

Foreign Aid
and
Politics in
NEPAL

A CASE STUDY



EUGENE BRAMER MIHALY

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By
EUGENE BRAMER MIHALY

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To
S. K. M.

Preface

SHORTLY after my arrival in Kathmandu, I realized that files, records, and libraries—all the sources that a researcher usually leans on—either did not exist or were so scattered that, on my own, it would take years just to locate the information I needed. My ability to find much of what I wanted, and relatively quickly, attests to the extensive co-operation I received from the government, some of the embassies and aid missions, and from many individuals.

The Ministry of Economic Affairs and the American Embassy and aid mission were particularly helpful. They supplied almost all of the statistics that I used in my attempt to piece together the account of how much assistance was given to Nepal and for what uses.

I regret that I was unable to look through the unclassified files of the Indian Aid Mission, as I suspect this left me unable to do full justice to the Indian programme in Nepal. My description of Indian activities in the kingdom is based on sources such as the Indian press, Indian parliamentary comment, Nepalese and American documents, and information given to me by officials and journalists of various nations.

The help and kindness I received from persons in all types of positions was the major factor in making the conduct of my research very pleasant. I am deeply indebted to many. I should like to mention a few who shared with me their knowledge of Nepal, imparting information not to be found in any documents: John C. Cool, Douglas N. Forman Jr, Eric Himsworth, D. P. Kumar, A. T. Chandra Mohan, Ferdinand and Elsa Okada, William O. Thweatt, and Peter A. Wilde. I omit the names of Nepalese in ranking official positions not out of ingratitude, but out of concern for their standing in the government service.

My special thanks go to Mahesh Chandra Regmi, Nepal's leading scholar, for his counsel and for his exceptional hospitality in opening to me his extensive files of official and unofficial writings.

Professor Geoffrey L. Goodwin of the London School of Economics gave my thought and writing valuable direction. During the last stages of preparing for publication, my father, Dr Eugene

Mihaly, offered much needed and excellent advice. Finally, my wife, Susan K. Mihaly, did so much and helped in so many ways—from acting as a critic at 2 a.m. to learning to prepare buffalo steaks—that a full list would be irrelevant.

E. B. M.

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Abbreviations

| | |
|-----------------|---|
| AID: | Agency for International Development |
| CPR: | Chinese People's Republic |
| FAO: | Food and Agriculture Organization |
| IAM: | Indian Aid Mission |
| ICA: | International Co-operation Administration |
| LS Deb.: | Lok Sabha Debates |
| NEFA: | North East Frontier Agency |
| RTO: | Regional Transport Organization |
| SHAG: | Schweizerisches Hilfswerk für Ausseuropäische Gebiete (Swiss Association for Technical Assistance) |
| USIS: | US Information Service |
| USOM: | US Operations Mission |
| WHO: | World Health Organization |

Introduction

IN the aftermath of the Second World War, political necessities arising from changes in the world order imposed a new dimension on diplomacy. To the traditional forms of relations between nations, new imperatives—created by the shift of the east–west struggle for influence from Europe to Asia and Africa—compelled, or seemed to compel, the addition of the diplomacy of economic assistance.

The great powers had ambitions in Asia and Africa that traditional diplomatic methods could not serve. They sought more than the allegiance of the new states—a limited aim that traditional diplomacy might have achieved. Rather, the great powers desired to shape the social, political, and economic character of the new states, preferably in their own image. Economic assistance seemed, for reasons that will be examined below, to be the best means to achieve this aim. Moreover, it also appeared to offer the most effective way to influence the foreign policies of the new nations.

As the diplomacy of economic assistance came into ever wider practice and the volume of assistance mounted, a literature of comment and analysis grew up around the subject of economic development as a whole. At first most of the discussion focused on economic problems of development—on such questions as how much capital investment was needed to yield a given rate of growth, or the relative values of concentrating on heavy industry or agriculture. Aid (the term ‘aid’ will be used interchangeably with ‘economic assistance’, since Nepal received little military aid) was often regarded as simply a means of financing development rather than as a political tool. Only comparatively recently has serious study been given to the political aspects of economic assistance and development. Interest in this aspect of the subject, however, has developed rapidly, reflecting an assessment that many of the problems involved are fundamentally political rather than economic.

This study assumes and attempts to demonstrate that this is so. Its primary concern is the relationship between the political purposes and the achievements of economic assistance programmes.

The method employed is that of a case study: an inquiry into the aims, methods, and results of a number of aid programmes operating in a single country—the Himalayan kingdom of Nepal. The object is to seek in the experiences of Nepal answers to the questions that aid has raised in other lands.

For the purposes of this study, the fundamental question is: how effective a political tool is aid? Can it do what it has been called upon to do? No discernible consensus on this question has yet been reached, except perhaps among those who are the most bitter—and frequently the least well informed—critics of aid. Included in this group are the opponents of the foreign aid bills in the United States Congress, who look upon the underdeveloped countries as a graveyard of American hopes. They point to the example of Indonesia, which took large quantities of aid and then launched an armed attack against Malaysia, a state whose formation the United States strongly supported, or to India, which received hundreds of millions in aid but continued its conspicuous friendship with the Soviet Union. This sort of criticism is heard in all major donor states.

Better informed discussion has focused on the methods whereby aid can best accomplish political as well as economic goals and has been more productive. However, there has been little examination of the assumptions upon which such methods are based. These assumptions, the experience of aid in Nepal would indicate, should be examined; for they appear to hold the key to many of the problems raised by economic assistance.

Economic assistance came into use as a political device largely because of an idea—an idea that has since been at the core of most aid programmes. This is the view that the underdeveloped countries are being swept by a 'revolution of rising expectations'. According to this view the peoples of these countries are awakening. They are no longer passive in the face of poverty and misery but are demanding a better life. Belief in the revolution's existence became widespread after the Second World War. It was then that nationalism had begun to sweep Asia and Africa, breaking down the old colonial empires before it. The power of this surge of nationalism seemed to testify to the existence and to the intensity of the revolution of expectations.

Before the advent of the cold war, the new revolution was considered little more than an interesting historical phenomenon. After the cold war began in earnest, the revolution became a political

problem. In the West, and particularly in the United States, foreign policy experts concluded that it was imperative that the newly aroused expectations should be satisfied; for if they were not, frustrated millions would turn to radical political solutions. In the lexicon of the time, this could only mean Communism. Soviet action in the aid field, which will be examined below, indicated that a similar analysis was the basis of Russia's policy on economic aid.

The concept of rising expectations has been so widely assumed to represent historical fact that it has escaped rigorous examination. Does the revolution in fact exist? Did the popular support attracted by the Indian independence movement, for example, actually signify that India's people hungered for a better life? And if such feelings did exist, were they prevalent in all strata of society? In particular, were they shared by those most afflicted by poverty? Once aid began to flow into India and into many other countries with similar economic conditions, how was its utilization specifically influenced and determined by the view that the masses were eager for a better life? To what extent was the success of the aid made contingent upon the existence of this eagerness?

What was the relationship, moreover, between expectation of a better life and the willingness to experience change? There has been a readiness in the industrialized nations to assume that the two states of mind are firmly and inevitably linked. But is this necessarily so? Is it not possible that men may want to improve their lot but are not prepared to pay a price in terms of changes in position, privileges, and traditional modes of living? How important is this unwillingness to pay the price of change? How pervasive is it? And to what extent has it actually reduced the efficacy of aid?

The answers to these questions have a direct bearing on the administration of aid. The possibility that groups in the recipient nation will thwart aid projects likely to initiate social, political, or economic changes raises doubts about whether donors should insist on extensive local participation in their programmes. It can be argued that to do so is to invite trouble. But it can also be said with considerable justification that no outside agency can bring about sweeping changes in any nation without some co-operation from local officials and citizens. Aid donors have taken widely varied stands on this question. Some have attempted to operate with an absolute minimum of local participation. In India, for example, the Soviet Union built a steel mill with little Indian help at the decision-

making level. Others have insisted that local personnel participate in depth. Israel worked very closely with Ghanaians in setting up Ghana's Black Star shipping line and from the beginning involved Ghanaians in the decision-making process.

The problem of local co-operation raises another vital question about aid in general: does the effective use of aid inevitably require the utilization of methods that will strain relations between recipient and donor? If so, the donor is required to strike a precarious balance. To incur the recipient's resentment might not only make the implementation of aid impossible, but might also be detrimental to the donor's immediate foreign policy interests. Burma, for example, asked the United States to terminate its aid programme largely because of resentments the programme had aroused. This move had adverse effects on the American position in South East Asia.

Nepal's experience with economic assistance offers a valuable source for answers to the questions that aid has raised. Thrust into prominence by its strategic position in the Himalayan fastness separating India and China, Nepal has attracted unusual attention from aid donors. If Nepal differs significantly from other recipients, it is in the fact that it has received aid from so many sources. Among the donors who have assisted the kingdom are the United States, India, China, the Soviet Union, Israel, Switzerland, West Germany, Japan, Australia, New Zealand, the United Nations and its agencies, and the Ford Foundation. Nepal is also relatively small, so that the large number of aid programmes operate within a limited area. The country therefore lends itself especially well to an analysis of the problems and impact of aid.

Nepal is otherwise representative of the nations that have received aid since the war. It is profoundly poor. Per capita income is about \$40 per annum (compared to \$65 in India).¹ It is also poor in accumulated skills, in financial resources, and in the economic and social infrastructure (roads, schools, hospitals, etc.) which are

¹ Nepal has no national income statistics. The \$40 figure was derived from statistics for nearby and economically similar East Pakistan by an American economist (W. O. Thweatt, *The Concept of Elasticity and the Growth Equation* (1961), p. 53). The Indian figure (derived from statistics in the *UN Statistical Yearbook 1963* (1964), pp. 32 and 515) is appreciably higher because it incorporates urban areas and a small, but economically significant, wealthy class and a substantial middle class. Nepal, in contrast, has little great wealth and a small middle class. The Nepalese peasant is probably no poorer than his Indian counterpart.

the base for every nation's development. As in most of the countries that have received aid since the beginning of the cold war, Nepal's people belong to tribes and groups that often take precedence in personal loyalties over the nation. A diversity of religions and languages, as elsewhere, are a barrier to national unity and therefore to national efforts to advance economic growth. In sum, Nepal, though it has its own very distinct character, is a microcosm of the challenges and difficulties that the major aid-giving countries face everywhere.

Nepal: the Environment

FEW nations have been blessed—and cursed—with a geography as diverse as that of Nepal; in its 54,563 square miles (slightly more than Greece), Nepal incorporates malarial flatlands and alpine meadows, jungles and the highest peaks in the world. Its terrain and climate support elephants and yaks, tigers and sheep.

Nepal is the physical bridge between two great land areas. From India in the south, the plain of the river Ganges sweeps across the open and virtually unmarked frontier into the kingdom. It intrudes twenty miles and then ends abruptly on the slopes of a green and brown ridge—the first line of foothills of the Himalayas. From Central Asia the Tibetan plateau approaches—and at some points crosses—Nepal's northern boundary, only a hundred miles from India. This windswept and dry plateau, even more inimical to human habitation than the Gangetic Plain, ends in the dramatic thrust of the Himalayas. Here the highest spine of the mountains marks the junction of South Asia and China.

Extending 500 miles along this continental division, Nepal is divided by its rugged terrain. Breaking the country into east–west strips are (seen from the north) the high mountain region; the intermontane region of foothills, many of which are higher than the highest Alps; and the Terai, the jungle flatland. In the central intermontane belt is the heart of Nepal, the preponderance of its area, and the home of the majority of its approximately $9\frac{1}{2}$ million inhabitants. The land is further divided into north–south compartments by three great river systems. Melting snows and monsoon rains swell these rivers and their major tributaries, thereby separating for much of the year people living within a few miles of each other.

This diverse and divisive geography has moulded the character of Nepal—its ethnic composition, its economy and, most notably, its political life.

The People

Nepal is a meeting ground of two civilizations. Over the centuries, the land has been settled by immigrants from Tibet and from India. At present the population is divided on racial lines that parallel the geographical zones. In the high mountainous regions of the north the people are mainly of pure Mongoloid stock. Their language, dress, and customs are similar to those found in Tibet. In southern Nepal, where the land is flat and the sun is hot, the people are indistinguishable from their neighbours across the border in India. They are of Aryan stock.

It was in the central, intermontane region that the migrants met. This became the home of the so-called Gurkha tribes. These peoples are now a blend of Mongoloid and Aryan physical traits and of Tibetan and Indian cultures. Some groups are more distinctly Tibetan in origin, others more notably Indian. Living among these people, but apart from them, are clusters of high-caste Hindus—comparatively recent arrivals who fled India before the Moghul invaders.

The religions of Nepal divide along the same geographical lines. Buddhism predominates in the north, Hinduism in the south; in the intermontane region many practise an amalgam of the two. Figures of Buddha take honoured places in Hindu temples, figures of Shiva in Buddhist shrines.

Nepal is a babel of tongues. Though more than half of the people speak or understand Nepali, a derivative of Sanskrit which is the official language, the nation boasts roughly nine languages (the exact number is in dispute, as there is also a plethora of dialects). Most of the major tongues are spoken exclusively by a tribe. The number of these is also debatable. Excluding the high-caste Indians who have come within the past 500 years, there are nine distinct tribal groups in the hills, as well as the pure Tibetans and three other aboriginal groups.

Owing, however, to the influence of the Indians of the priest and warrior castes, the concept of tribe has given way to that of caste. The hill tribes are currently counted as middle-caste groups. This almost nation-wide acceptance of the Indian caste structure is symbolic of the predominance of Indian culture in Nepal. The nation is officially a Hindu kingdom, and the legitimacy of its king is based on his being the incarnation of the Hindu god Vishnu. Nepali, the national language, bears a relationship to Hindi similar to that of

Italian to French. The joint family, structured as in India, is the basis of social organization throughout much of the country—a fact which has been critical in economic development efforts. Nepalese education is modelled on Indian education, and its arts have been strongly influenced by Indian arts. Indian radio and films are part of Nepalese life.

The pre-eminence of Indian and Hindu cultural influences is partly the result of the commanding role played by high-caste Hindu families who have ruled Nepal almost from their arrival. It is also a consequence of the fact that access to India is easy; to Tibet difficult.

It is in the middle zone—the point where the two civilizations came into contact—that a peculiarly Nepalese culture has emerged. Only the Kathmandu valley, political heart of Nepal, has generated a cultural life which is original. With a history believed to go back more than 2,000 years, the valley is said to have given the world the pagoda and a style of wood sculpture which influenced Chinese art.

The cultural differences between Kathmandu and the other regions, the racial, linguistic, religious, and caste differences which characterize the nation have not, surprisingly, generated conflict. There is no tradition of continuing enmity or violence between any of the peoples. Nepal is polyglot, but it is largely harmonious.

The Economy

This harmony between peoples was reinforced by their economic interdependence. Though Nepal has always been predominantly an agricultural country, trade, particularly in salt—which is not found in Nepal—has played a vital part in the life of its people. Until recently Nepal acted as an intermediary in Indo-Tibetan trade, with goods moving north and south through the river-bounded segments of the kingdom. Sherpas and other northern peoples bought Indian goods in the south in exchange for salt which, in turn, they had obtained in Tibet by bartering Indian commodities. Nepalese citizens also acted as Tibet's leading importers. Traders of Nepal's commercial tribe or caste, the Newaris, ran much of the business life of Lhasa and other Tibetan towns in this capacity until they were forced out by the Chinese after 1955.

The well-being of the Nepalese, however, has always depended primarily on the harvests and on conditions on the land. Figures on the extent of the population living from the land differ, but no

estimates are below 90 per cent. Most are between 92 and 96 per cent. Almost all of the farms are run on a subsistence basis. Until recently there were no agricultural markets, or roads to enable farmers to move their produce. As late as 1961 Nepal had only six towns with more than 10,000 inhabitants and only ten with more than 5,000. In contrast, there were 24,500 villages with less than 500 inhabitants—almost all of whom were farmers.¹

Nepal's major crop is rice, which is grown both in the Terai, the southern plain region, and in the hills. Other crops are wheat, potatoes, maize, millet, barley, and recently oilseeds, sugar-cane, tobacco, and jute. Animal husbandry is widespread, though often it is not profitable. Among the Hindus, taking care of a large population of hungry and milkless cows is a religious obligation. Buddhist Nepalese in the north are dependent on yaks. Buffaloes, goats, and chickens are found almost everywhere except at the highest altitudes and are the nation's sources of meat.

Economic Problems

In 1951, the first year covered by this study, the question of who owned the land was a major problem. Nepalese intellectuals who led the revolt in 1950 against the ruling family often described the country as feudalistic. In retrospect, this adjective appears to have been not strong enough. Nepal's economy was not feudal; it was pre-feudal.

Because of enormous transportation problems, the mountain ranges and rivers, and the absence of markets for agricultural produce, the land had never been divided into large estates under the ownership of great families who ruled from them. Even where families did have large holdings, their lands were scattered; and they exercised little control over the people who worked the soil. Most land in Nepal was owned by relatively small local landlords or, in some parts of the hills, by the cultivators.

Nepal's system of landownership and cultivation was often strikingly iniquitous. Writing in 1962 Wolf Ladejinsky, a noted consultant on problems of land reform, said of conditions in the eastern Terai: 'It is no exaggeration to say that we found there one of the very worst land tenure systems in any part of Asia.'²

¹ Nepal, *Preliminary Report of the Population Census, 1961* (1962).

² *Report of Wolf Ladejinsky, Consultant, Ford Foundation, to H.M. the King of Nepal*, 15 Feb. 1962, p. 7 (later cited as Ford Found., *Ladejinsky Rep.*).

Because of the growing pressure of population on a limited amount of arable land (about one-third of Nepal's surface area), landlords were able to exact increasingly higher rents. Ladejinsky found that peasants in southern Nepal paid as much as 80 per cent of their crop to the landowner. In 1951 conditions may have been slightly better because the population was smaller (population increase has been 1.5 per cent per year). Survival in such circumstances could only be assured by borrowing. This in turn plunged the peasant into the debt cycle. As interest rates were often as high as 100 per cent, repayment was virtually impossible. Debts, in fact, were often passed on from generation to generation.

In the hills of Nepal cultivator ownership was common. There, however, productivity was less than in the Terai, for the soil was not as rich, the weather was harsher, and the rains more uncertain. Added to these factors were the deleterious effects of the inheritance structure. Lands were divided in each generation among all the sons, resulting in a continuous process of fragmentation of landholdings. In 1953 a study revealed that the average holding for a family of seven in the Kathmandu valley was 1-1.5 acres,³ but this small area was usually widely scattered.

Average holdings in the Terai—potentially the bread-basket of Nepal—were larger, but life was far more harsh. While the hill people had brick homes, a healthy climate, and enough food to satisfy their hunger, the peasants of the Terai were beset with misery. Malaria was rampant and, until recently, few escaped its debilitating effects. Because of the heat and the filth, numerous other diseases, including smallpox and cholera, were common. Poverty was profound. Though the hillman may have grown less, he was able to retain more for his family. The little left to the Terai peasant after rent and debt payments was hardly enough to avert starvation. A bad harvest in these circumstances was disastrous.

The Export of Unemployment

The hillman had another advantage over the plainsman. For nearly a century and a half, the hill economy had been bolstered by employment outside Nepal. The Nepalese was (and is) best known as a soldier—a role he fills superbly. But for Nepal the flow of men into foreign armies was a reminder of the nation's need to export its unemployment. And the problem was getting worse. As

³ FAO, *Report to the Government of Nepal on Farm Enterprises*, by E. Rauch (1954), p. 6.

the population grew, more and more was demanded of limited quantities of mediocre soil. The men of the hills had to look elsewhere for work to supplement the meagre living they could wrest from their lands.

For some fortunate families, military service in the Indian, and later the British, armies was the way out of the debt cycle. Other families had to look elsewhere. As the Nepalese economy—stagnant in the government-enforced inactivity of the years before 1951—generated few new jobs, there was only one place to go: India.

The extent of the problem in 1951 was pointed up by a survey made seven years later with American assistance. In 908 villages in central Nepal, 86·7 per cent of the men left their homes to take seasonal employment.⁴ Taking into consideration the likelihood that the problem had worsened in seven years, the unreliability of Nepalese statistics at the time, and the possibility that a few men may have found work in Nepal, the figure can still be taken as evidence of the critical importance to the economy of work abroad, and especially in India.

In addition to the thousands of Nepalese who sought seasonal employment in India, there were many who took the more radical step of emigration. A few went to Burma and Malaya, but the vast majority went to India, where there are today an estimated 6 million Nepalese. The plainsmen did not join the hill peoples in going out of the country for work. They were not wanted in foreign armies and seemed to lack the drive to look for employment away from home. In the twentieth century, however, the economy of the plains, as well as that of the hills, has become increasingly dependent on the world beyond the villages.

Until early in the century Nepal's economy was almost entirely autarkic. It contributed little and took little from the trade which it helped to conduct between India and Tibet. The few manufactures needed were produced by well-developed cottage industries. British India was denied access to the potentially lucrative Nepalese market. A need for modern weapons, however, and a growing taste for European luxuries among Nepal's rulers, opened the door. Later, in 1923, Britain agreed to allow Japanese goods to pass in transit through India *en route* to Nepal. Within a few years inexpensive foreign goods had virtually wiped out Nepal's cottage indus-

⁴ Nepal–America Cooperative Service for Industrial Development, *Market Survey Report of Pokhara* (Kathmandu, USOM, 1958), p. 6.

tries, and the kingdom had become dependent on goods (primarily textiles) coming from or through India.⁵

An Attempt at Industrialization

During the Second World War Nepal attempted to make its own goods. With government encouragement (a reversal of policy), wealthy Nepalese founded mills and factories in southern Nepal to make jute products, paper, matches, glass, and a number of other goods. Because of wartime shortages and restrictions in India, the mills were an immediate success. Nepal's products found a ready market. The new capitalists took substantial profits, and other investors joined the field. With a return to normalcy after the war, however, the boom collapsed. Indian firms recaptured markets in India and in Nepal, and the Nepalese firms, which had not ploughed back any of their profits for modernization of equipment, began to go bankrupt. A few survived, but their operations were marginal and their profits lean. As a result, investor confidence was shattered. This became a substantial barrier to economic progress.

In 1951 there was a daunting number of barriers to development. Not only was the nation dependent on India for virtually all manufactures, but it was equally dependent on India as the purchaser of its major commodity export: food. Rupees earned from food sales, together with lesser amounts from sales of timber, paid for most of Nepal's imports. The demand for food in Nepal itself, however, was increasing faster than food production. How long could a country where a majority of the population suffered from perpetual malnutrition act as a food exporter?

The lack of economic infrastructure at the time was striking. With the exception of a few short roads in the Kathmandu valley, there were no motorable roads. Trade and men travelled on thousands of miles of trails, many of which were not usable all the year round. Some were so difficult to negotiate that even the sure-footed yak could not stay on them. There were many rivers, but only a few foot-bridges. The modern elements of Nepal's transport network consisted of two railways with a total of sixty miles of track, which carried goods from the Indian border across the plains to the foot of the hills, and an ageing aerial cableway built to carry goods across the hills into Kathmandu. Men and goods attempting to cross Nepal to the east or west travelled into India, rode on the Indian railways

⁵ USOM, *Industrial Potential of Nepal*, by M. C. Regmi (1957), p. 7.

to a point south of their destination, and then re-entered Nepal. Travel by air to or in Nepal was unheard of. An American publication summed up the transportation problem thus: 'From a transportation point of view, Nepal is 20 times the size of the United States: in the United States any point can be reached in 24 hours; in Nepal, to reach the furthest point takes three weeks.'⁶ Communication between most parts of the kingdom took equally long, for the country had no communications network other than the postal system—which moved on foot. There was a rudimentary telephone system, but it served only the rulers and, with a few minor exceptions, was limited to the Kathmandu valley.

Nepal's electricity generating capacity at the time was meagre. Kathmandu had 4,250 kw. and the border towns of Biratnagar and Birgunj had 1,600 and 110 kw. respectively.⁷ By comparison, the generating capacity of Switzerland, a nation of slightly more than half as many people as Nepal, was 6,790,000 kw.⁸ Only a few factories had their own power plants. The kingdom's supply of skills was even more limited. There were virtually no skilled technicians. Education was neglected by the authoritarian government, and the little that was allowed was in the classical Indian tradition. In 1950 less than 1 per cent of the school-age children were in any kind of school, and less than three-tenths of 1 per cent of the population over five years old had passed primary-school examinations.⁹ The literacy rate was estimated at 2 per cent.

Finally, there was the barrier to development posed by the shortcomings and foibles of the civil service. This formidable barrier was a product of Nepal's political history and will be discussed below.

Government and Politics

Nepal is one of the oldest nations in Asia. It has been a unitary state with roughly the same frontiers since 1769. At no time since then has it lost its *de jure* independence, though in one period its foreign policy was largely controlled by British India.

Prithi Narayan Shah, who unified the nation, was a Hindu of the warrior caste and a descendant of an Indian ruling family which had fled to the Nepalese hills before the Moghul invaders. Since the

⁶ USOM, *A Summary of United States Cooperation with Nepal* (Kathmandu, 1959), p. 8.

⁷ GB, *Britain; an Official Handbook*, 1962, p. 284.

⁸ N.Y. Telegraph & Sun, *World Alliance*, 1964, p. 713.

⁹ UN, Dept of Econ. & Soc. Aff., Technical Assistance Committee, *Economic Survey of Nepal*, by H. B. Price (1961), p. 3.

climax of this leader's skilful and ruthless rise from master of the tiny hill state of Gorkha (from which the Gurkhas take their name) to king of Nepal, there has always been a member of the Shah family on the throne. The present king is a direct descendant.

Prithi Narayan Shah was a consummate politician, but his successors were of lesser quality. Regents and Kathmandu nobles captured control of the palace and ruled in the king's name. In 1846 a skilful member of a noble family managed to slaughter almost all of his rivals in an evening. By these means Jung Bahadur Rana became Prime Minister and ruler of Nepal. His family retained control until 1951, running the kingdom as if it were a private estate whose function was to enlarge the family fortune. The Shah kings, meanwhile, were left on the throne in order to give the regime legitimacy. These hapless monarchs were pampered, deliberately debauched, heavily guarded, and kept out of sight—prisoners in the palace.

The Ranas never succeeded in extending the strict rule with which they controlled Kathmandu, and a few other accessible regions, to the entire nation. The cost of overcoming obstacles in order to dispatch administrators, troops, and police would have been greater than the additional tax revenues would have warranted. Moreover there was no serious opposition—actual or potential—outside Kathmandu. In most regions a provincial governor, sent out as a symbol of the government's authority, was adequate representation.

Laws and edicts emanating from Kathmandu were obeyed if obedience could be enforced or was convenient. Similar unwritten rules applied to tax collection. In areas actually controlled by the central government, taxes, were paid. Elsewhere they were either ignored or largely evaded.

This apparently relaxed system had an effect on the kingdom which became evident only after the Ranas had been overthrown. Despite its long history as a unitary state, Nepal never became unified in spirit. There was no sense of nationality. A Sherpa, for example, thought of himself as a Sherpa, not as a Nepalese. Nepal, in common parlance, was the Kathmandu valley.

The Ranas' system of government functioned satisfactorily from their point of view. The family was concerned with profits. By maximizing government revenues and minimizing expenses, Rana prime ministers created surpluses which went into their personal

accounts and financed palaces, enormous expeditions to Europe, and vast investments in India. Revenues during this period came from two primary sources: customs and land taxes. The latter, levied in kind, were intended to be 20–25 per cent of the total crop-yield. As food prices rose, however, the Rana governments made no adjustments in the tax rate, with the result that the actual rate eventually fell to less than 1 per cent on some lands.¹⁰ The Ranas ostensibly permitted this because they had themselves acquired large landholdings.

In this very private-enterprise state, the function of the civil service was to maintain the flow of revenue and to keep down costs. All decisions were made by members of the Rana family. Civil servants carried out orders and focused their attention on avoiding the most dangerous of all mistakes: misuse of funds. Initiative and enterprise were not only unwanted qualities; they were dangerous. The Rana civil service, staffed by nervous men terrified of decision-making, was one of the family's most unfortunate legacies.

International Relations

Nepal's geographical position forced upon the kingdom a difficult and complex role in the politics of the region. In a study of modern trans-Himalayan politics, Dr Leo E. Rose, an American scholar, found that Nepal's policies fall into several distinct patterns. Two of these are relevant here. Nepal, he writes, 'has tended to look upon China as a possibly useful balance to threats to its integrity from northern Indian powers'.¹¹ During periods when both China and India were powerful, Nepal followed a policy of remoteness from the neighbour with whom there was a greater base for close relations—India—and of ostentatious friendship with the power with whom there was little basis for any relationship—China. In the early nineteenth century Nepal kept Britain at arm's length with this tactic. The kingdom went to great pains to send tributary missions to China (an obligation incurred after a military defeat in 1792) long after China could wield effective power in the region. Nepal's leaders correctly surmised that Britain would not risk trouble with China for the sake of gains in Nepal.

¹⁰ Ford Found., *Ladejinsky Rep.*, p. 18. His figure is for 1962, but applies with only slight modifications in 1951.

¹¹ *The Role of Nepal and Tibet in Sino-Indian Relations* (Berkeley, Univ. of Calif. unpubl. thesis, 1960), p. 26.

China was more than ready to meet Nepal half-way:

during periods of imperial expansion in China, attempts would be made by the Chinese to establish direct relations with Nepal—and usually met with an enthusiastic response. This was particularly true whenever Tibet posed a serious problem for the Chinese, who were only too aware of the advantages accruing to them through good relations with Tibet's southern neighbour.¹²

Events after the Opium War reveal another theme in Nepal's diplomatic history: when one of the two great powers in the region was subjected to a considerable loss of power and influence, the country soon accepted a limited degree of domination by the other. This became Nepal's policy shortly after China's defeat by Britain. Jung Bahadur Rana, the first of the Rana prime ministers, systematically wooed the British in India, finally convincing them of his good intentions by sending troops to help quell the Mutiny. By this manoeuvre Nepal became a useful ally and avoided becoming an acquisition. Though its freedom of action in foreign affairs was severely limited, the kingdom retained complete internal autonomy.

This voluntary subjection to Indian dominance in foreign affairs remained a keystone of Nepal's foreign policy until the rise of Communist China posed new challenges and opportunities.

Revolution

To avert a similar loss of control over Nepal's domestic affairs, the Rana regime attempted to exclude foreign influences. It closed the country to the outside world and even refused to allow British viceroys into Kathmandu; but it failed to isolate Nepal from the ideas and political ferment of modern India. In 1940 an underground group led by Indian-educated Nepalese staged an abortive coup in Kathmandu. This first failure shifted the scene of anti-Rana activity to India where, in 1946, the Nepali National Congress was formed by Nepalese who had participated in the Indian independence struggle.

In the past, the Ranas had counted on the government of British India to help eliminate threats to their family autocracy. Independent India, however, soon showed itself to be sympathetic to the anti-Rana movement. The Ranas reacted to this new and unhappy

¹² *The Role of Nepal and Tibet in Sino-Indian Relations* (Berkeley, Univ. of Calif. unpubl. thesis, 1960), p. 26.

situation by trying to broaden Nepal's diplomatic contacts. Relations were established with the United States and France and ties with Britain were reaffirmed.

These steps were not enough—the movement in India gathered strength. In 1948 dissident—and wealthy—members of the Rana family formed an anti-government group which, in 1950, merged with the National Congress to form the Nepali Congress. The exiles tried non-violent disobedience in southern Nepalese towns but succeeded in eliciting only a minor concession—a constitution which gave a legal framework to Rana rule. The party therefore decided in 1950 to launch a military operation against the regime.

Meanwhile the nearly-forgotten king of Nepal, Tribhuvan Bir Bikram Shah, had made secret contact with the Indian ambassador. On 6 November 1950 he, his family, and their guards set out for a hunt in the country. As he approached the Indian embassy King Tribhuvan, driving the leading car, wrenched the steering wheel and shot through the embassy gates. Before his guards could react, an Indian officer had accepted the king's request for asylum. Five days later, as the king was being flown to New Delhi in an Indian aircraft, Nepali Congress forces attacked Nepal from Indian territory at six points. Fighting raged into January 1951, finally ending in stalemate.

With India's Prime Minister, Pandit Nehru, acting first as an intermediary and later, when Nepal began to succumb to chaos, as a commanding arbiter, the Nepali Congress and the Ranas agreed to a compromise settlement in mid-January 1951. King Tribhuvan was to return to the throne; a coalition government was to be formed with seven Ranas (one as prime minister) and seven popular representatives; and there were to be elections by the end of 1952. The settlement came none too soon. Looting and brigandage were growing; Communist activity was increasing (the party, to its everlasting regret, had not taken part in the revolt). And across the mountains, there was China—resurgent, militant, with as yet undefined ambitions in the Himalayas.

PART I:

1951-4

III

The Political and Economic Scene: 1951-4

KING Tribhuvan returned to his capital on 18 February 1951 and received a hero's welcome. It was a moment for jubilation and hope, despite the disorders left in the wake of the armed conflict in southern Nepal. But the king had little opportunity to enjoy his triumph. A mild man in frail health, apparently dedicated to the western ideals of constitutional monarchy and parliamentary democracy, King Tribhuvan soon found himself in the middle of a power struggle between the Ranas and the Nepali Congress. This political struggle, and the others which succeeded it in the four years of Tribhuvan's rule (after the revolution), had profound effects on the environment in which India and the United States operated their early aid programmes.

The Ranas, and particularly the Prime Minister, Mohan Shumshere Jung Bahadur Rana, were not reconciled to anything less than unquestioned authority. Similarly, the Nepali Congress was not willing to accept a continuation of Rana participation in the government. Throughout early 1951 the two sides battled for influence in the cabinet and, eventually, in public. The mechanism of government, now without direction, slowed down dangerously. A series of crises rocked the nation.

First, fighting broke out anew in the south. K. I. Singh, leader of one wing of the Nepali Congress forces in the revolution, had refused to accept the settlement negotiated by India. He now took the offensive against government forces in the region of the border town of Bhairawa. Unable to put the revolt down, the coalition government called on India, which sent police and troops across the border into Nepal. Singh was captured in February, escaped soon afterwards, and was recaptured in July, again by Indian forces.

Second, a Rana-backed political party (*Gorkha Dal*) precipitated riots against the Nepali Congress Home Minister, B. P. Koirala, and rioters marched on his home and made an unsuccessful attempt

on his life. The Nepali Congress consequently demanded a homogeneous cabinet. King Tribhuvan asked Nehru to mediate. The Indian Prime Minister convinced or forced the disputants to continue as before. Parity in the cabinet was to be maintained, and Mohan was to remain Prime Minister. A forty-member advisory assembly was to be established (this was a tacit admission that elections would not be held, as originally planned, in 1952).

The Roots of Nationalism

Finally, in the third crisis, after more riots followed by criticism of the government by the Prime Minister himself, the Nepali Congress resigned from the cabinet on 12 November 1951. Left with no alternative, the Ranas did likewise. King Tribhuvan now called on the Nepali Congress to form a government. The Ranas, ten months after the major battles of the revolution had ended, had finally lost.

These three incidents made a lasting impact on Nepal, and they had made the government's dependence on India painfully obvious. Indian troops had been required to restore order; cabinet crises had had to be settled in New Delhi, because they could not be settled in Kathmandu. This reliance on India, as well as other Indian moves which will be discussed below, were humiliating to the Nepalese. And humiliation, as it developed into anger, became the root of a new phenomenon in political life: nationalism. Because the kingdom had never been colonized, there had previously been no focus for nationalism. Now India, resented by those who foresaw the failure of their hopes for the country and—in the case of politicians who did not get into office—for themselves, provided the required focus.

Another result of the three crises of 1951 was a shift of power to the monarchy. Whatever the king's wishes may have been, this could hardly have been avoided. Under the initial settlement reached in New Delhi, Nepal had three centres of power, but in practice, the Ranas and the Nepali Congress neutralized each other, thus leaving the king as the only potentially effective power. King Tribhuvan began to exercise this power after the attack on B. P. Koirala, the Home Minister. He wrested control of the army from the Rana Prime Minister and made himself supreme commander. As the army was the only stabilizing influence at the time, Tribhuvan now became the kingdom's actual ruler. By the time a

government could be formed without Rana participation, in November 1951, the drift of power to the monarch had gone too far to be reversed.

