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Asia in 2019: Escalating international tensions and authoritarian involution

Edited by
Michelguglielmo Torri
Nicola Mocci
Filippo Boni

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A large, faint, light-blue decorative mandala graphic is positioned on the right side of the cover, partially overlapping the text area. It features intricate geometric and floral patterns.

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ASIA MAIOR

The Journal of the Italian think tank on Asia founded by Giorgio Borsa in 1989

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The article outlines the key issues related to international relations, domestic politics and the economic situation of Nepal in 2019. In the first section, particular emphasis is given to Xi Jinping's visit in October 2019. A separate paragraph is dedicated to the non-signature of the extradition treaty between China and Nepal and the issue of Tibetans in the Himalayan country. Furthermore, the Indo-Nepalese crisis relating to the territory of Kalapani is outlined. In terms of domestic politics, the paper addresses the issue of internal balances of power in the Communist Party of Nepal, resulting from the fusion of Marxist-Leninists and Maoists in 2018. In addition, the analysis focuses on the birth of a new political party, the Samajbadi Party-Nepal, from the union of the Madhesi FSFN party with the Naya Shakti Party. This new party therefore stands as the second subject, together with the Rastriya Janata Party-Nepal, within a unification process aimed at forming a great unitary force in support of the Madhesi demands. Finally, Nepal's economic scenario is outlined. From the data provided, the known critical issues of the Himalayan country are reiterated, in particular the heavy trade deficit. The numbers of the first eight months of the fiscal year 2018/2019 show a strong growth in imports from China, without, however, a similar growth in Nepalese exports to the north. Quite the contrary, there is a clear drop. The volume is certainly revealing considering the recent role of Nepal within the Belt and Road Initiative (BRI).

1. Introduction

This article seeks to define the political and economic framework of Nepal in 2019. In terms of foreign affairs, the close relationship of the Nepalese government with the People's Republic of China became even more evident following the visit of Chinese president Xi Jinping in October and the consequent signing of a long list of documents concerning various political, cultural and economic matters. Among these, however, the extradition treaty coveted by the Chinese and feared by Tibetans, humanitarian organisations and even Washington, was not included. As regards relations with India, an ancient border issue was reopened by the publication of the new official map by the Indian government in November. The crisis further deepens the political divide between Kathmandu and New Delhi.

At the domestic level, internal tensions in the National Communist Party (NCP) were accompanied by Prime Minister KP Sharma Oli's health

concerns. The divisions within the main Nepalese party were partially remedied by an agreement that gives Pushpa Kamal Dahal, the former prime minister and historical Maoist leader, greater powers, while guaranteeing that Oli remain at the helm of the government until the 2023 elections. At the same time, new political developments have involved the two main Madhesi parliamentary forces on the longer and jagged path aimed at unification.

The drafting of this article was mainly based on official reports and press releases published by the government of Nepal or by other domestic, foreign or international institutions. Nepalese newspapers were consulted in order to define the domestic political situation.

2. *Foreign policy*

2.1. *China: Xi Jinping's visit*

The main event regarding Nepalese foreign policy in 2019 was represented by the visit of the Chinese president, Xi Jinping, which took place on 12 and 13 October.¹ This was the first visit of a Chinese head of state since Jiang Zemin's journey in 1996,² the same year in which the conflict between the monarchist government and the Maoists began. A conflict which, as is well known, then led to the end of the dynasty and the birth of the Republic. In 1996, King Birendra had welcomed Jiang, along with the then prime minister, Sher Bahadur Deuba,³ today the main leader of the Nepali Congress (NC). At the airport, Xi was received by the current Nepalese president, Bidya Devi Bhandari and, after a guard of honour, he was welcomed, *inter alia*, by the Nepalese vice-president and the prime minister, KP Sharma Oli.⁴

The visit certainly represented a further step in the path of rapprochement which the two countries have been pursuing for several years. It is a path that moves within China's strategy of alliances in Asia, but at the same time in the Nepalese attempt to emancipate itself from the historical political and commercial dependence on India. Indeed, despite being formally a tributary of the Qing Empire, Nepal is without doubt within the Indian cultural and economic sphere. This Indo-Nepalese link, which has shaped

1. Government of Nepal, Ministry of Foreign Affairs, *Joint Statement Between Nepal and the People's Republic of China*, 13 October 2019 (<https://mofa.gov.np/joint-statement-between-nepal-and-the-peoples-republic-of-china-2>).

2. 'Xi stresses importance of integrity, good governance in communist party', *Repubblica*, 14 October 2019. Writing this paper, I have mainly consulted the paper edition of the Nepalese newspaper *Repubblica*. The online edition has been used to a lesser extent and is indicated as *myRepubblica*.

3. 'Xi receives a warm welcome', *Repubblica*, 13 October 2019.

4. *Ibid.*

the Nepalese linguistic and religious identity, has likewise made the country – also for obvious geographical reasons – exposed to the political obstacles that have emerged several times throughout history. These obstacles which then reappeared even more strongly after the birth of the Republic and in particular in the choice of the Marxist-Leninist and Maoist prime ministers, determined an ever greater autonomy in foreign policy and international trade. This is a position which inevitably corresponds with a stronger relationship with Beijing.

