



Executive Memorandum

No. 862

February 21, 2003

PREVENTING THE MAOIST OVERTHROW OF NEPAL

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On January 29, 2003, communist insurgents and the government of Nepal announced a cease-fire in the bloody civil war that has killed more than 4,000 people since 1996. Although this is an important step in the right direction, Katmandu and Washington must pursue efforts to complete Nepal's democratic transition, open its economy, and professionalize its military.

The conflict began in 1996 when the Communist Party of Nepal launched a "war of liberation" that spread to more than 50 of Nepal's 75 districts by the time of the cease-fire. Before the cease-fire, some analysts were predicting that the rapid military success of the Maoists would result in the overthrow of Nepal's government. Many remain skeptical that the cease-fire will hold.

Conditions Behind the Communist Insurgency. Nepal began the transition from a 14th century absolute monarchy to a 20th century multiparty democracy and constitutional monarchy in 1990. During the brief parliamentary period that followed, as many as 19 different communist parties appeared. Frustrated with government policies, the largest—the Communist Party of Nepal—withdraw from the political process in 1994 and then, in 1996, launched a "People's War," hoping to install a Maoist government. Aggravating the political situation, Crown Prince Dipendra killed King Birendra and most of the royal family in a bloody murder-suicide on June 1, 2001. Gyanendra, the

king's brother, was crowned king and, a year later, dissolved the elected parliament and appointed a Prime Minister and cabinet.

Like many other effective insurgents, the Maoists benefit from poor governance and corruption. Most of the guerrillas come from remote provinces, which lack roads, schools, and economic opportunity and are largely ignored by the politicians in Katmandu. Arms for the guerrillas come from captured police and army weapons. Funds come from criminal activity and "taxes" contributed by—or increasingly extorted from—the local people.

Militarily, the Maoists have proven tough and effective soldiers. Their success is due partly to the odd historical relationship between Nepal and the British Army. For more than 180 years, the British Army has recruited the renowned Gurkhas from Nepal. These soldiers, mostly from the country's poorest regions, serve 15 years in the British Army and then retire to Nepal on small pensions. About

Produced by the
Asian Studies Center

Published by
The Heritage Foundation
214 Massachusetts Ave., NE
Washington, D.C.
20002-4999
(202) 546-4400
<http://www.heritage.org>



This paper, in its entirety, can be
found at: [www.heritage.org/
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25,000 retired Gurkhas live in Nepal, many in the provinces where the Maoists are strong. Dr. Chitra K. Tiwari, an expert on Nepal, suspects that retired Gurkhas are training the communist insurgents, some because of family connections and others because of dissatisfaction with government policies.

While the Maoists may benefit from training by professional soldiers, the Royal Nepalese Army (RNA) suffers from problems typical of Third World armies: small budgets, limited resources for training and operations, old and poorly maintained equipment, and weak logistical support. Washington has provided limited military assistance for years, including officer training in American military schools. In 2003, the U.S. committed \$17 million in training and other military aid. If the cease-fire fails, however, the RNA will need much more military aid to become a professional army skilled in counterinsurgency.

American Interests in Preserving the Legal Government of Nepal. Nepal is one of the world's poorest countries, with a per capita gross domestic product of \$241. The *Index of Economic Freedom* published by The Heritage Foundation and *The Wall Street Journal* rates Nepal as "mostly unfree," ranked 119 out of 161 countries surveyed. If the Maoists seize power, much of Nepal's progress toward a free economy and democracy will be undone. Furthermore, a communist push into the Katmandu valley will increase the current trickle of Nepalese refugees into a flood. With 23 million people, Nepal could easily become an international humanitarian disaster.

A communist takeover in Nepal would also have serious geopolitical consequences. Nepal is a landlocked country in the Himalayan Mountains between China and India. For New Delhi, the Maoists are a security problem because of their links to "Maoist Group" terrorists in India. For China, Nepal is the gateway between India and Tibet. Most of the Tibetan refugees in India crossed through Nepal and Bhutan, and 30,000 Tibetans remain in Nepal. Moreover, instability in Nepal could inflame Sino-Indian border disputes. Thus, the overthrow of the Nepalese government could undermine both countries' interests in Katmandu. If the situation destabilized, India or China might choose to intervene. Each of these nuclear-armed peer-competitors would consider an occupation of Nepal by the

other as a threat to its own security, thereby raising tensions in South Asia.

To deal with this dangerous situation, Congress and the Bush Administration should take the following three actions:

- **Increase Nepal's economic security by negotiating a trade agreement.** A trade agreement, perhaps modeled on the bilateral trade agreement with Vietnam, would help open the economy to development. Steps to increase investment in Nepal should include strengthening protection of property rights, relaxing regulations, and lowering tariff barriers.
- **Expand assistance for building and strengthening democratic institutions.** The Bush Administration should urge the government of Nepal to hold early parliamentary elections and to improve the rule of law. The U.S. Agency for International Development, along with such non-governmental organizations as the International Republican Institute and the National Democratic Institute for International Affairs, could play a major role in developing democratic institutions.
- **Continue military professionalization and aid.** The current \$17 million package is sufficient if the cease-fire holds. The Royal Nepalese Army is firmly accountable to civilian control and amenable to military training that will increase its effectiveness against counterinsurgency while reducing human rights abuses. If the cease-fire fails, Congress and the Bush Administration should consider increasing the military aid package.

Conclusion. Although Nepal is far from Washington, an unstable situation there could lead to a major power struggle in the Himalayas and adversely affect U.S. interests in South Asia. U.S. goals should include stabilizing the security situation in Nepal, preventing an Indian or Chinese intervention, assisting the democratic transition, and opening Nepal's economy to market development.

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