This was demonstrated by the king's choice of Prime Minister. To almost everybody's surprise, he called on Matrika Prasad Koirala, President of the Nepali Congress and elder half-brother of the former Home Minister. Despite his office, M. P. Koirala had little backing in his party. A former Rana civil servant, he was unimaginative, conservative, and colourless. B. P. Koirala, by contrast, was a charismatic figure—glamorous, volatile, and obviously dedicated. He had led the fighting while M. P. Koirala had stayed in India, and he had confidently expected to be Nepal's first 'popular' prime minister. The Nepali Congress was almost solidly behind him.

The Legacy of a Decision

The king's choice created divisions in Nepalese political life which had not healed twelve years later. Personal enmity between the brothers now moved into the realm of national politics. As the new President of the Nepali Congress, B. P. Koirala gave his brother the Prime Minister half-hearted support until August 1952, when he attempted to dictate to the government the size of the cabinet. M. P. Koirala refused to take orders from the party, and a show-down became inevitable. When the party ordered the cabinet to resign, ministers loyal to B. P. Koirala obeyed, but M. P. Koirala and two supporters refused to do so and were expelled.

This bitter feud between brothers destroyed many hopes. It wiped out the chances of an early general election. It also shattered the unity of the Nepali Congress, thus eliminating not only the last remaining barrier to the acquisition of all effective power by the monarchy but also the possibility that the Congress would assume a place in Nepalese life similar to that of the Indian Congress in India—that of a revolutionary movement becoming a ruling party comprising a broad spectrum of political and economic interests. Moreover the break between the brothers had the effect of transforming the revolution. Though it took some years for the fact to be fully recognized, the revolution had become a restoration.

Tribhuvan, however, continued to rule through political parties which in theory at least had popular support. With the exception of a ten-month period after the Congress split (when there was an

advisory council), the king retained M. P. Koirala as Prime Minister throughout 1954. Koirala had formed his own party, the National Democratic Party, but his third cabinet (18 February 1954–2 March 1955) included ministers from three other parties.

King Tribhuvan's Nepal became a dictatorship without a dictator. All power centred in the monarchy, but Tribhuvan elected not to exercise it; he attempted instead to transfer authority to his governments, but in this he was not successful. His Prime Minister, M. P. Koirala, was unable to take the decisions which the nation needed so desperately, for both the army and the civil service were aware that he wielded no actual power.

Political life centred on palace intrigues. A host of political parties sprang up, almost all of them consisting of no more than a coterie surrounding an aspiring politician eager to take advantage of the avenue to power which lay through the king's favour.

The nation drifted; politicians squabbled; unrest flared up periodically in the countryside, and, as the government printed money to finance its directionless operations, inflation became rampant. The Nepalese rupee, which had stood at 103 to 100 Indian rupees in February 1951, rose to 180 in November 1954.¹ For Kathmandu, which depended on commerce and particularly on imports from India, this process was painful, as the municipal elections of 2 September 1953 showed. Half of the electorate gave its votes to Communist candidates.

The king tried to halt the deterioration. In 1952 and again in May 1954 he constituted advisory assemblies to prepare the nation for elections and to broaden the base of participation in government. But to keep order, he issued edicts strengthening his own power, notably the edict of 13 February 1954, which affirmed that royal decisions could not be questioned in the courts. During 1954 his health began to give way and he spent increasingly longer periods abroad seeking medical treatment. In October 1954, when he left the country for the last time, the political situation was grave. The Nepali Congress, still the strongest political party, was demanding the restoration of fundamental rights, an independent judiciary, control of inflation, early general elections, and the preservation of independence. A non-violent civil disobedience demonstration was scheduled for 10 January 1955. An attempt by Crown Prince Mahendra to mediate between the Congress and the govern-

¹ USOM, *Economic Data Papers*, iii/1 (Jan. 1961), p. 32.

ment failed. Against the wishes of its leaders, the movement, which began as planned and spread rapidly, degenerated into widespread violence which was blamed on Communist agitators. Fearing a breakdown of order, the Regency Council and the Congress reached a tentative agreement on the Council's promise to take effective steps to meet the Congress demands. In late January 1955 another crisis rocked Kathmandu when the advisory assembly defeated M. P. Koirala's government in what amounted to a vote of confidence and, on 31 January, Koirala offered to resign. The crown prince asked him to remain in office and adjourned the assembly for a month; he then flew to Nice to confer with his father. His return with full powers opened a new era in Nepalese politics.

Foreign Relations

These confused and disappointing years left their mark on Nepal's relations with its neighbours. Increasing frustration at the inability to form an effective government led to anger against India which, as has been seen, was blamed for many of the kingdom's troubles. This in turn led to an awakening of Nepalese interest in China.

D. R. Regmi, who became Foreign Minister in 1954, expressed an argument which became common during the period: 'We do not regard the People's Government of China as an imperialist power and the occupation of Tibet as a threat to Nepal. . . . I consider the Chinese People's Government have been anti-imperialist throughout and Nepal has nothing to fear from them.'² Parties of the left, especially the United Front which included the Communist Party, advocated relations with China; and on the right the *Gorkha Parishad*, party of the deposed Ranas and some landed interests, did the same. However, no steps were taken. King Tribhuvan and M. P. Koirala were too dependent on Indian goodwill to risk Indian displeasure.

King Tribhuvan had called on India to assist him in his administration as well as to help in solving his political problems. His own secretary was a senior official of the Indian Civil Service. Indian officials advised Nepalese in key positions, and numerous high-level Nepalese civil servants were given short but essential training courses in India. In 1952 a 150-man Indian military mission, led by a major-general, initiated the reorganization of the Nepalese army. At the time the kingdom had 25,000 men theoretically under

² *The Statesman* (Calcutta), 20 Feb. 1951.

arms. This army, ill equipped and ill paid (soldiers eked out a living by working their farms in the evenings), had demonstrated its ineffectiveness during the 1950 revolution. It is doubtful if anyone, Indian or Nepalese, envisaged the Nepalese army as a force strong enough to resist attack from either India or China. Its function was to maintain order within the kingdom. India took on the expensive task of reorganizing the army because it had made the maintenance of stability an essential element in its policy in Nepal. Having an Indian force in Nepal had the additional advantage of offering India an opportunity to keep a better watch on Chinese activities on the Nepalese border. In 1954 Indian troops were seconded to the Nepalese army to assist in manning eighteen check-posts along the Tibetan border. The Indians operated all communications equipment in the posts and were in contact with the Indian embassy, not with the government of Nepal.

Economic Development

Nepal began to be interested in economic development before the 1950 revolution. The Rana government had drawn up a development plan but never bothered to implement it, and during the revolution the Ranas negotiated a Point Four agreement with the United States. This was concluded on 23 January 1951.

M. P. Koirala made Nepal's first request for a loan from India a year later. He was told by the Indian Planning Commission that action on his request would not be taken until the formulation of plans by Nepal for the utilization of the loan. In consequence, Nepal's Finance Minister, Subarna Shumshere, made a comprehensive statement of his government's assets and plans for development. Balances remaining from the Rana period, he said, totalled \$15.1 million in gold, silver, and coins.³ Deficits would be partly financed from these reserves. General (a title from Rana days) Subarna said the government would form a planning and development committee under the Prime Minister's chairmanship to co-ordinate development efforts and projects. He singled out roads, airports, postal improvements, radio development, free primary education, and industry as high priority items for consideration.

The Minister was optimistic about domestic sources of funds to finance development. Some schemes were productive, i.e. were income producers, and therefore Nepal would be able to float public

³ *Nepal Gazette*, 3 Feb. 1952.

loans. New industry would be financed by increasing land revenues. This in turn would be accomplished by raising export duties and by abolishing *birta* (tax-free) lands, by changing tax-collection methods, and by bringing new lands under cultivation. Export duties had already been raised, he said, and an income-tax would be levied. He revealed his appreciation of the difficulties involved in income-tax collection in Nepal: 'It is not likely that the proceeds will be very high for the next two or three years.'⁴ Finally, he suggested a national-savings scheme through bond issues.

The Finance Minister was also optimistic about his country's chances of attracting foreign assistance. He said Nepal was trying to reap maximum benefit from the Point Four programme, the Swiss Technical Aid Plan, and the Colombo Plan. Capital would come in the form of foreign loans.

Discussion and plans centering on economic development and aid, however, were pushed into the background by the volatile political situation in Kathmandu. D. R. Regmi, sometime cabinet minister and Nepal's most prominent modern historian, accurately summed up the situation and reflected a widely-held view when he said:

We are not so much concerned with economic issues as such as with the question of laying a foundation of the democratic institutions. All schemes of economic development can wait for the duration of the interim administration. . . . American Point Four aid or Colombo Plan grants will be ineffective for a long time to come for similar reasons.⁵

These words were written in 1950 and published in 1952. As numerous foreign aid administrators were to learn, Regmi's analysis was applicable for a long time afterwards.

⁴ Ibid.

⁵ D. R. Regmi, *Whither Nepal?* (Kathmandu, 1952), p. 175.

IV

Early United States Assistance

THE United States became interested in Nepal during the Rana period. Diplomatic relations were established in 1947, a step which disturbed some circles in India, where there was some fear at the time that the United States might be attempting to replace British influence in Nepal. Nepalese leaders then in India reflected this fear. M. P. Koirala, always outspokenly anti-Communist, said in early 1950: 'The American designers of war do not want democracy in Nepal. They want Nepal to fall in line with them in their scheme for world domination in competition with Russia.'¹ The future Prime Minister also accused American business interests of trying to lease entire sections of Nepal for development. This plan, he said, had failed only because of protests from the Nepalese citizenry. In fact, as Koirala was to learn, American business had no interest, then or later, in Nepal.

The motives for America's initiative in establishing diplomatic relations with Nepal are obscure. It can be surmised that the move was an extension of growing American interest in India as well as in the states on the periphery of the Communist world. In any event, relations between the two nations had virtually no content until 1950. Though ambassadors were exchanged, they were not resident in Nepal—the Nepalese ambassador in London served concurrently in Washington, and the United States ambassador to India served in Kathmandu. The two nations signed a Point Four agreement on 23 January 1951—an inopportune moment, as the government of Nepal was then crumbling. The agreement called upon Nepal to co-ordinate all development efforts and to publicize projects involving American assistance.

It is not within the scope of this study to analyse in detail the motives and assumptions of the American aid effort in general, but a few points which had particular significance for the programme in Nepal should be mentioned.

First is the assumption about rising expectations which has served

¹ *The Hindu* (Madras), 17 Feb. 1950.

as the foundation and, to a large extent, the rationale of all American assistance programmes:

These people [of the underdeveloped areas] have been stirred by a growing awareness of the possibilities of human advancement. . . . By leaving them unable to fulfill their reasonable aspirations, their misery makes them fertile ground for an ideology which will hold out to them promise, however false, of means towards a better life.²

The second point relevant to Nepal was an extension of this concept: 'economic and political stability are interdependent and together increase the capacity and the will to resist internal and external communist aggression.'³ The United States, in its plans for aid to South Asia, saw the greatest threat to stability arising from the vulnerability of the peasantry. The following statement embodies ideas basic to its early aid programme in Nepal:

The maintenance of political stability is dependent in very large measure upon the capacity of these countries to improve the productivity and status of the agricultural population. The weaknesses of the present economies of South Asia bear most heavily upon the agrarian population and under current conditions, the agrarian sector offers a major target for communist subversion. Therefore the proposed program of economic assistance is designed to bring about improvements in the status of the agricultural population. . . . In a broad sense, all the proposed forms of economic assistance in South Asia can be classed as extension work.⁴

Finally, there was the method. This followed logically from the concept of rising expectations. If people were eager for change, then helping them make changes was relatively simple. 'The first method of aiding economic development is a problem in "know-how" and "show-how".'⁵ In other words, if people saw how it was done, they would do it themselves.

The extent of the confidence prevailing in the United States government at the beginning of the Point Four programme was revealed in a statement by the Secretary of Agriculture, Charles F. Brannan, that 'within a relatively short time' the programme would pay off one hundred-fold.⁶ He and other administration officials,

² US, Dept of State, *Point Four: A Cooperative Program for Aid in the Development of Economically Underdeveloped Areas* (1950), p. 2.

³ US Govt, Executive Branch, *The Mutual Security Program for Fiscal Year 1952* (1951), p. 29.

⁴ *Ibid.* p. 33. ⁵ US, Dept of State, *Point Four*, p. 3.

⁶ Quoted in C. Wolf, Jr, *Foreign Aid: Theory and Practice in Southern Asia* (1960), p. 63.

probably somewhat dazzled by the success of the Marshall Plan in Europe, viewed American aid to the underdeveloped countries as having a short duration and as yielding large returns from a small outlay. In 1951, when America's intentions were still largely turned towards Europe, Asia (excluding Korea) received 2·7 per cent of the total aid appropriation.

As conceived in Washington, the American programme in Nepal—the problems of which were not considered exceptional—would therefore seek to prevent Communist incursion by encouraging political stability. This in turn would be accomplished by assisting economic development; and as the agricultural sector was the most vulnerable to Communism, American development efforts would be focused on it. The population was eager for change and would thus react favourably to technical advice; and the advice, itself costing little, would spark a chain reaction of efforts by the Nepalese.

The First American

Paul W. Rose, the man who was to lead this small but ambitious effort, came to Kathmandu on 16 January 1952, and established a headquarters for the United States Technical Co-operation Mission to Nepal. He stayed six years and left the stamp of his personality on the programme he inaugurated. Rose had been an agricultural extension officer under the New Deal. He had abstracted from this experience a belief in the ability and willingness of people to learn and thus shared with the planners of Point Four a confidence in the catalytic action of knowledge. Though the programme he represented in Nepal had strategic and political goals, Rose's own outlook and concern were of a humanitarian nature.

Rose spent his first six weeks in Nepal investigating conditions in the nation's two major valleys—Kathmandu and Pokhara in central Nepal. The poverty and backwardness of the latter affected him profoundly. Of this experience he wrote:

I decided then to do what seemed possible to help the central government to formulate and implement national programs that would enable people who wanted to help themselves to get the kind of assistance they needed to do a good job. I left Pokhara with a feeling that time had been moving slowly here for centuries, but people were aching for a change.⁷

Rose gave M. P. Koirala, the Prime Minister, a memorandum set-

⁷ P. W. Rose, *The First Years* (unpubl.), i. 49.

ting out the tasks he thought should be carried out. In drafting this, he says he kept in mind the maxim 'Make no little plans, they have no magic to stir men's souls'.

Rose suggested the following goals for Nepal: (1) increased production of food, fibre, and housing material so that every Nepalese had enough and the nation had an exportable surplus; (2) elimination of disease; (3) schools for all; (4) sufficient roads to move agricultural and industrial products; (5) hydro-electricity for enough light and irrigation to sustain three annual crops; (6) reforestation; (7) landownership to the tiller; (8) the establishment of an agricultural credit system; (9) the development of mineral resources; (10) the development of a sense of unity, of love of liberty, and of respect for the individual.

To set Nepal on the road to fulfilment of these goals, he advocated: (1) training leadership; (2) developing democratic institutions; (3) policies to obtain financial support (presumably at home and abroad); (4) developing effective methods of American-Nepalese co-operation; (5) formulating a development plan.⁸

Acceptance of these goals or the suggested means of achieving them was not a precondition. Rose was not in a position to demand that the government should take any particular steps as a precondition of American assistance. The resources at his disposal were too limited. Moreover, the American aid programme in general at this time—before it was fully realized how much resistance to development was ingrained in many governments—eschewed the idea that conditions should be attached to the granting of aid. Such an approach was also not to Rose's taste. He took at face value the government's often repeated commitments to rapid economic development.

The First Development Project

The government of Nepal initiated its first development project, which it had planned with American encouragement and advice, in July 1952, when it opened a village development training centre in Kathmandu. The first fifty trainees and those to follow were to man ten provincial centres after completing a six-month course. These satellite centres, five of which were established shortly after the Kathmandu opening, were to train sufficient workers to provide one worker per 500 families.

⁸ *Ibid.* vii. 1-2.

America's contribution to the project consisted of instructors for the Kathmandu school and small amounts of money which were ostensibly to supply the instructors with tools, teaching aids, and other implements which they could personally use. American funds were not intended to support the project itself. This restriction on the use of funds became as great a stumbling block in Nepal as in other states receiving Point Four aid; and, as elsewhere, the money was gradually turned to uses not envisaged by Congress. In Nepal, for example, the American mission had at its disposal \$240,232 for technicians' expenses and \$378,335 for equipment in fiscal 1953. The next year, the amounts were \$189,359 for technicians and \$540,613 for equipment.⁹ As the number of American technicians in Nepal in this period averaged only six, the definition of equipment for personal use was clearly stretched.

The rationale given for American support of the village development project reveals in more tangible form Rose's assumptions about what could be done; and it indicates the weaknesses in his approach.

The Village Development Service is a multi-purpose organization which the Government of Nepal is building to have an organized effective means of distributing increasing services to the people and a channel through which people may pass their judgement about problems and solutions to the central government.¹⁰

Thus village development would be a two-way channel—offering communication of the government's services to the people and the people's wants to the government. The latter would enable the government to be responsive to the wishes of the populace. This conception reflected a number of assessments which had validity in most of the western world, but which were, as the results of this and other projects demonstrated, of dubious validity in Nepal.

The success of the project depended in the first place on the graduates of the Kathmandu school. They were the primary element in the channel of communication. The first group of students were, it was later admitted, unsatisfactory. Most of them were city born and bred—educated residents of Kathmandu. In common with city youth everywhere, they had little understanding of the problems of the farmer and little comprehension of the technical questions of agriculture. When sent into the countryside, any ideal-

⁹ USOM, *Nepal—a Little Country with Big Problems* (1954), p. 10.

¹⁰ *Ibid.* p. 13.

ism they might have had melted away in the confrontation with an incomprehensible, uncomfortable, and hostile environment. Few of this group remained in village development. For the programme administrator this was a sobering lesson; but corrective action was not easily taken. As educational facilities were largely limited to Kathmandu, the supply of trainable youths was severely restricted. Farm youths, whose practical experience might have balanced their lack of education, did not come forward in appreciable numbers—a small but significant hint of the extent of the eagerness for change ostensibly sweeping the countryside. Even when a trainee with the right background was found, however, the project made demands on him which usually he was unable to meet, for the programme required the trainees to be independent, to have great initiative, and to be able to teach others. In Nepalese society, where the joint family had not yet begun to crumble, where the young lived under a strict paternalism at home and initiative was discouraged by tradition, and where education was, at best, poor, this was an intolerably large order.

Resistance to Aid

The village development programme as a whole, but particularly as Rose envisaged it, was in conflict with the facts of Nepalese village life. Contrary to Washington's conception, and to Rose's, the villages of Nepal—in common with those throughout the underdeveloped world—were not receptive to change. The explanation for this phenomenon is varied and complex and too well documented to warrant a detailed elaboration here. But there were at least two reasons for conservatism in the Nepalese villages.

First, there was the widespread fatalism often found in Hindu society—a view that not only would life always be as it had been, but that attempts to interfere with the unchanging cycle of life were sacrilegious. In the second place, and in the context of village development even more important, was the fact that the land-tenure and ownership system in large segments of Nepal generated a strong conservative force—that of landlords who held their tenants in near slavery. With no controls on how much rent they could exact and with a burgeoning population pressing on limited arable lands, the landowning element held the whip-hand. If a tenant incurred the landowner's displeasure, the owner could and often did evict him. It is thus not surprising that the landlords set the tone and pace of

village life, and that these were intensely conservative. Such circumstances were not favourable to attempts to introduce new agricultural techniques. The landowners opposed innovation because of fears that any change was potentially dangerous to their position, while the tenants were apathetic, knowing that any increase in produce would be taken by the landlord in proportionately increased rents.¹¹

A village development worker introduced into the village was bound to fail unless he grasped the power structure of the village and learned to deal with the ruling groups. Again, this was a big order. Unfortunately for both the worker and the programme, his entry into the village did not coincide with basic reforms which could have altered the village power structure.

If grievances were felt by the villagers, it was rare that they were expressed. There were too many incentives for silence. But even if such grievances or desires were made known to the village development worker, and even if the worker transmitted them—which, for reasons of personality or difficulty of communications, was unlikely—the government was not inclined or prepared to do anything about them. The civil service, staffed largely by hold-overs from the Rana period, retained its Kathmandu orientation and had little interest in what was going on outside the capital. A decade later there were many senior officials who had been to India, but had still never seen the country they were attempting to govern. The government, in addition, was simply incapable of dealing with ideas from outside. At the time the struggle for political power kept the administration paralysed.

The Facts Intrude

For the American programme to fulfil the goals set out by Rose, the conditions in the government and in the countryside of Nepal would have had to be substantially different. The programme's assumptions did not fit the facts of Nepalese life. By limiting his staff to the function of giving advice—as within the scope of Point Four he was required to do—Rose avoided rousing nationalistic resentment, but by giving the advice in the framework of an institution run by the government of Nepal, he severely restricted the effective-

¹¹ Conditions on the land and their effects on development have been widely discussed. For an excellent exposition of the situation in Nepal, see Ford Found., *Ladejinsky Rep.*

ness of his programme. Other American projects, in agriculture, health, mining, and education, which began soon after the village development project, were equally crippled by the conditions in Kathmandu and in the provinces.

Rose, as director of what had become known as the United States Operations Mission, attempted to overcome the difficulties imposed by the Nepalese environment by changing the administrative approach of his programme. In 1954—by which time his two-year-old programme included projects in agriculture, mineral survey, health, and irrigation, as well as village development—he introduced the co-operative service (which had been developed in South America as the *servicio cooperativo*). This was a body distinct from both the host government and the donor's mission. It had co-directors, one named by the host government, the other by the donor. Both sponsors placed funds in a special bank account opened in the co-operative's name. American advisers became, in theory, employees of the co-operative, as were the staff supplied by, in this case, the Nepalese government.

Rose explained that the shift to the co-operatives was necessary for efficiency:

The basic reason for choosing the Cooperative service as the method of cooperating was to surmount specific difficulties experienced during the first six months of trying to get something done through the existing administrative system of the Nepal government which was not geared for economic development activities.¹²

The advantages of the co-operatives were obvious. American technicians were transformed from bystanders into participants (and, as often happened in practice, into leaders of projects). Because the co-operatives were independent of the Nepalese bureaucracy, they were not as subject to the political forces then paralysing the administration; and Nepalese working in them felt somewhat freer to take the initiative. But there were also obvious drawbacks. The co-operatives could not help rousing nationalistic resentment and they ran the danger of generating jealousies in the civil service which would, when the co-operative was cut free of American co-direction, destroy co-operative-sponsored projects.

Washington shrank, however, from carrying the co-operative concept to its logical conclusion in Nepal. Though each co-opera-

¹² P. W. Rose, *First Years*, p. 96.

tive had an American co-director, the Americans under him were still considered advisers. Direction and execution of development projects were kept in Nepalese hands. Thus the co-operative gave the United States a large scope for action in Kathmandu on matters of finance and basic policy, but left the technician in the field with no more powers (at least officially) than before. In his final report Dr Raymond Stannard, chief public health adviser, stated the difficulties inherent in this compromise:

Nepal must be considered different than . . . India, Thailand or Iran. Since there are not even nationals in sufficient numbers who are qualified or can be spared to do this training a greater responsibility of necessity falls upon USOM technicians. It is well enough to say we are only advisers . . . but if we are to meet the most obvious needs in Nepal, we must have technicians in sufficient numbers to actually organize and give part of the actual instruction.¹³

As Stannard implies, there was a vacuum in many of the projects being carried out—a dearth of skilled Nepalese technicians and leaders. If the American technicians did not fill it, the vacuum would remain.

The Adviser's Status

Neither the American nor the Nepalese leadership wished to admit publicly that this was so. As a result, the status of the adviser was deliberately left undefined. This appears to have been a result either of Washington's unwillingness to run the political risk of granting more authority to its advisers or of a reluctance to admit that an aid programme was destined to get the United States deeply involved in governing an aided state. Begging the issue, however, solved nothing. Uncertainty as to their role only complicated the technicians' task. In most cases, they could not help doing far more than advise. A lack of definition of their status, if it had any results, undermined their effectiveness. At the same time United States involvement increasingly deepened. American technicians had offices in the various ministries of the government, and American expenditures (which had lagged behind appropriations) had begun to rise rapidly. In February 1954 (the American fiscal year begins on 1 July) the mission expended \$331,000; the following year it spent \$1,328,000.¹⁴

¹³ ICA, *Completion of Tour of Duty Report*, by Dr R. E. Stannard (1958), p. 26.

¹⁴ USOM, *Expenditures from FY 1952 thru 1961* (Kathmandu, 14 Sept. 1962). p. 5.

The American effort underwent no marked change in content in conjunction with the changes in approach and administration embodied in the co-operative service. It was apparently assumed by Washington or by Rose (and probably by both) that methodological changes would be sufficient to deal with the difficulties the programme had encountered as a result of the unexpectedly unresponsive Nepalese environment.

During this period the American programme in Nepal continued to conform to the development model implicit in the conception of Point Four. This could be termed the technical assistance route to development. It placed emphasis on the catalytic action of knowledge doled out in small quantities. Because it was assumed that rapid development could be generated in a short time, and because rapid development was desirable for political reasons, Washington was interested primarily in short-term, high-yield projects such as community development, agriculture, and health. Capital projects at this stage were not seriously considered. (A request by the ambassador, Chester Bowles, for \$5 million for roads in Nepal was turned down in Washington, though funds were released for two small irrigation projects.) If there had been any basic change in the aid doctrine, it was in reservations as to the extent of the catalytic action of technical knowledge. A few technicians, it was realized, were not enough. Most of the American aid missions, including USOM in Nepal, were now operating projects intended to have country-wide impact. This change, however, was in tactics, not strategy.

Despite these modifications in method, the United States assistance programme in the period 1952-5 failed to achieve any recognizable goal. A detailed account of the extent of this failure, as well as American comments on it, will be given in Part III below. Here it will be sufficient to note that the projects taken up in this early period were eventually dropped because they were found to be not worth-while or were transformed in content because progress had been wholly unsatisfactory. It is the purpose of this chapter to point out the errors which underlay the failure.

As has been mentioned, America's early support for the village development programme was based on assumptions which the facts could not support. Basically the same was true at the end of the period, by which time, however, further assumptions and attitudes had come into play.

The Anti-Malaria Effort

Probably the most damaging conception was the idea, inherent in Point Four, that a country-wide programme could be run with a small number of technicians—and get quick results. In Nepal the number of technicians was even smaller than in most other states receiving aid. The harmful results could be seen in two American projects—malaria eradication and seed testing.

The United States adopted a malaria eradication programme in Nepal on 10 April 1954. The rationale for action in this field was based on the high incidence of malaria in the potentially most productive farm area, the Terai (southern plains). If malaria could be reduced, energies previously sapped by it could be turned to growing larger crops. The elimination of this hated disease would pay substantial political as well as economic dividends. It would reflect credit on the central government and demonstrate the value of America's interest in Nepal.

At the prompting of USOM, the government of Nepal established an Insect-Borne Disease Control Bureau in August 1954. Soon afterwards spraying began. USOM supplied DDT and the services of two technicians, only one of whom, according to Dr Stannard, was on the job at any one time. In the first year the bureau sprayed (actually it brushed—whisk brooms were used to apply the chemical) 70,000 houses in which 335,000 persons lived. In the following year operations were extended to cover half of Nepal's thirty-two districts, thus attacking the disease in more than half the area where it was present.¹⁵

Describing the results of this project, Stannard writes:

It is hardly surprising . . . that it should now be found that personnel used have not been trained, that many areas have not been adequately sprayed and that the people protected in many of those areas complain about results. Nor should it be surprising that after all the years in which attention was centered primarily on getting large numbers of houses sprayed, we must realize that the IBDC Bureau has not trained properly enough personnel to conduct properly a well organized program in a much more concentrated and delineated area.¹⁶

Stannard contrasts the American project with that run by WHO in the Rapti valley. WHO spent three years on a relatively small (75 × 10–12 miles), sparsely populated (30,000) area. To cover this

¹⁵ USOM, *Re-evaluation Study of the Nepal–America Health Cooperative Service Malaria Control Project* (1957), p. 5.

¹⁶ ICA, *Stannard Rep.*, pp. 28–29.

area, WHO had six of its own men—three technicians and three assistants—to train Nepalese and to supervise malaria control measures. The project, in short, was run by WHO. ‘Their project has been very successful [Dr Stannard notes] but even with six men working in a small area, they have only trained enough people to actually do the size job that has been done to date. These are not yet ready to launch out alone in a new area without continued supervision by the WHO technicians.’¹⁷ A final note on the American project: all areas sprayed by this group had to be redone. Malaria clearly could not be wiped out by a hasty, slapdash, and superficial attack.

The problem of testing new seeds and plants was equally resistant to the broad attack on a thin front. Starting in 1952 a vast number of seeds—1,002 altogether—were tested over a two-year period in a number of test plots, which were supervised by hastily trained Nepalese employees. The following is an evaluation of the results given by the department of the aid mission which administered it:

It was found that while there had apparently been an enormous amount of activity, tangible measurable accomplishments were difficult to pinpoint. It would appear that too much was attempted with too little and yet, it was virgin territory and a ‘crash’ program no doubt seemed justified . . . as it turned out, record keeping was poor and inadequate and accidents of one sort or another befell many of the tests, so that as a consequence the selection of superior varieties was based more on general observation rather than on statistical documentation.¹⁸

To summarize: a scientific experiment was conducted in such a manner as to invalidate the results. The writer of the evaluation adds this as a partial justification: ‘Despite these shortcomings, interest in agricultural development was stimulated and considerable practical experience gained.’ But the questions this raises are: who was stimulated, and who gained experience? The American technicians? If so, the effort was a waste because all the technicians returned home—most of them at the moment when their experience was beginning to make itself felt. Their Nepalese counterparts? These were either fired or transferred to other jobs so fast that interest stimulated or experience gained was nullified. The extent and results of such personnel movements will be discussed in a later

¹⁷ *Ibid.* p. 29.

¹⁸ USOM, *A General Statement on the Agricultural Situation prepared for the American Food and Agricultural Officers Meeting in Beirut, 20-25 Apr. 1959* (Kathmandu, 1959), p. 4.

chapter. On the rotation of Americans, Stannard comments, 'the problem has been so extensive that new technicians spend a major portion of their tour in surveying the field and finding out what is possible of achievement'. When they, for various reasons, fail to return for a second tour, 'continuity is interrupted and the delay in replacement contributes toward the loss of what progress had been made'.¹⁹

The Cost of Failure

The failure of the malaria and seed-testing projects—as well as a number of others with equally broad aims and slender American support and supervision—had unfortunate effects. In an environment where conservatism was profound and every innovation was accepted only after much effort at persuasion, a failure was a disaster. It made the next attempt substantially harder. This was particularly true in malaria eradication, where technicians had to convince people that they should not paint over the sprayed walls. Failure in these projects also had the damaging result of reducing the prestige of the American technicians. In a society where prestige determines whether one is listened to, a loss of prestige is very unfortunate. Failure also had repercussions within the Nepalese government. It weakened interest in non-capital projects and increased interest in more tangible types of projects, such as industrial construction. Finally, when a project could yield political dividends, it attracted so much notice that failure was a political liability. The government was blamed, and corruption and ineptitude were cited as the causes of the failure. The value of American aid was inevitably called into question.

American aid suffered from a further conceptual weakness almost as damaging as the inclination to create nation-wide projects with insufficient resources. This was the astonishing underestimate of how primitive Nepal was. In part this was a failing of American aid in general. But Nepal was even more primitive than most of the other countries aided at the time—a fact perhaps not recognized and certainly not acted upon by USOM in Kathmandu.

A case in point was the introduction of machinery. The report made by the American mission in 1954, for example, showed a photograph of an American adviser ploughing with a petrol-driven hand-plough. The caption read: 'Trainees in the Village Develop-

¹⁹ ICA, *Stannard Rep.*, p. 28.

ment Center learn improved farming practices from Nepal-USOM instructors.²⁰ This was a remarkable statement. It ignored the facts that in Nepal machinery was largely unheard of and in some parts of the country the wheel had not yet been introduced; that there were no factories to supply machines or spare parts; that there was no foreign exchange available to buy parts; that communications precluded getting petrol and parts to the villagers even if funds were available to import them; that the farmer lived at subsistence level and only had cash enough to buy seed for the next year; that, in short, such 'improved farming practices' were utterly useless. In another incident, portable diesel pumps were brought in for an irrigation demonstration. If, the report said, they proved satisfactory, other pumps would be sold to the villagers on a co-operative basis. A number of these machines was sold or given to villages. Available information indicates that not one was operating in 1963.

Perhaps an even more astonishing case involved radio sets. A total of sixty radios and loudspeakers were distributed to villages from 1954 onwards in connexion with the adult education programme so that people, according to the USOM report, 'can gather in the villages for at least one hour each day to keep informed about better methods of production, to learn better ways to improve their situation, and to know what is happening in their country'.²¹ The naïveté of this statement reflects the same misleading estimate of what Nepal really was like as was manifested in the village development programme. The distribution of radios was equally questionable. By 1963 no trace of these radios—and the others which were distributed later—could be found. This was to be expected. On the one hand the villagers had no understanding of how these sets operated; on the other the government was incapable of establishing the servicing organization necessary to keep the sets going. It would seem likely that most of the radios were discarded when their first batteries were exhausted.

Nepal's economy was extremely primitive, as was Nepalese society in many respects. This was the fact which had to be grasped by the aiding agencies if they were to make any headway. The Americans particularly, as these examples well illustrate, did not fully recognize this in 1954—nor did they in 1963. The failure in understanding was a continuing barrier to successful utilization of assistance funds.

²⁰ USOM, *Nepal*, p. 16.

²¹ *Ibid.* p. 23.

Indian and Minor Aid Programmes

INDIAN AID

INDIA, in contrast to the United States, had an immediate and readily discernible interest in the course of events in Nepal. This fact gave Indian aid to the kingdom an urgency not present in the American or other western aid programmes.

Since India's inception as a republic, its leaders had frequently reaffirmed the Indian interest in Nepal. The following statement by Pandit Nehru, made during the Nepalese revolution, was one of the frankest expositions of the Indian case:

Nepal was an independent country when India was under British rule, but her foreign relations were largely limited to her relations with the Government functioning in India. When we came into the picture, we assured Nepal that we would not only respect her independence but see, as far as we could, that she developed into a strong and progressive country. We went further in this respect; Nepal began to develop other foreign relations and we welcomed this and did not hinder the process.

But in his next sentence the Prime Minister added:

Frankly we do not like and shall not brook any foreign interference in Nepal. We recognize Nepal as an independent country and wish her well. But even a child knows that one cannot go to Nepal without passing through India.

This last statement was typical of a continuing Indian blindness to past and future contacts with China through Tibet. Nehru continued:

Therefore, no other country can have as intimate a relationship with Nepal as ours is. We would like every other country to appreciate the intimate geographical and cultural relationship that exists between India and Nepal. . . . Our interest in the internal conditions of Nepal has become . . . more acute and personal in view of the developments across our borders in China and Tibet. . . . From time immemorial, the Himalayas have provided us with a magnificent frontier. Of course, they are

no longer impassable as they used to be but they are still fairly effective. We cannot allow that barrier to be penetrated.¹

These remarks revealed Nehru's determination to strike a balance between Indian national interests and the liberal ideas central to his views on the conduct of international relations. A number of Indians and some Nepalese have since argued that he was using strong language but was in fact avoiding coming to terms with a fundamental issue. According to this line of reasoning, he should have chosen either to absorb Nepal into the Indian state structure (perhaps giving it a status similar to that of Bhutan), or he should have accepted Nepal's independence with all its implications.

Nehru and India chose a middle road. The reaffirmation of India's respect for the independence of Nepal and its intent not to interfere in Nepal's internal affairs (stated in the same speech but not quoted) was not cynical, as events would show. It was an assertion of intent. Nehru's parallel pronouncement that India could not countenance developments inimical to it was of course a classical statement of national interest. The attempt to formulate a policy encompassing such divergent conceptions had results which became the greatest irritant in Indo-Nepalese relations.

India's Military Interests

India prepared for possible military threats to Nepal by arranging a secret and conventional mutual assistance pact. To a treaty concluded in 1950, delineating the political and economic relations between the two countries, was appended an exchange of letters which stated that 'neither Government shall tolerate any threat to the security of the other by a foreign aggressor. To deal with any such threat, the two Governments shall consult with each other and devise effective counter-measures.'² Nehru did not disclose this proviso to parliament until 8 December 1959.

India's military interest in Nepal served as the basis for the Indian willingness to dispatch troops there three times in 1951; to offer the services of a military mission to reorganize the Nepalese army; and to second Indian forces to help man Nepal's northern checkposts. The use of Indian troops in Nepal was not seen by the government of India as aid, as indicated by Nehru's remark to parliament that

¹ Speech to Lok Sabha, 6 Dec. 1950, in J. Nehru, *India's Foreign Policy; Selected Speeches* (1961), pp. 435-6.