The Joint Statement Between Nepal and the People's Republic of China reads that «[t]he bilateral relationship between Nepal and China has entered a new phase. Both sides decided to, on the basis of the Five Principles of Peaceful Coexistence, Charter of the United Nations and principles of good neighbourliness, elevate Nepal-China Comprehensive Partnership of Cooperation Featuring Ever-lasting Friendship to Strategic Partnership of Cooperation Featuring Ever-lasting Friendship for Development and Prosperity». ⁵ The Belt and Road Initiative, which Nepal formally joined in 2017, ⁶ was defined «as an important opportunity to deepen mutually-beneficial cooperation in all fields in a comprehensive manner; jointly pursue common prosperity and dedicate themselves to maintaining peace, stability and development in the region». As many as 20 documents were signed between the two sides. ⁷ Among them there is no extradition treaty, but there is a treaty «on Mutual Legal Assistance in Criminal Matters».

These 20 documents outline a level of cooperation that far exceeds the commercial and infrastructural space. They include agreements on the opening of a Confucius Institute at Tribhuvan University (the main university in the country), on new twinning between Nepalese and Chinese cities (including a twinning between Kathmandu and Nanjing), cooperation on health, environmental and legal, as well as security, border control, and agriculture. An Exchange of Note provides for the opening of a Nepalese

5. Government of Nepal, Ministry of Foreign Affairs, *Joint Statement Between Nepal and the People's Republic of China*, 13 October 2019 (<https://mofa.gov.np/joint-statement-between-nepal-and-the-peoples-republic-of-china-2>).

6. Government of Nepal, Ministry of Foreign Affairs, *Press Release on signing ceremony of Memorandum of Understanding (MOU) on Cooperation under the Belt and Road Initiative*, 12 May 2017 (<https://mofa.gov.np/press-release-signing-ceremony-memorandum-understanding-mou-cooperation-belt-road-initiative>). It should be noted that in 2016, however, it was Oli who had guaranteed Nepalese adherence to the Chinese project. Ministry of Foreign Affairs of the People's Republic of China, 习近平会见尼泊尔总理奥利 (Xi Jinping meets Nepali Prime Minister Oli), 21 March 2016 (<http://www.fmprc.gov.cn/web/zyxw/t1349371.shtml>).

7. Government of Nepal, Ministry of Foreign Affairs, *List of Instruments Signed and Exchanged between Nepal and China*, 13 October 2019 (<https://mofa.gov.np/list-of-instruments-singed-and-exchanged-between-nepal-and-china>).

consulate general in Chengdu,⁸ the capital of Sichuan, a Chinese province with a substantial Tibetan presence.⁹

In addition to institutional meetings, Xi Jinping also met with former prime minister Deuba¹⁰ and the leaders of the Nepal Communist Party.¹¹ The latter included the NCP co-chair Dahal.¹²

2.1.1. *The extradition treaty and the issue of Tibetans in Nepal*

According to the October Joint Statement between Nepal and the People's Republic of China, the Nepalese government «reiterated its firm commitment to One China policy, acknowledging that Taiwan is an inalienable part of the Chinese territory and Tibet affairs are China's internal affairs, and the determination on not allowing any anti-China activities on its soil».¹³ As already mentioned, among the 20 instruments signed by Nepal and China, there was also a treaty «on Mutual Legal Assistance in Criminal Matters».¹⁴ At the same time, in the aforementioned Joint Statement, precisely underlining the signing of this treaty, explicit reference is made to the «hope for an early conclusion of the Treaty on Extradition».¹⁵ In fact, a Joint Statement of June 2019 had already foreseen the signing of the two treaties «in order to strengthen cooperation on the administration of border areas and fight against illegal border crossing and transnational crimes»,¹⁶ but during the October visit, the Chinese obtained the Nepalese signature only on one of the two. The more delicate one on extradition was postponed. An extradition treaty is indeed viewed with great concern

8. At the moment, in addition to the embassy in Beijing, Nepal is the only country to have a consulate general in Lhasa, as well as one in Guangzhou and another in Hong Kong. Information is taken from the website of the Nepalese Embassy in China (<https://cn.nepalembassy.gov.np>).

9. Sichuan encompasses a part of Kham (*Khams*), a Tibetan historical region. The Nepal-China Non-Governmental Cooperation Forum of 2020 is also planned in the province. 'Nepali, Chinese private sectors to hold cooperation forum in China's Sichuan next year', *Xinhua*, 27 November 2019.

10. 'Xi meets Nepali Congress Party chief', *Xinhuanet*, 13 October 2019.

11. 'Xi stresses importance of integrity, good governance in communist party'.

12. *Ibid.*

13. Government of Nepal, Ministry of Foreign Affairs, *Joint Statement Between Nepal and the People's Republic of China*, 13 October 2019 (<https://mofa.gov.np/joint-statement-between-nepal-and-the-peoples-republic-of-china-2>).

14. Government of Nepal, Ministry of Foreign Affairs, *List of Instruments Signed and Exchanged between Nepal and China*, 13 October 2019 (<https://mofa.gov.np/list-of-instruments-singed-and-exchanged-between-nepal-and-china>).

15. Government of Nepal, Ministry of Foreign Affairs, *Joint Statement Between Nepal and the People's Republic of China*, 13 October 2019 (<https://mofa.gov.np/joint-statement-between-nepal-and-the-peoples-republic-of-china-2>).

16. Ministry of Foreign Affairs of the People's Republic of China, *Joint Statement between the People's Republic of China and Nepal*, 22 June 2019 (https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1570977.shtml).

by support groups for Tibetan communities in exile.¹⁷ Furthermore, the simple idea of an extradition treaty inevitably evokes the extradition bill of Hong Kong and its protests.

