to New Delhi.¹⁵ First, during the visit, Dahal and Modi focused on areas of convergence that are mutually beneficial rather than attempting to resolve contentious and sensitive issues. Although both sides agreed to settle the border dispute, there was no in-depth engagement.¹⁶ Second, India-Nepal ties have, for the most part, been viewed primarily from a political lens. Dahal's recent trip has instead

¹⁰ "IPAN terms PM's India visit historic", *The Rising Nepal*, 2 June 2023, <https://risingnepaldaily.com/news/27713>.

¹¹ See Amit Ranjan, "Prachanda's Visit to New Delhi: Positive Development but Issues Remain", ISAS Brief 1027, Institute of South Asian Studies, National University of Singapore, 5 June 2023, <https://www.isas.nus.edu.sg/papers/prachandas-visit-to-new-delhi-positive-development-but-issues-remain/>.

¹² "India-Nepal Joint Statement on Power Sector Cooperation" Government of Nepal, Ministry of Energy, Water Resources and Irrigation, 2022, <https://www.moewri.gov.np/pages/notices?lan=en&id=402>.

¹³ Amish Raj Mulmi, "To better India-Nepal ties focus on implement", *Hindustan Times*, 10 June 2023, <https://www.hindustantimes.com/opinion/to-better-india-nepal-ties-focus-on-implementation-101686324905910.html>.

¹⁴ Bangladesh 'keen' to invest in Nepal hydropower projects", *Onlinekhabar*, 24 August 2022, <https://english.onlinekhabar.com/bangladesh-nepal-hydropower-projects.html>.

¹⁵ Birendra Prasad Mishra, "PM Dahal 3.0: A change of heart during the India visit?", *The Annapurna Express*, <https://theannapurnaexpress.com/news/pm-dahal-3-0-a-change-of-heart-during-india-visit-44068/>.

¹⁶ Amish Raj Mulmi, "To better India-Nepal ties focus on implement", op. cit.

emphasised the economic aspects of the relationship, thus “steering the relationship back to normal waters after a stormy interlude”.¹⁷

Overall, over the past few years, there has been good progress in the development partnership between Nepal and India. Long-stalled development projects are gaining speed, and connectivity projects, including the Raxual-Kathmandu railway line, are making progress. Despite ups and downs in their political ties, works on bilateral projects have not been much affected. This is a new nature of the India-Nepal bilateral relationship, which was further manifested during Dahal’s visit.

During the visit, the two sides inked the following memorandums of understanding (MoUs)/agreement exchanged:¹⁸

1. Renew of Treaty of Transit.
2. Construct more petroleum infrastructure on the border region.
3. Develop infrastructure at the Dodhara-Chandani check post along the India-Nepal border.
4. Partnership between India’s Sushma Swaraj Institute of Foreign Service and Nepal’s Institute of Foreign Affairs.
5. Development agreement of Lower Arun Hydroelectric Project between Sutlej Jal Vidyut Nigam and the Investment Board of Nepal.
6. Between National Clearing House Limited Nepal and National Payment Company India Limited for cross-border payments.
7. Between National Hydroelectric Power Corporation and Vidyut Utpadan Company Limited, Nepal for the development of the Phukot-Karnali Hydroelectric Project.

The two countries also undertook the following key initiatives:¹⁹

1. India officially handed the Kurtha-Bijalpura section of the railway line to Nepal.
2. Inaugural run of an Indian railway cargo train from Bathnaha (India) to Nepal Customs Yard which is the newly constructed rail link through Indian grant.
3. Grounding breaking ceremony of the Integrated Check Posts at Bhairahawa (Nepal) to Sonauli (India).

¹⁷ Ibid.

¹⁸ List of Outcomes, “Official visit of Prime Minister of Nepal to India”, 2023, https://www.mea.gov.in/bilateral-documents.htm?dtl/36632/List_of_Outcomes_Official_visit_of_Prime_Minister_of_Nepal_to_India./.

¹⁹ Ibid.

4. Ground-breaking ceremony of Phase-2 under the Motihari-Amlekhgunj Petroleum Pipeline.
5. Ground-breaking ceremony of the Indian portion of the Gorakhpur-Bhawal Transmission Line being built by a joint venture of Power Grid Cooperation of India and Nepal Electricity Authority.