² *Ibid.* p. 374.

'where the question of India's security is concerned, we consider the Himalayan mountains our border'.³

Economic Assistance Begins

The first hint that India was willing to help Nepal in non-military spheres came during Nehru's visit to Kathmandu in June 1951, four months after the revolution. Addressing a public meeting, the Indian Prime Minister said: 'If you seek our help in, say, technical or other spheres, we will do our utmost to be useful to you, but we never want to interfere.'⁴

In October 1951 this pledge materialized in the form of the dispatch of an official of the ICS to be the king's secretary. Two Nepalese officials were given a six-month training course in statistics in India.⁵ Then, as has been seen, in January 1952 M. P. Koirala, the Nepalese Prime Minister, came to India to ask for help on a large scale. Significantly, he was sent to the Indian Planning Commission, rather than to the Ministry of External Affairs. This could be explained in part by the presence in the planning body of the Indian government's leading specialists in economic development. But, as later events demonstrated, this was also the first indication of the character of India's assistance to Nepal. By turning the problem over to its Planning Commission, India prevented it from being treated as an entirely external matter, with goals and requirements distinct from development efforts in the Indian states.

Though the Planning Commission told Koirala that it could not act until Nepal had some sort of plan, it did assure him of India's willingness to assist his government. The reaction to this in Kathmandu, at least in the government, was favourable, but Nepalese officials were conscious of the growing suspicions of India's intentions. The Finance Minister, Subarna, was forced to take account of these feelings in his statement on the Indian assurances:

I want to make it clear that the Indian government has not attached any strings to assurances of economic aid. . . . While taking economic aid and technical aid our government will not accept such terms as shall endanger our sovereignty and independence. . . . You will surely join me in thanking the Indian government for its help and cooperation in our time of need.⁶

³ India, LS Deb., 1952, pt 2, vol. ii, no. 3, col. 1969.

⁴ *The Statesman*, 17 June 1951.

⁵ India, LS Deb., 1952, pt 1, vol. i, no. 12, col. 486.

⁶ *Nepal Gazette*, 3 Feb. 1952.

In March 1952, a ministerial delegation from Nepal came to discuss plans with the Indians; or rather, it came to discuss the lack of plans. It was agreed that a team of experts from the Indian Planning Commission should go to Nepal to make an assessment of Nepal's needs, and that Indian aid should be in the form of a loan.⁷

The Indian team arrived in Kathmandu in June 1952, and on its return

suggested that a comprehensive development plan for Nepal could not be attempted satisfactorily at this stage because of the lack of basic data. Therefore the main emphasis should be on the creation of a sound administrative and financial system, collection of basic data, and survey of important resources. Special stress was laid, however, on the development of communications.⁸

In reporting on the team's findings eleven months later, Nehru noted impatiently that Nepal's reactions were still awaited. This delay should not have been surprising. The Indian experts had suggested intensive Indian participation in the Nepal administration. Though this may have been an effective solution for troubles in an Indian state, it was bound to cause controversy in a sovereign nation in which suspicion of India was profound. Nevertheless a number of the recommendations concerning the training of Nepalese officials in Nepal's ministries were eventually accepted.

Nepal was extremely interested, however, in Indian assistance in the development of communications. The ministerial delegation which, in March 1953, had laid the groundwork for the Indian mission's visit, had also asked India to help build an airport for Kathmandu and a road from Kathmandu to Raxaul, the Indian town on the Nepal-Bihar border. At the time, India had agreed to finance the airport, but had put the road request aside for study. After the 1952 mission's report, it determined to go ahead with this project also.

The construction of both projects began in 1953, with estimated costs set at \$1.92 million for the road and \$147,000 for the Gaucher (Kathmandu) airport, both sums to be deducted from the still unspecified Indian loan to Nepal.⁹

The manner in which these projects were carried out revealed the direction of Indian thinking about aid to Nepal at the time. Both the road and the airfield were built by Indian Army engineers

⁷ India, LS Deb., 1952, 1st sess., App. I, Annex 27, p. 58.

⁸ Ibid. 1953, pt 1, vol. ii, no. 31, col. 3096.

⁹ Ibid. 1953, pt 1, vol. v, no. 4, col. 174.

with little Nepalese participation. Nepalese involvement was limited to supplying unskilled labour. No effort was made to utilize the construction phase as a training period for Nepalese who would later build roads and airports or, more important, maintain the two facilities being built.

Given the chaotic conditions then prevailing in Nepal, this may have been the most efficient approach in terms of getting the job done. But it contributed little to the Nepal government's ability to assume later responsibility. This is not to imply that the Indian government was consciously attempting to curtail Nepal's future self-reliance, but rather that India at this time tended to assume that what was good for Bihar or Uttar Pradesh was good for Nepal. In much Indian thinking Nepal was still a part of India. In July 1952, for example, the Indian Minister of Commerce and Industry, T. T. Krishnamachari, speaking of salt imports, said that salt 'is in great demand even in certain parts of our own country such as Uttar Pradesh, Bihar, West Bengal, Nepal, &c'.¹⁰

India's early economic aid to Nepal, therefore, placed little emphasis on one of the two major assumptions underlying American assistance. While accepting the thesis that economic progress was necessary to political stability (India's adherence to this view will be discussed below), India had little interest in building up the *de facto* independence of the recipient of its aid. In contrast to the American view that only a strong state was proof against subversion, India appears to have deduced that Communism as represented by China was best excluded from Nepal by the maintenance of the kingdom's special (economic and political) relationship with India. The two projects begun in 1953, in addition to being economically valuable, had the advantage of facilitating this relationship.¹¹ The road from Kathmandu to Raxaul, known as the Tribhuvan Rajpath, not only opened the Kathmandu market to trade with India, but it facilitated the defence of Kathmandu by the Indian military. Gaucher airport, then the only airfield in Nepal, made possible quick and reasonably reliable travel from Delhi, Calcutta, and Patna to Kathmandu. The runway was only long

¹⁰ India, LS Deb., 1952, pt 1, vol. ii, no. 12, col. 2070.

¹¹ This fact was never admitted publicly by an Indian official. In contrast to the United States, where the aims of economic assistance were widely debated, there was no parliamentary debate of the purposes of Indian aid. That there might be political motivation underlying the aid was simply not admitted. In this study, motivation is inferred from the nature of the aid itself.

enough for Dakota aircraft and was not designed for expansion which would permit larger aircraft coming from other countries (or over the mountains) to land. Such an expansion required the construction of an entirely new runway—a project which was not taken up for a decade, and then only by the United States.

These two projects constituted physical bonds between India and Nepal. This fact was emphasized by the continued Indian participation in their operation. Seven years after both were completed, India still had control of their administration and maintenance.

Despite relatively rapid progress (the Rajpath and Gaucher airport were largely completed in 1955 and 1954 respectively), the Indian programme as it was constituted proved to have serious limitations.

Limitations of Early Indian Aid

As isolated projects, the road and airport were successful. They served as highly useful additions to Nepal's economic infrastructure. But they could not, and did not, act as prime movers in the nation's economic development. As capital projects which themselves could produce little revenue, these two facilities could only be expected to make a long-term impact.

Nepal's economic needs, however, soon appeared to India to be too urgent for such an approach. Because of continuing political instability, the economy had deteriorated. As discussed earlier, the currency underwent rapid inflation, and the exchange rate dropped drastically. Nepalese private capital, which had been badly frightened by the collapse of most Nepalese industries after the Second World War, was now finding its way into Indian banks—a safe refuge from the uncertainties of Nepal. The economy, it became clear, required some immediate stimulation if it were to be prevented from retrogressing. The cost of capital projects was far higher than expected, moreover. The Rajpath, for which \$1.92 million was originally budgeted, consumed \$9.7 million by 31 March 1962.¹²

A final argument for a new approach was the need for goodwill. In the years after the 1950 revolution, anti-Indian feeling grew steadily. The worse conditions became in Kathmandu the stronger the resentment against India. In March 1953 the Nepali Congress Working Committee called on India to withdraw its civilian

¹² Figures supplied by Min. Econ. Affairs, 1962.

advisers and military mission in the interests of 'healthy relations between India and Nepal'.¹³ The ill will felt towards India came to a head in May 1954, when an Indian parliamentary delegation to Nepal was greeted by an angry mob. As the delegates drove into Kathmandu, their cars were stoned. Then, as later, the feeling was attributable to mistakes on both sides. Nepalese politicians tended to use India as a scapegoat for their own inability to govern properly. India, with its ambiguous policy towards the kingdom, exacerbated this feeling; and individual Indians too often treated the Nepalese with ill-concealed contempt.

To deal with the increasingly critical situation, India now took steps which eventually led to its involvement in a broad spectrum of aid projects. In 1954 the Indian government dispatched a senior ICS officer to Kathmandu to establish a technical assistance mission and to co-ordinate the efforts of various technical advisers seconded to Nepal. The office he set up, known as the Indian Aid Mission (IAM), became the administrative centre for numerous projects initiated by India.

India's first experience in channelling aid through the government of Nepal came at this time. (Administration, as well as construction, of the capital projects had been handled by the government of India.) In response to the urgent need for improved medical facilities in Nepal, India in 1954 donated beds and equipment for a 500-bed hospital. This gift had questionable economic value, but it was potentially an excellent goodwill gesture, as well as being a humanitarian step. The gesture, as far as the Nepalese people were concerned, was never to reap any dividends. After its arrival in Kathmandu, the equipment was swallowed up, never to reappear. An American adviser mentioned having seen it in 1958, but that was the last official or semi-official recognition of its existence. Like so many commodities that simply disappeared from view later on, the hospital beds probably fell victim to the inadequacies of the civil service.

India's next move indicated the extent of the change in Indian thinking on aid to Nepal. Nehru announced, on 8 September 1954, that India would grant Nepal \$1·2 million for irrigation and drinking-water projects.¹⁴ The funds would be handed over to the government of Nepal, and Indian advisers would help only as required.

¹³ G. Jain, *India Meets China in Nepal* (1959), p. 96.

¹⁴ India, LS Deb., 1954, pt 1, vol. iv, no. 13, col. 820.

A number of changes in approach were implicit in this grant: first, the fact that it was a grant—previous doctrine had been favourable to loans only.¹⁵ Second, direction of the projects was to be in Nepalese hands. This appears to have been a concession to Nepalese nationalist sentiment. Third, the agreement called for a number of projects. Therefore, no one project would be large. In addition, irrigation projects theoretically yield an almost immediate return. India was thus shifting towards small, short-term, high-yield projects. Fourth, the inclusion of drinking-water projects in the agreement manifested the more overtly political content of the aid. Drinking-water systems, like hospital equipment, could only have an indirect impact on development. They could, however, be tangible evidence of India's goodwill towards Nepal. Finally, India's interest in irrigation was a departure in the sense that this was a type of project which could have an immediate impact on the productivity of Nepal's economy.

The Indian aid programme was now vulnerable to the chaos prevailing in the government of Nepal. For economic and political reasons, India had ceased to give first priority to efficiency, as it had in its earlier projects. The much broader range of projects now undertaken would confront India with considerable difficulties, as was apparent from the fate of the hospital equipment and the irrigation money, both of which were put to uses never intended by the donor. Though no breakdown of how the money was spent exists, an idea can be gained from Paul Rose's assessment that the irrigation project was, in a word, a 'flop'.¹⁶ A more substantive commentary was the resumption of Indian control over aid funds in 1957.

During the period 1951-7 India also placed increased emphasis on scholarships for Nepalese students. In 1951 only 2 scholarships were made available; by 1954 the number had risen to 76, and in 1955 to 118.

A Formless Programme

The inclusion of scholarships in the Indian programme added, in retrospect, to the formlessness of the programme as it was consti-

¹⁵ After this time, no further mention was made in the Indian parliament of the loan against which the two capital projects were to have been credited. Sums spent on them became grants.

¹⁶ P. W. Rose, *First Years*, v. 106.

tuted at the end of the period. Indian aid then consisted of work on the Tribhuvan Rajpath, the irrigation project for minor canal construction which was to be completed in 1955 (but was not), scholarships, the appointment of advisers to the government, and a few even smaller items. A sufficiently great sense of urgency had been generated to produce a change in content and method in 1954, but the urgency was not felt strongly enough to give Indian aid the administrative push needed to make the programme coherent or the financial backing to make it effective. As it stood, the programme was a mixed bag of economic tools intended to accomplish a number of very different economic and political purposes.

The two capital projects had military as well as political and economic aims. At least one of the political goals appears to have been the strengthening of ties between Nepal and India. In so far as the projects facilitated communications and commerce, this aim was achieved. Because of the manner in which the projects were carried out, however, the growing feeling against India was heightened. The irrigation and drinking-water projects, and the hospital gift, clearly were in part intended to counter this trend.

India's attempt to win support, as well as to stimulate the economy, by a large number of small irrigation and drinking-water schemes, reveals that it, like the United States, adhered to the view that the mass of Nepalese people were both eager and ready for change. The schemes could not achieve any substantive goal unless this were true.

An analysis of the Indian aid programme at this point, however, must take into account the crucial fact that the word and concept of 'programme' is misleading. Unlike the United States, which intended from the beginning to operate a full programme of assistance to Nepal and therefore established a mission immediately, India entered the field of aid almost unwillingly. For the first two years, all Indian aid was in theory to come from a loan to be made to Nepal, and the Indian mission was not established until 1954. Indian aid was the outcome of various needs which became evident in the course of Nepal's first turbulent years of what was ironically called 'democratic rule'. The importance of this early aid was not in what it accomplished, but in the groundwork it laid for the larger programme which new imperatives demanded after 1956.

AID FROM OTHER SOURCES

The activities of the United Nations and the Ford Foundation, the two other bodies that gave assistance to Nepal in the 1951-4 period, do not strictly fall within the scope of this study. Aid rendered by the United Nations did not reflect any one policy, but rather a collective and constantly changing policy hammered out through successive compromises. The Ford Foundation was a private organization whose policies were those of its directors, though Ford aid usually complemented official United States aid. A few details of the United Nations and Ford programmes are given here because these two programmes made a noteworthy impact on the environment in which the other, national, programmes operated.

United Nations assistance to Nepal was first sanctioned on 19 February 1953, in an agreement under which the Organization contracted to give Nepal assistance consisting of funds for small demonstration projects, scholarships, experts, and (presumably financial) aid for the administration of pilot projects. The United Nations would pay salaries and travel expenses (outside Nepal) of its officers. Nepal would finance internal travel in Nepal, office space, clerical assistance, and subsistence allowances.¹⁷

As in the WHO project described in connexion with the American malaria eradication scheme, all United Nations projects were managed by United Nations personnel. This acted as a severe limitation on what the Organization could undertake, but increased the chances of success. A further guarantee that the assistance would not be wasted was the agreement extracted by the United Nations from the Nepal government to continue the projects and, perhaps more important, to keep personnel trained by the Organization on the job after the United Nations departed. These provisos ensured that the government of Nepal was enthusiastic about a project before consenting to it—a valuable stipulation, as was proved by the number of other projects to which the government was persuaded or prodded to agree which later died from government apathy or administrative sabotage. The significant United Nations projects begun during the period were the malaria programme, a nurses' training hospital, and dairy development by the FAO. Experts in geology and administration also came to Nepal during the period to act as advisers to the government.

¹⁷ UN-Govt of Nepal Agreement on Technical Assistance, 19 Feb. 1953.

As with many other donors, the Ford Foundation began by underestimating the problems it would face in Nepal. The Foundation's first move was to grant the government \$150,000 in 1954 to cover the costs of cottage industry and domestic-science training centres for a three-year period. Ford technicians were to act as consultants and, according to the Ford–Nepal agreement of 28 April 1954, 'a highly competent senior officer' was to give full-time leadership to the projects.¹⁸ Ford soon learned that there were few such men available, and that in the circumstances it was too risky for a Nepalese official to make the decisions essential to such a project. In later agreements, the handling of cash was brought back under Ford control.

The purpose of the cottage industry centre was to emphasize 'the revival of some of Nepal's oldest expert crafts—wood carving, the printing of cloth, the making of usable styles of the intricate stone-studded jewelry characteristic of Nepal'.¹⁹ At the domestic-science school, young girls from the villages were to be taught modern sanitary techniques and new ways of using traditional facilities and implements. In time, the content of the cottage industry centre changed, shifting to an emphasis on mechanical skills. It was not surprising that little could be gained from spending thousands of dollars to train Nepalese in making crude arts and crafts for a tourist trade which hardly existed.²⁰ It is still difficult to assess the merits of the domestic economy programme. One can only ask if a poor and primitive rural society is likely to be receptive to new methods of sanitation, cooking, and child care, unless these innovations are accompanied by a possibility of higher living standards.

¹⁸ Agreement between the Govt of Nepal and the Ford Foundation covering assistance by the Ford Foundation to the Govt of Nepal, 28 Apr. 1954.

¹⁹ Ford Found., *Ford Foundation in Nepal, 1954–60* (1960), p. 3.

²⁰ In 1957 only 1,857 tourists came to Kathmandu by air (no other reliable means of entry existed) (USOM, *Econ. Data Papers*, iii/1 (Jan. 1961), p. 53).

PART II:

1955-8

VI

The Political and Economic Scene, 1955–8

THE accession of King Mahendra to the throne in 1955 marked a watershed in Nepal's domestic and international politics. From this point, there was a quickening in the pace—and variety—of events. Aid efforts, too, accelerated and became increasingly more complex. This chapter outlines the flow and character of the changes which occurred in the period between the king's accession and the general election in 1959. Succeeding chapters examine in detail what happened within the various aid efforts.

Crown Prince Mahendra returned from his father's bedside in Nice a relatively unknown quantity. Few of the politicians caught up in the swirling struggle for power realized that the assumption of power by this taciturn 34-year-old figure would have profound repercussions on their personal fortunes. To those who listened carefully, however, there were indications that a change was coming even before Mahendra returned to Kathmandu. From Nice the crown prince had issued the following statement on Nepal's Democratic Day—18 February, the anniversary of the day when King Tribhuvan returned to Kathmandu in triumph in 1951—in which he said: 'Today marks the completion of four years of democracy in the country, but it is a matter of great shame that we cannot even point out four important achievements by us during this period.'¹ He assailed the condition of Nepalese political life, and dismissed the well-worn rationalization that Nepalese democracy was in its infancy. If this was so, he said, then selfishness, greed, and jealousy were qualities of infancy.

King Mahendra (as he became on 14 April 1955, though the coronation was in 1956) had stayed in the background during his father's four-year effort to initiate constitutional government in Nepal. Father and son had little in common, and there was antagonism between them. King Tribhuvan, a mild man in ill health,

¹ *Nepal Gazette*, 18 Feb. 1955.

did not seek the near-dictatorial powers which gravitated into his hands and avoided using the powers once he had them. His son, in contrast, came on to the scene with great energy at his command. A proud, determined personality, he seemed resolved to use all the means available to him to restore order to Nepal's political life.

Direct Rule Initiated

After taking personal control of critical elements in the government apparatus (army, police, civil service), King Mahendra accepted the resignation of his Prime Minister, M. P. Koirala, and instituted a period of direct rule. In May 1955 he summoned representatives of political, religious, and social organizations to deliberate on Nepal's future. This almost futile gathering reflected the new king's impatience with political parties. Not surprisingly, the major parties balked at discussing the nation's political future in company with the Washerman's Union and the Association for the Performance of the Last Rites. Addressing the conference, minus the boycotting parties, the king derided the political parties and said democracy had been made a laughing-stock. He added that he did not intend to let Nepal be destroyed in the name of democracy. The convention, however, was almost united in demanding general elections and an end to direct rule. King Mahendra agreed to these demands, and elections were set for October 1957. The king used the direct-rule period to tone up the government machinery. He removed some corrupt officials, and he raised civil service salaries and defined the service's responsibilities. The king, in short, began to assume the powers available to him. This gave Nepal, for the first time since the revolution, a strong central authority—a change both necessary and inevitable, yet in the long run not beneficial to the cause of representative government.

Change in Foreign Policy

The period of direct rule also marked the first step in what was to be a significantly altered foreign policy. In July 1955 the Chinese ambassador to India appeared in Kathmandu at the king's invitation and opened talks on diplomatic relations between Nepal and China. There were indications that India was not consulted prior to this move. On 31 July the decision to establish relations was announced. Embassies, however, were not to be opened immediately. Business would be transacted in New Delhi by the Chinese

and Nepalese ambassadors there. At the time there was little alarm in India at the new development. An editorial in *The Hindu*, for example, stated that informed sources were not worried because it would be several decades before China, with her extensive internal problems could and would turn her attention to the south-west.² It does not appear to have been widely recognized in India that Nepal's new king had taken the first step towards a return to the traditional policy of good relations with China as a counter to Indian influence.

The king took another step in this direction on 27 January 1956, by appointing Tanka Prasad Acharaya as Prime Minister. This politician, who had little popular support, was a 'progressive', known to favour closer relations with China as a means of establishing Nepal's independence from India.

Tanka Prasad's government dropped the ban on the Communist Party and concluded a new treaty with China on the question of Tibet. As a consequence of a war in 1856, Tibet had become a tributary of Nepal and was forced to grant Nepalese traders extra-territorial rights in Tibetan towns. The new arrangement—negotiations for which were favoured by India, who wanted to settle outstanding issues in the Himalayas—permitted Nepal to retain its three consulates in Tibet but granted China the right to open an equal number of consulates in Nepal. The annual tribute (\$2,100) and extra-territorial rights were dropped.

Shortly after the treaty on Tibet was signed, Tanka Prasad journeyed to Peking. In October 1956, while in the Chinese capital, he negotiated an aid agreement. China was willing to give Nepal funds and goods worth \$12.6 million. Tanka Prasad, for reasons which will be elaborated later, wanted as much cash as possible. According to Girilal Jain, an Indian authority on Nepalese affairs, the first arrangement would have secured Nepal two-thirds of the grant in cash and one-third in kind. This was objected to by India, and the figures were reversed.³ Tanka Prasad, however, claims that he wanted half of the amount in cash and that China insisted on the final ratio for reasons which had nothing to do with India's desires.

Attempt to Allay Indian Fears

Whatever the facts may be, the agreement as signed on 7 October 1956 seemed designed to allay Indian fears, as well as the doubts

² *The Hindu*, 14 Aug. 1955.

³ Jain, p. 117.

of those Nepalese who were mistrustful of China's intentions. The agreement stipulated that no conditions whatsoever would be attached to the use of the aid and that no Chinese technician would come to Nepal. Both this and the treaty on Tibet affirmed that relations between the two states would be conducted on the basis of *panch shila*—the five principles of peaceful coexistence.

China's attempt to avoid arousing Indian suspicions failed. The aid agreement demonstrated that Nepal was slipping out of its century-long exclusive relationship with India. New Delhi's response to the new development was immediate. On 21 October 1956, almost immediately after Tanka Prasad's return, President Prasad visited Kathmandu. The Indian President spelled out India's position frankly. On 22 October he said: 'Any threat to the peace and security of Nepal is as much a threat to the peace and security of India. Your friends are our friends and our friends yours.'⁴ There are, it is obvious, only two sources of possible danger to Nepal—India and China. President Prasad reaffirmed India's oft-repeated commitment to Nepalese independence and territorial integrity and said that India would support Nepal's economic development. Shortly beforehand, India had committed \$21 million to Nepal's first Five-Year Plan.

Tanka Prasad Acharaya has often been labelled a Communist or fellow-traveller. At the time, Nepal's dealings with China were seen as the consequence of his ideological commitments. In the western and non-Communist press he was portrayed as the villain of the piece, but seen in perspective, this interpretation is inadequate. Tanka Prasad, it is true, followed policies he had previously advocated. But the king, not the Prime Minister, was the prime mover of events in Nepal. The Prime Minister held his post on sufferance. His actions had to be acceptable to the monarch, or he went. Tanka Prasad's foreign policy was a function of the king's vision of what, in terms of its national interest, Nepal required. Tanka Prasad's ideological commitments, whatever they were, were fundamentally irrelevant.

The next development in the new policy pursued by the king and his Prime Minister did little to allay India's fears. On 25 January 1957 Chou En-lai arrived in Kathmandu for a state visit. As Jain points out, the Chinese Premier had heavy commitments at the time—soothing Asian reactions to Soviet intervention in Hungary,

⁴ *Times of India*, 12 Oct. 1956, quoted in Jain, p. 118.

settling the Sino-Burmese difficulties, and assisting in restoring stability in eastern Europe after the Polish and Hungarian uprisings. That Chou came to Nepal at the time was an indication of the growing importance attached to the kingdom by China. The Chinese Premier assured the Nepalese that his country would assist in Nepal's economic development. He played on the sympathies and prejudices of his audiences. In addition to the usual fare on co-operation to prevent the resurgence of imperialism, he reminded the Nepalese of their racial ties with China. He assured the Nepalese business community that Nepalese traders would not be interfered with in Tibet. He tried to arouse latent suspicion of foreigners by warning against the activities of mountaineers who, he suggested, were penetrating into Tibet. At the end of Chou's visit a joint communiqué was issued. This was couched in the language common to Chinese pronouncements at the time: unity of peace-loving countries, Afro-Asian unity to preserve independence, etc. A further step during Tanka Prasad's term of office was the opening of diplomatic relations with the Soviet Union, and the admission of Nepal to the United Nations.

The King Visits Moscow

Relations with the Soviet Union, however, had little content until June 1958, when King Mahendra paid a state visit to Moscow. In the Soviet capital the king was appropriately feted. Mr Khrushchev, at a banquet in his honour, dangled the prospect of trade, and talks were held on the possibility of aid. The king however made it quite clear to his hosts where he stood: 'It is our declared desire to develop the country on the basis of parliamentary democracy. We cannot tolerate any interference in our internal affairs . . . we are ready to welcome all countries that want to help us in our development.'⁵ On 23 June 1958 he and President Voroshilov issued a communiqué which disclosed that the Soviet Union would aid Nepal. (Details of this development will be described in a subsequent chapter.) Finally, the Russian President accepted an invitation to visit Kathmandu.

The king's visit to Russia caused some consternation in the American community in Kathmandu, for the American mission had suggested several times to Washington that King Mahendra should be invited to pay a state visit, but no action had been taken.

⁵ *Kalpana*, 23 June 1958.

Needless to say, not long after the king's Moscow visit, an invitation to Washington was issued. To the intensely nationalistic and proud king of Nepal, this was a slight not to be forgotten, and Americans in Nepal assert that this was one of the factors leading to the cooling of relations between the palace and the American mission which occurred during this period.

Meanwhile Tanka Prasad was running into difficulties with the palace. In February 1957 two more palace appointees (there were already three) were named to his cabinet—a step which Tanka Prasad claimed made the cabinet unworkable. When the Prime Minister informed the king that he would be unable to hold elections as promised in October 1957, the king accepted his resignation.

He was replaced by the resilient Dr K. I. Singh, who only five years earlier had been officially declared an outlaw. King Mahendra directed Singh to form a coalition government, but there was such suspicion of Singh that no other party was willing to join him. Singh thus formed a government consisting of members of his own party, the United Democratic Party, and three royal appointees.

That a change in the direction of foreign policy was coming should have been evident from Singh's activities in the preceding months. Singh, once a target of Nehru's biting sarcasm, had journeyed to New Delhi, apparently to mobilize support for his candidacy to the premiership. He met Indian leaders, including Nehru, and made public pronouncements clearly intended to allay Indian doubts about his intentions. Now that he had attained the premiership, he stated that Russia and China would not be permitted to establish embassies in Kathmandu. Nepal would continue to conduct its business with overseas powers through its embassies in New Delhi and London. He declared that his government would support India over Kashmir and, in a peculiar move, denied that Nepal had ever ratified the 1956 treaty with China on the Tibet question. He asserted that he believed the treaty to be unfavourable to Nepal, a not unjustified comment considering that Nepal had lost all its previous privileges and gained no new concessions, but that China had received the significant right to establish consulates in Nepal.

Criticizing these policies of his successor, Tanka Prasad accused K. I. Singh of being a 'paid agent' of India. The former Prime Minister and his party denied that their party had been dismissed because of a failure to hold the elections. Rather, they said, they

had been ousted because of their foreign policy of neutralism, i.e. between India and China. Though other factors were probably also responsible, the party's claim would seem at least partly justified. The palace had called on Tanka Prasad knowing of his inclinations in foreign policy and had encouraged his moves. But the shift away from the close alignment with India had gone far enough—for the moment.

Another Government Falls

K. I. Singh lasted less than four months: he took office on 26 July 1957, and went on 14 November 1957. It will suffice here to state that he had been chosen on the assumption that he would co-operate with the palace; he was removed because he refused to do so. Singh tried to go beyond the limits of his real power; for example he attempted to reform the palace secretariat, and was consequently dismissed. With this third change of government in less than two years, the civil service was again purged—as it was with the arrival of every new government. The consequences of these purges will be discussed in Chapter VII. While Singh was still in office, the opposition parties launched a campaign for an early general election. King Mahendra eventually agreed to an election on 18 February 1959, a date later than the politicians would have liked. With this fundamental issue resolved, the way was open for co-operation between the leading opposition leaders (mainly in the Nepali Congress) and the palace. On 15 May 1958 the king organized a multi-party government which included representatives of the two largest parties, the Nepali Congress and the *Gorkha Parishad*. In agreeing to come into the government, however, the Congress had given up its demand that elections should be held to select a constituent assembly, as promised by King Tribhuvan, rather than a parliament, to be convened under a constitution drawn up by experts responsible only to the monarch, as desired by King Mahendra. This decision, made three days after the election date was announced, may have been unavoidable because of the strength of the king's position and the weakness of the party's. But it ensured the continued primacy of the crown and the ultimate downfall of the Congress government.

Now that they were faced with the prospect of actually having an election, a number of the parties—especially the smaller ones—got cold feet. They feared, with justification, that a vote would re-

veal their weakness. More disinterested groups were disquieted because they believed that no one party could win a majority and that therefore Nepal would be saddled with the burden of long-term coalition government and parliamentary strife. It was a testimony to the king's determination to hold the election that the various attempts at procrastination and the intrigues within the political community could not deter election preparations.

The 1959 Election

As the election approached, the parties met to write their platforms. In the process one of the basic weaknesses of Nepalese policy was strikingly illustrated. From Communists on the extreme left to *Gorkha Parishad*, ostensibly on the extreme right, there was a remarkable similarity in stated aims and purposes. Everybody was for land reform, social reform, equitable distribution of wealth; and, with the exception of the Communist Party—which had just decided to stand for a Republic—all advocated constitutional monarchy. All parties were pledged to work for international goodwill and understanding and for friendship with Nepal's neighbours.

To most of the politicians, these planks were basically unimportant. The exceptions were a minute, though distinguished, minority. For the parties were not rooted in different social or economic groups. The fact was that the membership of all of them was drawn almost entirely from the same group—the educated members of the landholding elements of Nepalese society. Even the urban middle class, which supplied many of the politically active, based its position and economic standing on landownership. That political parties based on such a landed group with its many vested interests in the *status quo* advocated such sweeping reforms was a testimony to the power of liberal ideas entering from India. That few politicians set any store by attempts to implement such policies was a reflexion of the realities of a political structure wherein all were vying for the support of the very group which stood to lose the most by profound reform. Even the Communist Party was drawn from the middle class and considered this class's needs first. In the party's election manifesto much was said of the deplorable conditions of the middle class, and pledges were given to 'make all efforts to utilize their ability and constructive power for the construction of the country'.⁶ This lack of opposing interest groups, common to

⁶ *Navayug*, 26 Nov. 1958.

many underdeveloped states, made the prospects bleak for representative government in Nepal.

The elections of 1959 began in February amid widespread fears about possible results and a campaign of invective on all sides. B. P. Koirala, the Nepali Congress leader, was accused of taking money from Pakistan. K. I. Singh claimed that the United States was determined to ruin him. The Communists said that the Nepali Congress was in alliance with feudal elements, and Congress supporters in turn asserted that Nepal would be taken over by the Russians if the Communists were successful. It was indicative of the sensitivity of Nepalese political life to external winds that much of the campaign rhetoric centred on ostensible activities by foreign powers. The actual intervention of foreign governments in the election is difficult to prove. India and America, it is almost certain, financed the Nepali Congress. The Communist Party appears to have been helped by the Indian party. China and Russia do not seem to have had a financial stake in the election. Neither power was represented in Kathmandu at the time.

The elections, which ran from February into May, went extremely smoothly and 43 per cent of the voters (universal suffrage had been granted) voted. Films on how to run elections and vote in them, technical advice, and radio teams supplied by India and Britain contributed to the efficient working of the election machinery.

To many, the results were a surprise. The Nepali Congress won a clear victory, taking 74 out of 109 seats in the lower house. Next came the *Gorkha Parishad* with 19 seats. Only four seats were won by the Communist Party, and the party's leader failed in his own election bid. Ex-Premier Tanka Prasad Acharaya lost his deposit, and another former Premier, K. I. Singh, failed to win a seat.

The new constitution under which the government was to be formed had been drafted with assistance from Sir Ivor Jennings and outlined a structure similar to the Westminster model, i.e. two houses with the lower elected by universal suffrage, the other—a less powerful body—appointed half by the king, half by the lower house for life. The king was empowered to assume all powers if he deemed that a grave emergency existed. In effect, he was granted the right to suspend the constitution.

A Nepali Congress majority was certain well before the voting ended; but the king, who was not pleased at the prospect of having

B. P. Koirala as Prime Minister, delayed establishing the new government. However, there was, for the moment, no way out. Thus, on 27 May 1959 the Nepali Congress formed its first government, under the man who had been the party's brightest figure since its inception. In Nepal it was a moment of hope qualified by memories of the years of strife and stagnation.

Summary of Political Changes

The political and economic landscape of the nation had altered significantly during the period following the king's succession. King Mahendra's government had reversed the century-long policy of sheltering exclusively under the Indian wing and embarked on what came to be called a policy of 'Himalayan neutralism'. Though this policy was carried out sporadically, the result was a substantial weakening of Indian influence in the kingdom.

Domestic changes were less perceptible. Most prominent were the passage of two land-reform laws, in 1955 and 1956. One required landowners to register their land; the other set a rent ceiling at 50 per cent of the tenant's gross crop. Neither measure met with any success, for they were enacted without knowledge of the prevailing conditions on the land or understanding of the problems of land reform. Unpleasant provisions were ignored. The rent ceiling was meaningless because it ignored the fact that tenants had to borrow from the landlord, often against their will and at such high rates that actual rents, even with the restriction, could still be as high as 80 per cent. The 1956 law seems to have had two results. Landlords who had charged less than 50 per cent now raised their rents and, fearing a provision which gave registered tenants tenure, evicted numerous tenants to whom this provision might soon apply.

Nepal's administration improved slightly during the period. The king gave some direction to his government, but the scope of his opportunity to tone up the administration was limited by his separation from the day-to-day workings of the secretariat. Civil service appointments continued to be made on a political basis, and thus most civil servants could not help remaining preoccupied with the difficult business of staying in office—to the exclusion of other matters. As a consequence, the period witnessed widespread lawlessness, inefficiency, and corruption.

The aid programmes operating in Nepal suffered accordingly. Their problems, and reactions to them, will be discussed in detail

in succeeding chapters. Here it is intended to outline the thinking on development current in Nepalese official circles during these first four years of the king's reign.

Nepalese Development Planning

In 1956 the government published a Five-Year Plan which had been drafted with the assistance of a United Nations adviser, Harry B. Price. The broad goals set out in the official introduction are difficult to quarrel with. A development effort, it was said, must be rooted in the real wants and aspirations of the people and have their support. Furthermore, the objectives must be more than desirable; they must be 'sensible, just and attainable'. The plan, it was stated, set out a 'practical' programme whose central purpose was to 'raise production, employment, standards of living and general well being throughout the country'.⁷ This assertion of the practicality of the plan as set forth was qualified by an assertion that planning in Nepal was of necessity a rough-and-ready process because of the lack of statistical data. A preliminary assessment of the status of the economy would be made in the winter of 1956-7. The draft plan, therefore, was subject to revision.

Before setting out specific goals, the document stressed, in language which manifested western liberal influences, the importance of ensuring that the entire population would reap the benefit of the plan. It was also specified that the government would be pragmatic on the question of state versus private ownership, for it was recognized that the state administration was already heavily overburdened and that therefore private interests should make a substantial proportion of new investments.

On the question of sources of finance, there were also cautious words:

It is expected that during the first years of developmental efforts we shall, due to our limited resources, rely heavily upon foreign aid. But it is most important that we do not become over-dependent on such assistance. Aid should never be regarded as a substitute for our own efforts . . . upon which our reliance must be based. . . .