On 8 November 2019, the two co-chairs of the Tom Lantos Human Rights Commission of the US Congress sent a letter, also signed by six other members of Congress and addressed to the Nepalese ambassador to the United States, «to encourage» the Nepalese government «to fully protect the human rights of Tibetans under Nepalese jurisdiction».¹⁸ The letter was extremely critical of the likelihood of an extradition treaty and cited the case of six Tibetans who arrived in Nepal on foot in early September, arrested by the Nepalese police and then returned to the authorities of the People's Republic of China after several hours. The Congressmen stressed the similarity of this event with the case of the 18 Tibetan refugees sent back to China in 2003. At the time, it was recalled in the text, «a trade bill regarding the Nepalese garment industry was withdrawn in the Senate». Mention was also made of the preventive arrests and the closure of monasteries in the days preceding Xi's arrival.

It must be said that the precariousness of Tibetans in Nepal does not begin with the new government, nor the Republican period. The members' letter underlined the difference in treatment reserved for Tibetans who arrived in Nepal after 1989. Since then, Tibetans are no longer registered as refugees by the Nepalese authorities, although an unofficial agreement between the Nepalese government and the UNHCR guarantees the passage of exiles to India.¹⁹ Undoubtedly, however, the rapprochement between Nepal and China puts the status of Tibetans in the country in an even more difficult position. Nonetheless, it is clear that on the Tibetan issue, Nepal cannot risk a crisis with the United States.

As regards relations with Washington in 2019, the Nepalese government also faced the question of the political implications of an important American funding concerning Sino-Nepalese relations.²⁰ Indeed, the government of Nepal is seeking clarification with the United States with respect to the US\$ 500 million of the Millennium Challenge Corporation's Nepal

17. Meenakshi Ganguly, *Fears Over a Nepal-China Extradition Treaty*, Human Rights Watch, 11 October 2019 (<https://www.hrw.org/news/2019/10/11/fears-over-nepal-china-extradition-treaty>).

18. The text of the letter is available on the Commission's website: https://humanrightscommission.house.gov/sites/humanrightscommission.house.gov/files/documents/20191108_AmbNepal_TibetanIssues_signed.pdf

19. Human Rights Watch, *Under China's Shadow: Mistreatment of Tibetans in Nepal*, 2014, p. 4.

20. 'Nepal Communist Party standing committee meet shelves issues for central committee', *The Kathmandu Post*, 23 December 2019; 'Ruling party members ask leadership to seek clarity on MCC compact from the US', *The Kathmandu Post*, 22 December 2019.

Compact.²¹ The Compact was signed in September 2017.²² The concern of some senior representatives of the NCP is that this funding could be granted to an anti-Chinese function and within the Indo-Pacific Strategy,²³ an alliance conceived by the Japanese prime minister, Shinzō Abe, and led by the United States as a response to the Chinese BRI.²⁴ In December 2018, the foreign minister, Pradeep Kumar Gyawali, declared Nepal's unwillingness to join the alliance.²⁵

2.2. *The Kalapani crisis*

While border issues with the People's Republic of China were resolved by a 1961 agreement,²⁶ the borders with India have often been a source of tension between the two countries.²⁷ The border between India and Nepal is defined by the Treaty of Sugauli signed in December 1815 following the Anglo-Nepalese War.²⁸ While maintaining its independence, it meant that Nepal was forced to cede a huge part of its territory.

Following the redefinition of the status of Jammu, Kashmir and Ladakh, the Survey of India published a new official map of the entire country on 2 November 2019.²⁹ The map has become an opportunity to publicly reo-

21. *Ibid.*

22. Millennium Challenge Corporation, 'U.S. and Nepal Sign \$500 Million Compact', 14 September 2017 (<https://www.mcc.gov/news-and-events/release/release-091417-nepal-signing-event>).

23. 'Nepal Communist Party standing committee meet shelves issues for central committee'; 'Ruling party members ask leadership to seek clarity on MCC compact from the US'.

24. On the Indo-Pacific Strategy, see: Brahma Chellaney, 'Building a «free and open» Indo-Pacific', *The Japan Times*, 21 November 2018 and Humphrey Hawksley, 'A US-led Indo-Pacific alliance against China is an outdated idea', *Nikkei Asian Review*, 3 September 2018.

25. 'Nepal won't join US-led Indo-Pacific alliance: Gyawali', *Repubblica*, 22 December 2018.

26. 中华人民共和国和尼泊尔王国边界条约 (Border Treaty between the People's Republic of China and the Kingdom of Nepal), 中华人民共和国国务院公报 (Gazette of the State Council of the People's Republic of China), 14 October 1961, n. 14 (total number 244), pp. 262-267.

27. See, inter alia, Gyanendra Paudyal, 'Border Dispute between Nepal and India', *Researcher: A Research Journal of Culture and Society*, Vol. I, No. II, July-December 2013, pp. 35-48.

28. Text of the 'Treaty of peace between the Honorable East-India Company and Maharajah Bikram Sah, Rajah of Nepaul', in *Papers relating to East India affairs. Origin, continuance, and termination of the late war with the state of Nepaul*, 19th Century House of Commons Sessional Papers, vol. 11, 31 January 1817, n. 6, pp. XI.397-XI.398 (pp. 9-10).