More than political engagements and inking economic deals with India, Dahal's visit to the Mahakaleshwar temple in Ujjain in the Indian state of Madhya Pradesh and then to the Pashupatinath temple in Kathmandu after his return raised some eyebrows in Nepal. Such visits are contradictory to the Maoist party's political ideology.²⁰ Through his visits to these temples, as political analysts believe, Dahal aims to appease a larger Hindu constituency in Nepal.²¹ Moreover, many analysts cite the visit to the temples as an example of the growing influence of the Bharatiya Janata Party (BJP) and Rashtriya Swayamsevak Sangh (RSS) in India's Nepal policy and spread of Hindutva politics in the country.²² Of late, more and more BJP leaders and RSS representatives are travelling to Nepal to step up engagements with various sections of its society.²³ During his visit to New Delhi, Dahal did not raise the Akhand Bharat mural²⁴ placement in the newly constructed Indian parliament.

Dahal Government's Approach Towards China

Dahal is preparing for an official visit to China in September this year. Earlier, China had invited Dahal to participate in the Boao Forum for Asia held in March 2023 but he skipped the event. In the past few months, there has been an increased engagement between the two countries with a series of visits by Nepali leaders to Beijing. First, Deputy Prime Minister and Minister for Home Affairs Narayan Kaji Shrestha visited China in June 2023. He held talks with Chinese Vice-Premier Lifeng in Chengdu. The two sides discussed the wide range of bilateral issues, setting the tone for Dahal's China visit. Second, in the last week of June 2023, Minister for Industry, Commerce and Supplies Ramesh Rijal visited China to attend the 13th Xinjiang-Kashi-Central Asia and South Asia Commodity Fair, where he held talks with Chinese officials. Third, just before Dahal's India visit, his close confidant, Agni Sapkota, landed in China. He held discussions with high-level officials in Beijing and praised China's role on global platforms. Fourth, in June 2023, Chairman of the National Assembly, Nepal's Upper House, Ganesh Prasad Timalsina, visited China and held talks with his Chinese counterpart, Zhao Leji, Chairman of the National People's Congress. Zhao called on both

²⁰ Kamal Dev Bhattarai, "Dahal's journey from Mahakaleshwar to Pashupati Nath", op. cit.

²¹ Ibid.

²² "Experts raise concerns over rapid spread of BJP-led Hindutva politics in Nepal", *My Republica*, 27 July 2023, <https://myrepublica.nagariknetwork.com/news/experts-raise-serious-concerns-about-the-rapid-spread-of-bjp-led-hindutva-politics-in-nepal/>.

²³ Kamal Dev Bhattarai, "Dahal's journey from Mahakaleshwar to Pashupati Nath", *The Annapurna Express*, 12 June 2023, <https://theannapurnaexpress.com/news/dahals-journey-from-mahakaleshwar-to-pashupatinath-43669>.

²⁴ The mural also covers Kapilavastu and Lumbini in present-day Nepal. For Rashtriya Swayamsevak Sangh, the Akhand Bharat map includes Afghanistan, Pakistan, Bangladesh, Sri Lanka, Myanmar, Tibet, Bhutan, Nepal and Aksai Chin. See Unnati Sharma, "Ashokan empire or 'Akhand Bharat'? Parliament mural that riled many in Nepal", *The Print*, 3 June 2023, <https://theprint.in/india/ashokan-empire-or-akhand-bharat-parliament-mural-that-riled-many-in-nepal/1609957/>.

sides to build and maintain infrastructure projects, continue to build the Trans-Himalayan Multi-Dimensional Connectivity Network and deepen cooperation in the various fields, adding that China welcomes support for and participation in the Global Security Initiative (GSI) and the Global Civilizational Initiative (GCI) to promote regional and world peace, stability and prosperity jointly.²⁵