To rely wholly upon external aid would not only be damaging to our national self-interest and our capacity to manage our own affairs; it would also be futile, for in the absence of a strong effort on our part, that aid would soon dry up.⁸

⁷ *Draft Five Year Plan; a Synopsis* (1956), p. 1.

⁸ *Ibid.* pp. 8 and 12.

This hard-headedness was not reflected in the plan itself. In the five-year period it was planned to spend \$45.5 million. According to the plan, current revenues were running at \$4.8 million while expenditures were up to \$6.9 million. The plan would nearly double government expenditure. At least \$23.5 million, it was asserted, would need to be added to revenues to wipe out the deficit in the regular budget (\$10.4 million) and to finance Nepal's contribution to the development plan (\$13.1 million). This amount was expected to come from overseas and domestic bond sales and from increased taxes. As the United Nations public finance adviser, Eric Himsworth, points out, this was entirely unrealistic on two counts.⁹ First, such an increase was highly unlikely. There was absolutely no demand for Nepal bonds either abroad or at home (no issues had been floated by the end of 1962) because of the poor economic and political condition of the nation. The political implications of increased taxation—not to mention the difficulties of administering it—had not been considered. Second, the civil service was unable to cope with the amounts it was then handling. It was unwarranted optimism to think that it could suddenly adapt itself to administering up to twice as much expenditure per annum.

The ideal of not relying heavily on foreign assistance did not fare well, even in this optimistic forecast. A total of \$17.2 million was already committed. Figuring on the \$13.1 million contribution by Nepal, another \$15.2 million would be needed from overseas sources. At best, therefore, 71 per cent of the plan would require foreign financing.

Projects outlined in the plan covered a wide range of fields but emphasized agriculture, transportation, and power. There were also provisions for expenditure in the fields of land reform, statistics, industry, communications, and allied fields. Industry, surprisingly, received an allocation of only \$2.6 million, or less than 6 per cent.

A Limited Plan

The plan represented the most sophisticated thinking in Nepal on development at the time, but it must still be concluded that it was basically no more than a catalogue of wants and desires or, as critics have put it, a 'shopping list'. Its unjustified optimism not-

⁹ UN, Dept of Social & Econ. Aff., Tech. Assist. Ctee, *A Report on the Fiscal System of Nepal*, by E. Himsworth (1959), p. 90.

withstanding, the plan could not have been much more. Neither the planners nor anyone else had more than an intuitive assessment of Nepal's resources to go on. In fairness, the Nepalese had little or no experience in any kind of planning. The most that can be said is that the plan showed a lack of good advice or, if such advice was given, an unwillingness to take it.

Criticism of the plan, however, is academic. The document was given to the government in 1956. Tanka Prasad ignored it. Little notice was taken of it until well into 1957. Even when the plan was supposedly being acted upon, by 1958, decisions on expenditure were usually made without reference to it but were rather the product of what Himsworth calls momentary enthusiasms of the various ministries which competed with each other to come up with the most attractive projects—on paper. The plan never played the role marked out for it, namely to give a sense of direction and coherence to the multi-faceted development effort.

The increasing interest in development during the period was accompanied by a decline in the state of Nepal's finances. Since the revolution, expenses had risen steadily, but revenues had not kept pace. As a result, the government ran a nearly constant deficit. This fact was not revealed by the budgets as published (when they were published) because of the peculiarities of Nepalese book-keeping methods. Himsworth estimates that between 1951 and 1958 a total deficit of \$7.2 million accumulated. This was met by drawing on reserves inherited from the Ranas. A result was the steady rise in prices during the period.¹⁰ From 1954 to 1959, for example, prices in Kathmandu rose—on an index where 1959 = 100—17 points from 83.¹¹ The imminent exhaustion of the reserves put the government in a difficult position. During the years 1954-6 development projects could be financed by funds in an account established with a British grant made in gratitude for Nepal's assistance in the world wars. But this source showed signs of drying up. This fact partially explains Tanka Prasad's eagerness to obtain a cash grant from China in 1956. The sum he received was put into a special account and thereafter financed Nepal's share of existing development projects and especially those run, ironically, by the Americans. An

¹⁰ Ibid. p. 88. The impact upon prices of utilizing these previously withheld cash resources was pronounced, Himsworth notes, because of the lack of a flexible supply of consumer goods.

¹¹ USOM, *Econ. Data Papers* (Jan. 1961), p. 3.

American aid official summed up the value of China's contribution. The money, he said, 'saved the bacon'.

By 1959 the financial position of the government was serious. The reserves were virtually depleted, and the kingdom had no funds with which to finance many of its activities. The formation of a state bank in 1957 eased administrative problems, but the straightforward problem of a shortfall of revenue remained.

VII

United States Assistance

WRITING several months before the death of King Tribhuvan, Paul W. Rose, director of the American mission, made an assessment of the situation in Nepal which hinted at the course the United States would take in the ensuing years. The government, he wrote, was unstable, and the nation was making a 'bumpy transition from autocracy to democracy'. Nevertheless, Nepal was now a democracy, however fragile. Rose looked at the prospects with qualified optimism: if, he said, the

masses of Nepal's people can be expected to assume their role in the new democracy, there must be a widespread change of attitude about the responsibilities of individuals and villages in national life. . . . Evidence has been observed during the past two and one half years to indicate that the solution of these [problems] is possible within a reasonable period of time provided there is no widespread uprising.¹

The critical points here were, first, that Nepal was a 'new democracy'—presumably because its government was made up of 'popular' representatives—and second, that the greatest threat to the government was the lack of mass participation in it. From the American standpoint, this meant that on the one hand the government deserved support, and on the other that priority had to be given to programmes which would result in its getting widespread backing from the population.

Political stability therefore remained the immediate goal of the American programme, and economic projects would be chosen which would contribute to this end. The ambassador, Ellsworth Bunker, implied this when he said, in 1958: 'We are helping Nepal . . . because we feel that political independence is not enough; if political independence is to be maintained and safeguarded, economic independence must go hand in hand with it.'² Political independence in this context meant keeping out of power internal forces,

¹ USOM, *Nepal*, p. 8.

² USIS, *Six Years of Nepal—America Cooperation, 1952-8* (Kathmandu, 1958), p. 7.

i.e. the Communist Party, which would subordinate the nation to external powers.

Continuity in Programme

The continuity in aims and priorities fostered a parallel continuity in the content of the American programme during the first years of the 1955–8 period. The changes that occurred, as in the preceding period, were, with one exception to be discussed below, methodological. But these changes had far-reaching political repercussions.

As has been seen, before 1955 the preponderance of American funds and attention had gone into agriculture, village development, health, and education because these fields were thought to offer the best opportunities for increasing support for the government and for widening the base of the government. The year 1955 saw a rapid expansion in the number of projects being carried out. To list just a few: in agriculture the mission initiated a project of 'agricultural engineering'—the establishment of a workshop to make and demonstrate new farm implements. The first 'fish farms' (artificial ponds for fish breeding) were opened in the hope of starting a new rural industry. Work began in plant protection through insecticides. Farms to grow medicinal herbs were established with the object of tapping a considerable export market. In education the process of opening new primary schools continued. In 1954 a number of mobile training schools for teachers had been opened, and plans were under way to start an adult education programme in 1956. In health, the mission had financed a nurses' training programme and a health assistants' school; and a hospital construction plan was in process. In mineral exploration, a survey of the countryside continued, and plans were made for the construction of a Bureau of Mines laboratory. The village development programme was expanded.

Most of the projects operating at the time were, of necessity, manned and administered by the government. As the number of projects grew, the small number of Americans assigned to the co-operative services became increasingly unable to exercise direct control. Concurrently, the emphasis of the American effort gradually shifted from straightforward administration of projects to the use of projects as a means to develop government institutions capable of carrying out even larger programmes on their own. To this

end, the projects themselves were complemented by training a growing number of technical personnel abroad.

This approach was essential if the American desire to make a nation-wide impact was to be fulfilled. Paul Rose gave the rationale for this desire when he wrote that there was a need for 'large scale organized mass contact if the programs were to be successful'.³ A mission report of 1959 was more specific: 'The need to expand these (government) services to every district, every area, every village is essential to the successful establishment of a democratic way of life. . . . Only as a government shows a satisfactory response to the felt needs of its people can a democratic government exist.'⁴

In practice, this approach generated formidable difficulties. As the same ministries which the projects were intended to develop had to administer them, trouble was inevitable. The whole approach could be compared to picking up a chair while sitting on it. But given the limited funds and personnel at the American mission's disposal, and the mission's determination to have its projects make as wide an impact as possible throughout the nation, there was no alternative.

Evaluations of the Programme

The aid literature of the period is a catalogue of acknowledgments—often bewildered—of failure. Projects did not live up to their promise because of incompetent management or planning or execution. Writing on the agricultural programme, one American adviser noted that the conditions for success were present but that, despite this, only 'limited progress' was made. He attributed this to 'Unrealistic plans . . . poor organization of the Department of Agriculture . . . inefficient administration and fiscal procedures . . . ineffective project supervision by the host government . . . [and] low morale of host government personnel.'⁵ The writer noted that of all the difficulties encountered, only the ruggedness of the environment was of a non-managerial nature. He stated that some progress had been made in management. Changes of government and, consequently, ministry personnel tended to wipe out these gains. This problem will be discussed below.

³ *Sharing Our Progress, a Preliminary Report of U.S. Operations in Nepal, 1952-8* (unpubl. paper presented at Princeton Univ., May 1958), p. 3.

⁴ USOM, *Summary of US Cooperation*.

⁵ ICA, *End of Tour Report*, by Dr C. Gray III (1961), pp. 4-5.

A document which spoke of the 'confusion, frustration, lowered efficiency and, consequently, a less than satisfactory rate of progress'⁶ in technical areas of agricultural extension, revealed a feature which reflected the over-extended nature of the entire agricultural programme. This was the marked inability to spend the funds available. Of the \$125,000 available in fiscal 1956, only \$22,000 was expended. In 1957 the amounts were \$160,000 available and \$80,000 spent; in 1958 \$124,000 and \$98,500; in 1959 \$155,500 and \$94,000.⁷ It should be noted that much of the increase in expenditures covered such recurring costs as salaries of the growing number of civil servants hired to carry out new and planned projects.

But administrative problems were not the only ones facing USOM. Having chosen to work through the government and to base much of its programme on building institutions within the government, it found its programme highly vulnerable to the winds and storms of contemporary Nepalese politics. Dr Raymond Stannard, the chief public health adviser, described an incident which was typical of the consequent difficulties. In 1956 he determined that Bir Hospital, Nepal's major medical institution, required a radical reorganization if any progress were to be made in raising its very poor standards. He therefore drew up a proposal for the reorganization and modernization of the hospital and submitted it to the director of health of the government. The director approved it and sent it on to the deputy secretary of health, who then submitted it to the secretary. Finally, the proposal reached the minister. This official was ostensibly in the process of making a decision when the government resigned.

Stannard now began again. The directorate of the co-operative health service called a meeting of Nepalese, USOM, and WHO officials, and a revised constitution for the hospital was worked out by all of them. This was now given to the hospital's legal department, which revised it again and sent it up the line. The minister reviewed the case and formed a board of Nepalese, USOM, and WHO officials to reorganize and operate the hospital. For the first time it seemed that some progress was about to be made. But then, at this brighter moment, the government resigned.

⁶ USOM, *Proforma of Overall Project in Agriculture* (Kathmandu, 16 Aug. 1961), p. 7.

⁷ *Ibid.* p. 3.

A Lack of Continuity

Had there been a civil service to carry out such non-controversial decisions, and had the incoming government been willing to accept decisions made by previous governments, changes of government might not have made such a devastating impact. But the civil service was not continuous. Higher officials and even middle-rank officials were usually changed with every shift in the cabinet. And Nepalese politicians, in their eagerness to dissociate themselves from their predecessors in office, tended to scrap all existing plans. In such circumstances, the second change of government meant a second complete halt for Dr Stannard's plans. By 1958 his efforts at reorganization had collected a two-year history. But that was all.⁸ The malaise which crippled this particular effort had similar effects on numerous other USOM projects.

It was not surprising that USOM officials tended to blame the government for the lack of progress on American projects. Paul Rose told the Nepalese press in 1958 that foreign aid had not been satisfactorily utilized because of frequent government changes.⁹ The Nepalese had come to the same conclusion. Speaking on the radio in early 1958, King Mahendra told his people that 'nothing possible or desirable' had been done in the previous seven years because of the nation's political instability, and that foreign aid had not been used properly for the same reason.¹⁰ This mood of self-criticism spilled over into the press. One newspaper, for example, blamed the misuse of foreign aid on the selfishness and sluggishness of secretariat officers.¹¹

Nepalese awareness of the government's inadequacies, however, did not result in any discernible improvement. Frustrations felt by the Americans, on the other hand, may have had negative results. A vast majority of the American personnel were devoted to their work, but they were only human. One of the most effective American advisers wrote this of the personal experience of attempting to operate in the Nepalese environment:

Much could be written about the harassments, the frustrations, and the disappointments experienced almost daily. The agonizing slowness and at times utter indifference (perhaps due to lack of understanding) of the local government are enough to cause one to wonder whether the effort is worthwhile.¹²

⁸ ICA, *Stannard Rep.*, p. 18.

⁹ *Samaj*, 8 Feb. 1958.

¹⁰ *Halkhabar*, 1 Feb. 1958.

¹¹ *Ibid.* 20 Feb. 1958.

¹² ICA, *End of Tour Report*, by H. Winer (1961), p. 27.

Added to the day-to-day difficulties which the Americans found themselves facing were the anxieties inevitably caused by the fact that for most of them professional advancement depended on the opinion of departments in Washington which did not know the problems of Nepal, rather than on the mission director, who did.

Political Problems Created

The problems raised by the American approach were not limited to matters of efficiency and administration of individual projects, but included political difficulties inherent in the approach itself.

To the increasingly nationalistic Nepalese, who had not overcome the suspicion of foreigners inherited from the days when their nation was closed to the world, the sight of American technicians working in the government secretariat was bound to be irritating. The fact that Americans in the co-operative services were in a position to give orders to Nepalese civil servants added fuel to what in any case would have been a fire. For not only was the American presence a convenient political weapon (K. I. Singh, Premier in 1957, said the village development programme was an attempt 'to investigate into the existing conditions of village life in order to make us American puppets'),¹³ but also the Nepalese shared with their southern neighbours, the Indians, a suspicion that American aid had questionable motives. Rishikesh Shaha, a politician of noted integrity, reflected these doubts when he wrote of American aid: 'We must avail of such help when necessary with due circumspection and vigilance and only if it does not compromise our national honour, freedom and initiative in any way.'¹⁴

The co-operatives exacerbated such feelings. One newspaper wrote: 'We have achieved nothing through the joint fund except a sense that Nepal and the Government of Nepal have been ridiculed by letting jeeps run freely and keeping the palaces alive.'¹⁵ Another newspaper asserted that Nepal had become an unwilling partner in useless expenditures.¹⁶ A more measured criticism of the co-operatives came from *Kalpana*, a paper which supported the Nepali Congress: 'If the Americans remain directors of the program with Nepalese as their assistants, it will not be in keeping with the sentiments of the people of Nepal.'¹⁷ All Americans in the co-opera-

¹³ *Samyukta Prayas*, 3 May 1958.

¹⁴ R. Shaha, *Nepal and the World* (1955), p. 20.

¹⁵ *Samaj*, 29 May 1958.

¹⁶ *Samyukta Prayas*, 23 May 1958.

¹⁷ *Kalpana*, 2 June 1958.

tives did have Nepalese counterparts, but it was true that in some cases the less experienced or less forceful Nepalese were reduced to the *de facto* role of assistants. Although all adverse comment on American aid should be regarded with some reserve, these criticisms reflected a genuine resentment. How widespread this was is difficult to assess. The American mission must have felt that it was, in fact, widely held, for this was one of the reasons given in late 1958 for the dissolution of the co-operatives.

American Involvement in Government

A far greater political danger inherent in American aid at the time engendered much less comment. This was the deepening involvement of the United States in the inner workings of the government of Nepal and the increasing dependence of the government on American funds. Both the number and cost of the American-supported programmes demanded continued United States participation. The government could not carry on without American technicians or funds. The United States, on the other hand, could not afford to cut off its assistance in these fields, for this would have had two unacceptable consequences. First, a number of projects initiated with American funds would have collapsed because of a lack of continuing financial support and competent direction. This would have provided heavy ammunition for aid's opponents in the United States Congress. Secondly, the government of Nepal would have been left with expanded commitments (in the form of an enlarged civil service and the recurring costs of those projects such as schools which it would be politically embarrassing to drop), but without additional revenues to finance them. Nepal had already gone to a Communist country to seek funds for economic development (China in 1956). Had America decided against continued support of government activities, it was quite likely that Nepal would have had to turn to the east again or face discontent of potentially revolutionary proportions.

By temperament or structure, the American mission to Nepal was not prepared to cope with the situation it had become involved in. Paul Rose and his assistants had built their programme on tactical considerations. As has been described, they had determined that government services must be developed if political stability were to be maintained. It is, however, doubtful whether they fully appreciated the long-term ramifications of a programme to create

government institutions. The mission's leadership had little political experience, and the United States was not yet represented by an embassy in Kathmandu. No one seems to have been fully aware that the aid mission was placing the United States in a position where it would have to bear the awesome responsibility of being the main prop of the government.

Nor does it seem to have been recognized that the American role in the government would retard necessary reforms. As long as American money was available to finance a continuous expansion of government services, pressures for reform would be weakened; for the group which would exert this pressure, the educated middle class, was the main beneficiary of the government expansion. This group based its employment on the availability of American funds. In a report written shortly after leaving Nepal, Rose mentions that his mission had indicated its willingness to help in land reform, land credit, and administrative reform but had received no positive response.¹⁸ He does not venture an explanation.

A Departure

The single significant innovation in the content of the American aid effort in the early years of the 1955–8 period was subject to the same political problems that plagued the programme as a whole. This innovation was the development of the Rapti valley, a malarial and largely uninhabited expanse of jungle famed for big-game hunting. USOM determined to open up the valley for settlement shortly after severe floods swept Nepal in 1954, and flood-relief funds totalling \$2 million were added to the aid appropriation.

The reasons for carrying out this project were compelling. The Rapti bordered on crowded, land-hungry regions of Nepal and could therefore serve to offer land to the landless. Because a fresh start could be made, the Rapti was a potential model for all of Nepal—a vast demonstration project in which equitable land distribution could be coupled with more productive farming methods, better health and social services. Moreover, because the Rapti lay near the main road from Kathmandu to the Indian border, markets were available, and a cash economy could be introduced.

With flood-relief funds, a fifty-two-mile road was pushed into the valley in 1955. WHO technicians were already engaged in wiping

¹⁸ P. W. Rose, *Sharing Our Progress*, pp. 48–49.

out malaria. The Americans now financed a new co-operative service for the development of the Rapti valley. Under this service's auspices, a mechanized land-clearing operation was begun. The forest was pushed back and land ploughed for settlers. During this period, a model health centre and an experimental farm were established, a soil survey was instituted, wells were dug, a craft training programme begun, and eighteen co-operative societies were formed. Finally, in conjunction with the Rapti valley project, flood-relief funds were used to construct a small sawmill on the periphery of the valley. According to the original plan, the mill was to be built, managed, and administered by Americans. In mid-1958 the Rapti valley co-operative was dissolved and its functions assigned to the various ministries. For the project itself, this move proved harmful. The government lost what little control it had, and the Rapti fell far short of its considerable potential. Land distribution was by no means equitable. Too many large landholdings were sold to politicians in Kathmandu whose sole interest, in most cases, was a quick return. In theory, the large farms, using agricultural labourers, were to serve as models of modern practice for the surrounding medium and small landholders. In fact the absentee owners frequently installed tenants and lost interest. Even the small holdings did not work out as planned. A familiar cycle began to appear in the Rapti. For the first years this was not evident as peasants, who received the land at low prices from the government, had agreed not to sell out for three years. But time, an enormous demand for land, the usual cycle of debt, and a corruptible land-distribution office combined to make a mockery of government intentions. Farmers got into debt and found themselves forced to sell. Tenancy became common, though it was not called that. The traditional ways took hold again.

Attempts to foster new farming techniques also suffered. Because the land was settled fairly quickly (2,200 settlers by 1959), and because the government made no demands other than the stipulation that peasants could not resell their lands for three years, it became impossible to impose new techniques before the first crop was in the ground. With this opportunity lost, it became necessary to resort to the now familiar but not conspicuously successful village development approach. In 1963 the vast majority of farmers in the Rapti valley were farming with the techniques of their compatriots—and their ancestors.

The Rapti operation was, however, by no means a complete failure. A large area of land which had previously been disease-infested jungle was now under the plough. More food was being grown in Nepal, and a potentially rich area had been opened. But the great promise of the area as a demonstration with immediate impact was not fulfilled. A great opportunity had been lost. The comment has since been made—with considerable justification—that the Americans would have been well advised to study Israeli practices in building co-operative farms for immigrants. Here great advance preparations were made and the first settlers were required to use methods demonstrated by the government agency, which temporarily retained landownership to ensure that its wishes were carried out.

Importance of the Rapti Project

From a political viewpoint, the shortfall of results against expectations in the Rapti had significant consequences, for the project had become America's prestige effort in Nepal. Until the end of the period, the American mission was not involved in any other visible and substantial project which could be pointed out as being American.

For this reason, there had been continuing pressure on the mission to get optimum results. It therefore supported social and technical services in the Rapti valley which were operated by the ministries. Health, village development, and agriculture were the most costly. Moreover in a number of fields, expenditures in the valley were a great deal higher than elsewhere, as the ratio of services to population was higher than in other parts of Nepal. It became dubious whether this was justified as the prospects for generating profound and productive changes appeared to be no greater in the Rapti than elsewhere. In sum, the outcome of the Rapti venture was to increase the need for American financial support to government departments. This was also the result of the sawmill project. Though managers of this small operation were Americans on contract to the aid mission, ultimate authority passed into the government's hands. And the mill, despite a market hungry for its output, lost money continually. It is nearly impossible to ascertain now much the Rapti venture cost in total, for projects in the valley came under different ministerial budgets. According to American figures, dollar expen-

ditures to the end of June 1959 came to \$1,897,000.¹⁹ Disbursements since then have raised this figure considerably.

Co-operatives Terminated

The process of increasing American involvement in the day-to-day operation and finances of government departments through the Rapti valley project and an ever-increasing number of other projects took a new turn in 1958, when Russell P. Drake became director of the mission. It has since been an open question whether Drake came with instructions to make basic and sweeping changes. Whether it was because of such instructions or a desire to make a fresh start, an assessment that radical changes were warranted or a wish to appease what was thought to be Nepalese public opinion—or a combination of all these factors—Drake determined to end the co-operative system. He pulled his technicians out of their offices in the secretariat and, on 21 September 1958, signed an agreement specifying that the co-operatives would be discontinued. This document gives the official reasons for his decision:

In recognition of the progress achieved by the joint program and in conformity with the expressed desire of His Majesty's Government of Nepal to assume greater responsibilities in the administration of the program, the cooperative services method of implementing the program should be discontinued.²⁰

Under the terms of the agreement, American co-directors of the services became advisers to the Nepalese, who moved up from co-directors to directors. Separate accounts continued to be maintained for the projects run by the co-operatives, but as the co-operatives no longer existed, this resulted in America simply contributing to Nepal's exchequer.

Whatever the motivation for this step, it did little to attack the fundamental political problems generated by the structure of the American aid programme. America continued to support the ministries directly. All that had changed was that the already inadequate American control over what happened to American funds

¹⁹ USOM, *Expenditures 1952-61*, p. 5.

²⁰ Interim Agreement for revising the Cooperative Services System of Technical and Economic Cooperation between H.M. Govt of Nepal and the Govt of the USA, Kathmandu, 22 Sept. 1958.

now became even more inadequate. The Americans were reduced to giving advice when—and if—it was asked for.

The new system soon revealed its flaws. Harold Winer, chief adviser to the burgeoning education programme, wrote:

contributions to project support have been intermingled with Government of Nepal funds, and project plans come into frequent conflict with outmoded Government of Nepal rules and regulations. It is extremely difficult—at times even impossible—to ascertain the exact status of an activity. We need . . . a set of operating procedures and practices that will enable both governments to exercise a degree of control and direction of project activities that they now lack. If return to the former joint fund arrangement is taboo, perhaps the establishment of a special activity account for each project, removed from the Government of Nepal financial circus, would be a move in the right direction.²¹

A more optimistic view was taken by Dr Clarence Gray, the agricultural adviser:

The present system of operation has not produced spectacular results but, on the other hand, neither did the previous system. The new system has produced more 'headaches' and it has revealed many of the weaknesses and shortcomings of the host government. However, the belief is held that, given time, the present arrangement will prove best. This belief is based on the concept that 'it's not what one does *for* people but what one does *to* people'. If this concept is valid, then the present advisory approach to technical assistance is more likely to produce lasting results. Whether or not this approach will produce sufficient results in time to satisfy the urgent demand for rapid progress is conjectural.²²

The difficulties engendered for the mission by the phasing out of the co-operatives were compounded in late 1958 by the illness of Russell Drake. The new director had just begun his administration when his health failed, and he was forced to leave Nepal. Washington dispatched no replacement, but appointed Drake's deputy, William Tate, acting mission director.

Competition with the United States

These troubles were even further complicated by a factor which was upsetting planning in American missions throughout Asia. That was the entry of Communist countries as aid givers. Nepal

²¹ ICA, *Winer Rep.*, pp. 18–19.

²² ICA, *Gray Rep.*, p. 7.

had received its first Communist aid in 1956 when China made the helpful gesture of giving the kingdom \$4.2 million in cash, but this had been a boon for the Americans. The money had helped finance American-supported projects, and there had been no Chinese present in Kathmandu. Offers of Russian aid in 1958 were not, from the American view, nearly as favourable.

At the time of the king's visit to the Soviet Union in June 1958 (and until Washington's obviously motivated invitation was made shortly afterwards), relations between the Americans and the palace were good; and Ellsworth Bunker, the American ambassador to India and Nepal, was reputedly trusted by the king. Upon his return from Moscow, the monarch saw Bunker and disclosed to him that the Soviet Union had offered to assist in a wide range of possible development fields, including power, industry, aviation, and education, and had left the choice of field to Nepal. Reportedly in answer to the king's inquiry, Bunker indicated that the United States would prefer that Russian assistance should not be accepted for the latter two fields. Aviation was destined to be the most important factor in the physical and political unification of Nepal; education naturally offered substantial opportunities for the exercise of political influence.

The American mission was already heavily involved in education. Bunker now told the king that America would assist in aviation development. (Incidentally, this decision ran counter to Indian desires to keep all third parties out of aviation in Nepal.) Bunker met aid officials in an effort to find funds for aircraft. A decision was soon reached to transfer funds from a project to build suspension foot-bridges for which \$378,000 had been allocated but on which no funds had been spent. The mission sent a cable to Washington asking for the immediate purchase of three DC3 (Dakota) aircraft for the kingdom's planned airline.

The prospect of Russian aid to Nepal did not immediately increase the amount of American money flowing into the kingdom—although these amounts increased radically in 1959—but it did serve to cement the American commitment to assist Nepal. (This was a common phenomenon in Asia at the time. American aid to Indonesia and Afghanistan, for example, rose significantly after these states accepted loans from the Soviet Union.) In Nepal the United States now found itself contributing to development in a field which previously it had not felt required or warranted Ameri-

can assistance. Needless to say, additional funds were ultimately found to finance the discarded bridge-building programme.

Disquieting competition at this time came not only from the Communist world but also from India. The Nepalese were not averse to playing off the American and Indian personnel. The success of this tactic, as well as basic disagreement between Americans and Indians on how to achieve the commonly agreed goal of keeping Nepal out of Chinese hands, produced tensions. On the one hand some Americans felt that India was attempting to circumscribe Nepal's independence; on the other some Indians believed that the Americans were upsetting the natural relationship between India and Nepal. Leading American and Indian officials who attempted to head off clashes in the policy field had but limited success.

In 1956 India manifested a desire to assist Nepal in village development. Unofficially, some Indian officials hinted to the Nepalese that American practices in this field were poor. After the Indian offer was accepted, Kathmandu witnessed a scramble for spheres of influence. Indian officials suggested dividing the nation into American and Indian zones, with India taking the politically and militarily vital southern border area. This was refused by the Americans. Finally, it was decided that there would be a division but with both aiding nations assisting in widely scattered areas. In 1958 the Americans decided to pull out of village development altogether, having determined that the competition was unhealthy. There would be a three-year phase-out of American participation. In fact, it turned out that the Nepalese asked India to leave the village development field, and the United States, by 1962, had the field to itself again. The reasons for this step will be discussed in Chapter XI.

Road Project Causes Friction

More friction between Americans and Indians became inevitable on 2 January 1958, when their two countries joined the government of Nepal in forming the Regional Transport Organization (RTO). This tripartite body was to build 901 miles of road in five years. America was to contribute \$5 million; India, \$1.76 million; and Nepal, \$466,700. The United States had suggested the plan when funds became available through its Asian Economic Development Fund, a regional fund created to finance projects which would assist

two or more countries. This stipulation applied here because some of the roads would link Nepalese towns with India.

Trouble was inherent both in the RTO's plan and in its structure. The organization's target was completely out of the realm of possibility. It was, in fact, no more than an educated guess made by Paul Rose under the pressure of time. Funds had become available suddenly, and there had been a rush to reach an agreement on how to use them. No surveys were made before the target of 901 miles was written into the agreement. From the start, it was apparent that radical revisions would soon become necessary and that therefore priorities would have to be established. As the Indians were basically interested in roads leading up from the Indian border, this could only produce disagreement. Problems would also arise in the design of roads and in the administration of road construction. American and Indian engineers, it was discovered, followed different procedures. Administrators had conflicting ideas of how funds were to be banked and when. In all, the prospects were grim. Results, as it worked out, were even worse. These will be discussed in Chapter X.

These difficulties between men who were, in fact, working towards the same goal did not, fortunately, cripple another project financed with Asian Economic Development funds: the construction of a telecommunications network to link provincial Nepalese towns with Kathmandu and Kathmandu with India. America made \$1.35 million available for this radio network as well as for a telephone system for Kathmandu. This was envisaged as a three-year project.

By 1958, when the RTO and telecommunications agreements were signed, the American mission was beginning to turn its attentions to capital projects. Road and communications plans were joined by the hapless suspension-bridge programme and a daring plan to build an aerial cableway to move freight from Hetauda in the plains to Kathmandu. This was to cost the Americans \$3.3 million and the Nepalese \$221,000. Work had hardly begun on any of these projects before the general election in early 1959.

The sole long-term project which made progress in the 1955-8 period was the new malaria programme. On 4 December 1958 the United States, WHO, and Nepal agreed an eight-year project to wipe out malaria. The planned contributions were \$3.35 million, \$872,000, and \$50,000 respectively. Anti-malaria measures had, of

course, been in progress for some years. This new agreement offered the long-term commitment of men and funds needed to make an effective onslaught on the disease.

Results of American Assistance

The sum of American aid efforts in Nepal during the 1955–8 period left Nepal both weaker and stronger. Some of the weaknesses have been mentioned: Nepal now had far greater financial commitments, but the reforms which might have yielded greater revenues to meet them had not been made—perhaps partly because of the American aid itself. None of the American projects was revenue producing, though a few—notably the sawmill—could have been.

American assistance thus contributed significantly to a trend that began to be pronounced at the end of the period. This was Nepal's growing dependence on external financing. For example, the government of Nepal contributed more than the United States to the village development project in fiscal 1959, the last financial year of the period. Nepal spent \$238,000; the United States \$190,000. In fiscal 1960, however, Nepal's contribution dropped to \$88,000, and America's rose to \$546,000. The following year Nepal contributed nothing.²³ This trend made itself evident in the development budget as a whole in the final period covered by this study.

By the end of the period the Nepalese government apparatus had become even more unwieldy and tortuous than before. Again, this was at least partly due to American efforts. The wholesale expansion of government services had been encouraged and financed by the American mission. Furthermore, the very cumbersomeness of the government tended to defeat the purpose of increasing government services.

Although no reliable documents or statistics exist to prove it, there is a strong likelihood that there was no increase during this period in per capita income. More important, no solid foundations for growth were laid—either in the countryside or in the embryonic industrial sector, where new investment was virtually nil. Government services had failed to increase agricultural yields or labour productivity. Rose admitted this when he wrote: 'Whereas a reasonably good beginning has been made in some areas, it is true

²³ USOM, *Summary Report of Village Development*, by L. W. Brown (Kathmandu, 13 Sept. 1961).

generally that the foundations have not been established adequately for any substantial economic growth in Nepal.²⁴

The significance of Rose's assessment lay not in what he said, though this was admirably honest, but in the questions he raised and left unanswered. Why had progress been so much slower than expected? What had gone wrong?

Failures Blamed on Instability

In published writings and statements, Rose and his colleagues found their explanations in Nepal's continuing political instability. Whether they went further in classified analyses or in their own thoughts is impossible to say. The student can judge only by what happened.

Seven years of bitter experience with the government—its paralysis, its incompetence—had not led to a decision to carry on projects as independently of the central government as possible. Rather it had led to intensified efforts to channel aid through the government, with the hope that a sound administrative organ could be built up despite political instability.

Perhaps it was argued that USOM had to work through the government if the American aim of benefiting the entire population was to be accomplished. Had USOM concentrated its efforts and slender resources on a few selected projects, the prospect of making an immediate, nation-wide impact would have undoubtedly been poor. The question is then raised: was it possible, with the limited resources at USOM's disposal, to make a nation-wide impact by any means? This in turn raised another question: was it essential to make a nation-wide impact? Or, put differently, was the mass of people in Nepal so hungry for progress that the lack of it would lead to revolution? This question, perhaps the most basic of all, does not appear to have been asked.

Rose, in his comment quoted above, pointed out that there had been some achievement. This, though difficult to catalogue accurately, should be mentioned here. The Rapti valley, for all its disappointments, had been opened up. A number of able Nepalese had been trained overseas, and a few were being given a chance to use their new skills. Health facilities had been slightly improved. Most significant of all, the nation's educational system had started to develop. The education co-operative had established a college

²⁴ P. W. Rose, *First Years*, viii. 4.

of education and a number of mobile teacher-training schools and, by 1959, had opened a total of 407 new primary schools and three model secondary schools.²⁵

These achievements were very real. But, as Rose and most of the Americans in Kathmandu realized, they were too small a return from a programme which had spent \$12.2 million and was now spending at an annual rate of \$5 million.²⁶

²⁵ A primary school was usually a one-room hut and therefore cost virtually nothing to erect. The problem was in supplying and paying a teacher.

²⁶ USOM, *Expenditures 1952-61*, p. 5.

VIII

Indian, Swiss, Chinese, and Soviet Aid

THE critical first years of the reign of King Mahendra saw the beginnings of the international scramble to aid Nepal, but the aid field during this period continued to be dominated by the first arrivals, the United States and India. Of the other donors which took an active interest in 1955–8, only Switzerland initiated an aid programme as such. China pursued a course of discreet and distant generosity. The Soviet Union initiated preparations for a large-scale aid programme.

INDIAN AID

India, as has been seen, had fundamentally the same aim in Nepal as the United States: the exclusion of Chinese influence. The rivalry which developed between India and America focused on methods of accomplishing this aim.

In the previous period (1951–4) India had determined, as had the United States, to support the government which had emerged from the revolution. But the United States, consciously playing the lesser role, had confined its participation to technical and economic assistance—a course from which it did not deviate in this later period. India, in contrast, had first dispatched troops, then political and administrative advisers, and, when conditions were somewhat improved, engineers. But these were Indian Army engineers, and the projects they were sent to undertake—the construction of the Kathmandu–plains road and the Kathmandu airport—had at least as much military value to India as economic value to Nepal. Only with the decisions to grant Nepal \$1·2 million for irrigation and drinking-water projects and to establish the IAM, did India commit itself to a programme of economic assistance. But, as discussed in Chapter V, the programme as it stood in 1955 was neither coherent enough nor extensive enough to have the potential of making an impact on Nepal's economy.