29. Government of India, Survey of India, *Political Map Of India*, Published under the direction of Lt General Girish Kumar, VSM, English 8th Edition/2019; 'India issues new political map yet again, this time removing Kali', *OnlineKhabar*, 21 November 2019.

pen the issue of territorial dispute regarding Kalapani,³⁰ an area of 35 sq km on the border between the two countries, specifically between the Nepalese state of Karnali and the Indian state of Uttarakhand. According to article III of the Treaty of Sugauli, «[t]he Rajah of Nepal hereby cedes to the Honourable the East-India Company, in perpetuity, all the under-mentioned territories; namely, First, The whole of the lowlands between the rivers Kali and Rapti». A few days after publication, however, the map was replaced again by another (corresponding to the 9th edition).³¹ Indeed, the first map indicated the Kali river, while the new one, although tracing the course of the river, did not identify its name.³²

Between the end of December 2019 and the beginning of January 2020, it was denounced by both chambers of the Nepalese parliament,³³ while the Indian ministry of External Affairs reiterated the correctness of the map.³⁴

It should also be borne in mind that the Indo-Nepalese dispute over Kalapani territory has been a topic of serious discussion in Nepalese domestic politics ever since the late 1990s.³⁵ It is clearly of some concern as Kalapani is also a neighboring area with Tibet. The discussions that have been going on since 1998³⁶ have obviously not yet found a solution in this regard.

3. Domestic policy

Tension has defined relations between Marxist-Leninists and Maoists for many years. In recent months, some of those critical issues have been reproduced, albeit in a muffled form, within the organisational framework of the new communist party established in 2018. As will be seen in the next pages, this has had repercussions not only internally, but also on those choices relating to the political alliances of the party.

30. 'Unilateral move to alter border demarcation not acceptable: Nepal', *Repubblica*, 7 November 2019; 'Amid growing protest over Kalapani map PM calls all-party meet', *Repubblica*, 9 November 2019; 'Govt working to retrieve encroached territories: PM Oli', *Repubblica*, 12 November 2019; 'India reiterates its stance on border issue', *Repubblica*, 3 January 2020.

31. Government of India, Survey of India, *Political Map Of India*, Published under the direction of Lt General Girish Kumar, VSM, English 9th Edition/2019 (<http://www.surveyofindia.gov.in/pages/display/235-political-map-of-india>).

32. 'India issues new political map yet again, this time removing Kali'.

33. 'Upper House endorses resolution to reclaim Nepali territory', *Repubblica*, 3 January 2020; 'Lawmakers seek govt reply on Gokarna resort, Kalapani', *The Himalayan Times*, 24 December 2019.

34. 'India reiterates its stance on border issue'.

35. Leo E. Rose, 'Nepal and Bhutan in 1998: Two Himalayan Kingdoms', *Asian Survey*, Vol. 39, No. 1, A Survey of Asia in 1998, Jan. - Feb. 1999, p. 157.

36. *Ibid.*

3.1. *The tensions of the NCP*

The domestic political season of 2019 was characterised by internal tensions in the NCP.³⁷ The party was the result of the merger of the Communist Party of Nepal (Unified Marxist-Leninist) and the Communist Party of Nepal (Maoist Center) in May 2018,³⁸ following a previous electoral agreement.³⁹ With the merger of the two political groups, the new party had 213 MPs out of the 344 of the two chambers, approaching two-thirds of the parliamentary seats.⁴⁰ On 1 June 2018, the NCP formed an alliance with the Federal Socialist Forum-Nepal (FSFN), one of the two main Madhesi parties, with the entry into the cabinet of two new ministers.⁴¹ The coalition thus came to control two-thirds of parliament.⁴²

In May 2018, it was decided to assign 55% of the members of the party organs to members from the CPN-UML and 45% to members from the CPN-MC, with the party leadership being entrusted to Oli and Pushpa Kamal Dahal.⁴³ In relative terms, these internal balances would clearly favour former CPN-MC members: the Maoists had obtained less than half the votes and seats of the Marxist-Leninists in the 2017 elections.⁴⁴ To better balance the internal situation of the NCP, the elderly Marxist-Leninist leader, Oli, had been appointed prime minister and continued to lead the government.⁴⁵ According to sources close to Dahal, however, there had been a «gentlemen's understanding», an informal agreement to take turns leading the government after two and a half years.⁴⁶ Oli denied the existence of this agreement,⁴⁷ which evidently would have further unbalanced the power relations with respect to the real electoral and parliamentary weight in favour of the Maoist component. By mid-August 2019, Oli had explicitly guaranteed to the Nepalese parliament his term of office until the elections scheduled for 2023.⁴⁸

37. See Ashok K Mehta, 'An unstable Nepal', *The Pioneer*, 20 December 2019.

38. 'UML, Maoist Center merge to form Nepal Communist Party', *República*, 18 May 2018.

39. 'UML, MC, Naya Shakti announce poll alliance', *The Rising Nepal*, 4 October 2017.

40. 'UML, Maoist Center merge to form Nepal Communist Party'.

41. 'With FSFN on board, Oli govt has two-thirds majority', *República*, 2 June 2018.

42. *Ibid.*

43. 'UML, Maoist Center merge to form Nepal Communist Party'.

44. For election results see Matteo Miele, 'Nepal 2018: The Communist search for new political and trade routes', *Asia Maior 2018*, pp. 322-325.

45. Meanwhile, on 1 June 2018, the government enjoyed the entrance of members of the FSFN, one of the two Madhesi parties. 'With FSFN on board, Oli govt has two-thirds majority'.

46. 'Oli seals five years full, Dahal gets face-saver under revised deal', *República*, 21 November 2019.

47. *Ibid.*

48. 'Will Run Government For Full Term: Nepal PM KP Sharma Oli', *NDTV*, 18 August 2019.

