

COMMENT 255

The limits of China's Nepalese Policy

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Being landlocked by Asia's two rivalling major powers, India and China, Nepal's position is difficult. For decades, both Delhi and Beijing competed for influence in Kathmandu, with mixed and oscillating successes. Nepal has a fractured and factionalised party landscape. Since the country became a [republic in 2008](#)¹ two major political camps influence government: the Nepali Congress – known for a pro-Indian and pro-Western posture – and various communist parties [tilting towards China](#). The country knew [eight different governments](#) in the past 10 years, often due to the churn of coalition members and personal disputes. This volatility is reflected in Kathmandu's inconsistent and alternating approach towards Beijing, New Delhi, and [Washington](#). Nevertheless, despite all these shifts, experts are convinced that Beijing [built-up a substantial leverage](#) in Nepal during the last years, being now strong enough to [meddle](#) in the country's domestic affairs.

Recent developments in Kathmandu again point to potential changes in the country's policy towards Beijing. Several observers now state that '[China Loses Ground in Nepal](#)' and that the political reshuffling in the Himalayan state '[is likely to benefit the United States and India](#)'. These interpretations might, however, be premature.

¹ Before Nepal became a republic, the country suffered a decade long-civil war that led to the end of the monarchy in 2006.

Some specialists highlight that the attempts by the Chinese leadership to install a Beijing-friendly government in Kathmandu suffered [setbacks](#). Several points can be made to support such a view.

For quite some time, [the Communist Party of China \(CPC\) has](#) ‘pushed for a united leftist party in Nepal that would enjoy widespread support and govern in the favour of officials in Beijing’. To do so, the CPC supported [merging](#) the ‘two largest communist parties to establish a strong communist force in Nepal’. The [newly formed party](#) was called the Nepal Communist Party (NCP) and comprised the Communist Party of Nepal–Unified Marxist Leninist (CPN-UML), headed by K P Sharma Oli, and the Communist Party of Nepal (CPN-Maoist Centre) of former rebel leader Pushpa Kamal Dahal (also known as ‘Prachanda’). After an [unprecedented victory](#) in the country’s electoral history, the unified communists under the banner of the NCP came to power in 2018. The [NCP was able to form](#) the government at the federal level as well in six out of seven provinces and most of the 753 local bodies of the village councils and municipalities. In consequence, [under the NCP government](#), Nepal’s foreign policy ‘tilted away from India toward China’ and Kathmandu’s attitude towards New Delhi got ‘increasingly hostile’. It appeared that Beijing had successfully consolidated its influence in Kathmandu. However, the communist ‘[unity party](#)’ was short-lived and split² in March 2021. This led to the exit of the NCP from power and [resulted in a government](#) led by the Nepali Congress (NC). It is of course hard not to perceive the NCP split as a ‘[a major setback to Beijing’s Nepal policy](#)’. Under the then new Prime Minister Sher Bahadur Deuba (NC), the Nepali government’s criticism of India was toned down, another indicator for [China’s declining influence](#) in Kathmandu.

After the November 2022 general elections, it appeared - at least briefly - that Beijing was regaining some of the political space in Kathmandu it enjoyed under the NCP rule. Nepal witnessed the return of the CPN-UML and the CPN–Maoist Center to power as part of a broader coalition.³ Prachanda once again became Prime Minister. Despite the fact that Prachanda is ‘[perceived to be less inclined toward](#)

² The [NCP split into three factions](#), with the revival of the former CPN-UML and the CPN-Maoist Center, as well as a new party – the CPN (Unified Socialist) – headed by Madhav Kumar Nepal as a splinter group from the CPN-UML.

³ Initially a coalition of seven political parties.

[Beijing](#)’ as compared to his “allied political rival” Oli ([‘viewed as Beijing’s man’](#)), the CPC remained optimistic and stepped up its economic and development engagements in Nepal under the Belt and Road Initiative (BRI), as can be seen by the [announcement](#) of feasibility studies for several new, large-scale development projects.⁴

However, the [withdrawal](#) of the pro-Chinese CPN-UML from the current ruling coalition was a major set-back for Beijing. To make things worse, the exit of the CPN-UML from the coalition was the consequence of a larger behind-the-scenes political manoeuvre by Prachanda. Earlier this year, a presidential election took place. Instead of supporting the candidate of his coalition partner, the PM decided to promote Ram Chandra Poudel from the opposition Nepali Congress. The takeover of the presidential office by Poudel marks another Chinese defeat. His predecessor, Bidhya Devi Bhandari, had a [‘discernible proclivity toward China’](#). Prachanda’s decision therefore led both to the drop-out of CPN-UML from the ruling coalition but also to the removal of a [“pro-Chinese” communist face in the supreme post](#)’.

In spite of these setbacks, Beijing keeps a very important clout in the country due to both its [economic presence](#) within the BRI framework and to its information war. In this regard, Chinese measures to [shape public opinion making](#) in Nepal include [‘forays into press manipulation’](#) and the [mysterious death](#) of the Nepali journalist [Balaram Baniya](#) who, in 2020, criticised China, namely the [‘landgrabs’](#)⁵. The pro-Chinese Nepalese politicians’ [denial](#) of Chinese threats towards Nepal’s democracy and sovereignty are not well accepted by common people, and these anti-Chinese sentiments are starting to get reflected in electoral results. The rapid rise of the Rastriya Swatantra Party (RSP) can be used as a point of reference. Formed only [five months](#) before the last general elections, the RSP was able to [win](#) 20 seats (out of 275), making it the fourth-largest party in the country. Criticised for being populist, the RSP (under the chairmanship of Rabi Lamichhane, a [popular television presenter](#)) successfully created an [anti-establishment](#) image and benefited from his

⁴ For example, feasibility studies were announced for a cross-border railway and a cross border transmission line.

⁵ [Baniya reported](#) that ‘China has encroached the border village of Rui, which falls under the Gorkha district in Nepal’.

critical view of China's presence in the country. The last election showed that CPC's involvement in Nepal's domestic and international affairs contributed to fading the image of Beijing 'as a benevolent friend'. To rebuild its damaged reputation and regain political ground, China might be recalibrating its policy. Beijing is attempting to [overcome its lack of engagement](#) with non-Communist political parties as well as to [support](#) the reunification of the Nepalese communists again. However, if Beijing continues to ignore the interests and sentiments of the people and the democratic nature of the state, it is unlikely to succeed.

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