India did little to broaden its programme until October 1956, when Tanka Prasad Acharaya, Prime Minister of Nepal, returned from Peking with the Chinese offer of \$12.6 million in cash and commodities. Then, in a move which, if its timing was not coincidental, resembled American reactions to similar competition, India suddenly offered to grant Nepal \$21 million for its first five-year plan (1956-61). India, in its now customary manner, gave no explanation for the move other than to reaffirm a fraternal desire to help Nepal. But the circumstances then prevailing in Nepal offered compelling reasons. The political situation in Kathmandu was nearly as unsettled as it had been three years earlier when Nehru had linked economic advancement with political stability. Representative government had not taken root, and, beyond the mountains, Chinese power was growing. King Mahendra's determination to have good relations with the Chinese added to Indian anxieties. On the economic side, three years' experience must have convinced many Indian officials that a major effort was called for if it were to have a notable impact.

Shortly before the 1956 grant offer, Indian thinking on the form of aid to Nepal had begun to crystallize. In April 1956, when a member of parliament asked the deputy Minister of Finance, B. R. Bhaget, whether the large sums of American and Russian aid (an error, Russian aid came later) did not make Indian aid politically and economically unsound, the Minister replied: 'We do not think so because whatever aid may be coming from the USA and the USSR will be in the form of economic assistance. But both Nepal and the USA have conceded that as regards technical personnel and other matters it is the Indian personnel that will suitably run the schemes.'¹ In short, others would pay for the projects, and Indians would run them.

Ambitions for Technical Assistance

This emphasis on technical assistance had obvious advantages for India. Technicians were relatively abundant in India; capital was not. Equally important, if the Minister was correct India would have the luxury of running both the American and Russian aid programmes (thereby reaping substantial political benefits) while paying little. The Minister, however, was wrong. The Americans had made no concession to Indian technical expertise and had no

¹ India, LS Deb., 1956, pt 1, vol. iii, no. 50, col. 3035.

intention of stepping aside. The Russians, similarly, were not to give any sign of willingness to assign the execution of their projects to Indian personnel. Except for a few minor and isolated instances, such co-operation never took place in Nepal. The Minister's comment was wishful thinking, demonstrative of the Indian hope that no other state would become directly involved in Nepal. In practice, India had to limit its emphasis on technical assistance to its own projects.

The next development in the form of the Indian programme determined the broad framework in which the 1965 grant was to be administered. Faced with the prospect of working through the government of Nepal, India established a new type of institution patterned on the American co-operative services. This was the joint board which, like the co-operative, was intended to be a structure independent of the Nepalese bureaucracy. The boards, however, were free of the political weaknesses which had earned the co-operatives their unpopularity. No Indian held a position of official authority. All officers were Nepalese, while Indian aid officials served as *ex officio* members of the boards or as advisers. Indian control, the exercise of which was the primary reason for having the boards, was exerted through financial arrangements. India deposited funds in special accounts (quarterly, in contrast to annually in the American co-operatives) and made no disbursements until Indian officials were satisfied that previous disbursements had been spent—and spent properly. By the end of the period joint boards were functioning in the fields of irrigation and power, child and maternity care, village development, local development works (small-scale rural projects such as wells), and regional transportation. In theory, the Indian boards had considerable advantages over their American-sponsored equivalents, but in practice they did not achieve better results, as will be discussed below.

Formation of the joint boards did not spur an immediate expansion of the projects in the Indian programme. It was not until later in the period that Indian aid began to incorporate a number of entirely new projects. In 1958 India committed \$1.76 million to the RTO for road construction and agreed to build an 18,000-kw. hydro-electric dam at Trisuli, eighteen miles by air from Kathmandu, at a cost of \$7.9 million. India undertook to construct or improve nine airfields and to carry out a wide range of projects in irrigation, village development, local development, agriculture,

and other fields, including the establishment of a national university, a project of which the economic value was questionable but the political value was obvious. India also committed itself to completing a geographical survey of Nepal.

The structure and content of this broadened programme suggested that India was continuing to aim at the attainment of political stability through economic growth. In this sense, Indian and American goals coincided.

Aid Embodies Strategic Planning

Several elements of the Indian programme, however, reflected strategic aims which the United States did not share. For military reasons, India maintained control over Nepal's primary airport and road. It planned to build more roads from the Indian plains into Nepal, to construct all-weather airfields in the vital Nepal plains (the only part of Nepal which could serve as a staging area for a force intending to attack India), and to carry out projects which could win support among the inhabitants of the plains. Indian officials denied that military considerations played a major role in Indian aid programming, but a substantial body of evidence would tend to dispute this claim. When, for example, India determined to assist Nepal in building airfields, it sent a team from the Indian Air Force, not from the Civil Aviation Department, to study Nepal's requirements. When an M.P. asked for information of the team's findings, he was told by the Deputy Minister of Defence that it was not 'in the public interest' to disclose them.² If the projects had had only economic significance, there would have been no possible reason for secrecy. Military considerations must have been vital also in the decision to spend heavily on mapping Nepal. During the 1955-8 period, expenses for aerial surveys were greater than for any other project and accounted for as much as 38·5 per cent of annual expenditure.³ The economic value of accurate maps was indisputable, but it could not compare with the value of irrigation, dams, and many other desperately needed facilities.

Results of the Indian Programme

Little can be said about the long-term economic and political impact of Indian aid during the period, for little was actually ac-

² India, LS Deb., 1959, pt 1, vol. vii, no. 12, col. 633-4.

³ Govt of Nepal data (supplied by IAM). The year referred to is 1958.

completed. Although \$21 million had been committed in 1956 for use over a five-year period, expenditures for the fiscal years 1957, 1958, and 1959 were only \$1.82, \$1.2, and \$2.14 million respectively.⁴ Little work was done on projects planned during the period, the vast majority of expenditures going to existing projects such as the Tribhuvan Rajpath and the aerial survey.

The only Indian assistance to Nepal's economy which could be said to be clearly effective in the 1955-8 period was not in the field of economic assistance but in that of trade. Under a trade agreement concluded in 1950, Nepal levied tariffs on incoming Indian goods, but India did not tax imports from Nepal (though it was permitted to do so). This arrangement was vital to the government of Nepal and to the kingdom's economy as a whole. In fiscal 1959, the last financial year of the period, customs receipts accounted for 40 per cent of all Nepal's revenue and brought in almost twice as much as the next largest source, land taxes.⁵ In that year, imports from India accounted for 97.69 per cent of total imports.⁶ India gave further assistance by paying Nepal the excise taxes collected on Indian-made goods destined for Nepal. The provision giving Nepalese goods free access to Indian markets enabled the kingdom to earn the Indian rupees with which it paid for imports of manufactures and semi-manufactures.

India's success in the realm of trade but relative failure in aid could in part be accounted for by difficulties which had no effect on trade but hampered all aid programmes in Nepal: communications problems, inadequate transportation facilities, and administrative inefficiency in the government departments concerned with development. India's aid programme, however, faced one obstacle which the other aiding powers did not. This was widespread suspicion and hostility. Nepalese nationalism had its only basis in anti-Indian sentiment. Now nationalist resentments of India focused on Indian aid efforts.

Indians Accused

The Nepalese accused the Indians of being arrogant, of treating Nepalese officials to whom they were advisers as if they were actu-

⁴ Ibid.

⁵ Nepal Rastra Bank, *Report of the Board of Directors to HM Government for the Fiscal Years 1958-61* (1962), p. 82.

⁶ Ibid. p. 22.

ally subordinates. Such charges were the despair of those Indians who had devoted themselves to the task of helping Nepal. One unhappy Indian official told a journalist that giving aid to Nepal was the most thankless of tasks.⁷ The charges, however, were not entirely without foundation. Too many Indian officials tended to regard the Nepalese with a combination of paternalistic goodwill and condescension. (Few Indians managed to associate the Nepalese reaction to these attitudes with their own resentments of similar British attitudes prior to 1947.) The Indians embodied their unfortunate personal views of the character and abilities of the Nepalese in the practice of giving them virtually no responsibilities in the execution of Indian aid projects. This was in direct contrast with the equally unworkable American practice of precipitously turning over authority before giving adequate training.

Indian reluctance to utilize or train Nepalese personnel had far-reaching repercussions. First, it ensured that Nepal could not maintain Indian-built facilities without Indian assistance. In the cases of the Tribhuvan Rajpath and the Kathmandu airport, this may have been what India wanted. It is, to say the least, doubtful whether the Indian military wanted Nepal to assume control of these strategically vital facilities. If there were elements in the Indian government which advocated turning the road and airport over to Nepal, they were thwarted by the simple fact that this was impossible. In September 1957 the government of India declared that it intended to hand over the Rajpath within two years.⁸ Six years later this had not been done.

Indian attitudes towards Nepalese personnel were also a major factor in destroying India's \$5.3-million village development programme (as is discussed in Chapter XI). The same Indian attitudes, coupled with Nepalese resentment of India's role in Nepal's economy and policy, brought down on the joint boards a host of troubles. Though theoretically sound, the boards proved in practice to be no more than mediocre. Nepalese officials simply sabotaged them. At times the Indians found that no amount of effort could get anything done. With their British training, the Indians were unable to combat the manœuvres of Nepalese civil servants who had spent their careers learning how to survive in a service constantly under attack from the politicians.

⁷ From *The Pioneer* (Lucknow), 3 Mar. 1956, quoted in Jain, p. 113.

⁸ India, LS Deb., 1957, 2nd ser., vol. vii, no. 47, col. 13705.

Nepal's Reaction to the Indian Approach

The Indian approach at one point incited the government of Nepal to an expensive retaliation. This took the form of a road named the 'Kanti Rajpath'. In November 1956 the government permitted the Nepalese army, which had been frustrated in its desire to construct the Tribhuvan Rajpath, to build another road across the same territory. Using troops as labour, working with hand tools, and driven on by a determination to show up the Indians, the army pushed a road over the mountains by May 1959 at a cost of \$228,000.⁹ At that point jeeps could use the road in the dry season. Four years later the road still lacked drainage, culverts, and bridges. Its curves were too sharp and its gradients too steep for commercial traffic. There was reason to doubt that the Kanti Rajpath would ever be used. This road-building adventure was extremely unfortunate. At the time when the army went to work, Nepal had one road—the Tribhuvan Rajpath—yet roads were needed everywhere. To build another road to connect virtually the same points was a tragic waste. To throw away badly needed funds and to expend so much energy in a country where both funds and energy were in short supply was folly. This was the fruit of injured pride. India should have taken note.

India was more directly responsible for a factor which slowed down development work in Nepal. Whatever the intentions of the government of India in New Delhi, the IAM often exhibited a marked lack of determination to push through projects which did not have some obvious military or political value to India. This charge, frequently repeated by the Nepalese press, cannot of course be proved. The only documented evidence is the difference in the pace of various projects, which showed up much more clearly in the period covered in Part III of this study. Here one can compare the rapid construction of the Tribhuvan Rajpath, which was something of an engineering feat, and the Gaucher airport with the virtually non-existent progress on the minor irrigation works project established in 1954. Whereas the other two projects were largely completed within three years, total expenditure on irrigation (expenditure is a fairly accurate indicator of energy put into a project, though not necessarily of how much is accomplished) in the first two years was \$156,000. In 1957 the mission spent \$152,000 and, in 1958, \$191,000.¹⁰ Granted that this project, because it covered a

⁹ *Kalpana*, 23 May 1959.

¹⁰ Govt of Nepal data (supplied by IAM).

great deal of territory and because it required some co-operation from Nepal, was more difficult in some ways than the road and the airport. However, the fact remains that only half of the funds were spent in a period during which the project was to have been completed. Nepal could not be asked to take full responsibility for this poor performance. This project, it must be remembered, was India's most important one after the road and airport.

SWISS AID

A donor whose contribution was to be much smaller than India's, but whose methods reflected gravely on the procedures followed by India as well as a number of other donors, entered the aid field in the 1955-8 period. This was Switzerland, whose citizens apparently responded to the concept of an aid programme to Nepal because of feelings of affinity based on the topographical similarity between the two nations. Efforts by the Swiss, who were motivated by a combination of enlightened self-interest and humanitarian impulses, never attained the same magnitude as aid from the big powers involved in Nepal. Resources available to the Schweizerisches Hilfswerk für Ausseuropäische Gebiete (SHAG) were limited. Initially, SHAG was supported by private sources. Many of the Swiss projects were carried out with financial support from other donors, notably New Zealand and the United States. Swiss aid was significant because it was successful.

The Swiss began their programme cautiously with a series of dairy and cheese plants, the first of which was established in 1955 at Langtang, six days' walk from Kathmandu, with financial support from New Zealand. In the following year the Swiss opened a central dairy in Kathmandu and, in 1957, a cluster of cheese-making stations centred in Theodung, a village also six days from the capital. Each of the small processing plants was managed by a Swiss, who was assisted by a hand-picked Nepalese trainee. The Swiss managers exercised complete authority. The programme's leaders intended to make the stations self-supporting and to turn control over to the trainees as soon as possible. They quickly succeeded in the first aim, but four years passed before a trainee was ready to take over a station.

The dairy venture was an almost instantaneous success. Cheese and butter made from yaks' milk found a ready market in Kathmandu and, beginning in 1958, in India as well. Production and

sales boomed. Cheese output rose from 1,086 lb. in the first year to 14,110 in 1958. Of this, 7,312 lb. were exported to India.¹¹ Coincident with the cheese and butter manufacture, the Swiss technicians sought to improve grazing lands and husbandry in the areas surrounding the plants.

Towards the end of the period in 1958 the Swiss, with financial backing from the United States, opened a cattle and horticultural farm in the north-eastern hills. In this case the government of Nepal had nominal authority, but the distance between the site at Jiri and Kathmandu ensured that the Swiss manager would be left to his own devices.

Switzerland's experience in these early projects offered an intriguing contrast with that of the other powers aiding Nepal at the time. Unlike India and the United States, Switzerland had no intention of making a rapid nation-wide impact with its aid. Each of the Swiss projects was conceived as a demonstration which would hopefully spark off a chain reaction.¹² But emphasis was placed on making the demonstration itself work. Unimpelled by the spectre of Nepal being swept into revolution by a population whose newly-aroused expectations were not satisfied, the Swiss could and did take their time. They realized that much of the problem was knowledge, and so they put their own men in charge. But, unlike the Indians, they made provisions from the beginning for a transfer of authority by training able Nepalese. Again, they were not to be stampeded. Few men are brilliant enough to grasp in a matter of months the mechanical conceptions and administrative methods of an alien culture. As late as 1963, only one Swiss installation was being run by a Nepalese. But it was run excellently.

Swiss aid was structured, perhaps unconsciously, to avoid overburdening a government already reduced to immobility by tasks it could not handle. Because they were manned, administered, and controlled by Swiss personnel, the projects required almost no government participation. By 1963 there were no reports of a government official having ever visited Langtang—a result of distance, government indifference, and the lack of any grounds for official concern. Swiss aid also added no new financial obligations to the Nepalese budget.

¹¹ SHAG, *Report*, by F. Elmigor (Kathmandu), 31 July 1962.

¹² *Ibid.*

CHINESE AID

Aid from China, though not embodied in an aid programme as such, also played an important role in the 1955–8 period. As has been stated, the fact that China had made an aid offer undoubtedly spurred India on to give Nepal more assistance. The terms of Chinese aid, moreover, were highly flattering to Nepal; and the contrast with American and particularly Indian aid did not reflect favourably on these more cautious programmes. The 1956 agreement with China, it may be recalled, granted Nepal \$4.2 million in cash (Indian rupees) and \$8.4 million in commodities. Under the agreement, no Chinese technicians were to come to Nepal, and the government of Nepal was given 'entire freedom in utilizing the . . . money and goods and the Government of the People's Republic of China shall not interfere'.¹³

This liberality may have accomplished its purpose of placing American and Indian aid in a poor light, but it may also have been the primary reason why little use was made of the Chinese aid. Nepal had no difficulty digesting the cash, for it was urgently needed. But the \$8.4-million credit presented problems which the Nepalese governments of the period were unable or perhaps unwilling to solve. None of the governments was capable of building an industrial enterprise without substantial foreign assistance. But no foreign power then friendly to Nepal would supply technicians to build factories paid for with Chinese aid. Moreover governments had a financial reason for not using the credit. In order to build industries, Nepal would have had to find substantial sums to cover the local currency costs of construction and initial operating losses. In theory, the Chinese grant supplied money for this purpose, but Nepal had committed this considerable sum to meeting its current obligations, including those to American-supported aid projects. The remainder the government squandered in 1957 in an attempt to stop the decline of the Nepalese rupee. By massive sales of Indian for Nepalese rupees, the government succeeded in lowering the exchange rate from 152 to 100 Indian in 1956 to 138 in 1957, but in 1958 the rate shot back up to 159.¹⁴

China gave no overt indication that it was irritated by Nepal's

¹³ Agreement between the Govt of the People's Republic of China and the Govt of the Kingdom of Nepal on Economic Aid, 7 Oct. 1956, in CPR, Inst. For. Aff., *New Developments in Friendly Relations Between China and Nepal* (1960), p. 16.

¹⁴ Nepal Rastra Bank, *Rep.*, p. 75.

failure to utilize the credit. The 1956 aid offer had, in fact, been a total success for China. It had signalled the re-establishment of China as an important factor in Nepal's political life; it had served to demonstrate that China was prepared to be a generous supporter of Nepal. And in the atmosphere of suspicion of India prevalent in Nepal in the mid-1950s, the inference to be drawn from this was obvious.

Had Tanka Prasad Acharaya, or another 'progressive', been in office in 1957-8, China might have attempted to exploit this first success by assisting Nepal in the utilization of the untouched credit. The governments of Nepal at this time, however, inclined towards India—the traditional policy. The king had apparently decided to consolidate his gains from the initial contacts with China.

SOVIET AID

The possibility of Russian aid was first raised publicly in Nepal in early 1958, when the Soviet ambassador to India and Nepal remarked to a Kathmandu newspaper that there was no reason why the Soviet Union should not aid Nepal. But, he said, Nepal had not requested any such aid.¹⁵ This overture touched off a barrage of comment, the gist of which was that Soviet aid should be accepted. *Kalpana*, a paper which supported the Nepali Congress, said it would be weak of Nepal not to seek economic aid from Russia, and that any nations which placed obstacles in the way of getting Russian help were insulting Nepal's sovereignty.¹⁶ Another paper, *Naya Samaj*, frankly advised the government to make the most of aid from the two power blocs (but gave warning against falling into the trap of international politics).¹⁷

When the king flew to Moscow in June 1958, expectations soared in Nepal. *Kalpana* reported that the Soviet Union would grant Nepal \$45 million in cash and kind. Russian aid would not only be greater in value than Indian and American aid, it would be easier to digest: 'Unlike . . . American aid . . . in the case of Russian aid, [Nepal] will not be bound to employ Russian experts and purchase Russian materials. She will be free to obtain technicians and materials from any country which can provide them cheaply.'¹⁸ Whether these were merely hopeful imaginings or leaks from Nepalese officials trying to put pressure on the Russians is conjectural.

¹⁵ *Naya Samaj*, 11 Feb. 1958.

¹⁶ *Kalpana*, 8 Feb. 1958.

¹⁷ *Naya Samaj*, 7 Feb. 1958.

¹⁸ *Kalpana*, 9 June 1958.

This statement and others like it were not pro-Communist propaganda. Rather they were expressions of frustration at the way the Indian and American aid programmes were going.

While the king was in the Soviet Union, the Soviet government announced that it would give \$100,000 as well as equipment and technical assistance to build a fifty-bed hospital in Kathmandu. It also disclosed a grant of fifteen scholarships for Nepal's students. These gestures were unofficial birthday presents for the king, and were accompanied by a number of personal gifts including an aircraft, three motorboats, and several motorcycles.

Referring to the hospital, the optimistic *Kalpana* editorialized: 'Our country is thankful for this token aid and is eagerly awaiting the major aid.'¹⁹ The joint communiqué issued by Mahendra and the Soviet President did indicate that more aid, in fact, was to come. Expectations of how much this would be continued to run high. In November a Kathmandu daily reported that the aid would total \$33 million.²⁰ When a visit by the Soviet ambassador was announced, some papers reported he was bringing twelve aircraft for the king. The ambassador did come, and with a gift of one plane, a twin-engine IL14, for the king's flight. A communiqué released at the conclusion of his talks with the government stated that a delegation of Soviet experts would soon come to Kathmandu for talks on the utilization of aid.

At the end of 1958 the Nepali Congress and its supporters initiated a campaign to delay any final decisions on Soviet aid until the elected government would take over. They did not succeed. Negotiations continued, and with Subarna Shumshere, the leading Nepali Congress figure in the appointed cabinet, conspicuously absent, the two parties signed an agreement on 29 April 1959.

The agreement stipulated that the Soviet Union would give 'free of charge' economic and technical assistance worth \$7.5 million to assist Nepalese state organizations in the construction of a 1,200-kw. hydro-electric power project at Panauti near Kathmandu, a sugar factory of 1,000-ton daily capacity, a cigarette factory, and a survey for an east-west road not exceeding 1,050 km. in length. Russian assistance was to take the form of equipment, technical assistance, and training for Nepalese in the Soviet Union.

Nepal undertook substantial obligations in the agreement. It agreed to carry out all construction; to provide manpower, elec-

¹⁹ *Kalpana*, 14 June 1958.

²⁰ *Samaj*, 16 Nov. 1958.

tricity, water, transportation, and building materials; to construct approach roads, and to finance all other local costs; and to pay for shipment of Russian equipment from Calcutta to Kathmandu. And in the event that the cost of Russian assistance exceeded \$7.5 million, Nepal bound itself to pay for the excess (with commodities, Indian rupees, or convertible currency). The chance of Nepal's meeting these obligations was virtually nil. The government was being either excessively optimistic or remarkably cynical. To obtain Nepalese currency for use by Soviet technicians working in Nepal, the Soviet Union was to deliver Russian commodities to the government of Nepal for sale in the local market.²¹

The hospital agreement which was signed on the same day was slightly easier on the Nepalese. The \$100,000 for construction costs was to be placed in an account for use by the Nepal government as it saw fit. Russia contracted to supply staff for two years after the hospital opened. If Nepal wanted the Russian staff to stay on, Nepal was to pay their salaries.

Soviet Aims

This first Russian aid was structured to serve both short- and long-term purposes. The immediate aim of securing King Mahendra's friendship was served by the birthday gifts, including the hospital, news of which served to bolster the king's prestige. In itself, the value of another hospital in Kathmandu was dubious. The city already had two hospitals. Though medical care was painfully inadequate there, it was far worse—almost non-existent—in some of the provincial towns. Soviet aid served the longer-term goals of supporting Nepal's non-alignment policy, of offering an alternative to economic reliance on the west, and, through construction of state enterprises, of strengthening the state.

All the planned Soviet projects, with the possible exceptions of the hospital and the road survey, could benefit Nepal's economy. There was a crying need for electricity. Sugar and tobacco were in great demand. The road survey, however, was controversial. Both India and the United States had turned down Nepalese requests to undertake it, both arguing that a road across Nepal was not yet an economic proposition. India, moreover, was not eager

²¹ Agreement between H.M. Govt of Nepal and the Govt of the USSR on rendering Economic and Technical Assistance by the USSR to the Sovereign Kingdom of Nepal, 29 Apr. 1959.

to assist in a project which would lead to the reduction of Nepal's dependence on India. The road would offer a means of traversing Nepal without entering India and utilizing the Indian road or rail system.

The projected Soviet-built industries also had the potential of lessening the kingdom's economic reliance on its southern neighbour. Both the sugar mill and the cigarette factory would eventually compete with Indian producers. And, if production were equal to Nepalese demand, the government of Nepal would be tempted to establish state monopolies in these goods, as it had done to protect the Nepalese match industry. Also, any surplus over domestic demand in either of these products would be marketed in India in direct competition with Indian products. The Russian-backed enterprises, in this event, would have the effect not only of reducing the dependence of the one economy on the other, but of weakening a future complementarity of the two economies.

The United States, in contrast, had involved itself in only one industrial enterprise in Nepal—a sawmill. This was intended to meet a demand in both countries for timber (Nepal exported unprocessed timber to India). It was not intended to compete with an Indian export industry.

Left-wing elements in Nepal, other than in the Nepali Congress, professed pleasure with the agreement. The newspaper *Halkhabar* wrote: 'This aid is acceptable from every point of view . . . this aid is different from American aid. The Russians will leave as soon as they finish their work and we shall not have to depend upon them for an indefinite period of time.'²² Nepali Congress leaders had no hesitation about taking Russian help. But now, when their victory in the election was assured, they criticized the timing of the agreement. They also attacked the agreement to exchange embassies which was concluded with the aid measure. The United States should have been invited in first, they pointed out, particularly in view of the developments in Tibet.

The Russian aid agreement was a compliment to the government of Nepal. It assumed that Nepal had the financial and administrative capacities to carry out construction of fairly complex installations. At the time, this must have been pleasing to the Nepalese. Later the compliment became a stumbling-block and was instrumental in slowing the pace of Russian-aided projects.

²² *Halkhabar*, 25 Apr. 1959.

PART III:

1959-62

IX

The Political and Economic Scene, 1959–62

THE summer of 1959, which saw Nepal's first elected government, that of the Nepali Congress, take office, was the brightest moment in the eight stormy years since the fall of the Ranas. B. P. Koirala, the most respected politician in the kingdom, had finally become Prime Minister, and his party had a clear majority in parliament. For the first time the great hopes of the revolution seemed capable of fulfilment.

India and the United States, both of which had backed the Congress, were delighted. Nehru wrote to B. P. Koirala: 'The result of the elections recently held in Nepal has naturally gladdened all those who believe in democracy and are friends and good wishers of Nepal.'¹ The American Department of State asserted that 'the elections were eminently successful and give cause for optimism regarding the future progress of democratic government in Nepal'.² In Congress, two former ambassadors to Nepal, Chester Bowles and John Sherman Cooper, declared that the election result was a significant step forward. The success of B. P. Koirala and his party, the Nepali Congress, had the additional virtue, in both Indian and American eyes, of ensuring that Nepal would remain friendly to India and would be sympathetic to western and Indian fears of China's intentions.

Less than three years later, Nepal presented a very different picture. The democratically elected government had disappeared from the scene almost without trace, and Nepal had returned to authoritarian government. Beyond the kingdom's borders, events had created new problems and new dilemmas. India and China, whose frontiers surrounded Nepal, were fighting, though not at war. The kingdom, whose new government had attempted to substitute for the previous policy of special relations with India a policy

¹ *Gorkhapatra*, 1 June 1959.

² US, Dept of State, *The Kingdom of Nepal* (Mar. 1960), p. 7.

of neutrality in the Himalayas, found itself playing a perilous balancing act between antagonistic empires.

These momentous years witnessed a steep increase in the number of nations giving economic assistance to Nepal and in the amounts of aid expended. Events within the country and beyond its borders gave the aid a heightened urgency.

The Koirala Government's Policies

B. P. Koirala took office on 27 May 1959 and set about the substantial task of remaking Nepalese society. He was committed to land, administrative, and tax reform and to 'socialism' which he defined, somewhat like his Indian friends, as a system that ensured personal liberty, economic welfare, and social equality. Ranged against his aspirations were not only the vast conservative forces within the fabric of Nepalese life, but the deplorably antiquated structure of the Nepalese polity. With minor exceptions, the political opposition had made no attempt to emulate the great success of the Nepali Congress in building a nation-wide organization. This lack of support in the country, combined with the fact that virtually all the opposition represented the interests of the same small segment of Nepalese society, ensured that the opposition politicians would concentrate their energies on palace intrigue—their only avenue to power. The civil service which Koirala inherited was little more than a great 'pork barrel' of jobs. The police force was incapable and often unwilling to keep order, and its political loyalties took diverse and not notably fixed directions. Finally, the new Prime Minister found himself facing an extremely powerful monarch. Koirala had an overwhelming electoral mandate. He had firm support from the two nations whose support was the most vital to Nepal. He had substantial personal popularity. But King Mahendra had retained sweeping powers under the constitution written at his direction. And, with the army under his direct control (in fact, though not in law), the king was in a position to exercise his powers. It could be said that Nepal in the summer of 1959 had two rulers, and that, in the long run, Koirala was the less powerful.

The Koirala government did make efforts to institute reforms. It purged the civil service and then attempted to give the Public Service Commission real powers and independence. It passed legis-

lation abolishing the *birta* system of land tenure by which certain lands were exempt from tax and instituted Nepal's first income and urban property-tax laws.

These and other attempts to right some of the inequities in Nepalese life met with formidable resistance. Powerful groups felt threatened by the changes—landowners, religious groups (the government intended to begin taxing their lands), and businessmen. Many of the opponents of change, to complicate matters further, were influential supporters of the Nepalese Congress.

The King Withholds Co-operation

In its efforts to overcome resistance and to obtain support for its programme, the Congress government received little assistance from the king. The monarch remained cool to the government led by the only man whose stature in the kingdom nearly equalled his own. For this, Koirala himself must take at least some responsibility. He had never successfully hidden his view that monarchy was basically irrelevant in the twentieth century. When civil disturbances broke out in western Nepal, information attesting that the palace had financed the trouble-makers was widely accepted as true.

The first months and even years of Koirala's tenure were inevitably precarious. Corruption and inefficiency could not be wiped out by fiat—nor by a government the upper echelons of which were not themselves free of corruption and inefficiency. The question, however, was: could the Koirala government ever cope with these and the many other problems facing it; could, in other words, parliamentary democracy flourish in Nepal as the kingdom was then politically, socially, and economically constituted? It is not the intention here to attempt an answer to this vital question, though the writer cannot deny a scepticism of the ability of parliamentary democracy, as known in western Europe and North America, to survive in such a situation.

The Koirala government began with both a popular mandate and wide support from the small middle class. For reasons probably beyond its control, it failed to arouse tangible support among the peasantry. It was doubtful that any political party could have done so at the time, for the peasantry was not politically conscious. But the government also failed to consolidate the support of the middle

class. Koirala's admirable attempts to initiate the modernization of Nepal through various reforms received only perfunctory backing. In retrospect, it can be argued that if Koirala had exercised a more ruthless control over his party, he could have sustained the support with which he entered office and, consequently, forestalled the king. This is highly speculative. In any event, it was clear that Koirala did not take sufficiently seriously the threats to his government. During his tenure he over-indulged a liking for jaunts abroad—a tendency not uncommon in revolutionary politicians who finally make good. In fairness, however, these were critical years for Nepal's foreign relations.

Koirala's Foreign Policy

Before his election Koirala had made no secret of his view that Nepal should maintain its special relationship with India. In office, he transformed this into an active policy. In May 1959 Nehru came to Kathmandu—a gesture to the new government. The communiqué issued before his departure, the first ever made jointly by a Nepalese and a foreign prime minister, affirmed that there was an identity of interest between the two countries which led them to follow similar policies. Nepal, in other words, would follow India's lead. This did not mean, however, that Koirala intended to jettison the non-alignment policy established by previous governments or, specifically, to loosen existing links with China. Quite the contrary, for Nepal now became an even more ardent member of the neutralist group in the United Nations and pressed there for China's admission.

In March 1960 Koirala journeyed to Peking, where he entered into two significant agreements. One provided Nepal with \$21 million more in grant aid (in addition to the unspent \$8·4-million credit, the term of which was now extended). The other stipulated that the Nepal–Tibet border would be demarcated by joint teams. China was wooing; and Nepal, so far, had nothing to lose by being willing. China's motives seemed clear. In the gathering storm over the Sino-Indian border, a peaceful boundary settlement with Nepal would display China's reasonableness and place India in a bad light. In this vein, Premier Chou En-lai said:

Facts have proved again and again so long as the Asian and African countries adopt an attitude of mutual understanding and mutual trust, and persist in the principles of equality, mutual benefit, friendship and

mutual accommodation, there is no question between them that cannot be settled reasonably through peaceful consultations.³

This line was stressed again in late 1962 when the boundary had been successfully marked. The *People's Daily* wrote that the settlements with Nepal (and Burma) had been reached in the spirit of mutual understanding and accommodation after full consultations on the basis of the five principles of coexistence. Why, then, the paper asked, 'should it be impossible to settle the Sino-Indian boundary question? If Nehru's purpose was really to settle the boundary question, it should not have been difficult to do so.'⁴

China continued its offensive to secure the goodwill of Nepal and consequently to isolate India, when Chou En-lai came to Kathmandu in April 1960 to sign a treaty of peace and friendship, a document whose only value was again to demonstrate China's peaceful intentions. It was during this visit that the Chinese Premier first mentioned the possibility of linking Kathmandu and Lhasa by a road. B. P. Koirala and his cabinet were unprepared for this move, which the Chinese Premier made during an address to a group of Newari businessmen. (The Newaris control most of Nepal's trade with Tibet.) Koirala's government flatly stated that it believed a road to Kodari (the Nepalese border town on the route to Lhasa) was not an economic proposition and that Nepal had no interest in building strategic roads. The government, in other words, had no intention of jeopardizing its special relations with India by taking a step which India would consider dangerous to its security.

Border Incident

Sino-Nepalese relations entered a difficult phase in June 1960, when Chinese troops killed a Nepalese border guard and captured sixteen others. Nepalese anger at the shooting was heightened by China's violation of a recently signed agreement to keep military forces 20 km. from the border. Nepal also claimed that the incident had occurred in Nepalese territory. China apologized for the shooting, returned the prisoners, and paid compensation to the dead man's family. Though maintaining that the incident had occurred in Chinese territory, Chou En-lai asserted that the incident had

³ Speech at banquet for B. P. Koirala in Peking, 21 Mar. 1960, in CPR, Inst. For. Aff., *New Developments in Friendly Relations*, p. 7.

⁴ *People's Daily* (Peking), 27 Oct. 1962.

come about as the result of a mistake by a low-ranking officer, who had assumed that the Nepalese were a party of Tibetan rebels. He claimed that Nepal had been given twenty-four hours' notice of the incursion into the demilitarized zone and said the troop movement had been necessitated by the demands of operations against the rebels. All told, China was extremely conciliatory.

This incident, however, followed close on the heels of a Chinese claim to Mt Everest. The claim set off a patriotic furore, with all parties (including the Communist Party) rallying to the government. Here again, China ultimately gave the Nepalese almost all of what they wanted. It relinquished its claim to the area south of the mountain and eventually agreed to run the boundary over the summit.

In India, meanwhile, Nehru, faced with growing disquiet over incidents such as these, told the Lok Sabha that any aggression upon Nepal would be considered an aggression upon India. But, he added, India would not act without prior consultations with Nepal. Super patriots in Nepal became incensed over the first half of this statement, describing it as interference in Nepal's affairs, and ignored the second. B. P. Koirala met the uproar in Nepal with an assertion that Nehru's remarks had been friendly and did not mean that India would take unilateral action.

As its relations with India and China became more complex, the government's failure to achieve its promises at home became increasingly more pronounced. The government had not been moulded into a model administration: politics were as intrigue-ridden as ever; widespread lawlessness had not been curbed; development works were not advancing at the desired pace. As a result, opposition, which had always been strident in the many party-controlled newspapers, now grew rapidly in influential groups—particularly those in the palace.

Coup d'État

On 15 December 1960 King Mahendra moved. Troops under his orders arrested B. P. Koirala, his cabinet, all the leaders of the Nepali Congress, and almost all prominent politicians. The king suspended all articles of the constitution except those provided for just such an occasion—a 'national emergency'. In a proclamation and in statements made in the ensuing days, the king accused the government of ruining the nation in the name of democracy, of implementing crude economic theories, of abetting corruption and

encouraging inefficiency. In interviews with the press he at one time accused Koirala of being on the verge of selling out Nepal to China. Later he asserted that Koirala had been on the verge of merging Nepal with India. Documents were 'found' in Koirala's house showing that he was arranging to have Gurkha troops taken into the Chinese and Israeli armies.

Whatever the actual failings of the Congress government, India and America considered the king's action a setback for democracy in Nepal. Nehru made no attempt to disguise his disappointment. The Nepali Congress, he said, 'had a tremendous task and, I believe, the impression we had generally was that for the first time Nepal had some orderly government which was trying its best to improve things'. The king's charges, he said, were vague. Apropos of crude economic theories, the Indian Prime Minister pointed out that the only step taken by the Nepali Congress was the promulgation of a 'very moderate' land-taxation law, which was still awaiting the king's approval. Finally, Nehru said: 'This is a complete reversal of the democratic process and it is not clear to me that there can be a going back to the democratic process in the foreseeable future. Naturally, one views such a development with considerable regret.'⁵

These words, spoken only five days after the coup and before the new government could demonstrate its ability, aroused lasting resentment in the palace in Kathmandu. Nehru had attacked the new government before it had begun to function and show its worth. However right he may have been, his outburst proved to be a tactical error.

The United States made its disapproval known through diplomatic channels. Public comment was extremely muted. A State Department publication released a year later simply recounted that the Koirala government had made a start with legislation to reform social and economic institutions but had been criticized on one side for lack of progress and on the other by conservative forces which objected to reforms which 'threatened their vested interests'.⁶

The Opposition Supports the King

The new government of King Mahendra quickly received support from the politicians who had been out of power for the past

⁵ Nehru, *Selected Speeches*, pp. 442-3.