The statement came a few days after Oli's return from Singapore where the prime minister had undergone medical checks.⁴⁹ In fact, Oli's health was the other thread that went to intertwine with the internal dynamics of the NCP. A few days after said declaration to parliament, Oli in fact returned to Singapore where he underwent a plasmapheresis treatment.⁵⁰ However, the treatment did not achieve the desired results.⁵¹

At the time that Oli was undergoing treatment, the two NCP co-chairs had meanwhile reached a new internal agreement.⁵² As defined by the two leaders, Oli should remain in office as prime minister, with the promise that he be supported as head of government until 2023.⁵³ Dahal instead gained more power within the party, assuming the role of executive chairman.⁵⁴ Coinciding with the new deal, Oli also changed his cabinet extensively.⁵⁵ The president of the Republic mediated between the two leaders in this period of uncertainty.⁵⁶

The internal problems of the NCP continued with the failure to choose a new speaker for the House of Representatives, following the resignation and arrest of Krishna Bahadur Mahara in October, accused of rape.⁵⁷ In late December 2019, the party had still not reached agreement on a name.⁵⁸

3.2. *The birth of the Samajwadi Party – Nepal and the long attempt to unify Madhesi parties*

At the beginning of May 2019, the Federal Socialist Forum-Nepal (FSFN) joined the Naya Shakti Party thus forming the Samajbadi Party –

49. *Ibid.*

50. 'Prime Minister's health condition under wraps', *Nepali Times*, 3 September 2019.

51. 'PM recovering from surgery, needs regular dialysis', *myRepublika*, 5 December 2019. About 12 years earlier, Oli had undergone a kidney transplant, subsequently followed by four dialysis treatments. On 26 November 2019, he was then operated for appendicitis at the Tribhuvan University Teaching Hospital. Although Uttam Krishna Shrestha, executive director of the Manmohan Cardiothoracic, Vascular and Transplant Center, did not officially speak on the dialysis issue, other doctors informed the press of Oli's need to undergo regular dialysis sessions. *Ibid.*

52. 'Oli seals five years full, Dahal gets face-saver under revised deal'.

53. *Ibid.*

54. *Ibid.*; 'Dahal to command party while Oli will remain prime minister for the full term', *The Kathmandu Post*, 21 November 2019.

55. 'PM inducts 9 new faces to cabinet', *Republika*, 21 November 2019.

56. 'Oli seals five years full, Dahal gets face-saver under revised deal'.

57. 'Speaker Mahara resigns amid rape allegation', *Republika*, 2 October 2019; 'Mahara arrested', *Nepali Times*, 6 October 2019; 'House held hostage to NCP indecision', *The Himalayan Times*, 31 December 2019.

58. 'House held hostage to NCP indecision'.

Nepal (SPN).⁵⁹ The FSFN had been led by Upendra Yadav, and the Naya Shakti Party by Baburam Bhattarai, a former prime minister.⁶⁰ In October 2017, the latter joined the Left Alliance of Maoists and Marxist-Leninists,⁶¹ but then he left the agreement and gained his seat in parliament thanks to the support of the NC.⁶² As mentioned earlier, the FSFN, one of the two Madhesi parties, had instead joined the government majority in June 2018 with the entry of Upendra Yadav into the cabinet as deputy prime minister and minister for Health and Population, together with Mohammad Istiyak Rai, as head of the ministry of Urban Development.⁶³ The other Madhesi party, the Rastriya Janata Party-Nepal (RJPN), did not join the cabinet, despite having already declared its support for the government in March 2018.⁶⁴ With the FSFN-NCP agreement, also based on the promise of an amendment to the Constitution in favour of the Madhesi population,⁶⁵ the coalition thus came to control two-thirds of parliament, that is, a qualified majority that would allow it to modify the Constitution (art. 274, section 8).⁶⁶ During 2019, however, the Constitution was not changed. With the new party, Yadav chairs the central committee and Bhattarai the federal council.⁶⁷

The agreement of May 2019 did not directly involve the RJPN.⁶⁸ At the end of 2017, the RJPN and the FSFN announced the possibility of unification, after the two parties had won state elections in State no. 2.⁶⁹ The alliance between the NCP and the FSFN created some discontent, fearing a local FSFN-NCP agreement in State no. 2.⁷⁰ Furthermore, in March 2019

59. 'Madhesi party merges with former Nepal PM's party to form new political outfit', *Business Standard*, 7 May 2019.

60. *Ibid.*

61. 'UML, MC, Naya Shakti announce poll alliance'.

62. 'Key architects of left alliance Bamdev, Shrestha suffer loss', *The Kathmandu Post*, 11 December 2017.

63. 'With FSFN on board, Oli govt has two-thirds majority'.

64. 'RJPN decides to support govt', *myRepublika*, 10 March 2018.

65. 'With FSFN on board, Oli govt has two-thirds majority'.

66. *Ibid.*; In 2017, the Deuba government failed to amend the Constitution by getting only 347 votes instead of the 395 needed. 'Year-long efforts at amendment fail', *Republika*, 22 August 2017.

67. 'Political outfits of Nepal's deputy PM, form «Samajwadi Party Nepal»', *The Times of India*, 7 May 2019.

68. The RJPN was the result of the unification of six Madhesi parties in 2017. 'Six Madhes-based parties unite to form Rastriya Janata Party (Update)', *The Kathmandu Post*, 20 April 2017.

