



Nepal

Overview

The Federal Democratic Republic of Nepal is a lower-middle income, relatively small, landlocked state in South Asia. Since parliamentary democracy was restored in 2006 after a four-year period of monarchy, Nepal has faced political instability, with tensions between its far larger neighbors—India to the south and the People’s Republic of China (PRC, or China) to the north—largely defining its foreign policy. Congressional interest in Nepal has focused on oversight of U.S. assistance, including a Millennium Challenge Corporation (MCC) Compact, and the status of Tibetan refugees.

Background

Nepal is a country of approximately 31 million people that has undergone political transformations since 2006, when a 10-year-long armed insurgency by Maoist militants ended after claiming at least 13,000 lives. That year, Nepal’s king responded to weeks of public protests by ending direct monarchical rule and reinstating parliament, which he had dissolved in 2002. Nepal’s parliament had existed in various forms since 1948. Nepal held elections in 2008, in which Maoist candidates won a majority of the seats in parliament. Nepal then declared itself a republic, held elections for Constituent Assemblies in 2008 and 2013 to draft a new constitution, and adopted a new constitution in 2015. Nepal now has a bicameral legislature with 275 Members in the House of Representatives and 59 Members in the National Assembly, the body’s upper house. The Prime Minister (PM) serves as the head of government, and the indirectly-elected President serves a largely ceremonial role. Though democratization has not been smooth, Nepal’s government has brought former insurgents into the political system and seen peaceful transitions of power through free, fair elections.

Nepal has three main geographic areas: the low-lying, agriculturally-productive Terai region bordering India; an intermediate central hill zone; and more mountainous parts of the country. Never colonized, Nepal was largely isolated until the early 1950s, and its difficult physical environment presents challenges for economic development.

U.S. Relations and Assistance

The State Department describes U.S.-Nepal relations as friendly. U.S. policy seeks to assist Nepal’s development as a “peaceful, prosperous, resilient and democratic society” by “strengthening good governance, democratic values, and security and stability; supporting inclusive, equitable economic growth and a clean, resilient energy future; and helping Nepal become more self-reliant, independent, and resilient as it confronts global challenges.” U.S. assistance programs have focused on agriculture, democracy, human rights, good governance, education, the environment, climate change, gender equality, and global health. An

MCC Compact with Nepal, signed in 2017, includes \$500 million to “spur investments, accelerate economic growth, and reduce poverty,” and has a significant electricity transmission component. Nepal’s parliament ratified the Compact in February 2022. A bilateral Trade and Investment Framework Agreement entered into force in 2011. Some observers claim that China’s political and economic presence is growing in Nepal, and that this increased presence motivates renewed U.S. focus on Nepal.

Thousands of Tibetans fled to India and Nepal following China’s annexation of Tibet in the 1950s. The Nepali government says it is hosting approximately 12,500 Tibetan refugees. Observers estimate 10,000 additional, undocumented Tibetans in the country. The U.S. Congress appropriated \$11 million for the Tibetan exile government and Tibetans in Nepal and India for Fiscal Year 2023. In 2015, a 7.8 magnitude earthquake near Kathmandu killed nearly 9,000 people; the United States provided \$130 million to Nepal for relief efforts.

Figure 1. Nepal in Brief

Area: Slightly larger than New York state

Population: 30.9 million (2023 est.)

Religions: Hindu 81.2%, Buddhist 8.2%, Muslim 5.1%, Kirat 3.2%, Christian 1.8% (2021 est.)

Ethnic Groups: 141 caste/ethnic groups (2021 est.)

Government: Federal parliamentary republic with a bicameral legislature

Head of State: President Ramchandra Paudel

Head of Government: Prime Minister Pushpa Kamal Dahal

GDP: \$4,725 per capita, PPP (2022 est.)

Multidimensional Poverty: 7.4% (2023 est.)

Exports: Soybean oil, palm oil, clothing and apparel, carpets, nutmeg (2021 est.)

Export Destinations: India 68.73%, United States 10.25%, Germany 2.95%, Turkey 2.51%, United Kingdom 2.31% (2019 est.)

Data from the CIA World Factbook, the World Bank, the U.N. Development Programme, and the Government of Nepal



Recent Political Developments

Shifting alliances among the country’s political elite contribute to government instability. At the close of 2022, Nepal had been led by 13 different governments in 16 years. November 2022 elections installed a coalition led by PM Pushpa Kamal Dahal (2008-2009, 2016-2017, and 2022-present) of the Communist Party of Nepal Maoist-Centre (CPN MC), replacing former PM Sher Bahadur Deuba’s (in office five times from 1995 to 2022) Nepali Congress (NC)-led government following elections in November 2022. (Dahal, who led the Maoists during the insurgency, is also known by the nom de guerre

Prachanda.) The coalition government initially included the Communist Party of Nepal Marxist Leninist (CPN UML), led by Party Chairman and former PM Khadga Prasad Sharma Oli (in office 2015-2016 and 2018-2021). In February 2023, Oli's CPN-UML withdrew its support of the Dahal-led government, reportedly in light of Dahal's decision to support the NC candidate for president, Ramchandra Paudel. It is unclear why Dahal decided to support Paudel, who won a majority of electoral college votes and secured the presidency in March 2023. The next parliamentary election is due in 2027.