⁶ US, Dept of State, *The Subcontinent of South Asia* (Nov. 1962).

year and a half (they were held in jail until their enthusiasm reached a proper intensity). Koirala and more than a hundred of his followers were kept in prison. The king, who had repeatedly affirmed his belief in democracy, now began to cast about for a governmental framework which would consolidate his rule and yet have some claim to being democratic. Over a period of months a framework evolved. Borrowing ideas from Pakistan, India, Egypt, Yugoslavia, and Indonesia, the king and his ministers pieced together a system called 'panchayat democracy' which, it was said, would have the virtues of developing democracy from the bottom up, not from the top down, and of being consistent with Nepal's traditions (as opposed to being an import from the west). This called for a four-tier system of *panchayats* or councils. The lowest body, the village *panchayat*, would be elected by direct vote. District and zonal *panchayats* and the national *panchayat* would be elected by the next lower body, with a few additional members appointed by the king. Supposedly to assist in the decentralization of authority, the village *panchayats* were given limited powers. A similar measure had been promulgated by the Ranas but had never been implemented, one reason being that the *panchayats*, allegedly an indigenous institution, virtually did not exist. The national *panchayat*, it soon became clear, would have no real powers. It would 'adopt resolutions on world peace, disarmament, peaceful co-existence, independence and non-aligned foreign policy; . . . [it] will place suggestions before His Majesty's Government on the various problems of the country'.⁷ The new constitution of 1962 confirmed that the national *panchayat* would be no more than a rubber-stamp body. The *panchayats* were to be reinforced by supposedly non-political interest groups of workers, farmers, women, etc., grouped into 'class organizations', while political parties were banned.

Nepal had come full circle. Political instability following the revolution in 1950 had yielded greater and greater powers for the supposedly constitutional monarchy. Now a decade later the king was the absolute ruler of his country, and the constitution was merely a device to make his rule palatable. In retrospect, the revolution could truly be described as a restoration. The Shah family had regained the powers it had lost more than a century before to the Rana family.

King Mahendra garnered support for his new regime from many

⁷ *Gorkhapatra*, 17 July 1961.

and diverse quarters. Conservative elements backed him because they could expect worse treatment under any other government. Ultra-nationalists supported him because they saw the king as the only alternative to the pro-Indian policy of the Nepalese Congress. Simultaneously, a large wing of the Communist Party swung behind the king, for reasons which became apparent later. Though warrants went out for the arrest of leading Communists shortly after the 15 December coup, only three out of fifteen members of the politburo were actually apprehended, and a number of the others were seen walking the streets of the capital undisturbed.

New Foreign Policy

That this was no accident soon became apparent from the course of the government's foreign policy. The pro-Indian orientation of the Nepali Congress was dropped, and the government returned to the course charted by the Tanka Prasad government in 1956-7. Non-alignment in reference to the two major power blocs was translated into *de facto* neutrality between the two powers in the Himalayas. And because Nepal had such strong economic and political ties with India, this meant bending over backwards to favour China.

In September 1961 the king gave a practical demonstration of his new policy by journeying to Peking and accepting the Chinese offer to build a road from Kathmandu to Lhasa. This was a big step, one bound to alarm the west and a number of his supporters at home. To forestall criticism that he was being soft on (Chinese) Communism and to indicate that he was acting on the interests of Nepalese nationalism (which he undoubtedly was, as he saw those interests), the king went out of his way to take a hard line in Peking:

History says that China defeated other races and was vanquished also. But I believe the Communist government of . . . China will take lessons from history and not adopt the line of encroachment and interference upon the political sovereignty and territorial integrity of her neighbours. China will make all possible efforts not to repeat her past mistakes.⁸

As the king was willing to give what the verbally less offensive B. P. Koirala had not, China complied. The joint communiqué issued before the king's departure stated: 'The Chinese side reiterated its support for the independent policy of peace and non-

⁸ Ibid. 7 Oct. 1961.

alignment adopted by Nepal and made the earnest declaration that China would never behave towards Nepal with the arrogance of a great nation.⁹ King Mahendra dismissed the idea that his agreement on the road created dangers for Nepal or for India. He said he pitied those who thought that 'Communism enters in a taxi cab'.¹⁰

At home, therefore, the king found it doubly convenient to be lenient toward the Communist Party. He found the party's support valuable; and, with his new foreign policy, he could ill afford to suppress the local Communists. China could, after all, launch a massive campaign of infiltration into Nepal. In the past, Nepal's response to this would have been to turn towards India. This, however, was precisely what the king wanted to avoid.

King Mahendra's version of a nationalistic foreign policy could not but result in a deterioration of relations with India. The heavy bonds with the southern neighbour—which the king and other nationalists found so suffocating—could not be broken gently. India's response only made matters worse. Failing to recognize either the historical basis of the king's policy or the legitimacy of his desire to lessen Nepal's dependence on India, the government of India assisted a movement actively hostile to the regime in Nepal.

Indian Reactions

In early 1962 armed insurgents of the Nepali Congress began making raids from India into southern Nepal in an attempt to wreak sufficient havoc to force the government to negotiate with the party. The raiders were organized, equipped, and trained in India. The government of India gave at least passive aid by closing its eyes. Other Indian groups gave more material assistance. Here, as so many times before, India tried to have it both ways. It continually reaffirmed adherence to the concept of Nepal's absolute independence but reserved the right to play a commanding role in Nepalese politics.

When Nepal complained about the raids coming from India, the Indian government took a peculiar and wholly unconvincing line. In the face of indisputable evidence and press reports from India's most reliable newspapers, India denied that the campaign was going on. At the same time India did not give the campaign the support it needed—either material or diplomatic—to be a success.

⁹ *Gorkhapatra*, 16 Oct. 1961.

¹⁰ *Ibid.* 19 Nov. 1961.

Rather, Indian leaders resorted to statements which had a distinct ring of irritated paternalism. Nehru, for example, infuriated the Nepalese by saying: 'Nobody can guarantee an odd person not taking some guns or something of that kind [across the border]. But there is very little of it. Most of the trouble has been caused locally.'¹¹ This inept fiction was maintained until the Nepali Congress publicly called off its campaign—in Calcutta. Until then, the accusations and frequently irresponsible attacks made on India by the increasingly frustrated Nepalese government were treated as the ravings of a basically harmless infant.

The outbreak of warfare in the Himalayas in the autumn of 1962 called for a new look at India's relations with Nepal. Voices in the Lok Sabha and in the cabinet which had been muted now became predominant. Whereas Nepal's increasingly close relations with China had previously been seen as a temporary flirtation intended to heighten India's ardour, India now viewed the kingdom's drift as a real threat. Very shortly after the fighting began in the North East Frontier Agency (NEFA) and Ladakh, the Indian government pressured the Nepali Congress into making its decision to call off the rebellion, and ministers began flying back and forth between Kathmandu and New Delhi.

For both sides a rapprochement was essential. India, faced with a hostile neighbour along most of its northern border, desperately needed good relations with the state which occupied a 500-mile stretch of the Himalayas. Nepal could ill afford a serious break with India, for despite its leader's wishes, the kingdom was still heavily dependent on India. It would be many years (if ever) before China could offer Nepal the facilities it now received from India. In its attempt to break out of its relationship with India, Nepal had also intensified relations with Pakistan, but this too was not a real alternative. Nepal and Pakistan had concluded trade and transit agreements, but Pakistan was separated from Nepal by a narrow strip of Indian territory. For both states, relations with the other could serve as leverage in dealings with India. But for Nepal the opportunities afforded by Pakistan were not great enough to avert the need to live, somehow, with India.

At the end of the period Nepal had assumed a new relationship with its two neighbours. From subservience to India in 1950 Nepal had come to a new independence. Nepal was now its own master

¹¹ India, LS Deb., 1962, vol. lxi, no. 2, coll. 61-62.

—almost. Safety had been exchanged for a heady freedom to follow the most difficult of paths: to balance between two hostile powers, one of which was militarily more powerful, the other of which was, to Nepal, economically vital.

If the future were not taken out of Nepal's hands by a war the course of which it could not influence, the success of this or any other foreign policy would depend on economic and political conditions within the country, for these were the key to Nepal's continued independence. In this sense foreign economic assistance, which had profound effects on Nepal in the 1959–62 period, was crucial.

United States Assistance and the Government of Nepal

To USOM the success of the Nepali Congress in the 1959 elections came as an unparalleled opportunity. For seven years the mission had attempted through economic assistance to encourage the democratization of Nepal. Now a government dedicated to ideals that the United States largely shared was in power. And now the painstaking steps USOM had taken to develop the government as an instrument for the realization of such ideals could lead to success.

USOM was aware, however, that the new government had to take positive steps to secure its position. The mission therefore suggested a three-point blueprint for action. Implicit in its analysis of what needed to be done was a commitment of American support. First, the mission stated, transport and communications facilities had to be constructed in order to unify Nepal physically. Second, government services in education, health, and administration had to be expanded. And third, national production needed to be raised in order to finance the activities suggested in the first and second points.

The rationale given for this plan of action was fundamentally political. Physical unification was required so that the government could truly govern throughout Nepal. Services had to be expanded because "The need to expand these services to every district, every area, every village is essential to the successful establishment of a democratic way of life. . . . Only as a government shows a satisfactory response to the felt needs of its people can a democratic government exist."¹

The mission carried this logic into the formulation of its own programme. Economic means, it made clear, were to be used primarily to achieve political ends. This was the primary factor in determining the distribution of American assistance. In 1959, for

¹ USOM, *Summary of US Cooperation*.

example, the mission believed that it was necessary to extend government services to each polling area, in order to give every voter tangible evidence of the government's interest in him. Therefore the American programme aimed at establishing 2,200 new primary schools—a number that would bring the total up to 4,200, or one per polling area.² The mission was even more explicit in asserting the political purposes of education itself. Secondary schools, it stated, 'will promote democratic concepts thereby insuring the democratization of government'.³ Similar comments were made about other social services.

Diversity in American Thinking

USOM was united in giving first priority to the political purposes of aid and, to a lesser extent, in agreeing that Nepal's needs were summarized by the three points described above. The mission, like its parent body ICA, however, was divided on how to go about achieving its goals, on what economic means should be used to achieve specific aims, and on what economic requirements could be most usefully met by American aid.

The composition of the American programme consequently reflected a compromise between conflicting views. Two of these views were prominent and, ultimately, had the greatest impact on formulating policy. One was traditional, the other was a new departure in American official thinking.

The traditional view represented an evolution of the ideas basic to the long-defunct Point Four programme. Its advocates asserted that a relatively small amount of assistance could have catalytic effects in the development of existing resources. Few still believed that technical assistance alone was sufficient. Rather, the emphasis now was on a combination of technical assistance and financial backing for numerous small-scale projects. This approach, which can here be termed the revised Point Four approach, was summarized in this rationale for the agricultural programme:

The character of the project and its various component project activities is one of public service. There is no direct relation between input and output in an economic sense. . . . The whole approach and philosophy . . . is one of helping individuals and communities help themselves on a continuing cumulative, growth or developmental basis. The contribu-

² USOM, *Summary of US Cooperation*.

³ ICA, *Country Economic Program—Nepal* (1959).

tions of the project . . . are calculated to bring about increased production, higher incomes and an improved standard of living to hundreds of thousands of families thereby enhancing the economic status and general well-being of the entire nation.⁴

In direct opposition to this philosophy was the view that the rate of economic growth was almost entirely determined by the magnitude of investment: the greater the investment, the faster the growth rate. William O. Thweatt, the economic adviser to USOM, was the leading advocate of this view. He argued that the amount of foreign and domestic capital available for investment in Nepal was not great enough to produce a real growth rate.⁵ Implicit in his logic was a doubt that the American programme, at its current rate of expenditure (in early 1960), could make an appreciable impact. He therefore urged the mission to press for more funds and was one of the first advocates of the utilization in Nepal of Indian rupees earned by the United States from sales of surplus foodgrains in India under US Public Law 480 (PL 480).

The composition of the American programme was largely determined by these two views or development models. The revised Point Four approach was reflected in the various services and notably in village development and agriculture; the input-output analysis advocated by Thweatt was reflected in the growing number of capital projects, including roads, telecommunications, and bridges.

In practice, these two approaches also fostered vastly different methods of project implementation. The nature of these methods in turn had a profound impact on the results the American programme achieved. The revised Point Four approach committed USOM to work with and through the government of Nepal. The reasons for and the implications of this commitment will be discussed below. The capital-injection approach in contrast led to the adoption of projects that were often carried out by private American firms, as their implementation was beyond the technical capabilities of USOM as well as of the government of Nepal. The government was therefore largely, though not entirely, excluded from the construction process.

⁴ USOM, *Proforma of Overall Project in Agriculture*, p. 5.

⁵ Thweatt believed that Nepal would require an investment of \$265 m. over a five-year period to achieve an annual growth rate of 5½ per cent. This involved a rise in net national product from \$421 to \$537 m. and in per capita income from \$45 to \$54. He foresaw a shortfall in investment funds or 'savings gap' of \$105 m. (in USOM, *Memo to Planning Commission from W. O. Thweatt* (Kathmandu, 12 Apr. 1960)).

American Aid Increased

The first significant move made by the United States in response to the Congress's electoral success came shortly before King Mahendra's visit to the United States in April 1960. Subarna Shumshere, Deputy Prime Minister and Finance Minister, wrote to the American mission stating flatly that his government faced a grave financial crisis and that, unless there were an immediate infusion of funds, the Nepali Congress government might fall. The Minister was not exaggerating. As mentioned earlier, Nepal's expenditures had climbed steadily since the fall of the Ranas, while revenues had lagged far behind. Previously the cash grant from China had tided the government over. Now the Chinese money was expended, but Nepal's needs were even greater than before.

Subarna reportedly asked for \$15 million. USOM agreed that something had to be done but thought this sum was far beyond what Nepal could possibly utilize and urged the Department of State to grant only \$7.5 million in PL 480 funds. The Department of State in turn recommended to the White House that the President should grant King Mahendra \$10 million. Meanwhile, the government of Nepal had made clear to USOM that it would like to have a survey made of the Karnali river, believing it to be one of the most promising hydro-electric dam sites in Nepal. USOM passed on this request to Washington, which in turn contacted the United Nations Special Fund.

Favourable action on Nepal's financial needs and the Karnali project were to be the American equivalent of the Russian goodwill gestures to the king in Moscow in 1958. Results were beyond expectations. King Mahendra walked out of President Eisenhower's office with a grant of \$15 million in rupees. He also learned that the United Nations Special Fund had agreed to conduct a \$1-million survey of the Karnali.

Confusion in the Utilization of Funds

News of the \$15-million grant stunned USOM in Kathmandu. Steps taken by the mission at this point touched off a chain reaction of events that had profound effects on individual careers, on USOM itself, and on Nepal.

Earlier in 1960 the acting mission director, William Tate, and his staff had made plans for the utilization of the relatively small amount of dollars and rupees then available (a grant of \$1.8 million

in rupees had been made before the king's visit to Washington). These plans had taken into account the possibility of an additional, limited grant of rupees. But now, without warning, USOM found itself holding a sum far larger than it had told Washington Nepal could possibly absorb. The mission, moreover, understood that the entire \$15 million had to be expended in fiscal 1961 which was about to begin in a few weeks (on 1 July). The outcome was a scramble the like of which Nepal had never before experienced. Tate and his staff scrapped all the projects agreements that they had just finished negotiating. They scoured Nepal and their imaginations to find projects to finance. They decided on vast expansions of a number of existing projects, and they concocted a number of new projects on the spot.

The programme for 1961 that emerged incorporated a broad spectrum of projects, extending from slightly irrelevant social services such as rehabilitation of prisoners in Nepalese jails to straightforward capital projects such as an airport development scheme. The number of projects far exceeded that of any previous programme. Despite cutbacks in 1961, USOM initiated ninety-three new projects in the years 1960-2, most of them planned at this time.⁶ The only characteristic that these projects had in common was the American commitment to pay all, or nearly all, costs.

When Tate sent his revised programme to Washington, there was an explosion. The funds, it now came out, were intended to have been utilized over a two-year period. Tate and his deputy, David Alter, were recalled. USOM, which had been drifting since the departure of its director, Russell Drake, in 1959, was now totally without direction. The PL 480 rupees remained largely frozen. The mission staff waited. The government of Nepal, justifiably disturbed by this sporadic performance, also waited, many of its projects at a halt.

At the end of the year Washington sent out a new two-man team to run the mission. John L. Roach, the new director, and Albert Farwell, the new deputy, were both career officials, a somewhat unusual combination (many missions have a political appointee as either director or deputy). Roach had been transferred to Nepal from Ceylon where he had been director.

The new leadership's task was complicated by the coup d'état on 15 December 1960. This wiped out the government which the

⁶ Compiled from data in Min. Econ. Aff., *Economic Affairs Report* (1 Jan. 1963).

fateful grant was supposed to have kept in office. However, the United States, though disapproving of the coup, determined to give full support to the new regime, presumably on the theory common in American foreign policy planning, that in a nation directly threatened by Communism, almost any government warranted support if it were manifestly intent on keeping Communists out of power. Nepal, now ruled by a king backed by a conservative army, qualified.

Coup Hampers Aid

For the operation of the United States aid programme, however, the coup was a distinct setback. Aside from the fact that the 'democratization' of Nepal had been at least temporarily halted, the new situation presented formidable administrative problems to the mission. The change of government had triggered another purge of civil servants. This particular purge, moreover, was one of the most extensive to date. In the chaos and suspicion which followed in the wake of the take-over, a significant number of the most skilled and highly-trained (especially American-trained) officials were dismissed. The leading men in agriculture and planning, to name just two vital fields, were banished from the civil service. The purge went far down the line. By the time the new government was constituted, the coup had wreaked havoc in the administration. The delicate fabric of elementary administrative competency which had been painstakingly created by time and experience and with foreign assistance, mainly American, was ripped to shreds. The slow growth of confidence among civil servants that their jobs were somewhat sheltered from every political wind was abruptly shattered. Inaction once again became the safest course for any civil servant who wanted to retain his position. Against this background of confusion and uncertainty in the government, the new USOM leadership rewrote the United States aid programme in order to spread the PL 480 rupees over a two-year period. John Roach negotiated a series of revised project agreements with the new regime. In some cases, the revisions were the fourth within a year.

The fate of the agricultural agreement during this turbulent year demonstrated the extent of the turmoil within USOM and hinted at the effect the American indecision must have had on the already shaky Nepalese government machinery.

On 20 May 1960 William Tate, the acting director, initiated the

agricultural agreement for fiscal 1961. USOM committed the small sum of \$37,086 in new funds.⁷ On 31 May a further \$53,200 was committed.⁸ The project as now constituted called for efforts in ten fields, including agronomy, horticulture, plant protection, and agricultural extension. All efforts were to be on a small scale.

Another Change of Programme

Within a month these original plans were scrapped. The \$15-million grant of rupees came through and, on 30 June 1960, USOM and Nepal's Ministry of Agriculture revised the agreement for the second time. Now, the United States committed \$1,428,000.⁹ In order to spend this amount, all the existing efforts had to be stepped up and new fields entered. The original agreement had stipulated support for the completion of two agronomy stations and the establishment of five more. The second revision now committed funds for eleven stations. Irrigation was added as an area to receive American support. USOM agreed to construct one large, two medium, and a number of small irrigation systems at a cost of \$695,000. USOM also determined to back such new projects as an Agricultural Development Centre (a training facility), a 'Grow More Food Campaign', and fisheries. The mission, moreover, assumed virtually the entire financial burden of these efforts—including salaries of Nepalese civil servants who would be involved and many of the operating costs of the Department of Agriculture.

But, like the original agreement, the second revision and the plans it put forward were never implemented. On 29 June 1961 the third and final revision to the agreement was signed. The American grant was now \$921,574.¹⁰ USOM shaved the previous agreement down by entirely eliminating the irrigation project, by reducing the number of agronomy stations from eleven to six, horticultural stations from six to three, and by cutting down on funds committed to other projects. This revision of the programme, unlike the others, was implemented.

The agricultural project, as it emerged from the third and final revision, revealed that support for projects of a service nature, on the grounds that they would have far-reaching catalytic effects, had

⁷ Project Agreement between the International Cooperation Administration (ICA), an agency of the Govt of the United States of America and the Ministry of Agriculture, an agency of HM Govt of Nepal, Kathmandu, 20 May 1960.

⁸ *Ibid.* rev. no. 1, 31 May 1960.

⁹ *Ibid.* rev. no. 2, 30 June 1960.

¹⁰ *Ibid.* rev. no. 3, 29 June 1961.

survived both the change in USOM leadership and the coup d'état in Nepal. Describing the agricultural programme, the third revision stated:

Particular emphasis has been given to those activities which are calculated to involve the villager, directly or indirectly, and influence and assist him in achieving a more effective use of his productive resources. Only in this manner may broad targets for increased agriculture production be realized.¹¹

Through the structure of the programme, USOM also deepened its commitment to work through the government of Nepal. The revised programme called for a large number of widely-scattered projects, most of which would require a substantial quantity of administrative and field personnel. USOM, with its limited staff, could do little more than offer to advise the government at the highest levels. The success of the USOM programme, therefore, depended more than ever on the efficacy of the government.

This increased reliance on the government of Nepal extended also to the United States projects in village development, education, and health, all of which underwent rapid expansion as a consequence of the \$15-million rupee grant.

Commitment to the Regime

The direction of the expanded American programme in these fields resulted, moreover, in an affirmation of American commitment to the regime of King Mahendra. For the United States was now more than ever responsible for the nature of the government's contact with the population. This indicated that the United States had not only determined that the king's regime required support because an alternative government could be worse, but that it was satisfied, first, that the government had an interest in increasing the economic and subsequently the political power of the people as a whole, and, second, that steps taken along the lines of the American programme would have desirable long-term results, regardless of what kind of government took them.

The American programme as now constituted, however, was increasingly subject to a weakness that could frustrate its basic political and economic aims. This was the growing importance of United States funds to the government of Nepal, not only for the

¹¹ Project Agreement between the ICA and the Min. of Agric., rev. no. 3, 29 June 1961.

implementation of development projects but for the day-to-day costs of government. In 1961, for example, Nepal's total revenue from domestic sources was \$12.3 million.¹² In the same year the kingdom expended \$14.1 million in its 'regular' budget and \$9.9 million in its 'development' budget.¹³ Moreover many items in the development budget were no longer developmental in nature, such as recurrent costs of schools and health facilities built in past years. The United States did not, in this year, finance in entirety the government's deficit, nor did it pay all recurring costs. But the United States did expend the considerable sum of \$5.7 million in rupees (as well as \$5.7 million in dollars, much of which did not appear in Nepalese calculations).¹⁴ Most of this sum went into payment of recurring costs. Of the funds committed to agriculture, for example, only 17.3 per cent was earmarked for non-recurrent expenditure.¹⁵

The importance of United States local-currency assistance in propping up the Nepal budget cannot be overstated. USOM not only paid for new projects which it had urged on the government, but it financed almost the entire operations of a majority of the Nepalese ministries. After a decade of American encouragement and government prodigality with reserves, Nepal was left with a slender income, a bloated government apparatus, and substantial recurrent expenses. Its civil service was staffed by most of the graduates and so-called intellectuals that Nepal had produced. Nothing could have brought the government serious trouble more quickly than the need to live on its own revenues. Inevitably large numbers of educated young men would have been out on the street looking for work—and feeling bitter resentment. This must have been what Subarna Shumshere feared when he asked USOM for help. This was the danger which the United States now helped to stave off.

Alternatives Reduced

But the United States did more than avert, or more accurately postpone, a crisis. It aggravated the situation, so that when the crisis did come it would almost certainly be far worse. By encouraging and supporting an ever-growing number of development projects, the United States was responsible for further expansion

¹² Nepal Rastra Bank, *Rep.*, p. 82.

¹³ *Ibid.* pp. 13 and 83.

¹⁴ AID, *Status of PL 480, Title I—Indian Rupee Funds as of 31 Aug. 1962* (Kathmandu), p. 5.

¹⁵ Project Agreement between the ICA and the Min. of Agric., rev. no. 3.

of the government apparatus and a consequently increased burden of recurring costs, with little commensurate economic expansion.

As there were no other donors willing to make the extensive contributions to recurrent expenses that Nepal now needed, the United States had in effect made Nepal dependent on continued American support. Simultaneously the United States, unwilling to risk a collapse of the government of Nepal, found itself with no feasible alternative than to continue financing the government.

Both nations were in a dilemma. There was only one way out: larger revenues. Obtaining these through taxation appeared to be politically impossible, as the king's regime relied on the support of conservative groups hostile to such moves. The general standard of living was so low, moreover, than an appreciable increase in the land tax would have caused hardship to a large proportion of the population (particularly as taxes were in most cases ultimately extracted from the tenant cultivator by the landowner). The only escape from the dilemma, therefore, was success for the American programme in the form of significant economic growth—more production in the countryside, greater per capita income, and consequently greater government income. To what extent had American efforts spurred such growth? What elements in the programme were likely to contribute to future development?

There can be no straightforward answers to these questions. Statistical data in Nepal were either non-existent or unreliable.¹⁶ In this case, the best insight is offered by an examination of the results and the experience of the American programme itself, and of evaluations made by American officials in the field.

Because Nepal's economy was based almost exclusively on agriculture, USOM from its early days in 1952 gave assistance to agriculture high priority. But results of American efforts in this field were not commensurate with the importance attached to them. In the plans prepared for fiscal 1960, the programme description revealed occasional glimmers of the Americans' own disheartened evaluation. All projects, it was asserted, had made slower progress than expected because of lack of trained personnel, poor administrative organization, and lack of continuity in administrative and field technicians. Results at plant introduction centres 'have not

¹⁶ A statistical service was developed by late 1962 with American financial and technical assistance. Data on agricultural production and the national income were in preparation.

been proportional to the amount of activity and effort'. In horticulture it cited 'slowed progress'; in disease control 'progress has been slow and generally unsatisfactory'. Finally, this terse comment was made on the vitally important efforts to improve agricultural practices and methods: 'Little has been accomplished.'¹⁷

But the most eloquent expression of frustration in agriculture came in 1962, when the mission reorganized its programme into five major fields of concentration. Agriculture was not one of them. Some agricultural projects were to be maintained as elements of other projects such as 'training'. The following statement explained why this step had been taken:

Until the Government of Nepal, assisted by the U.S. and other foreign donors, brings about certain fundamental and long overdue reforms notably in the rural and administrative areas, emphasis on agriculture, particularly its production aspects, cannot be expected to produce fully desired strategic developmental impact.¹⁸

Programmes Reduced

As a consequence, USOM decided to terminate a number of agricultural projects—crop improvement, livestock improvement, poultry improvement, fisheries development, plant protection, soil survey, and the agricultural development centre. The future of the majority of these projects was made clear in this comment on the livestock effort:

The U.S. contribution to the activity represents practically the entire budgetary resources. With the termination of U.S. financial support, it is problematical as to whether the Government of Nepal can find the resources within its own means or obtain financing from some other foreign aid source . . . [the] activity may have to be curtailed or eliminated.¹⁹

Had these projects achieved any success at all, or been considered valuable by the USOM leadership, it is unlikely that the mission would have abandoned them to a fate so ignominious and so expressive of defeat.

USOM encountered many of the same difficulties as it had encountered in the field of agriculture in the implementation of capital

¹⁷ ICA, *Country Economic Program, and Project Proposal and Approval Summary: Overall Project for Agriculture* (Kathmandu, July 1958).

¹⁸ AID, *The Nepal Agriculture Program; a Brief Statement* (Kathmandu, Oct. 1962).

¹⁹ AID, *Field Proposed Program for Fiscal 1963—Nepal* (1962).

projects. This was particularly true in the two instances when the mission determined to carry out capital projects in co-operation with the government of Nepal.

The suspension-bridge project—a scheme to build foot-bridges over many of the rivers that cut off almost all east–west movement during the rainy season—underwent especially notable travails. USOM initiated the project on 30 May 1958, planning to construct twenty-five bridges at a cost of \$328,000.²⁰ At the time the mission intended that Nepal should carry out the actual construction. USOM would only supply materials. One of the purposes of the project, in fact, was to encourage co-ordination between central and local governments through the construction process. The scheme was also supposed to further political, economic, and social consciousness and to encourage self-help.²¹

Eight months later, in October 1959, USOM revised its plans, making them—curiously enough—more ambitious and simultaneously more cautious. The target was raised to sixty bridges. But American personnel were now to be involved, at least in the early stages. One bridge was to be built in the autumn of 1959 under American supervision. The construction of this bridge was to serve as on-the-job training for the initial construction cadres. The personnel trained on the first bridge were then to act as instructors, i.e. supervisors of work on five more bridges. In this manner skills were supposed to spread like ripples in a pond: ‘By the fall of 1960 [it is] planned that at least five training cadres will be building a total of 10 bridges a year plus training personnel in construction techniques. By 1961, trained crews should be constructing bridges in their local districts. . . .’²² Progress by 25 October 1959 consisted of procurement of parts for one small, 150-foot bridge and completion of designs for bridges up to 250 ft. But USOM was optimistic. ‘Delays in HMG decisions as to the location of the bridges have kept the project from moving according to its original plan. With the new government [the Nepali Congress] now in power, decisions are expected and the targets . . . above . . . are considered realistic and achievable.’²³

A year later the number of bridges to be built had gone up to seventy, all to be completed by July 1963. To do this, bridges had to be constructed at a rate of thirty-five a year. Progress meanwhile

²⁰ ICA, *Form E-1; Suspension Bridges* (Kathmandu, 14 Dec. 1958).

²¹ *Ibid.*

²² ICA, *Country Economic Program*.

²³ *Ibid.*

consisted of construction of part of one 125-foot bridge under American supervision. Explaining the lack of progress, the mission stated that priorities for sites had not been determined, and surveys made by Nepalese surveyors needed to be checked. Moreover a sum of \$900,000 was required to meet local costs.²⁴ Presumably USOM had previously taken it for granted that Nepal would pay such costs.

The new USOM leadership was more realistic. In the programme drawn up about December 1961, the number of bridges to be built was radically reduced. The target was cut to twenty-four bridges and cableways (the proportion was unspecified). The completion date was also moved back—to 30 June 1965. Progress during 1961 consisted of one bridge finished and parts of thirteen more on hand.²⁵

At the end of another year, the programme was again inflated, but the completion date was pushed back to 30 June 1967, and thus the annual rate of bridge construction was still further reduced. The plan was still to train construction cadres, who were then to build the bridges. Progress to date: still the one bridge constructed in 1961.²⁶

Little thought appears to have been given to the possibility that there were serious flaws in an approach which was supposed to have yielded seventy bridges in two years but, in practice, yielded one bridge in five years.

A Commentary on the Bridge Programme

No better commentary on this remarkable story could be made than that implicit in the quiet activities of SHAG. With little fanfare, SHAG decided to build a suspension-bridge. Backed by funds from USOM, it put one of its own engineers in charge, chose a site and, with Nepalese labour, simply built a bridge. Near-by villagers, at first sceptical, came to help and eventually asked the Swiss to build another bridge in the vicinity. The Swiss were delighted and agreed.

SHAG had attempted far less than USOM but had accomplished just as much and perhaps more, having interested at least one village in the possibilities of new techniques. As in the case of the dairy

²⁴ ICA, *Country Program Book—Nepal* (1960).

²⁵ AID, *Proposed Program 1963*, p. 160.

²⁶ AID, *Country Assistance Program—Nepal* (1963), p. AC-4.

farms, the Swiss had succeeded in fulfilling their goals by circumventing the Nepalese bureaucracy and by accepting the limitations imposed by the lack of skills among the Nepalese.

The American insistence on working with and through the Nepalese bureaucracy produced substantial difficulties for another USOM capital project: that of the RTO. This tripartite (India-Nepal-United States) scheme was intended to produce 901 miles of road. Under the plans made in 1958, an American and an Indian engineer were to work with, and have their efforts co-ordinated by, a Nepalese engineer. In practice, however, the Nepalese officer nominally in charge of the project was unable or unwilling to exert sufficient authority to prevent the American and Indian engineers from engaging in an entirely destructive competition.

The result was disastrous for the project. First, the target was cut to 300 miles. Then, on 29 June 1962, the entire project was abandoned. Achievements to that date were negligible. At a cost of \$7.5 million, the RTO had constructed 148 miles of jeep track (no single stretch of which was long enough to connect two towns), paved 24 miles of existing road, graded 193 miles, and laid gravel on 41 miles.²⁷ In fact, Nepal did not gain one additional usable road as the result of RTO expenditures or efforts.²⁸

The RTO not only failed to serve any conceivable political and economic aim, but, in its demise, the organization facilitated the implementation of a project that both the United States and India considered inimicable to their interests. When the RTO was disbanded, roughly \$1-million worth of heavy equipment was left to the public works department of Nepal. This equipment was soon committed to the construction of the Chinese-financed road from Kathmandu to Kodari (the Nepalese border town on the route to Lhasa).

The RTO came to such a dismal end because of flaws in its conception. USOM and the IAM had apparently made the mistake of assuming that the government of Nepal was ready to administer a complex organization and that a number of individual Nepalese who had had little formal training were equipped to assume roles requiring great administrative, technical, and diplomatic skill.

²⁷ AID, *Country Assistance Program—Nepal*, p. AC-7.

²⁸ The sole exception was the Kathmandu-Trisuli road, but this was in fact part of the Trisuli hydro-electric scheme and was only nominally under the RTO's aegis.

Capital Projects

The American mission was able to achieve better results in the implementation of two other capital projects: the Hetauda-Kathmandu ropeway and the telecommunications network. In both cases USOM called in an American contractor to carry out the actual installation. The government of Nepal was given only limited responsibilities, but in the case of the ropeway, this was sufficient to cause significant delays.

Nepal agreed to take responsibility for two facets of the construction of the twenty-eight-mile-long ropeway: internal communications and electrical power. Telephones to link the many sites along the ropeway's path were needed almost immediately. When Nepal did not supply them, USOM had no alternative but to do so itself. Delay was thus averted, but the entire project came to a standstill when the promised electrical power failed to materialize.

The ropeway was given a test run in late 1962. While the machinery was running, the lights of Kathmandu dimmed. To get power to the ropeway, the Nepalese had had to divert electricity from the capital's supply. No new supplies were available. As a result of the power shortage, and a number of technical and administrative problems, this multi-million dollar installation did not go into service until April 1964. There was no doubt, however, that the project would ultimately be fully operational. The question left unanswered was whether Nepal had the technical or administrative resources to keep such a complex installation running.

A similar question was posed by the telecommunications project—a scheme to link fifty-seven provincial centres with Kathmandu by radio. This was extremely ambitious. If successful, the project would undoubtedly play a useful role in the political unification of Nepal, but to succeed, a number of substantial break-throughs would have to be made. First, a large number of skilled technicians would have to be trained. These technicians would have to be more than proficient radio operators. They would also need to be able to maintain complex equipment in remote areas where they would be cut off from sources of technical advice and spare parts. In short, they would have to be resourceful, responsible men, always ready to take the initiative; but such qualities had never before been demanded or encouraged in Nepalese society. Second, the government would have to develop a department capable of dealing with the personnel problems of the technicians. Nearly sixty resentful

radio operators feeling neglected in their distant posts would be unlikely to maintain the system at its peak. Third, the government would need to create and sustain a first-rate service organization to keep the radio stations operational.

At the close of 1962 several incidents had occurred that made all too clear just how substantial these break-throughs would need to be. Preparation of the technicians to man the radio stations was not progressing smoothly. USOM had terminated the contract of the first firm brought in to install the radio stations. When the second firm arrived, it found that the technicians had learned nothing from the instruction they had received to date. The company had to start again at the beginning. Whatever faults the first contractor may have had, the task of training radio operators in Nepal was enormous. A majority of the trainees had had no prior introduction to electrical or electronic studies. Many probably had had little experience with electricity in any form. The academic background of all the trainees was poor, as Nepalese schools were particularly weak in the physical sciences. Moreover the calibre of the trainees was not likely to be high, as a semi-mechanical occupation bore the stigma attached to all types of manual labour in Nepal.

A doubt was cast on the government's ability to administer the personnel problems of the technicians once they took up their posts by an instance of maladministration that occurred in central Nepal late in 1962. The government had simply neglected for some months to pay government servants there. Finally, doubts on the government's competence to service a far-flung network of radio stations were raised by the government's performance with the radio stations already in existence. For example, a station had been set up some years before in Baglung, a vital trade and commercial centre and a cross-roads for some of Nepal's most important trade routes. Baglung was only a long day's march from the airport in Pokhara, which in turn was 35 minutes' flying time from Kathmandu. Yet in late 1962 the Baglung radio was out of commission—and had been for more than a year.