69. 'RJP-N, FSFN to hold unity talks soon', *The Himalayan Times*, 22 December 2017.

70. 'With FSFN on board, Oli govt has two-thirds majority'.

the RJPN withdrew its parliamentary support for the Oli government.⁷¹ In any case, in November 2019, the new SPN party and the RJPN drafted an agreement for unification.⁷² According to Keshav Jha, general secretary of the RJPN, unification would take place following Upendra Yadav's resignation from his government post.⁷³ On 25 November, Upendra Yadav was confirmed deputy prime minister and appointed minister of Law, Justice and Parliamentary Affairs by Oli during the changes of the ministers that followed the aforementioned redefinition of the internal balance in the government and the NCP.⁷⁴ Surendra Yadav, who had been state minister, was excluded by the new cabinet.⁷⁵ The new assignment, which arrived a few days after the approach aimed at unification between RJPN and SPN, was defined by Oli without consulting the SPN.⁷⁶ On 24 December 2019, however, the SPN left the government.⁷⁷

3.3. *The electoral agreement between RJPN and NCP of December 2019*

To further complicate the picture of the formation process of the new Madhesi unitary force, there was the electoral agreement between RJPN and NCP of 18 December 2019.⁷⁸ As mentioned, the RJPN had withdrawn its parliamentary support to the government in early March 2019.⁷⁹ The agreement concerns the elections for the National Assembly, the upper

71. 'Rastriya Janata Party-Nepal withdraws support to government', *The Kathmandu Post*, 6 March 2019. The decision came immediately after the life sentence of a party member and member of parliament involved in the so-called «Kailali carnage», when nine people died in the protests that preceded the approval of the 2015 Constitution. The victims included a child and a policeman. *Ibid.*; 'What caused Kailali carnage', *The Kathmandu Post*, 26 August 2015; 'Kailali District Court hands down life sentence to Resham Chaudhary', *The Kathmandu Post*, 6 March 2015.

72. 'Madhesi party unity gaining momentum', *The Annapurna Express*, 22 November 2019.

73. *Ibid.*; It should be noted that at the time of the alliance between the NCP and the FSFN, the RJPN had nevertheless also proposed itself as a possible ally in the Oli government, but did not obtain the opening from the communists. 'With FSFN on board, Oli govt has two-thirds majority'. In any case, the NCP had also proposed the possibility of a future entry of the RJPN into the government. 'FSFN to join govt with three ministers', *Repubblica*, 29 May 2018.

74. 'Yadav takes charge of new ministry', *The Himalayan Times*, 25 November 2019.

75. *Ibid.*

76. *Ibid.*

77. 'Upendra Yadav's party quits govt', *The Himalayan Times*, 24 December 2019.

78. 'With a new deal, NCP and RJPN set to sweep upper house poll', *Repubblica*, 19 December 2019.

79. 'Rastriya Janata Party-Nepal withdraws support to government'.

house of the Nepalese parliament,⁸⁰ of 23 January 2020.⁸¹ The issue of the alliance – in addition to entering the debate between the SPN and RJPN, as well as in the dynamics internal to the current majority of government – has opened up further difficulties in the NCP itself.⁸² Oli was in fact accused by several leading figures of the NCP of having managed the electoral alliance without consulting Dahal and the general secretary, Bishnu Poudel, putting in crisis the November agreement which provided, as seen, the assignment of greater power within the NCP for Dahal.⁸³ Just a few days earlier, during the first Standing Committee meeting of 2019, Dahal had presented a document – written by Oli and himself – in which the divisions within the party were openly recognised.⁸⁴

It is evident, as mentioned above, that these choices of Oli, which go beyond his role as prime minister, have in turn become a source of internal fracture. At the same time, those actions help to clarify the specific weight of the two historical leaders in terms of the analysis of internal power relations.

Still on the often complex relations between Kathmandu and the Terai region, the signing of an agreement between the government and the

80. According to the Constitution of Nepal approved in 2015, the parliament of Nepal (Federal Parliament) consists of a House of Representatives and a National Assembly (article 83 of the Nepalese Constitution). The House of Representatives is elected every five years (article 85, clause 1) and is composed of 275 members: 165 members are elected with the first-past-the-post electoral system (one for each constituency), while the remaining 110 members are elected with a proportional system (the current electoral law has a 3% threshold) on national basis (article 84, clause 1). According to an amendment to the Constitution approved in 2016, the electoral constituencies are drawn in a way that the population criterion prevails over the geographic criterion: this guarantees a larger representativeness to the Southern (Terai) populations. The National Assembly has 59 members: 56 members are elected by the federated states, while the remaining three members are «nominated by the President on recommendation of the Government of Nepal» (art. 86, clause 2). According to the Constitution, the upper house is a «permanent House» (article 86, clause 1): the members have a six-year term and are renewed by a third every two years (article 86, clause 3). For the text of the Constitution of Nepal, I have relied on the official English translation of the Constitution by the Ministry of Law, Justice and Parliamentary Affairs of Nepal. The text is available on the website of the International Institute for Democracy and Electoral Assistance (http://www.constitutionmet.org/sites/default/files/2017-07/Constitution-of-Nepal-English_-with-1st-Amendment_2_0.pdf). For a general view of the main political institutions under the new Constitution, see: Matteo Miele, 'Nepal 2015-2017: A Post-Earthquake Constitution and the Political Struggle', *Asia Maior 2017*, pp. 313-316.

81. 'With a new deal, NCP and RJPN set to sweep upper house poll'.