During this period, leaders of the Communist Party of China (CPC) have also made several important visits to Nepal. On the eve of Dahal's New Delhi visit, Secretary of Sichuan Province of the Communist Party of China Wang Xiaohui visited Nepal and held talks with Dahal at his official residence Baluwatar. Second, in the second week of June 2023, a China's International Department delegation visited Nepal. The delegation held a wide range of talks with leaders of various political parties. Third, in the third week of July 2023, Yuan Jiajun, a member of the Political Bureau of the CPC and Secretary of the CPC Chongqing Municipal Committee, visited Nepal. He met Nepal's President Ram Chandra Poudel and leaders of major parties.²⁶

China is also expanding its presence in Nepal in several other areas. For instance, WeChat Pay, a mobile payment service run by China's technology giant, Tencent, was launched in Pokhara, a popular tourist destination in Nepal in 2023.²⁷ Then, in the third week of June 2023, to boost cultural ties between China and Nepal, the China-Nepal Friendship Dragon Boat Race Festival was held in Pokhara. On the final day of the two-day festival, more than 160 people from Nepal, China and Singapore took part in the race.²⁸ The Chinese team for the event landed directly at Pokhara International Airport via a chartered flight. The US\$300 million (S\$396.85 million) Pokhara Airport was built with a US\$209 million (S\$276 million) soft loan provided by

China's Export-Import Bank. Twenty-five per cent of the loan is free while the remainder of the loan is subject to a two-percent interest rate.²⁹

China is keen to make substantial progress in Nepal under the Belt and Road Initiative (BRI). Nepal and China signed an MoU in May 2017, but till now, no infrastructure project has been launched under it. During the visit of Nepali Prime Minister K P Oli to China in June 2018, Nepal proposed a list of 35 projects in areas such as infrastructure, energy and power, north-south corridor upgradation, free trade areas and construction of integrated check posts at various Nepal-China border points under the BRI. Through such projects, Nepal aimed to bring an investment of around US\$10 billion (S\$13.2 billion). Later, the number of projects was reduced to 16 and, finally, trimmed to nine following advice from China to

²⁵ "China's Top Legislature holds talks with chairman of Nepal's national assembly", *Xinhua*, 12 June 2023, <https://english.news.cn/20230612/15e5719da587423fb3584a67af9bba00/c.html>.

²⁶ "China to deepen practical cooperation with Nepal under BRI: official", *Xinhua*, 25 July 2023, <https://english.news.cn/asiapacific/20230725/70bb4b478dcf4c59b916e339dc02e835/c.html>.

²⁷ "WeChat Pay of China launched in Nepal", 22 June 2023, *Xinhua*, <https://english.news.cn/20230622/099a4c29b403454b9492338f68dfc3e/c.html#:~:text=POKHARA%2C%20Nepal%2C%20June%2022%20,to%20the%20South%20Asian%20country>.

²⁸ "Nepal-China friendship dragon boat race festival kicks off", *The Kathmandu Post*, 23 June 2023, <https://kathmandupost.com/money/2023/06/23/nepal-china-friendship-dragon-boat-race-festival-kicks-off>.

²⁹ Smita Adhikari, "Pokhara International Airport's Success is up in the air", *The Annapurna Express*, 19 December 2022, <https://theannapurnaexpress.com/news/pokhara-international-airports-success-is-up-in-the-air-35728/>.

keep them in single digit.³⁰ However, while there have not been any negotiations,³¹ China has indicated that the projects under the BRI are progressing. For instance, since its inauguration in January this year, China has listed Pokhara International Airport as a part of the BRI. Shocking Nepal, in May 2022, China's Ambassador to Nepal Hou Yanqi stated in a virtual press conference, "All the main projects built by China in Nepal are within the framework of BRI...First, the Gautam Buddha Airport in Lumbini. The second is Pokhara Airport. Third, Tribhuvan International Airport."³² Nepal has, however, dismissed such claims. In June 2023, responding to a question in the Parliament, Nepal's Foreign Minister N P Saud categorically said, "The project implementation plan of the BRI is at the stage of discussion between Nepal and China. Not a single project in Nepal under the BRI has been executed. The project implementation plan of the BRI is still under consideration."³³

China is seeking Nepal's larger involvement in the Global Development Initiatives (GDI), GSI and GCI.³⁴ In 2022, Nepal agreed to be a part of the GDI. Under it, two projects – Nepal Smiling Children and Support to Schools and Communities in Remote Areas for Pandemic Prevention and Green Recovery – are in progress in Nepal.³⁵ The UN Development Programme is also a part of the latter project. Nepal perceives the GSI as a military alliance, while it is yet to receive a formal request to join the GCI.³⁶

