



NEPAL

The country we think we know



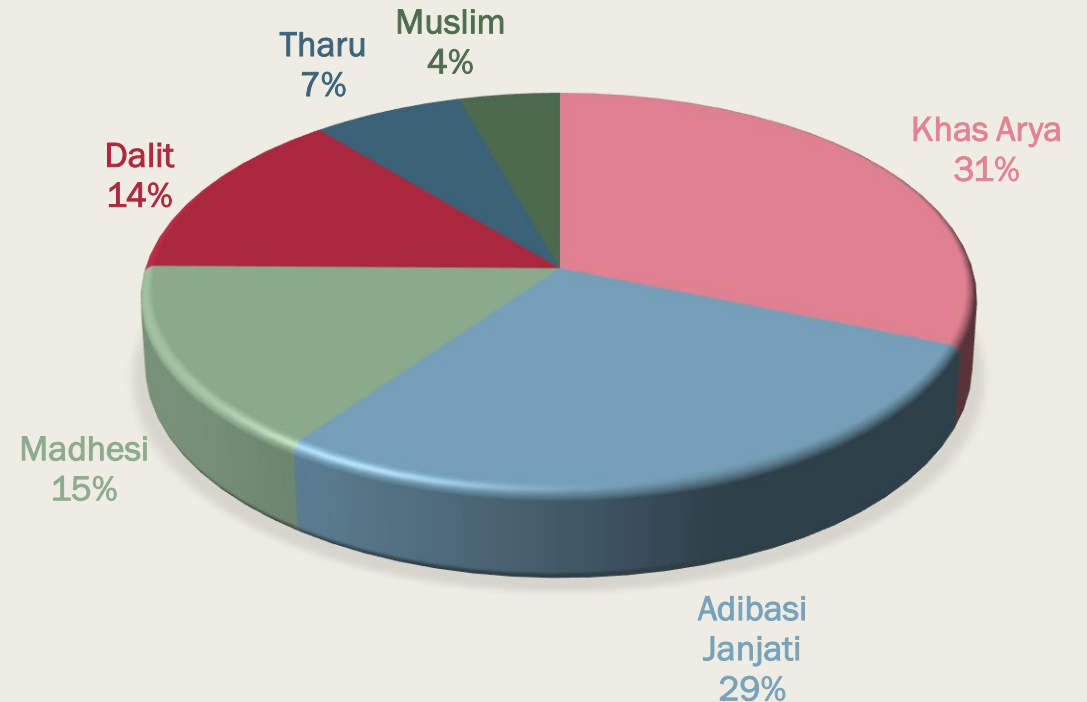
Nepal - Perceptions

- **Small Country**
- **Mountain Country and Hill People**
- **Similar to India**
- With an estimated population of 26.4 million, it is the 48th largest country
- With an area of 147,181 sq. kms, it is 93rd largest country area-wise
- Nepal has never been colonized. Is proud of its distinct identity and sovereignty. 'Yam' between India and China.
- Largely Hindu population with syncretic Buddhist beliefs and traditions – not known is that the % of hindus in Nepal is higher than in India!
- Nepal's tryst with globalization, in the first decade of 21st Century, led to major transformations in its society and politics. Huge remittance flows and presence of Nepalis all over the world (not just in India).

Social Fabric of

Nepal

- Khas Arya (Brahmins and Kshatriyas) dominate the power structures
- Lack of social inclusion continues to be a major fault line. Madhesi's particularly discriminated (also Janjattis).



* A majority of Dalits and Muslims are also Madhesis

Current Politics and Issues in Nepal

- Federal Democratic Republic (*with multi-party system*) - earlier a 'Hindu Kingdom' and now a 'Secular Republic'.
- Lower House has 275 members - 165 FPTP and 110 through proportional representation
- **PM - KP Sharma Oli - lost vote of confidence but reappointed and continues as PM (till elections in November). Parliament dissolution challenged in Supreme Court. Supported by India friendly faction of a Madhesi Party.**
- Saga of house dissolution even though ruling party had near 2/3 majority to start with. Key issue managing factionalism within party. PM/President acting in tandem.
- **Opposition** - Nepali Congress, Maoists, Factions of PM Oli's UML, Faction of a Madhesi Party
- Rent seeking country, power seeking polity, all kinds of deal making, and money trading is par for course, External factors.

India-Nepal Ties: organic, deep-rooted & unique (partners by design and opportunity)

- Few parallels in the world, Rooted in age-old civilizational links, Roti-Beti, and religion.
Part of sub-continent – South Asia
- Old governmental and diplomatic ties BUT India should neither see itself nor be seen as continuation of Nepal's links with the British Raj
- 1950 Treaty of Friendship - Open borders, National Treatment, MIGRATION – what does it mean, who benefits? Misuse by criminals & terrorists.
- Defence Cooperation: Gurkhas in IA, Hony rank for Chiefs, weapons
- Partnership: ARUN-3, PIPELINE, RAILWAYS, roads, small projects, HADR

Nepal's Trade (FY 2018-19)

(Value in US \$ Millions)

		With India	With China	With others
Total Trade	13,427	8,687 (65%)	1,839 (14%)	2,900 (22%)
Nepal's export	860	556 (64%)	19 (2%)	286 (33%)
Nepal's Import	12,567	8,132 (65%)	1,821 (14%)	2,614 (21%)

Nepal: Statistically in top 10 Indian export destinations. Likely in top 5. Hardly any imports.

India : largest investor in Nepal

- FDI inflow in FY 17/18 : USD 130 million
- FDI inflow in FY 18/19 : USD 140 million
- India is the largest cumulative investor in Nepal by a huge margin.
- Even on year-on-year FDI inflow basis, the share of India is around 45% (Governor, NRB).

ISSUES

- **Nationalism** in Nepal, which is really a mask for Anti-India sentiment. Played up by politics. Has remained constant even as Nepal is changing.
- Resurgent **China**
- Globalization & Role of **West** – US, EU also Korea/Japan and Non-State and International Actors including Church
- Attitudes and approaches – need to overcome on both sides and leverage strong peoples' links.
- **NEPAL; DO NOT UNDERESTIMATE ECONOMIC FALLOUT OF COVID 19.** India is safe landing. Take advantage of growing India.
- **INDIA: NEPAL IS STRATEGICALLY CRITICAL.**

**DON'T TAKE IT FOR GRANTED. SECURITY IMPLICATIONS VIS-À-VIS CHINA,
BE COGNIZANT OF CHANGING NEPAL AND ITS INCREASED OPTIONS,
TREAT IT LIKE A FOREIGN COUNTRY AND NOT EXTENSION OF MOFFUSIL INDIA
BUILD ECONOMIC TIES.**