82. 'Co-chairs' introspective document fails to allay leaders' concerns', *The Kathmandu Post*, 20 December 2019.

83. *Ibid.*

84. 'NCP leadership admits weakness on their part and points out a host of issues that are plaguing the party', *The Kathmandu Post*, 16 December 2019.

leader of the Alliance for Independent Madhesh, Chandra Kant Raut, must be reported.⁸⁵ In signing the agreement on 8 March 2019, the Alliance renounced its secessionist goal and entered the institutional political arena.⁸⁶ On 18 March, the Alliance took a new name, the Janamat Party.⁸⁷

4. *The economic scenario*

After a serious drop in 2016 – the year following the devastating earthquakes which hit the Himalayan country – the Nepalese GDP stood at just over US\$ 29 billion in 2018, exceeding approximately US\$ 24.47 billion in 2017.⁸⁸ The International Monetary Fund estimates calculate growth at 7.1% and at 6.3% for the Nepalese GDP in 2019 and 2020 respectively (calculated in October 2019), while for 2018 growth had been 6.7%.⁸⁹ The Nepalese government has instead estimated 7% growth for fiscal year (FY) 2018/2019 (May 2019).⁹⁰ Again, according to the Nepalese Central Bureau of Statistics, the agriculture and forestry sector contributed 26.50% to Nepalese GDP in FY 2018/19, against 27.58% in FY 2017/18.⁹¹ The «Manufacturing» sector would instead represent just 5.59%.⁹²

The inflation rate for FY 2018/19 was calculated at 4.2% in mid-March 2019, only slightly higher than the figure for the same period of FY 2017/18, when it was 4.0%.⁹³

85. 'CK Raut renounces demand for separate Madhes', *The Himalayan Times*, 8 March 2019.

86. *Ibid.*

87. 'CK Raut changes party's name, to be registered as Janamat Party', *OnlineKhabar*, 18 March 2019.

88. The World Bank, 'Nepal'. In 2015, GDP had been around US\$ 21.4 billion and in 2016 US\$ 21.13 billion. *Ibid.*; The economic damage due to the earthquake was calculated at around US\$ 7 billion. See Arun Bhakta Shrestha, Samjwal Ratna Bajracharya, Jeffrey S. Kargel & Narendra Raj Khanal, *The Impact of Nepal's 2015 Gorkha Earthquake-Induced Geohazards*, ICIMOD Research Report 2016/1, International Centre for Integrated Mountain Development, 2016, p. 2. To this must be added the damage created by the Indian border blockade between September 2015 and February 2016.

89. International Monetary Fund, *Regional Economic Outlook, Asia and Pacific: Caught in Prolonged Uncertainty: Challenges and Opportunities for Asia*, October 2019, p. 5.

90. Government of Nepal, Ministry of Finance, *Economic Survey 2018/19*, 2019, p. 2.

91. Government of Nepal, National Planning Commission, Central Bureau of Statistics, *National Accounts of Nepal 2018/19* (<https://cbs.gov.np/national-accounts-of-nepal-2018-19>). The data goes back to 26 April 2019.

92. Government of Nepal, National Planning Commission, Central Bureau of Statistics, *National Accounts of Nepal 2018/19* (<https://cbs.gov.np/national-accounts-of-nepal-2018-19>).

93. Government of Nepal, Ministry of Finance, *Economic Survey 2018/19*, 2019, p. 32, Annexes-p. 36 (Annex 4.2: Annual Point-to-Point Consumer Price Inflation).

In terms of foreign trade, one of the recurring and most significant difficulties of the Nepalese economy is highlighted: in the period between mid-August 2018 and mid-March 2019, when exports represented approximately NPR (Nepalese rupees) 61.224 billion, while imports slightly exceeded NPR 949 billion.⁹⁴ Exports and imports in the first eight months of the previous FY corresponded to NPR 53.424 billion and NPR 766.533 billion respectively.⁹⁵ Comparing the two figures, the widening of the difference between exports and imports in favour of the latter is underlined: the trade deficit in mid-March 2018 increased by 24.5%, while it rose by 22.9% in the first eight months of the previous FY.⁹⁶ Considering the entire FY 2017/18, exports amounted to about NPR 81.6 billion, with imports calculated at NPR 1,242.827 billion.⁹⁷ Ten years earlier, in FY 2007/08, exports were about NPR 59.3 billion and imports NPR 221.938 billion.⁹⁸ The FY 2007/08 year statistics show a more balanced import/export ratio, highlighting the weakness of the current Nepalese foreign trade. This is a trend that clearly exposes Nepal to further conditioning, not only economic, but also on foreign policy. Indeed, despite political divergences, India undoubtedly remains Nepal's main trading partner, far outperforming all the other trading partners of the Himalayan country.⁹⁹ In the first eight months of FY 2018/19, exports to the south represented slightly less than two-thirds of the total, exceeding NPR 38 billion.¹⁰⁰ In the same period, exports to the People's Republic of China stopped at just over NPR 1.35 billion.¹⁰¹ The figure indicates a sharp drop compared to exports to the north in the first eight months of FY 2017/18 (NPR 1.856 billion)¹⁰². In terms of imports, goods for NPR 612.596 billion arrived from India in the first eight months of FY 2018/19, against products for NPR 139.038 billion from China.¹⁰³ The period from mid-August 2017 to mid-March 2018 instead recorded imports from India for NPR 502.231 billion and NPR 100.897 billion from China.¹⁰⁴ In percentage terms, exports to its Indian neighbour grew by 26.3%, while to the People's Republic of China there was a drop of 27.6%.¹⁰⁵ Indian imports grew by 22.8%, as the share of Chinese goods that arrived on the Nepalese market rose by 37.8%.¹⁰⁶ Although Nepal entered the BRI only in

94. *Ibid.*, Annexes-p. 65 (Annex 6.1: Status of Foreign Trade).

