



April 30, 2015

Nepal

Since a decade-long civil war against a Maoist insurgency ended in 2006, democratic institutions in Nepal have developed more slowly than many observers had hoped. A devastating April 2015 earthquake has multiplied the challenges the country faces. Nepal has for several years struggled to find political consensus to draft a new constitution. The central issue blocking agreement appears to be whether a new federal structure should be based on ethnic identity, as favored by the opposition, or on economic and geographic factors, as favored by the ruling coalition. Some observers express concern that an identity-based federalist state could weaken national integrity. U.S. aid to Nepal has sought to help Nepal cement gains in peace, security and democracy, and to become more prosperous. U.S. and other international assistance now is shifting to focus on earthquake recovery.

April 2015 Earthquake

A 7.8 magnitude earthquake struck the central and western regions of Nepal on April 25, 2015. As of April 28, 2015, the Government of Nepal estimates that more than 4,300 people have been killed and over 8,000 injured. (More than two dozen people were also reported killed in neighboring India, China and Bangladesh.) An estimated 2 million people in 11 districts have been severely affected. Priority needs include food, water, shelter, and medication. The Government of Nepal is leading the response efforts and has requested international assistance. The U.N. humanitarian system is responding. The United States government has established a Disaster Assistance Response Team (DART), which includes urban search-and-rescue personnel, and announced \$10 million in humanitarian assistance. Nepal declined assistance from Taiwan. Some critics suggested it did so out of deference to its powerful neighbor, China.

Background

Nepal has undergone a radical political transformation since 2006, when a ten-year long armed struggle by Maoist insurgents, which claimed at least 13,000 lives, officially came to an end. The country's king stepped down in 2006, and two years later Nepal declared itself a republic, electing a unicameral Constituent Assembly (CA) to write a new constitution. Observers have noted that since the transition from monarchy to republic, identity politics has become more evident. The failure of the first CA to craft a new constitution led to its demise in May 2012 when the Supreme Court of Nepal, which at the CA's inception had been given authority to extend the CA's mandate, refused further extensions arguing that a fresh mandate was needed.

Though the process of democratization beginning in 2006 has had setbacks and has been marred by some violence,

most observers agree that Nepal has conducted reasonably peaceful elections, brought former Maoist insurgents into the political system, and in a broad sense, taken several large steps towards building a functioning democracy. That said, the continued impasse on the drafting of the new constitution has the potential to lead to increased political tensions and street protests.

Constitutional Reform Process

In November 2013, Nepal held elections for a second CA. Efforts by the second CA to agree on a new constitution by consensus appear to have failed, due to political infighting. Before the earthquake, some observers speculated that the government may seek to use its near two-thirds majority to push a new constitution through. It is too early to tell how the earthquake will affect constitutional reform.

NEPAL IN BRIEF

Population: 31 million 2014 est.

Area: 147,181 sq. km.; about the size and shape of Tennessee.

Geography: Relatively flat river plain of the Terai in the south, central hill/mountain region and very mountainous Himalaya region of the north.

Capital: Kathmandu; 1.1 million people 2014 est.

Ethnic/Caste Groups: 125 groups including: Brahman, Chettri, Newar, Gurung, Magar, Tamang, Rai, Limbu, Sherpa, Tharu, et al.

Language: Nepali (official); about 12 others

Religion: Hindu 81.3%; Buddhist 9%; Muslim 4.2% 2011 est.

Life Expectancy at Birth: 67.2 2014 est.

Literacy: Total 57.4%; female 46.7%; male 71.1% 2011 est.

Per Capita income: \$2,400 ppp 2014 est.

Gross Domestic Product growth: 5.5% 2014 est.

GDP by Sector: Agriculture 30.7%, industry 13.6%, services 55.7% 2014 est..

Labor by Sector: Agriculture 75%, industry 7%, services 18%. 2010 est.

Urbanization: 18.2% with 3.2% annual rate of increase 2014 est.

Export partners: India 53.7%, U.S. 9.2%, China 4.9%, Germany 4.2%, Bangladesh 4.2% 2013 est.

Population below the poverty line: 25.2% 2011 est.

Source: CIA, *World Factbook*; *The Economist Intelligence Unit*.