The future of the telecommunications scheme (which was completed in the spring of 1964), in summary, was uncertain. As in the case of the other projects described above, USOM had based its approach on doubtful assumptions about the nature of Nepalese society and the capacities of the government of Nepal.

American Successes

There was no more revealing commentary on the validity of these assumptions than the relative success (the term is used in the limited sense of accomplishment of immediate objectives) enjoyed by the few American projects in which the assumptions were not operative.

The malaria eradication programme had made significant progress. By the end of 1962 the disease had been virtually wiped out in central Nepal and the Rapti valley; and claims that malaria would be eradicated within the decade did not seem unduly optimistic. It will be recalled that in the early 1950s USOM attempted to use the same approach to malaria eradication as it had followed in other fields—coverage of a large area in a short period of time by government personnel with limited American technical support. The shortfall of results had in this case been too striking not to be noticed, and the project had been subsequently reconstituted. The American effort had been merged with the WHO campaign. USOM was to supply finances, WHO the technicians, and Nepal the assistants, who also were trainees. This assured competent administration for as long a period as was required to prepare Nepalese officials to take over. It also had the added advantage of largely isolating the project from the political winds of Kathmandu.

The timber-mill at Hetauda, incorporated as part of the Timber Corporation of Nepal, also met with some success. In 1962 the mill realized a 13 per cent profit. Even if, as American officials privately conceded, this was a paper profit, created by juggling the books and an inclination to forget about depreciation, the mill constituted a step forward. Its contribution to lumber supplies had lowered prices and presumably encouraged construction. Its operation was potentially, if not actually, profitable. The mill's success was, according to USOM, 'mainly due to the presence of an USAID/N-supplied general manager'.²⁹ Regrettably, the mill's independence had not been adequately guaranteed, and towards the end of the period political interference in operations was becoming frequent.

Progress in Education

The American education programme had also made substantial progress. The percentage of elementary-school-age children in school had climbed from less than 1 per cent in 1950 to 12 per cent

²⁹ AID, *Country Assistance Program*, p. AE-17-AE-4.

by the end of 1961 and was projected to have reached 14 per cent a year later.³⁰ Both USOM and the government claimed the existence of 4,000 schools in late 1962. Though this figure was undoubtedly exaggerated (some schools were no more than buildings without teachers or students, others were still in the planning stage), the extension of educational facilities was impressive.

This achievement was the outcome of a fortuitous and unusual combination of three factors: a strong and able American at the head of the programme; eagerness in many of the villages to have schools; and a relative simplicity in the field operation. Leadership gave direction where lack of direction could have led to an extremely costly failure. Desire was the *sine qua non* fatally missing from most other projects.³¹ Simplicity made it possible for the government to administer the project. Many 'school' buildings were already in existence as houses or shops before they were transformed into schools; others were simple structures built quickly by volunteer village labour. The greatest administrative problems were getting teachers into the schools and supplying basic training materials. USOM helped in both these areas through its support for the teacher-training programme and the centre for the production of educational materials.

At Balaju outside Kathmandu the American-supported Nepal Industrial Development Corporation had set up an industrial estate that also appeared to be having some success in attaining its aim, which was to encourage the establishment of small and medium-size manufacturing units. At the end of 1962 two sizeable firms on the estate were operating profitably, as was a small soap-making company. Prospects for the future were good. Like the timber-mill, the estate's general manager was a contract appointee of USOM. Balaju's most notable success was a machine shop. This facility, however, pre-dated the industrial estate. It had been established by the Swiss to supply parts for the Swiss dairy projects. Now with more machinery and with a Swiss manager and Swiss foreman, the unit produced parts for the Nepalese airline, turbine pumps to supply small quantities of electricity, and components for virtually all types of machinery. After several years of working closely with

³⁰ AID, *Proposed Program 1963*, p. 32.

³¹ Schools and health facilities met the least resistance in Nepalese villages presumably because they offered only an indirect threat to the established order. Education, moreover, was the object of traditional respect.

skilled Swiss technicians, a small number of Nepalese were nearly ready to assume positions of authority.

The Overall Assessment

Despite these successes, USOM's assessment of its programme as a whole was not favourable. The mission indicated this by effecting a drastic reorganization and shift of emphasis towards the end of 1962. This move, termed a 'redirection' of United States assistance, was explained as a concentration of aid to 'achieve a relatively limited number of highly selective top priority goals'.³² The programme was recast into five major projects. In order of priority, these were: education and training; government management and institution development; transport development; the development of financial institutions and of private enterprise; and the development of forest resources. Special categories were created for malaria eradication and power integration. The priorities had been established under the following criteria:

1. The Nepali government's own developmental priorities.
2. The kind of project activities which can be expected to make a strategically significant developmental impact within a reasonable period of time; and
3. The kinds of project activities to which the U.S. is particularly well qualified to contribute.³³

The five categories themselves speak volumes by what they omitted and by what they included. Projects originally adopted in the hope that they would spark off change in the countryside—agriculture, village development, and health—were dropped, though elements of each were retained under one or another new category. Village development projects, for example, now came under the development of local-government institutions, part of the *panchayat* programme. The large number of projects to be terminated indicated the mission's awareness that it had been operating on too broad a front. The order of priorities revealed USOM's assessment of Nepal's present needs, but also its evaluation of what had gone wrong in the past. Individual Nepalese had been found unable to administer development projects, so there was to be an increased programme of education and training, with special attention to the latter. The government of Nepal had been found wanting, so there was to be a concerted effort to develop its administrative compe-

³² AID, *The Redirection of U.S. Aid to Nepal* (Kathmandu, Sept. 1962).

³³ *Ibid.*

tence. The final two categories, though they did not represent a new departure, indicated the mission's heightened interest in projects which could lead directly to greater national income and, in the case of forest resources, to government revenue.

USOM's claim that its new priorities coincided with the government's plans was not entirely justified. Education, part of the first American category, was last on Nepal's list of priorities as set forth in the Three-Year Plan (1962-5). By the time the plan was published, the Nepalese had become aware of how much the American projects were going to cost them in upkeep (this new insight had occurred when USOM insisted that recurring costs of schools and other facilities be put into the regular budget after two or three years of American support through the development budget). The plan spoke of consolidating existing social services and cautioned against the dangers of wasting limited resources.

But a more important divergence appeared in the matter of public administration. The Nepalese planners were prepared to admit that the administration needed overhauling. The plan spoke of the possible need to change the administrative organization if development requirements so demanded.³⁴ Read between the lines, this indicated that it would be the administration itself that would reform the administration. No mention was made of outside assistance, for, in this sensitive field, it definitely was not wanted. Many of the more xenophobic elements in and out of the government were already alarmed at the extent of American involvement (which was considered penetration) in the administration. The prospect of Americans coming to effect a thorough reorganization was unacceptable. Even greater opposition came from leading political figures, who saw the American offer as a threat to Nepal's ability to conduct an independent foreign policy.

Administrative Reform

USOM, however, was determined. It now viewed administrative ineptitude as the major stumbling block to progress, as indicated in this moderate but frank statement: 'General administration within the nation-building technical ministries despite all good intentions and efforts to the contrary, remains so imperfect that it

³⁴ Nepal, National Planning Council, *Three Year Plan, Summary* (Kathmandu, 1962), p. 10.

imposes limitations upon the effectiveness of foreign technical and financial assistance. . . .'³⁵ Further American aid, the mission made it clear, was contingent upon acceptance of an American-supported programme of administrative reform.

USOM had opened its campaign to remake the government earlier in 1962 by inviting a firm of American public administration consultants, Griffenhagen-Kroeger, Inc., to survey Nepal's requirements. A member of the firm, Louis J. Kroeger, arrived in Kathmandu on 28 January 1962. The mission understood that he would spend up to six weeks in Nepal and then write his report in San Francisco. As it turned out, Kroeger stayed about four weeks and had a first draft of a lengthy report completed before he left. It should not have been surprising, therefore, that though he acted in good faith, he made no discoveries that a number of Nepalese, as well as virtually every foreign technician in Nepal, had not already made. Nepal and the Nepalese do not reveal themselves to strangers quickly. Kroeger was apparently told of everything except the most significant fact—the incredibly intricate web of caste, family, and personal allegiances that are at the core of the government of Nepal. His report, however, was impressive at first glance. Its glossy paper and professional lay-out looked good in a land where printing facilities are crude. But most of the report's 81 pages did not even mention Nepal. They could have been in any general textbook on public administration. In Kathmandu the report was regarded with amusement. USOM damned it with faint praise. The report, it said, 'received widespread attention as representing an independent view of a recognized expert in this field'.³⁶ No recommendations could be or were based on it. This served to demonstrate again the futility of trying to do too much in a short time, of trying to make sweeping changes overnight. Soon after Kroeger submitted his report, Washington initiated a search for an expert to work in Nepal for a period of several years.

Success in the field of administration was made even more important under the revised programme. The accent was on institution-building, on creating the framework for future development efforts. Typical of the thinking at the end of the period was this statement: the 'goal is to establish the institutional framework within which education and training activities may be carried out to

³⁵ AID, *Country Assistance Program*, p. IIIs—Ab 1.

³⁶ *Ibid.* p. III-72-AA-5.

provide the manpower sources needed for successful and sustained national development'.³⁷

Simultaneously with the new emphasis on administrative reform as an element of institution-development, USOM launched a public campaign for land and tax reform—a new departure. In an address to the Kathmandu Rotary Club, John L. Roach, the USOM director, said that the United States had previously felt that capital and technical know-how were the major requirements of underdeveloped countries. Now, he said, 'will and determination' were recognized as the critical factor, for these were the primary ingredients in the all-important areas of land and tax reform.³⁸

Roach and the mission did not apply the same logic to administrative reform. USOM under Roach's leadership appeared to assume that technique and knowledge, not will and determination, were the essential requirements for administrative reform. This assumption ran contrary to the evidence.

Resistance to Reform

A number of able civil servants had already been trained in public administration and government in foreign (mainly British and American) universities. Of the four Nepalese so trained in Britain, only one was still in government service. This record of utilization was the poorest of the many fields in which Britain trained Nepalese citizens. Of eight trained for customs work, all were in the customs service; of eleven trained in education, ten were employed in schools or in the Ministry of Education; and of four trained in police work, three were engaged in some type of police activity.³⁹

Another indication that the lack of technique and knowledge was not the primary barrier to administrative reform was the experience of various United Nations advisers on public administration. Such advisers were virtually ignored. In 1962 the current United Nations adviser in this area built up a large staff of Nepalese personnel, many of whom he believed were highly competent and keen. Nevertheless, his efforts were treated with indifference.

³⁷ AID, *Country Assistance Program*, p. III-AA-9.

³⁸ USOM, *Address to Kathmandu Rotary*, by J. L. Roach, 24 May 1961 (Kathmandu, 1961).

³⁹ GB, Embassy in Nepal, *Nepalese Students Trained in the United Kingdom and Malaya* (Kathmandu, 1962).

In fact the evidence indicated that will and determination and not skill were the essential and missing ingredients to successful administrative reform in Nepal. This should not have been surprising. Few institutions are prepared to conduct surgical operations on themselves—especially if the operations are likely to reduce the power or prestige of key figures. In Nepal, furthermore, the civil service (and, after the coup of December 1960, most politicians) had the strongest incentives to avoid all decisions and especially the type of major decisions that an administrative reorganization would entail.

In the context of Nepal in late 1962, the will necessary to effect far-reaching changes could only be looked for outside the structure of the bureaucracy and the cabinet. It could only be expected to exist at the source of all authority—the king. After the coup he was the only personality whose position was secure enough to venture into new areas and whose influence was great enough to obtain support for such ventures. As a result, no scheme advanced without the king's backing. The significance of this fact was demonstrated by the king's interest in one particular project—the proposed east-west road across Nepal. No foreign power (until 1963) was willing to become involved in this expensive venture (though USOM had offered to assist with construction of a segment). But the king, who had witnessed his army's inability to move fast enough to crush the Nepali Congress rebellion in the summer and autumn of 1962, saw the road's potential military and political value. He wanted it. As a result, the government launched a campaign. Public subscriptions were raised. Red tape was swept aside. Construction began, and work moved faster than on any other development project since 1951.

Future in the King's Hands

This incident had something to say not only to those interested in administrative reform, but to all those who saw the government as the prime mover in the economic development of Nepal. If the pace of development depended on reform and on the effective channelling of domestic and foreign capital through the government, then the intentions and desires of the king became the key to future progress. For if there were to be real will and determination exhibited in these fields, that will and determination would have to be his.

King Mahendra had repeatedly affirmed his commitment to his country's economic development. There was no reason to disbelieve his protestations. The question was: what price was he willing to pay?

Although he was the most powerful figure in the kingdom, the king had limited room for manoeuvre. His regime received strong and important backing from conservative elements that stood to lose heavily when reforms were implemented. If the king attempted to make reforms, therefore, he would risk losing support. Where else could he turn? By ousting the Nepali Congress, the king had permanently alienated those with loyalties to the nation's largest political party and those few who were honestly devoted to the ideals of representative government. The king could seek support from the Communist Party, and to a limited extent he did this. But the Communists were, he realized, dangerous allies; and he took steps to circumscribe their influence.

In another country the king could have bought time while he consolidated his control to the point where he could take drastic steps without significant opposition, or he could simply have relied on army backing. But Nepal was not physically unified, and, as a consequence, the authority of Kathmandu could not be nationwide; the effectiveness of the army was limited by the poor state of communications. It would be some time before the king would be in a position to make structural reforms without some risk. Whether he would take such risks was problematical. (And by mid-1965 he had not done so.) It was certain, however, that if he did not act, structural changes would not be made.

In these circumstances, the long-standing and increasingly intensified American efforts to make aid effective by building up governmental institutions were not only irrelevant; they were, in some senses, positively harmful. In so far as such efforts contributed to the build-up of government staff, they increased the financial burden the government had to bear. This in turn aggravated a far more pressing problem.

As discussed above, the college-educated Nepalese who went into the civil service constituted the most likely source of discontent. The Americans, until 1958, had encouraged the development of higher education in Nepal. But now, at the close of 1962, they were faced with the problem of averting discontent in the ranks of those who had received college training.

If America's primary aim in Nepal had been the maintenance of political stability in the short term, enlargement of the government apparatus might have been justifiable, though distasteful. By this means, a potential cause of immediate instability was at least temporarily eliminated. But the United States was not seeking to attain such a limited end. Rather, the American authorities hoped to assist in the creation of a 'free choice society . . . possessing a dynamic, self-sustaining economy capable of supplying the legitimate aspirations of a participating population'.⁴⁰ And the United States now viewed gradual social revolution as an essential step towards this end in Nepal, and in most other underdeveloped countries (as it particularly emphasized in plans for the Alliance for Progress). But far from contributing to the goal, or to the step which necessarily preceded its attainment, the American aid programme, by furthering the enlargement of the government—a process that for financial reasons showed signs of having nearly reached its limits—had helped to advance a long-term political instability that boded ill for representative government; by basing its projects on dubious assumptions about the people of Nepal and the capacities of Nepal's government, it had lost the opportunity to contribute to the development of the economy; and by creating employment for the only group likely to exert pressures for social and administrative reforms, it had made the implementation of such reforms—which it came to believe were essential for economic progress—even more difficult.

⁴⁰ AID, *Country Assistance Program*, p. AD-2.

Indian and Chinese Aid: A Conflict in Purpose

IN the three and a half years following the Nepali Congress's electoral triumph, the American programme was, in terms of annual expenditures, by far the largest of the aid programmes operating in Nepal. The kingdom's geographical position, however, inevitably determined that the Chinese and Indian aid programmes should play roles on the Nepalese political and economic scenes at least as critical as that of the American programme.

The importance of the aid from Nepal's neighbours was heightened by the radical changes that occurred in the Himalayas during the period: the significant advances made by China in its campaign to woo Nepal, the assumption of power in Kathmandu by a government eager to utilize close links with China as a counterweight to Indian influence, and the deterioration in Sino-Indian relations which culminated in the warfare in Ladakh and NEFA in the autumn of 1962.

INDIAN AID

Aims

These changes gave a greater urgency to the Indian policy of excluding Chinese influence from Nepal and to the economic aid programme which India utilized to implement this policy. However, it was remarkable how little the Indian programme changed during the period. The only basic modifications made in response to the rapid transformation of the environment came not in content or methodology, but in magnitude.

Before the 1959 election, the programme had incorporated a wide range of capital and service projects, with a growing emphasis on the latter. The election success of the Congress signalled an immediate increase in pace. Though Indian expenditures in the Nepali Congress's first year in office (1959-60) increased only slightly—from \$2·24 million in the previous year to \$2·41 million

—outlays on new projects planned earlier rose sharply.¹ Expenditure on village development accounted for \$302,000. A sum of \$210,000 was spent on local development works—a new category; \$46,000 was expended on a programme for child and maternity care, and an engineering school and educational institute were opened.²

The major project initiated during the Congress's year and a half in office was the \$5-million village development scheme. India had decided to enter this field previously but took no steps until 28 July 1959, when an agreement was signed with B. P. Koirala's government. India was to assist in thirteen development blocks (administrative regions) and in three valleys, where it would support particularly intensive efforts.

India at this time also granted Nepal \$38 million to support its second plan (1961-5), which was then in preparation. Of this sum, \$8.4 million consisted of unexpended funds from the 1956 grant of \$21 million and another \$8.4 million was to cover costs of a canal to channel irrigation water from the Kosi river. The latter was part of a project carried out by India for flood control and irrigation in India. Its significance to Nepal will be discussed below.

India and Nepal signed five more project agreements on 31 August 1960, all of which were to cover the plan period (in fact, no second five-year plan materialized). These provided for development of the engineering school and an industrial estate, and for projects in horticulture, veterinary services, and forestry. In October 1960 India also agreed to assist Nepal in the establishment of its national archives.

The Programme Broadened

India and Nepal concluded the last series of agreements of the period in 1961. Though disappointed by the coup d'état of December 1960, India appeared determined to proceed with its aid programme. The 1961 agreements, in fact, broadened the programme's scope. These covered projects in forestry, mineral development, local development, maternity care, airfield development, irrigation, and drinking-water supplies.

The wide range of projects now undertaken by the IAM was designed, according to the mission director, D. R. Kohli, to provide a basis for Nepal's economic development. Communications

¹ Data from Nepal, Min. Econ. Aff., 1962.

² *Ibid.*

and electrical energy projects were the foundations for development. Next came irrigation, horticulture, and veterinary services (and presumably village development) to increase agricultural production, and then forestry projects to develop an important natural resource. Training of Nepalese youth in Indian colleges and universities prepared the men who would lead in the future. Kohli's rationale for Indian support of drinking-water, health, and even educational facilities, however, went beyond the realm of economics and economic development:

With the stage thus set for the development of communications and beginnings made for the economic development of the country in spheres where the best possible impact can be made, both from the short term and long term points of view, it also had to be considered whether the people did not deserve to be enthused by the provision of some basic amenities.³

The inference was that the 'amenities' had primarily a political rather than an economic value or function.

Kohli's catalogue of priorities, including the need to 'enthuse' the population, was novel only in that it was the first public expression of Indian thinking on the subject. The projects he referred to and, in fact, all the Indian projects, were either well tried (e.g. irrigation, drinking water) or were logical extensions of what had gone before (e.g. forestry development, airfield construction).

In the administration of its aid projects, India maintained a marked continuity. Almost all of the projects agreed upon before and after the change in government were placed under the joint board scheme—the Indian equivalent of the American co-operative services. The only new provisions were requirements that Nepal should commit itself to eventual financial participation. In the industrial estate agreement, for example, India assumed all costs of the first year's operation. Nepal agreed to pay a progressively rising proportion of costs in the second to the end of the fifth years and all costs in the sixth year.⁴ The additional proviso had the distinct advantage of letting the Nepal government know where it stood and of acting as a brake against irresponsible desires to take on projects for which no funds would be available once foreign support was withdrawn. India was clearly attempting to avoid in-

³ IAM, *Address by D. R. Kohli to the Rotary Club of Kathmandu*, 26 Apr. 1961 (1961).

⁴ Agreement between HM Govt of Nepal and the Govt of India for setting up an Industrial Estate in Nepal, Kathmandu, 31 Aug. 1960.

volving itself in the kind of predicaments that had confronted the Americans—predicaments in which the donor had no alternative but to finance a project for an indefinite period. It was problematic, however, whether Nepal could or would meet the new obligations. It will be recalled that India's early (1952-4) aid to Nepal was supposed to have taken the form of a loan but that India later had no choice but to change this to an outright grant. Nepal's financial position, moreover, had not improved since then but, to the contrary, had deteriorated.

The increase in Nepal's financial obligations was not matched by an increase in responsibility in the field for implementation of Indian-aided projects. The IAM continued to retain maximum control while paying lip-service to Nepal's authority.

India placed heavy emphasis on the role of technical assistance in its aid to Nepal. D. R. Kohli, the IAM director, said in 1961: 'India can . . . make a contribution to Nepal's development by making available its experience of planning and sharing its available pool of technical personnel and training facilities. It is in these fields more than in financial aid proper that India can play a significant part.'⁵

The function of Indian technicians, except in those projects entirely run by India such as the Trisuli hydro-electric scheme, was to advise. Indians in the field acted as advisers to Nepalese officials. It was entirely unrealistic, however, to expect well-trained, relatively well-paid Indians to be content with advising untrained, poorly-paid, and unself-confident Nepalese officials whose task it was to administer the utilization of Indian funds. It was possible that the IAM had no such expectations.

Results

The Indian approach proved to be neither economically nor politically sound, particularly when applied to a service project such as village development. When Indian advisers took charge, their Nepalese counterparts often stood back and allowed them to give villagers advice and facilities which the villagers were not inclined to want—and certainly would not want unless the Nepalese officials encouraged them. As a result, the immediate aim of village development—an increase of agricultural production through the introduction of new techniques—was ill served. It was doubtful

⁵ IAM, *Kohli Address*, 26 Apr. 1961.

whether the Nepalese development officers learned much in the process. Finally, the political aims of village development—increasing friendliness towards India in strategically vital areas and heading off rural discontent—were not furthered. The government of Nepal expressed its view of India's efforts in village development in 1962 by asking India to withdraw from the project altogether.

This setback wiped out the second most heavily financed element of the Indian programme (after the Trisuli hydro-electric scheme). Of \$5.3 million committed to village development, India had spent only \$1.58 million by mid-1962.⁶ The disaster was compounded by the consequent effect on projects ancillary to village development—primarily the Rural Institute in Patan. This facility was now taken over by the Americans.

Other Indian-aided projects in which participation by Indian technicians was heavy suffered from the lack of confidence and cooperation between Nepalese and Indians. Ventures in horticulture, cattle improvement, forestry, and a number of other fields made little progress. These projects and particularly the village development programme were the most obvious victims of the poor relations between India and Nepal, Indians and Nepalese.⁷ But a majority of the other Indian-aided projects suffered at least indirectly from the same malaise.

India's major project in communications, the RTO (tripartite road construction programme), collapsed (as described in Chapter X) because of friction among all the parties concerned. The other Indian project in communications—the construction of five airfields—got off to a slow start during the period. Total expenditure on the Raj Biraj airfield, a \$230,000 project, for example, was only \$395 in 1962, its first year.⁸

The pace of construction on the hydro-electric project at Trisuli was markedly slow. This again appears to have been due to the same malaise which affected so many Indian projects. But this time, the lack of determination was almost all on the Indian side. Trisuli was an all-Indian project, with Nepalese participation only at the

⁶ 'Indian Aid to Nepal' (data supplied to Min. Econ. Aff., by IAM, Kathmandu, 1962).

⁷ During the brief tenure of the Nepali Congress, relations were better, especially at the ministerial level. Most of these projects, however, were just starting when the king dismissed the government on 15 Dec. 1960.

⁸ Min. Econ. Aff., *Econ. Aff. Rep.* (Jan. 1963), p. 186.

lowest levels. The project was initiated in 1958 and was to have been completed in five years. By the end of 1962, however, India was still working on the access road to the site. The terrain was undoubtedly rough, and floods had washed bridges away; but the road, nevertheless, was only forty-two miles long. The remarkably slow pace of construction could only be explained by indifference or incompetence, and there was no reason to believe that the Indians were incompetent. It was to allay doubts about India's attitude to the project that in March 1963 the Indian Home Minister (and future Prime Minister), Lal Bahadur Shastri, visited the Trisuli site in the course of a diplomatic mission to Kathmandu and reaffirmed India's commitment to the project. Present estimates place completion of the dam at 1967, five years late.

Partial Successes

Not all of the Indian projects were subject to such poor performance on one side or another as those described above. But even the projects which came closest to attaining their immediate objectives had serious drawbacks which tended to frustrate India's economic and political aims.

Construction of irrigation canals, for example, made substantial headway. By April 1961 seven of the fifteen schemes had been completed, and a majority of the remainder appear to have been finished in the following year and a half. Taken together, the schemes would irrigate 120,000 acres, according to the IAM.⁹ The economic value of small irrigation schemes in Nepal, however, was extremely limited, for reasons which will be discussed below. But if Nepalese peasants desired irrigation facilities, as the IAM apparently assumed, then there could at least have been a goodwill value in these schemes. These small canals, however, were subject to practical hazards which could offset any benefits. All the Indian-built canals were small, and all would require maintenance. Prospects for such maintenance were poor. Three of the largest irrigation systems in Nepal were already unusable, one of them since 1954. The American Embassy made this comment:

It is one thing to undertake and complete an irrigation project and another thing to maintain and to run it smoothly. When the Juddha Canal became inoperable in 1954, the Government of Nepal had to urge the Government of India to undertake the renovation of the canal as

⁹ IAM, *Kohli Address*, 26 Apr. 1961.

part of the Manusmara project (with little apparent success). It is feared that the same thing may happen . . . in future.¹⁰

This pessimistic view was based not only on the lack of maintenance, but on the absence of enforceable water-rights laws. Even after laws were passed defining such rights, peasants tended to undermine the effectiveness of the irrigation systems by building small, private dams to divert water to their own lands. There is no reason to believe that the IAM was not as much aware of these problems as was the American Embassy staff.

In the field of education, IAM considered its achievements substantial and with some justification. The school for foresters had been giving diplomas since 1959, as had the school of civil overseers. And, by the end of 1962, a total of 1,642 Nepalese had been trained in India.¹¹ The ultimate need for trained personnel was indisputable, but there was some doubt whether the government of Nepal could or would utilize the trainees—and whether many returning trainees did not simply add to the dangerous over-supply of graduates.

Progress on 'Amenities'

The Indian programme made notable progress in items which the mission director had classified as 'amenities'. IAM completed a number of small drinking-water projects and, at the end of 1962, was making headway with schemes to improve drinking-water facilities in the second and third largest towns of the Kathmandu valley, in the largest hill town, and in the two largest towns in the plains. Equally marked progress was evident in construction under the local-development programme. IAM had built a number of community centres, tube wells, dispensaries, and other facilities for villagers. All of these 'amenities' had some intrinsic value—if they were used. But many were not. A striking example was the two community centres on the road to Trisuli mentioned above (p. 144). This outcome, which was common, was a clear case of a project accomplishing its immediate objectives but completely failing to further its fundamental aims.

Only one of the major Indian projects could, in fact, be said to have accomplished all of its aims. This was India's survey of Nepal,

¹⁰ US, Dept of State, *Foreign Service Dispatch* 139 (Kathmandu, 26 Nov. 1961).

¹¹ IAM, *Address by D. R. Kohli at Inauguration of Central Horticultural Research Station* 7 Dec. 1962 (Kathmandu, 1962).

a project that was nearly complete at the end of the period. With \$3.26 million spent on it by 1 July 1962, the survey had consumed more Indian funds than any other project but the Tribhuvan Rajpath. Even in mid-1962 the survey was the best-financed of projects. During the first quarter of the Indian fiscal year 1963 (April-June of 1962), expenditure on mapping was \$100,000, on repairs to the Rajpath \$81,000, on Trisuli construction \$52,000, and on village development \$38,000.¹²

The geographical survey was, of course, a less complex project than most of the others. Moreover, only Indian personnel were involved in its implementation. The survey, in short, was similar to the construction of the Tribhuvan Rajpath and Gaucher airport—projects which also proceeded relatively smoothly. The relative success of these and the poor results attained by other Indian-sponsored projects cannot be entirely attributed to the lack of Nepalese participation, though this was undoubtedly a factor. Nepal was not a participant in the Trisuli hydro-electric project—India's largest aid scheme—but progress there was not comparable to that of the other three large projects. The quality common to the survey, the Rajpath, and the Gaucher airport, but not inherent in the Trisuli project, was their direct utility to India itself. Specifically, the former projects had military or strategic importance to India.

Strategic Aspects

The entire Indian programme as implemented, though not as officially planned, can be seen as a vehicle to advance India's strategic interests. The argument for this view is as follows.

Strategically Nepal was an extension of India. The kingdom sheltered under the same mountain barrier which marked the physical frontier of India and of South Asia. But because Nepal was an independent state, India could not arrange its defence. Through an aid programme, however, India could accomplish at least a partial fortification, leaving the rest to diplomacy.

The military importance of Nepal lay not so much in its mountains as in its large valleys and in the twenty-mile-wide strip of plain in the south. Seen from the Indian side, the danger was that a hostile force could establish airfields and logistics facilities in these areas. Once so established, a mechanized thrust could be launched into the Indian plain.

¹² 'Indian Aid to Nepal'.

India faced the same situation in those sections of the Himalayas under her direct control. There India built new airfields or renovated old ones in the near-by plains, pushed roads up from the plains into the hills, and spent large sums to win over populations either hostile or indifferent to India.

This, in effect, India also did in Nepal. First, it built the road into the Kathmandu valley (subsequently retaining control for an indefinite period). It constructed an airfield in Kathmandu but made it too small for aircraft capable of crossing the Himalayas. India still controlled this facility at the end of the period: telephone calls to the field's control tower had to be routed through the Indian Embassy switchboard. India took up a project to build all-weather airfields in the south. The all-weather capability was important, for the monsoon ends first in the north thus giving an advantage to an attacker from that direction. Some of the existing airfields, which were fair-weather strips, were extremely unreliable in the summer months.

India joined the RTO, but with the exception of the Kathmandu–Trisuli road, showed no interest in roads unless they connected with the Indian border. India took no further action in road construction until mid-1963, when it offered to finance a road from the Indian border to Pokhara, Nepal's second most important valley.

India concentrated its village development efforts in the plains and in three valleys: Patan, second largest town in the Kathmandu valley and the traditional stronghold of the Nepalese Communist Party; Pokhara, the farthest north of the major valleys and site of an excellent airstrip; and Palungtar, through which winds the Tribhuvan Rajpath.

A More Realistic View

The argument should not be pressed too far, however. Strategic considerations were undoubtedly of great importance, but they were not always paramount. It was, in fact, doubtful that the IAM in Kathmandu or the officials concerned with Nepal in New Delhi were sufficiently organized to run a programme on such single-minded lines as the above argument would suggest. The experience of eleven years of Indian aid suggested rather that a number of influences and factors—including confusion—went into the formulation of the Indian aid programme. When the Rajpath and

Gaucher airport were built and the geographical survey was begun, military and economic considerations, in India's view, coincided. Projects in horticulture, livestock improvement, and other fields affecting agricultural production apparently reflected the thinking of Indian planners and paralleled similar projects in India. The location of India's village development efforts in Nepal could be viewed as reflecting military or strategic thinking, but the emphasis on village development itself again paralleled developments in India itself. Indian support for Tribhuvan University could be taken as a political move or as a manifestation of an assessment of economic needs.

If there was a single conception that permeated the Indian aid programme, it was the almost unconscious view that Nepal was actually part of India, and that Nepal benefited from Indian gains. This attitude was best demonstrated by India's actions in regard to large irrigation and flood-control projects on the Kosi and Gandak rivers—projects that India liked to describe as elements of its aid to Nepal. These schemes were intended to harness two of the three major rivers which flow down from the Himalayan watershed through Nepal into India.

In 1954 India decided to control the Kosi, which had perennially wreaked havoc in northern India and, to a lesser extent, in southern Nepal. It was determined that India would pay all costs and that a barrage would be built partly in Nepalese territory. Nepal would receive water to irrigate 33,000 acres and a small power station to generate 9,000 kw. Subsequently, after an outcry in Nepalese political circles, India agreed to build an irrigation canal for Nepal at a cost of \$8 million. This would irrigate 180,000 acres. The Gandak project, also to be built in Nepalese territory, would, as agreed between the two governments in 1959, give Nepal water to irrigate 143,000 acres (plus sufficient reserves for another 200,000 acres) and 10,000 kw. of electrical power.

Both agreements aroused intense bitterness in Nepal. Opponents accused the governments of bartering away Nepal's future. To some extent, this was justified. The hope of Nepalese agriculture, especially in the fertile plains, rested on irrigation. With water, a one-crop region could produce two or even three crops. But there were only three rivers in Nepal capable of yielding sufficient water for year-round irrigation—the Kosi, the Gandak, and the Karnali. Irrigation systems fed by smaller rivers could do little more than

insure against a bad monsoon. Rarely did they give enough water for an additional crop. Their primary function was to bring the crop yields of poor monsoon years up to the level of the best years. This guarded against famine, but it did not help towards a solution of the problem of how to bring about a revolution in agricultural production.

Roughly 11.8 million acres in Nepal were either cultivated or were reclaimable.¹³ A large proportion of this land was irrigable (some hill farms were too high or too far from water to be irrigated except at great cost). Whatever the exact amount of acreage which could be usefully served by these two rivers, the 256,000 (as well as the supplies for 200,000) acres was an extremely small fraction. The Gandak river project would irrigate a total of 5 million acres, an amount greater than Nepal could use but indicative of what it was losing.

Reaction in Nepal

Nepalese leaders took one of two positions on these projects. When in office, the attitude was one of fatalistic submission. Of the Gandak project, the pro-Indian government of B. P. Koirala said: 'India would have constructed the dam in her own territory if Nepal had not given permission. Nepal would . . . thereby have been deprived of much benefit.'¹⁴ In other words, Nepal had to take what it could get. Out of office the attitude was more truculent. Six days before becoming Prime Minister, B. P. Koirala told a press conference that Nepal had lost from the Kosi project agreement and said that his government would be careful about concluding an agreement on the Gandak.¹⁵

India reacted to such criticism with surprise and annoyance. Was not Nepal, it was asked with incredulity, getting irrigation water and electricity at absolutely no expense? What were the Nepalese complaining about? The Prime Minister, Nehru, showed that he too missed the point of the Nepalese complaints. He said, in reference to the Gandak scheme, that India could build in her own territory but had proposed to build in Nepal because it was cheaper and would give Nepal water and power.¹⁶

In the long run, the harm done by India's moves here and in the

¹³ Nepal, Dept Agric., *Nepalese Agriculture at a Glance* (1962), p. 4.

¹⁴ Nepal, Publicity Dept Release, 11 June 1960.

¹⁵ *Halkhabar*, 21 June 1959.

¹⁶ *Ibid.* 14 June 1959.

Kosi region may prove to have more than offset the benefits of the Indian aid programme. What made these incidents so striking was that India appeared to act without awareness that it might be overlooking Nepal's interests. India clearly needed flood protection and irrigation water. Nepal had neither the capital nor the skill to take an active role in harnessing the two rivers. So India, in the Indian view, did the sensible and honourable thing in agreeing to take full responsibility and give Nepal both water and power at no cost. No consideration appears to have been given to the fact that India was taking from a sovereign state the water on which its future depended.

The Indian inability to think of Nepal as a separate entity with the desire to go its own way was at the heart of the resentment in Nepal that severely crippled the Indian aid programme. Until the Chinese attack in September 1962, India could not or would not comprehend this (though there had been elements in the government pressing for a new look at Nepal for some time). Nehru complained that India's aid to Nepal was quickly forgotten. In Kathmandu, where it was even more obvious that something was wrong, the Indians blamed the Nepalese, or the Chinese, or the Americans. At the IAM the last-named were the prime target. In the twelve years that Indians and Americans had worked in Nepal, there had been almost a running guerrilla warfare between them, with the Indians, who resented the Americans operating in territory they considered their own and which they felt only Indians could truly understand, taking the initiative. At most times, the Nepalese found it to their advantage to foster this rivalry.