95. *Ibid.*

96. *Ibid.*, p. 42, Annexes-p. 65 (Annex 6.1: Status of Foreign Trade).

97. *Ibid.*, Annexes-p. 65 (Annex 6.1: Status of Foreign Trade).

98. *Ibid.*

99. *Ibid.*

100. *Ibid.*

101. *Ibid.*

102. *Ibid.*

103. *Ibid.*

104. *Ibid.*

105. *Ibid.*, p. 41.

106. *Ibid.*, p. 42.

2017, these data may be relevant in the context of a broader understanding of the role of Nepal within the BRI. Statistics show even more relevance when compared with the increase in imports recorded in the first eight months of the previous fiscal year, when there was a more balanced picture between India and China: imports from India had increased by 22.3%, and by 22.2% for those from China.¹⁰⁷ Exports to India, on the other hand, had risen by 9.8%, while exports to China by 62%.¹⁰⁸

On 1 January 2019, one US dollar was traded at around 111 Nepalese rupees, about 10% more than a year earlier.¹⁰⁹ Unlike the previous year, in 2019 the variations were fewer.¹¹⁰ Indeed, on 20 December 2019, one US dollar was traded at around 113 Nepalese rupees.¹¹¹ In 2018, it must be remembered, the devaluation of the Indian rupee, linked to the Nepalese currency, had also heavily weakened the latter against the dollar.¹¹² For that reason alone, the currency exchange between Kathmandu and New Delhi is one of the most evident manifestations of India's political and economic predominance.¹¹³ The entire macroeconomic framework outlined in this paragraph is testimony to the Nepalese government's complex foreign policy choices. A Chinese promise is contrasted by the reality of the physical and human geographical space which is the basis for the Indo-Nepalese economic relationship. The data undoubtedly demonstrate India's stronger position in the Nepalese area and, therefore, the direct link between the two economies.¹¹⁴

5. Conclusions

Xi Jinping's visit is therefore the clearest proof of the further rapprochement of Nepal with the People's Republic of China, despite the serious obstacle of the extradition treaty that exposes its government to the attention of human rights organisations and directly involves the influential sensitivities of the US Congress, historically close to the Tibetan cause. The counterpart of Xi Jinping's visit was the border crisis with India.

107. Government of Nepal, Ministry of Finance, *Economic Survey 2017/18* (Unofficial Translation), July 2018, p. 47.

108. *Ibid.*, p. 46.

109. Source: Nepal Rastra Bank - Central Bank of Nepal.

110. *Ibid.*

111. *Ibid.*

112. 'Nepali rupee drops to over 18-month low', *The Himalayan Times*, 28 June 2018; 'Nepali rupee depreciates to all-time low', *The Himalayan Times*, 29 June 2018; Paban Raj Pandey, 'Should Nepal remain pegged to Indian rupee?', *The Statesman*, 24 November 2018; 'Rupee tumbles to record low', *The Kathmandu Post*, 29 June 2018.

113. Achyut Wagle, 'Nepal feels the heat of the cooling Indian economy', *The Kathmandu Post*, 3 September 2019.

114. On this, see in particular the analysis by Achyut Wagle, 'Nepal feels the heat of the cooling Indian economy'.

Internally, the birth of the SPN and the process of approaching the RJPN expose the unresolved Madhesi question and specifically, the still not approved – despite the promises – change to the Constitution. A change that rests on clarification relating to the internal balance of the majority which, until 24 December 2019, counted on two-thirds of the votes, would have been sufficient for a constitutional change in autonomy, without the need for an intervention by the opposition. The tensions within the NCP had been formally resolved by the November agreement that had provided for greater powers within the party for Dahal in the face of Oli remaining at the helm of government. However, the choice of the electoral alliance with the RJPN, managed exclusively by Oli, was read by many as evidence of the weakness, if not the inconsistency, of that agreement. On the other hand, it is not difficult to imagine that, beyond the party structures and agreements between the communist leaders, relations between the Marxist-Leninists and the Maoists continue to weigh, especially given the weakness of the latter considering the results of the elections in 2017. The question of the prime minister's health, meanwhile, remains.

From the analysis of the economic data, recurring critical issues of the Nepalese economy emerge, exposed to the limits imposed by geography, but also to the weakness of the industrial sector. These two factors contributed significantly to the weight of imports, particularly from India. As shown, however, exports to India saw a considerable increase. The same cannot be said for exports to the People's Republic of China which declined considerably, against a significant increase of Chinese imports. Imports which, in percentage terms, far exceeded those from India. This figure is indeed relevant in terms of these early years of the Himalayan country's membership of the Belt and Road Initiative.

Abbreviations:

- BRI = Belt and Road Initiative
- CPN-MC = Communist Party of Nepal (Maoist Centre)
- CPN-UML = Communist Party of Nepal (Unified Marxist-Leninist)
- FY = Fiscal Year
- FSFN = Federal Socialist Forum-Nepal
- NC = Nepali Congress
- NCP = Nepal Communist Party
- NPR = Nepalese Rupee
- RJPN = Rastriya Janata Party-Nepal
- SPN = Samajbadi Party-Nepal