The CA has 601 seats, with 575 elected and 26 appointed by the cabinet. The Nepali Congress (NC), with 196 of 575 elected seats, and the Communist Party of Nepal United Marxist Leninist (CPN-UML), with 175 seats, now lead the government in coalition. The Communist Party of Nepal Maoist (CPN-M), which was the largest party after the 2008 election, is now the third largest party in the CA. Since

February 2014, Nepal's Prime Minister has been Sushil Koirala, the leader of the NC. With 371 of 575 elected seats the NC and the CPN-UML together have close to the two-thirds majority needed to endorse a new constitution. Ethnic, communal, ideological and regional cleavages continue to be sources of contention as the CA has considered proposals for a new federal structure. Whether the government's response to the earthquake may give rise to controversies that create additional cleavages remains unclear. Initial media reports have included allegations of official incompetence, misconduct, and corruption in the delivery of earthquake relief.

Nepal has made some progress in efforts to consolidate its new democracy since 2013 with both the integration of former Maoist fighters into the armed forces and the successful completion of the second Constituent Assembly elections. Voter turnout for the 2013 CA election increased from 56.5% of registered voters in 2008 to 77.6% of registered voters in 2013. These elections also marked a shift to the center-right of Nepali politics with the Nepali Congress Party and the Communist Party of Nepal Marxist-Leninist gaining relative to the Communist Party of Nepal-Maoist, which had previously led the bloody armed struggle against the state. The CPN-M and other opposition parties have pledged opposition to efforts by the ruling coalition to vote on a new constitution. They demonstrated their strength through a political protest rally attended by tens of thousands in Kathmandu on February 28, 2015. On March 29, 2015, police clashed with cadres of the Maoist-led coalition of opposition parties in several parts of the country. It is unclear what the CPN-M reaction would be should a constitution be passed without its support.

The Maoists and other opposition parties reportedly seek to redraw the district map of Nepal based on ethnic identity in order to address grievances of ethnic groups that feel they have been underrepresented in the key institutions of the state, particularly those living in the Terai region bordering India. One concern with this approach is that it could exacerbate divisions within Nepali society by accentuating subnational ethnic, regional and linguistic identities over identification with the overall state of Nepal.

One key regionally-based, socio-political cleavage in Nepali society is between the Madhese people of the lowland Terai region and "hill" people. The Madhese of the Terai, which spans the southern border with India, have not been pleased with the political status quo, which divides their region. Caste also plays a complex role in this. Any redistricting in a new constitution that does not take into account Madhese interests may not be well received by Madhese groups, some of which have engaged in violence in the past.

International Relations

Nepal is a landlocked geopolitical buffer state, like Bhutan, that is caught between two Asian giants. India and China fought a border war in 1962 in the Himalayan mountains near Nepal, which led to ongoing territorial disputes between them. Tensions along the India-China border have

mounted from time to time with concomitant troop buildups. Nepal's reliance on these two giant neighbors leads it to seek amicable relations with both, though trade and cultural ties with India have historically been closer. In the view of some observers, ties with India may improve with the transition from the Communist Party of Nepal-Maoist (CPN-M) to the Nepali Congress (NC)-Communist Party of Nepal United Marxist Leninist (CPN-UML)-led coalition government. Nepal and India also share Hindu traditions.

India and Nepal have a tradition of close cooperation in the area of defense and foreign affairs. Nepal is also heavily dependent on India as its primary source of imports and its main market for exports, and for access to the sea through the port of Calcutta. A significant percentage of all foreign investment in Nepal also comes from India. While the Himalayan mountain range along Nepal's northern border limits access to China, the 500-mile southern plains border with India is relatively open. India has concerns with its own Maoist insurgency. Kathmandu has at times sought to counterbalance what it considers undue pressure from India. Under Indian Prime Minister Narendra Modi, India has moved to improve ties with Nepal. Modi's state visit to Nepal in August 2014 was the first by an Indian prime minister in 17 years. India extended \$1 billion in concessionary loans to Nepal to develop hydropower and infrastructure. China has made significant inroads in developing ties in South Asia, including Nepal. Some, particularly in strategic circles in New Delhi, increasingly view Chinese activity with geopolitical concern.

Tibetan Refugees

For many years Nepal has been a transit country for Tibetans seeking to flee Chinese repression in Tibet. Many of those entering Nepal from Tibet move on to settle in India, home to Tibet's exiled spiritual leader, the Dalai Lama. Nepal closely monitors Tibetan refugees, restricts their freedom of assembly and expression, and makes it difficult for them to obtain documents necessary for access to public services. Since 2008, Nepal has also stepped up cooperation with China to stem the flow of new refugees into Nepal.

U.S. Assistance

Nepal is one of the poorest and least developed countries of the world, with approximately one in four living in poverty. United States assistance to Nepal "is focused on achieving a more democratic, prosperous and resilient country." All U.S. assistance efforts seek to "promote resilience and reduce Nepal's susceptibility to shocks and stresses."

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