Beyond India and China

In dealing with the Western world, Dahal's key priority is the settlement of human rights violation issues in Nepal that occurred during the Maoist insurgency from 1996 to 2006, for which, two commissions – the Truth and Reconciliation Commission and the Commission of

³⁰ Anil Giri, "Nepal trims projects under BRI from 35 to 9 at Chinese call", *The Kathmandu Post*, 18 January 2019, <https://kathmandupost.com/national/2019/01/18/nepal-trims-projects-under-bri-from-35-to-9-at-chinese-call>.

³¹ Dipesh Shahi, "Stagnation in Belt and Road Initiative: Nepal needs to demand clarity over project", 29 June 2023, <https://english.onlinekhabar.com/belt-and-road-initiative-nepal-state.html>.

³² Ibid.

³³ Anil Giri "Nepal yet to execute BRI projects, says Foreign Minister Saud", *The Kathmandu Post*, 27 June 2023, <https://kathmandupost.com/national/2023/06/27/nepal-yet-to-execute-bri-projects-says-foreign-minister-saud>.

³⁴ In 2021, China President Xi Jinping proposed the GDI at the UN General Assembly. The GDI aims to build a global community of development, puts development first and the people at the centre, and seeks to expedite the implementation of the 2030 Agenda of the UN. Ministry of Foreign Affairs, People's Republic of China, "Jointly Advancing the Global Development Initiative and Writing a New Chapter for Common Development", 21 September 2021, https://www.fmprc.gov.cn/eng/wjb_663304/wjbz_663308/2461_663310/202209/t20220922_10769721.html. The GSI calls the countries "...to eliminate the root causes of international conflicts, improve global security governance, encourage joint international efforts to bring more stability and certainty to a volatile and changing era, and promote durable peace and development in the world.", Ministry of Foreign Affairs, People's Republic of China "The Global Security Initiative Concept Paper", 21 February 2023, https://www.fmprc.gov.cn/mfa_eng/wjbxw/202302/t20230221_11028348.html. The GCI aims to "inject fresh and strong energy into the common development and progress of human society in a world fraught with multiple challenges and crises.", The State Council Information Office, The People's Republic of China, 19 March 2023, http://english.scio.gov.cn/topnews/2023-03/19/content_85177312.htm.

³⁵ Anil Giri, "China seeks Nepal's Support for GSI and GCI", *The Kathmandu Post*, 14 June 2023, <https://kathmandupost.com/national/2023/06/14/china-seeks-nepal-s-support-for-gsi-and-gci>.

³⁶ Ibid.

Investigation on Enforced Disappeared Persons – were set up in 2015.³⁷ They received over around 63,700 cases including 314 related to rape or sexual violence during the insurgency years.³⁸ In May 2023, talking to foreign diplomats, Dahal said “...We attach high importance to the consolidation of peace, reconciliation and harmony in society and reaffirm our commitment to conclude the remaining task of the transitional justice process and provide justice and reparation to the victims of the conflict.³⁹ He added that there would be no blanket amnesty in cases of serious human rights violations.⁴⁰

Nepal has forged close ties with the US in several areas but differences remain. For instance, after five years of its signing, Nepal finally ratified the Millennium Challenge Corporation (MCC) Nepal Compact in 2022 with 12 interpretative declarations. The MCC is an independent US government foreign aid agency which will assist Nepal in constructing cross-border electricity transmission lines and maintaining the road. Earlier, the US\$500 million (\$\$664 million) assistance under the MCC plunged into controversy due to the opposition from the left parties, and Dahal was at the forefront of the anti-MCC campaign.