Nepal's Relations with India and China

Observers have viewed Nepal as a buffer state between India and China. Nepal has historical ties with both countries, driven in part by geography and in part by shared religious and cultural traditions. India and China continue to seek more diplomatic and economic engagement with Nepal. The Nepali Ministry of Foreign Affairs describes the country's relationship with China as always having been "friendly and cordial." Nevertheless, Nepal has historically had closer ties with India. Both countries share a border with Nepal, but the open plains between Nepal and India contrast the expansive Himalayan Mountains across the Nepal-China border.

India and Nepal have had a tradition of close coordination on issues of defense and foreign affairs, based on the 1950 India-Nepal Treaty of Peace and Friendship. Nepal is dependent on India as its primary source of imports and as its main export market, as well as for sea access through the Indian port of Kolkata. Nepal-India relations cooled after India unofficially blockaded Nepal in 2015 in response to Nepal's adoption of a constitution that India asserted did not adequately protect the interests of ethnic Madhesi, Nepalis of Indian descent. Protesting what he called New Delhi's blockade and trade monopoly with Nepal, then-PM Oli signed a Transit and Transport Agreement with China in 2016, allowing Nepal to use PRC ports for third-country trade. Nepal-India tensions rose again in 2020 after Nepal issued a map including the Lipulekh, Kalapani, and Limpiyadhura regions as its territory, exacerbating a decades-old border dispute.

After his 2021 electoral win over Oli, PM Deuba expressed to Indian PM Narendra Modi his commitment to strengthening Nepal-India ties. PM Modi has aimed to address boundary issues, proposing cooperation on hydropower and regional connectivity during a May 2022 visit to Nepal. Current PM Dahal met Modi in New Delhi in June 2023; the two leaders agreed to deepen bilateral ties.

China has expanded ties with Nepal since 2015. China and Nepal held their first-ever combined military exercises in 2017, and the next month signed a Memorandum of Understanding on Nepal's participation in China's Belt and Road Initiative. Beijing has pledged to invest in Nepali road and hydropower projects. A planned \$8 billion rail project linking China and Nepal began preliminary work in April 2023. In 2022, a Nepali government report on alleged PRC encroachment—such as unlawful patrolling and construction—into Nepal's PRC-bordering Humla district was leaked to the press. Although some analysts describe

PM Dahal as pragmatic regarding Nepal's foreign policy, others posit that his "fondness" for China means his administration may strengthen Nepal-PRC ties. A September 2023 state visit to the PRC by PM Dahal resulted in a joint statement, promising increased bilateral cooperation and joint inspection of the Nepal-China boundary.

Climate Change

Nepal is particularly vulnerable to challenges brought on by climate change. According to the World Bank, "warming in Nepal is projected to be higher than the global average [and] climate change is already having significant impacts. Natural hazards such as drought, heatwave, river flooding, and glacial lake outburst flooding are all projected to intensify." A 2019 study from an international governmental research center found that two-thirds of glacier ice in the Himalayas will be lost by 2100 if global climate mitigation targets are not met. At the United Nations General Assembly in September 2023, Prime Minister Dahal said that Nepal "contributes significantly to ecological preservation, [but] has unfairly suffered from [the] climate crisis," and called for a compensation mechanism to address the mismatch.

Human Rights, Trafficking, and Migrant Workers

According to the State Department, major human rights concerns in Nepal include reports of "unlawful or arbitrary killings, including extrajudicial killings by the government; torture and cases of cruel, inhuman or degrading treatment by the government; arbitrary detention; serious restrictions on freedom of expression and media, [and] ... restrictions on freedom of movement for refugees, notably resident Tibetans; [and] serious government corruption." The Department classifies Nepal as a "Tier 2" country for its efforts to combat trafficking in persons, judging that the country "does not fully meet the minimum standards for the elimination of trafficking but is making significant efforts to do so." Thousands of women and girls are reportedly trafficked from Nepal to India each year. Nepal also has one of the highest rates of child marriage in South Asia, with an estimated 38.4% of girls marrying before age 18. Foreign remittances accounted for 22% of GDP in 2022. Many Nepalis working abroad are subject to harsh conditions, abuse, and exploitation.

Congressional Interest

Congressional engagement on Nepal has included supporting democratic institutions, promoting regional stability, alleviating poverty, promoting human rights and sustainable economic growth, the interests of Tibetan refugees, and helping build resilience to climate change and natural disasters. A Congressional Caucus on Nepal, formed in 2011, has six members. Some Members of Congress have supported programs to promote and preserve Tibetan culture and language in the refugee and diaspora Tibetan communities in Nepal and to assist in the education and development of the next generation of Tibetan leaders.

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