For Beijing, the MCC aims to countervail the BRI. In 2022, just before Nepal’s parliament ratified the MCC Nepal Compact, Chinese Foreign Ministry spokeswoman Hua Chunying said, “How can anyone accept such a gift? Is it a gift or Pandora’s box?”⁴¹ She talked about upholding the principle of mutual respect and equality, the sovereignty of the country concerned and giving respect to the will of the people. She added, “...there should be no interference in any country’s domestic affairs, no political strings attached, no coercive diplomacy, and certainly no infringement on other countries’ sovereignty and interests for selfish gains.”⁴²

Moreover, America’s growing engagement with the members of the Tibetan community in Nepal is also infuriating China.⁴³ United States (US) officials have not openly opposed Chinese investment in Nepal. However, they have advised Nepal’s political parties to consider transparency and sovereignty issues while taking assistance and loans.⁴⁴ Unlike the MCC, in 2022, Kathmandu decided to stay away from the State Partnership Programme (SPP). The SPP is an exchange program between the US’ National Guard and a partner foreign country. As the US government defines, the SPP focuses on disaster management.

³⁷ “Nepal: next Parliament should prioritize justice for conflict victims; carry out Supreme Court’s law reform orders”, *International Commission on Jurists*, 24 October 2022, <https://www.icj.org/nepal-next-parliament-should-prioritize-justice-for-conflict-victims-carry-out-supreme-courts-law-reform-orders/>.

³⁸ Binod Ghimire, “Insurgency-era victims of sexual crimes still unheard”, *The Kathmandu Post*, 23 February 2023, <https://kathmandupost.com/national/2023/02/25/insurgency-era-victims-of-sexual-crimes-still-unheard>.

³⁹ “No blanket amnesty for serious rights violation, PM vows to foreign diplomats”, *The Kathmandu Post*, 16 May 2023, <https://kathmandupost.com/politics/2023/05/16/no-blanket-amnesty-for-serious-rights-violation-pm-vows-to-foreign-diplomats>.

⁴⁰ Ibid.

⁴¹ “China asks: Is MCC a gift or Pandora’s box”, *Nepal News*, 24 February 2022, <https://en.setopati.com/political/158002>.

⁴² Ibid.

⁴³ Kamal Dev Bhattarai, “US engagement with Nepal’s Tibetan refugees Infuriating China”, *The Annapurna Express*, 25 May 2022, <https://theannapurnaexpress.com/news/us-engagement-with-nepals-tibetan-refugees-infuriating-china-6117/>.

⁴⁴ Ibid.

Nepal asked to participate in the SPP in 2015 and again in 2017. The US accepted its request in 2019.⁴⁵ In Nepal, the SPP was largely viewed as a military pact with the US – it is, therefore, opposed by the coalition partners and opposition members.⁴⁶

As a reflection of the US' growing interest in the landlocked Himalayan country, there have been several important visits from the US to Nepal in recent months. The US Under Secretary of State for Political Affairs Victoria Nuland visited Kathmandu in January 2023 while the US Assistant Secretary for South and Central Asia Donald Lu visited Kathmandu in July 2023. The high-level diplomatic visits clearly show Kathmandu's growing geopolitical significance where the US mainly desires to check the increasing influence of Beijing.

Conclusion

A close study of Dahal's six months in office clearly shows that he is adopting a cautious approach to dealing with the world's major powers. In 2008, he travelled to Beijing, first irking India and later blaming India for the collapse of his government due to the confrontation with then-army chief General Rukmangud Katawal. Unlike the past, to create a favourable environment during his recent visit to New Delhi, Dahal skipped the confrontational issues with India.

As the three powers – India, China and the US – are competing to expand their influence in Kathmandu, it will be in Nepal's interest to engage with them on economic terms and avoid their military and strategic initiatives. During his visit to India, Dahal showed a pragmatic approach and it will be a prudent move if he adopts the same approach while dealing with the other major countries. While dealing with major powers, the Dahal-led government should be able to present its clear position about its national interests and work to forge a national consensus on foreign policy issues. At the same time, along with the three major parties, the Dahal-led government should lay out its position on how it wants to engage with the European Union, the UK and other development partners of Nepal.

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⁴⁵ "State Partnership Program Factsheet", US Embassy in Nepal, 17 June 2022, <https://np.usembassy.gov/state-partnership-program-factsheet/>.

⁴⁶ Anil Giri, "Government decides to stay away from SPP", *The Kathmandu Post*, 21 June 2022, <https://kathmandupost.com/national/2022/06/21/government-decides-to-stay-away-from-spp>.