USOM was in village development. Suddenly, IAM had to get into it. USOM started an industrial estate. IAM had to build one. Always it was the Indian explanation (often not unjustified) that USOM's methods were irrelevant, that only they, the Indians, knew their cousins, the Nepalese. D. R. Kohli made little effort to hide his championship of this view. In his speech to the Rotary Club, he said,

Nepal also in some ways, finds this [Indian] assistance more suited to its needs and circumstances than the know-how and experience of countries with much higher standards of living because the methods of these countries are not as suitable for Nepal's present stage of development.¹⁷

¹⁷ IAM, *Kohli Address*, 26 Apr. 1961.

This rivalry was entirely futile and wasteful. The United States was in Nepal for the same reason as India—to keep the Chinese out and, as Kohli put it, to develop ‘a self reliant citizenry, determined to go forward to make a better and richer life for itself and for the generations to come’.¹⁸ In New Delhi the competition between missions was not recognized at all. That it did not go deep was proved by the successful efforts of one Indian Ambassador, Baghwan Sahay, to restore friendly relations between the missions. Sahay, probably the most able diplomat sent to Nepal by any state, not only resolved Indo-American differences but went a long way towards easing the tensions in Indo-Nepalese relations. It was a tragedy for the aid programmes that he was recalled just as the Nepali Congress government was about to take office. Sahay understood the phenomenon of Nepalese nationalism; his government did not.

CHINESE AID

China’s aims in Nepal, in contrast to the complex Indian aims, easily lent themselves to expression through an aid programme. For China’s concern was straightforward and did not demand involvement in an attempt to reshape either Nepal’s economy or its society.

In the very long run, China may have looked forward to the incorporation of Nepal into the Chinese state or at least to having Nepal as a Communist-controlled client state. Mao Tse-tung had described Nepal as part of the ancient Chinese empire and indicated that it should be restored; and various Chinese maps showed Nepal, along with much of South East Asia and the Himalayan region, as part of China.

Whatever its ultimate aims may have been, China in this period set itself the task of prising Nepal loose from India as part, it might be conjectured, of an overall strategy of gaining ascendancy in the Himalayas. India, by unintentionally allowing Nepalese nationalism to become inherently anti-Indian, gave China its opportunity. India had created a situation which encouraged the Nepalese to look elsewhere for a counter to Indian influence. China had only to play its historic role.

Chinese aid to Nepal had one overriding purpose: to encourage those elements in Nepal which saw China as the counterweight to

¹⁸ IAM, *Kohli Address*, 26 Apr. 1961.

India. There was no reason at this stage for China to work toward the reconstitution of Nepalese society. Not only was this unnecessary, but (as the Indians and Americans had learned) it was also dangerous. It was the act of giving, the gesture, that was important to the Chinese. Consequently, China rendered its aid with great fanfare and made the conditions of its grants as attractive as possible, without regard to what this might do to the economic utility of the aid.

The first agreement, in 1956, had provided for a grant of \$4.2 million and a credit of \$8.4 million. But China apparently realized that Nepal was not ready for an active Chinese presence. Pressures for closer contact with China in Nepal were still too feeble; and India, whom China was also wooing, would have been alarmed. That nothing constructive was accomplished with its aid did not seem to disturb China, as pressures for more intimate relations were building in Kathmandu. Even the pro-Indian government of B. P. Koirala was interested in Chinese assistance. As a consequence, China granted Nepal \$21 million while Koirala was still in office.

China Offers Attractive Terms

This time, China agreed to send technicians. In stipulating the terms under which these experts would work, China avoided the conditions to which the Nepalese had objected in other aid programmes and thereby ostensibly demonstrated to the Nepalese that their objections had been justified. Travelling expenses and salaries of technicians were to be paid by China, but not out of the grant. This made it seem as if Nepal were not being charged for the technicians' services, which many Nepalese believed was the case with American and, to a lesser extent, Indian aid. This was a book-keeping point, but was nevertheless important. Moreover the 1960 agreement specified that Chinese technicians in Nepal would receive living expenses sufficient for a standard of living equal to that of their counterparts. Again this met an objection to American and Indian aid that technicians were paid far too much.

China agreed to investigate three specific projects: a cement factory, a paper-mill, and a tannery-shoe factory. All three would produce goods now imported from India and thus serve, like Soviet projects, to lessen the complementarity of the two economies. Chinese technicians started surveys for the cement and shoe factories in 1960, and for the paper-mill in 1962. In each case, China

sent enough technicians (twenty-eight in the case of the cement factory)¹⁹ to make sure that no accusations could be justifiably made that the projects were lagging.

China's aid, in Nepalese eyes, had the virtue of being entirely without strings—and of satisfying the somewhat quixotic desire for rapid industrialization. B. P. Koirala, a realist who had no illusions as to the motives of the Chinese, could do little else but be publicly grateful. 'We are', he told Chou En-lai at a banquet in Kathmandu, 'greatly beholden to you for the economic aid that you have undertaken to extend to us and particularly for the spirit of friendship which has prompted you to make that generous gesture.'²⁰

China went to even greater lengths to be accommodating after the fall of Koirala's government. When it became apparent that Nepal did not have the wherewithal to finance the local costs of Chinese projects, China obligingly agreed to pay all costs and granted Nepal \$2.1 million in cash and \$5.3 million in consumer commodities. At the same time China made additional provisions in its arrangements with Nepal to assuage any wounds to the pride that the need to take the money might have caused. Not only were Chinese experts to live at the same standard as the Nepalese, but now they were to come under partial Nepalese authority: 'The Nepalese side may shorten or extend the working period of any Chinese experts and technical personnel or replace any one of them subject to the consent of the Chinese side.' And also according to the agreement, the Nepalese were to issue certificates of performance to the Chinese experts.²¹

China accompanied these favourable terms with a continuing verbal effort to rouse Nepalese sympathies. Chou En-lai and other Chinese leaders repeatedly painted China and Nepal as two underdeveloped countries striving to pull themselves out of the same backwardness: 'In their relations with the Nepalese people, the Chinese people are willing to strengthen mutual cooperation, learn from each other and give each other assistance so as to reach the aim of common prosperity.'²² To woo Nepal's Buddhists, China gave \$100,000 to build a fifty-five-bed hostel for a Buddhist school

¹⁹ Nepal, Min. Econ. Aff., *Econ. Aff. Rep.* (Jan. 1963), p. 33.

²⁰ *News from Nepal* (Kathmandu), June 1960, p. 14.

²¹ Exchange of Letters on Working Conditions of Experts and Technical Personnel rendering assistance to Nepal (between China and Nepal), 5 Sept. 1961.

²² Mayor Peng Chen's speech welcoming B. P. Koirala to Peking, in CPR, Inst. For. Aff., *New Developments in Friendly Relations between China and Nepal*, p. 43.

outside Kathmandu—the spearhead in a resurgence of Buddhism in the kingdom. To woo King Mahendra, China gave him three single-engine aircraft. These were short take-off and landing models suitable for government or army use.

The Chinese Tibetan Road

Despite all this, China's aid to Nepal remained little more than a gesture. A combination of administrative sabotage by civil servants suspicious of China, administrative ineptitude which the Chinese, having no aid mission, could not counter, and, in the Congress time, governmental apathy was crippling. China, for its part, was primarily concerned with making a gesture and therefore did not seriously strive to overcome these obstacles. As a result, by the end of 1962 the paper and shoe factories had not progressed past the survey stage: and the cement factory, which the Nepalese considered the most important of the three, was mired down.²³ In 1963 the paper and cement projects were dropped entirely, presumably because the Chinese could no longer acquire machinery from eastern Europe. China offered to use the funds for other projects, but the government of Nepal was visibly annoyed.

Substantial progress was made on only one project—the road linking Kathmandu and Kodari, the Nepalese border town on the route to Lhasa. This was the only Chinese project with obvious military, economic, and political value to its backers. It offered the best route through the entire Himalayan range: the border at Kodari was only 6,000 feet high and therefore snow-free. It offered the possibility of a redirection of Nepalese food exports from India to Tibet, where foodgrains were badly needed to feed the Chinese army. It offered a passage for interchange of persons and goods between China and Nepal free from the restrictions imposed by India (Chinese propaganda literature, for example, was not allowed through India into Nepal). China, in sum, had ample reasons to want this project to be completed on schedule.

The pace of the Kodari road project amazed Kathmandu. On 15 October 1961 the agreement was signed. China granted Nepal \$9·8 million for all costs and agreed to put Nepal officially in charge of construction. On 18 and 27 March 1962 roughly fifty-five Chinese technicians entered Nepal and began to survey the terrain for a road-bed. Working at a pace which the Chinese army would

²³ Nepal, Min. Econ. Aff., *Econ. Aff. Rep.* (Jan. 1963), pp. 40 and 42.

demonstrate again in its NEFA campaign, the team had almost finished by the end of the year. This caught the government unprepared. China eventually offered to build the road, but Nepal, which now had to go ahead whether it wanted to or not, insisted on carrying out the construction. This was a matter of pride and of desire to control the funds already deposited by China in the Rastra Bank. Nepal appointed a chief engineer, and some rudimentary construction began. There was no reason to believe that Nepal, with massive Chinese 'technical assistance', would not finish the road roughly on time (1966).

Though virtually nothing had been accomplished by the end of the period on any Chinese project except the Kodari road, China's aid programme was on balance more of a success in reference to China's aims than the Indian programme was to Indian aims. From the press and from discussions in political circles, one could clearly ascertain that the availability of Chinese assistance, and the manner in which the assistance was given, gave substantial support for those in Kathmandu who looked to China as the protector of Nepal.

XII

Minor Aid Programmes

IN the contest to influence the course of events in Nepal, India and China, having the most at stake, were the primary opposed forces. The United States, though not as directly concerned as Nepal's two neighbours, played a critical role in the field of aid. The other aid donors—the Soviet Union, Israel, Switzerland, Britain, the United Nations, and others—played smaller parts. Individually they could exert only a marginal political influence. Together they were a substantial force, for the total of their efforts gave Nepal alternatives it would otherwise not have had and imposed on it problems otherwise absent. The programmes of the more significant of these smaller donors will be examined below.

RUSSIAN AID

Aid from the USSR, which operated the most prominent of the relatively minor programmes, began flowing into Nepal in the latter part of 1959, after the Nepali Congress had taken office. The projected Soviet contribution, it will be recalled, consisted of commodities and technical assistance for the construction of a fifty-bed hospital, two factories (sugar and cigarette), and a small hydro-electric facility, and for a road survey—all at a total cost of \$7·5 million.

As has been seen, the initial aims of the Soviet aid to Nepal appear to have been similar to the aims of Soviet aid to most underdeveloped countries: support of non-alignment, the introduction of an alternative to economic dependence on the west, fostering conditions essential for Communist advances within the Nepalese polity.¹

The Soviet programme was admirably fitted to further these aims. All of the projects had some value to Nepal and therefore could not help creating a favourable impression on the government and on those elements in Nepalese society which had influence on government policy. The factory project would cater to the widespread desire for industrialization; the dam would add 1,200 kw.

¹ See above, pp. 99–100.

(later doubled in an expansion of the project) to Kathmandu's meagre power supply. The survey for an east-west road appealed to Nepalese nationalists who were eager to eliminate the need to enter India in order to cross Nepal. The long-term risk to the Soviet Union posed by the Soviet programme seemed slight. As Joseph S. Berliner, a student of Soviet aid policy, points out, the Soviet Union did not consider it essential that Soviet-supported projects should actually foster industrialization. 'If industrialization fails in the underdeveloped countries, the people will turn to the methods of the USSR and China', Berliner writes, summarizing the Soviet view. 'If industrialization proceeds, the rising proletarian movement will lead to the eventual establishment of communism.'²

The advantages to the Soviet Union of a failure of industrialization notwithstanding, Soviet aid became pointless if it did not succeed in accomplishing its immediate technical aims, i.e. the construction of factories, dams, or hospitals. Moreover, Soviet aid could hardly make a political impact if it were almost totally ineffective. Having chosen to assist in the implementation of specific projects, the Soviet Union had forfeited the easily attained, though more limited, gains offered by cash grants.

Similarities in Approach

The Soviet approach in the administration of projects resembled that of the Americans after the dissolution of the co-operative services in 1958. Soviet technicians acted as advisers to Nepalese officials, who held all major positions of authority. The Soviet approach differed from the American in that there were Soviet technicians on each project site who offered continuous assistance to the Nepalese nominally in charge. Often, in fact, the field operation came under the control of the Soviet technicians. The Soviet Union, moreover, did not at first turn funds over to the government of Nepal (except in the case of the hospital). Its aid took the form of commodities shipped in from Russia and of salaries of technicians. The two programmes also differed, though not radically, in the degree of reliance on the government. Under the aid agreements signed in 1959 between the Soviet Union and Nepal, the latter accepted responsibility for a host of support functions such as construction of approach roads and the supply of water, power, and manpower. The Soviet technicians who came to Nepal in late 1959

² J. S. Berliner, *Soviet Economic Aid* (1960), p. 25.

expected that Nepal would fulfil its obligations. The Americans, in contrast, had by this time begun to learn that plans based on action by the Nepalese government had little hope of realization.

Not surprisingly, the Soviet technicians soon learned that their work was hampered by government inefficiency, incompetence, apathy, and sabotage. The first public sign of Soviet irritation came in February 1960, when President Voroshilov paid a state visit to Nepal. Inserted into statements of praise for Nepal and for coexistence, and the rest, was a remark by the Soviet leader that Soviet aid would be increased if existing aid were used properly.³ After this, public complaints by the Russians began appearing in the Nepalese press. The leader of the survey team on the sugar factory site was quoted as having said that a lack of data was delaying the survey and that the district administrator had offered to send some data in two or three days but had not done so for eight or nine days. When asked how long it would take to build the factory, he said that depended on the co-operation of the government and people of Nepal.⁴

In June 1960 there were reports that the Russians were pressing the government because of 'mysterious' delays in implementing their projects.⁵ This delighted the opposition but of course annoyed the Nepali Congress government and its supporters. The Minister of Industry and Commerce volunteered that it was incorrect to blame the lack of progress on government carelessness (the opposition explanation). Shifting the blame on to the Russians, he said that a reminder had been sent to the Soviet government that the projects it was supporting had to be started in November.⁶

Annoyance on both sides had been exacerbated by an undiplomatic move by the Soviet ambassador earlier in June. Without obtaining the government's approval or ensuring its co-operation, he had interviewed candidates for scholarships to the Friendship University in Moscow. The outraged Nepalese government had issued a protest and had forbidden Nepalese students to accept the scholarships.

More Difficulties

By the end of the summer of 1960, the uproar (at least the public element of it) had spent itself, and the Russians seem to have deter-

³ *Halkhabar*, 6 Feb. 1960.

⁴ *Ibid.* 20 Feb. 1960.

⁵ *Everest News* (Kathmandu), 21 June 1960.

⁶ *Nepal News*, 26 June 1960.

mined to make the best of the situation—though they undoubtedly remained suspicious of the government's intentions. An incident such as the following made their doubts understandable: during 1960 the Russians had made preparations for construction of the hospital (by this time they were necessarily playing a leading role in the project implementation). They had collected—in Nepalese style—all the bricks they would need in a pile on the site. Meanwhile King Mahendra returned from a state visit to Britain with the news that Queen Elizabeth had accepted his invitation to come to Kathmandu in early 1961. The king decided that his capital city should be fit to receive such a guest and set in motion a construction programme so fast-moving that it astonished foreign technicians. Streets were widened, sidewalks laid, traffic lights installed (to be removed when the Queen left). To do all this, the Nepalese required a vast amount of building materials. A ready pile of bricks could not be overlooked—nor was it. To the Russians' despair, the future walls of their hospital were spirited away. All to impress a queen. A Russian expert expressed the disheartened but determined mood which this sort of incident created when he said that, despite heavy odds, all projects would be completed.⁷

The coup d'état of 15 December 1960 may have renewed Soviet optimism, as the new government made a point of criticizing the Nepali Congress for its failure to co-operate with Russian technicians.

King Mahendra's government, however, manifested its good faith in a manner which could not have been encouraging to the Russians. Rather than make a discernible effort to complete the existing Soviet-backed projects, the regime attempted to draw the Russians into support of a new project favoured by the king—the construction of the east–west road. The Finance Minister Rishikesh Shaha hinted that other donors were eager to build the road but said that the USSR should be given first priority because it had conducted the survey.⁸ In fact, no donor was in the least interested in this project. India, as has been seen,⁹ looked askance at all schemes which would weaken Nepal's dependence on Indian facilities. The United States believed the east–west road to be an uneconomic proposition and far too expensive (estimates ranged up to \$70 million). Other donors apparently realized that this would

⁷ *Halkhabar*, 12 Nov. 1960.

⁸ *Samiksha*, 18 Feb. 1960.

⁹ See above, pp. 42–44.

be a costly, drawn-out, and potentially disastrous scheme. The USSR not only declined to take up the government's offer, but refused to make the second half of the survey—presumably because of a desire to dissociate itself from the project.

Nepal Requests Financial Aid

The USSR was more obliging later in the year when Nepal informed the Soviet government, as it had informed other benefactors, that there could be no progress on Soviet-aided projects unless it received assistance to pay some of the local costs. As the new Nepalese government had avowed publicly that it was doing everything possible to expedite Soviet projects, and as the alternative to giving help was the collapse of its efforts, the Soviet Union had no choice but to help. Soviet financial assistance, however, was not as generous as that which the United States and China gave in similar circumstances in 1959 and 1961. In a protocol signed on 6 February 1962 the USSR made \$3.2 million available to Nepal, but only \$700,000 was an outright grant, the remainder being in the form of a long-term loan at 2.5 per cent interest. Moreover only a small fraction of the grant—\$239,000—was to be in cash. The balance of the grant and all of the loan were to be in commodities for sale in Nepal. Both grant and loan were for the period 1962-5, in which the existing Soviet projects were presumably to be finished. Repayment of the loan was to begin not later than 1 January 1966, but could be effected in hard currency, rupees, or in kind.¹⁰ The loan, in short, came on soft terms.

At the end of the period the total achievements of the Soviet aid programme were as unimpressive as those of the larger programmes. The sole success was the fifty-bed hospital which, after four and a half years, was nearly ready to open its doors. Only preliminary work had been done on the cigarette and sugar factory projects. No construction had begun at the cigarette factory site; by 1 July 1962 total expenditure—\$132,000—was only 3.5 per cent of the \$3.85 million which the project was expected to cost.¹¹ This project, which had begun in 1959, was now scheduled for completion in 1964. The sugar-mill, though slightly more advanced, was in roughly the same position. The small power project at Panauti was

¹⁰ Protocol between the USSR and Nepal of 6 Feb. 1962, in *News from Nepal*, 15 Feb. 1962.

¹¹ Nepal, Min. Econ. Aff., *Econ. Aff. Rep.* (Jan. 1963), p. 34.

making very slow headway, partly because of the difficulty of moving equipment into the site. Though started in 1959, this very minor project was not near completion even in February 1964.

Meanwhile Nepal had received large quantities of consumer goods from the Soviet Union (from the February 1962 grant and loan), which the government sold to merchants for resale in markets around the nation. The volume of Soviet goods, however, was not large enough in relation to Indian goods and, at this stage, offered no threat to Indian suppliers.

But the government had made no provision for ultimate repayment of the loan. If any thought was given to the matter, it was probably assumed that the Soviet-supported factories would begin making a profit before the end of 1965 and that funds would be available for payment. Judging from past experience, this was an optimistic view. The factories were already behind schedule, sources of tobacco leaf and sugar-cane were still uncertain, and Nepal had no trained managerial staff. It seemed more likely that the factories, once constructed, would either be managed by Russians for some time or would be a drain on the Treasury. In this eventuality, the Soviet aid programme would have added to the deterioration of Nepal's financial position.

Change in the Soviet Position

In the past, this would probably not have been thought of as undesirable by Soviet policy-makers. But by the end of the period, the political environment had changed. The Sino-Soviet dispute had broken into the open. China had attacked India, and Russia had made clear its interest in India's continued viability. In this context, a Communist take-over in Nepal could only be undesirable for the Soviet Union, as a Communist regime in Nepal would almost unavoidably come under Chinese influence. The Soviet Union, therefore, now had a vested interest in maintaining in power in Kathmandu a neutralist, non-Communist government. And to the extent that Soviet aid contributed to the overall instability of Nepal by weakening the government's financial position, such aid was now potentially damaging to Soviet interests.

ISRAELI AID

Israel, in contrast to the Soviet Union, the United States, and India, had a single, relatively uncomplicated purpose in its rela-

tions with Nepal: the creation of goodwill that would manifest itself in diplomatic support in the ranks of the non-aligned and in the United Nations. Israel sought in Nepal, as it sought in Burma and in many African states, support beyond the encircling ring of Arab states. Like that of China, this interest was relatively easily served by a programme of economic assistance.

Israel first contemplated giving aid to Nepal after B. P. Koirala's Nepali Congress swept to power in May 1959. Because the Congress claimed to be a socialist party, Israel had shown growing interest in its activities. After the election Koirala accepted an invitation to visit Israel. Like the leaders of numerous other underdeveloped nations, he was impressed by the pace and quality of development there. As a result of talks with Israeli leaders during his stay, Israel dispatched, in November 1960, a three-man team to Nepal to investigate possible projects in water and irrigation development, training, and resettlement.

The team was in Nepal on 15 December 1960, when the king staged his coup. At the time the prospects for Israel-Nepal relations, and for aid from Israel, were bleak. Koirala's enemies seized on his connexions with Israel as evidence of his betrayal of Nepal. They accused him, apparently with the king's blessing, of having plotted to make a military alliance with Israel, of planning to send Gurkha troops to serve in the Israeli army, and of secretly arming himself and his associates with Israeli small arms in preparation for a coup to remove the king and establish a republic. All the charges were, of course, unfounded, and in early 1961 the king decided to proceed with plans to open diplomatic relations with Israel (much to the annoyance of the United Arab Republic, which had intrigued during the Congress period against the establishment of Nepal-Israel relations). Israel, in its government yearbook, commented briefly: 'Internal changes in Nepal have not affected the favouring trend of relations.'¹² This was a triumph of Israeli diplomacy, in which both traditional methods and judicious promises of aid must have played complementary roles.

Plans for aid now went ahead, and an already existing scholarship programme was expanded. By June 1962, 33 Nepalese had studied or were presently studying in Israel. In August 1961 Israel and Nepal formed a joint-stock company which was similar to joint-stock firms set up by the Israelis in Ghana and other African states.

¹² *Israel Government Yearbook* 5722, 1961-2 (1962), p. 167.

The National Construction Company of Nepal Ltd (NCCN), formed to carry out large-scale construction projects, was 51 per cent Nepalese (government) and 49 per cent Israeli (Solel Boneh, a branch of the Histadrut) owned. The board of directors was composed of 3 Nepalese and 2 Israelis, while the managing director, the accountant, and 3 other staff members were Israeli. The shares had an initial value of \$395,000, Israel's contribution thus being \$194,000.

In 1962 Israel sent back to Nepal the resettlement expert who had been part of the three-man team dispatched late in 1960. His mandate was to draft plans and begin work on a resettlement authority to open new land and resettle approximately 20,000 persons. Because of Nepal's poor financial position, Israel made an exception in its usual procedures and paid most of his salary and travel expenses.

Israeli Success

The Israeli approach, as a whole, admirably furthered Israel's basic aim in Nepal. By stressing co-operation as opposed to giving (Israel actually gave little in money terms), Israel not only averted injuring Nepalese pride, but flattered it. In the case of the joint-stock construction company, Nepal from the beginning held the majority interest and therefore the majority of seats on the board of directors. Israel's stock in the venture was understood to be available for purchase at any time by Nepal when Nepal saw fit. In other fields Israel informed Nepal what projects Israel could best help carry out (excluding, of course, projects that Israel considered unsuitable for Nepal) and left Nepal to choose between them. Israel, moreover, always insisted on a financial contribution from Nepal, again attempting to maintain the sense of co-operation.

At the same time Israel managed to avoid the larger pitfalls inherent in a majority of the other aid programmes. Though, in the joint-stock firm, Nepal retained at least a nominal control over policy, Israel, by staffing the company with four Israeli executives and engineers, retained a considerable influence over policy and nearly complete authority over management. The ownership arrangement, together with the fact that Nepal had a monetary interest in the firm, assured Nepalese interest in making the firm a success, while the management structure assured competent direction in depth for as long, presumably, as it was needed.

The major flaw in the conception of the Israeli aid programme was the need to depend on third parties for finance. The construction company had sufficient resources to carry out small projects which Nepal had already planned. But neither the company nor the government of Nepal had the resources for a larger project. Thus the company's first large project, the construction of a new \$2-million runway at Gaucher airport in Kathmandu, was to be paid for by the American aid programme. The NCCN could not even obtain the necessary heavy machinery until the United States released funds. Negotiations for this one project dragged throughout 1962 and into 1963, with Israelis and Americans sparring warily over innumerable conference tables. No party gained from the delay.

The Israeli programme, however, could only be described as a success, at least from the Israeli point of view. The Nepalese were grateful for assistance from a country which they thought of as also being underdeveloped. They responded to the sense of equality imparted by the structure of the Israeli projects, feeling that Nepal was in this way getting something which it wanted in a manner which it found acceptable. As a result of this (as well as astute diplomacy), firm bonds were established between the two countries. Nepal became a supporter of Israel in the United Nations; and, as a demonstration of Nepal's support, King Mahendra paid a state visit to Israel in the autumn of 1963, despite strong Arab appeals that he not do so.

The ultimate value of the Israeli projects to Nepal's economy, however, was not yet so clearly discernible. At the end of the period, the NCCN was not close to the financial break-even point. Construction of the runway had not yet begun. There was every reason to think that the company would succeed, but only if the government of Nepal remained committed to making it succeed. The resettlement project was still in the survey and planning stage, but one thing was clear: the mistakes of the Rapti valley development would not be repeated. Taking many ideas from the experience of the Jewish Agency, the resettlement authority would prepare lands and villages before the people moved in, and settlers would be given strong incentives to utilize new techniques from the start (such as making future ownership of land contingent upon co-operation). Results of the scholarship programme were also difficult to assess, as a majority of the trainees had not yet returned, though results

to date as well as the nature of the programme seemed to indicate that it had considerable value. Of the 11 trainees who had returned, 10 had jobs in fields where their newly-acquired skills could be of some use. Five students still in Israel were taking long courses (four in mechanical engineering and one in medicine—skills that Nepal, flooded with arts graduates, badly needed).¹³ Finally, many of the trainees could be reasonably certain that a job awaited them, for the government paid their travel expenses and thus had a stake in their future.

The Israeli programme could possibly fail to assist in Nepal's economic development, though this was unlikely. But this programme could not, even if it failed entirely, add seriously to Nepal's mounting problems. It had neither added new facilities or services which would have to be supported, nor created institutions which required an inflation of the government apparatus or made greater demands on the government's meagre abilities.¹⁴

SWISS AID

The Swiss aid programme, as described earlier in connexion with USOM's efforts, also had promising results. In this case, the motivation was probably a-political. SHAG began as a private organization and only received government support in 1960. Its aims would appear to have been similar to those of organizations like the Ford Foundation. The Swiss government's participation was probably a reflexion of a humanitarian impulse. The Swiss, moreover, were interested in Nepal because of the topographical similarity of the kingdom and their own land. Nepal is often called the potential Switzerland of Asia.

Switzerland's efforts to make this phrase a reality can be termed successful in that each Swiss project had fulfilled or was close to fulfilling its immediate goals. As has been seen, the dairy project made a profit (if Swiss technicians' salaries were computed on Nepalese pay scales) and was approaching the point where Nepalese could take over. Two foot-bridges had been built—one with American financial assistance—and a third was in progress. The mechanical workshop originally set up to serve the dairy farms had

¹³ Data from Embassy of Israel, Kathmandu, 1962.

¹⁴ The NCCN was, in a sense, a new government institution. Employees were not, however, civil servants. The total staff was small, and the few important positions were filled by Israelis. As the NCCN was intended to be self-supporting, it was likely that staff would be kept to a minimum.

become a company at the American-backed industrial estate and, to everybody's surprise, made a profit, though a minute one (\$80), in its first year.¹⁵ The experimental farm at Jiri in the eastern hills was growing and attracting increasing interest from people in the area. This project, which received some financial support from the United States until 1962, included a school and a twenty-bed hospital, and was engaged in livestock and pasture improvement as well as seed and tool experimentation. Its ultimate effects on the economy of the countryside were difficult to gauge. The Swiss hoped that their example would be followed and that the modern practices they demonstrated would spread. At first glance this seemed to be no more than a variation of the Indian and American working philosophy in the southern countryside, with equally poor chances of succeeding. However, conditions in the hills were quite different. The hill peoples for the most part owned their own land. Their lives were better. Though poor, they were not ground down by poverty. They were a healthier, active people. It was therefore likely that they would be more receptive to change. If this were so, it could be asked, why did the other missions ignore the hills? Their contention was that only in the south were the soil and climate favourable to a great increase in agricultural yields. The Swiss, in reply, argued that two factors made an improvement in hill agricultural conditions an essential precondition to Nepal's economic development. These were the facts that a majority of the population lived in the hills and that the growing shortage of land in the hills threatened to create a serious food and employment problem.

The Swiss mission's 1962 budget called for an expenditure of \$170,000,¹⁶ but there were seventeen Swiss technicians in Nepal—the lowest ratio of expenditure per technician of all the aid missions and programmes. In effect, SHAG had evolved an expanded technical assistance programme. Though this was a very small effort, it could not help being of some value. If circumstances in Nepal became favourable to economic development, the Swiss projects would make a small but significant contribution. If not, the projects could do no harm by adding to the government's burdens, and they would certainly be beneficial to those persons directly concerned with them—workers in the machine shop, farmers near Jiri, milk producers and processors, and the thousands of people in Kathmandu, who, for the first time, had pasteurized milk.

¹⁵ SHAG, *Elmigor Rep.*

¹⁶ *Ibid.*

BRITISH AID

Another donor of long standing was Britain, with whom Nepal had had, in the words of the Foreign Secretary, Selwyn Lloyd, 'an extremely long, honourable and cordial association'.¹⁷ The adjectives, in this case, were fitting. Relations between the two countries were marked by mutual respect. Nepal's past subordinate status was compensated for by the gratitude and admiration felt in Britain for the Gurkha troops' prowess in two world wars.

After partition and the Nepalese revolt of 1950, British influence in the Himalayas became negligible. The strongest surviving connexion was the brigade of Gurkha troops which remained in the British army. Sentiment about these hardy soldiers' past exploits and the desirability of keeping them in the British army were the basis of Britain's aid programme in Nepal. The sentiment needs no elaboration. The wish to keep Gurkhas in active units was a tribute to their excellent quality as soldiers, a recognition that there would be tough fighting to do in the jungles of South East Asia, and perhaps an awareness that the unpopularity of conscription would eventually make the British army dependent on volunteers.

In Nepal the continued recruitment of Gurkhas was unpopular with the politically conscious and articulate groups (which did not, for the most part, include Gurkhas). It was looked upon as shameful that the men of Nepal had to serve as mercenaries in a foreign army fighting, as in the case of Malaya, for dubious causes. However, Nepal needed Britain's Gurkha recruitment even more than Britain did, for soldiers were her most profitable export. The kingdom earned roughly £800,000 (\$2.24 million) annually from pensions salaries remitted home and from the recruiting centre at Dharan. Moreover, recruitment into the British and Indian armies was absolutely vital to the hill economy. There was little immediate danger, therefore, that Nepal would stop recruitment. Nevertheless, it was in Britain's interest to maintain excellent relations with Nepal. This could best be done through aid.

Britain initiated its aid effort in 1952 with a modest scholarship programme which, by mid-1962, had sent ninety-four men and women to Britain and Malaya. Unlike American scholarships, which were mainly for nine-month courses, and Indian scholarships, which were largely for undergraduate training, the British

¹⁷ HC Deb., vol. 621, col. 177, 14 Apr. 1960.

scholarships were mostly for longer-term graduate training. Twenty-seven British-trained doctors formed the nucleus of Nepal's small medical services.

British army engineers built a road from Biratnagar near the Indian border to the Gurkha brigade's recruiting depot in Dharan, thirty miles to the north. Later the army, as part of the aid programme, undertook to extend the road into the town of Dharan, an additional one mile, and from Biratnagar to the border, another three miles.

This project was credited against a \$2.8-million grant made by Britain in 1960 for the period 1961-6. Under the grant, a new training programme was started. Gurkha troops and some Nepalese not in military service were given vocational training in Malaya.

Most British expenditure went into machinery and commodities: diesel generators, hydro-electric equipment, Land Rovers, motorcycles for the Nepalese army, and a printing-press for the government newspaper. Three British 250-kw. diesel generators gave an immediate and much-needed boost to Kathmandu's electricity supply. Still to come were an electricity-distribution system (a grid) for Kathmandu and, under a \$1.43-million loan agreement of 1 November 1962, diesel generating plants at Kathmandu, Hetauda (for the ill-fated American ropeway), and Birgunj on the southern end of the Kathmandu to India road.

Despite the scope of aid from Britain, there was no British presence in Nepal other than army officers, a small embassy, and one botanist sent to develop Nepal's commercial herb industry. British aid, in this sense, was similar in structure to the original Chinese aid.

Though only \$498,000 of the British aid had been expended by the end of fiscal 1961¹⁸ and little more in the following year, there was every reason to believe that this small but significant programme had been largely successful. Good relations had been maintained. The outcry against Gurkha recruiting had subsided—partly because of friendliness to Britain, partly because of a recognition of necessity. Queen Elizabeth received an extraordinarily warm welcome in 1961. This was noted with pleasure in Britain, though an Opposition MP was ungrateful enough to complain that a tiger had almost eaten Lord Home, then Foreign Secretary, during a hunt.

Britain's aid would inevitably be beneficial to Nepal. Like the

¹⁸ USOM, *External Assistance to Nepal* (Kathmandu, 21 Aug. 1962).

aid from Israel and Switzerland, it would be a valuable contribution to economic development, if such development occurred. Failing that, it would be useful on a limited scale. It would not be a burden on the government or the nation, except to the extent that the loan would have to be repaid within twenty-five years. Given even a mediocre standard of management, the electrical equipment was a potential money-maker for Nepal. The outcome was, as always, in Nepal's hands.

AUSTRALIA AND NEW ZEALAND

These two Commonwealth nations spent moderate amounts on aid to Nepal as part of their contribution to the Colombo Plan, of which Nepal was a member. The relative insignificance of their aid in both money and technical assistance terms indicated that neither state intended to produce vital political or economic results other than manifesting their support for the Colombo Plan and for Nepal. Australia spent \$112,000 on road-building equipment, water pipelines, an X-ray machine, and a radio transmitter. New Zealand, which entered the picture in 1955, gave financial backing to the Swiss dairy project, developed a sheep farm at Pokhara, sent seeds, and paid for equipment for two bridges on the Kanti Rajpath (the Nepalese army's quixotic answer to the Tribhuvan Rajpath). By the end of 1962 New Zealand had expended \$280,000.¹⁹

UNITED NATIONS ASSISTANCE

The United Nations, which first became involved in development efforts in Nepal in 1952, was engaged in a wide range of activities at the close of 1962. The largest of the programmes run by the United Nations and its agencies was the WHO malaria eradication project. WHO also operated nurse and health-assistant training schools. The organization's policy on its projects, on which it had expended \$2.04 million by the end of the period, was to retain leadership in the field, if not in policy.²⁰ For this reason, the WHO projects, and notably the anti-malaria campaign, appeared to be achieving tangible results. As described in Chapter X, in connexion with the American aid programme (which supported the WHO malaria project), malaria had already been wiped out in central Nepal, and progress towards total elimination of the disease was rapid.

¹⁹ USOM, *External Assistance to Nepal*.

²⁰ Ibid.

The FAO had a team in Nepal advising the government on irrigation projects and supervising some of the government's efforts in this field. In this case, the role of the United Nations technician was less clearly defined, as the FAO was not itself financing projects. As a result, the effectiveness of the technicians was not as great as it might have been.

The United Nations Technical Assistance Agency had four advisers in the government secretariat and seven Operational Executive (OPEX) experts managing mills, the national airline, and several government-controlled enterprises. These men were, for the most part, bitterly frustrated. The advisers to the government itself found that their advice was largely ignored. OPEX administrators found themselves the object of constant intrigue by Nepalese subordinates, who aimed to discredit and oust them. Even in those situations where such intrigues were not serious, the OPEX personnel faced strong resistance to measures which would result in greater efficiency. Few of these men were able to exercise the authority which, formally speaking, their posts granted and required. Part of the difficulty stemmed from the fact that there was no United Nations resident representative in Nepal. The function of this figure in other countries is to co-ordinate efforts of the various United Nations personnel working there and to act as a spokesman for the United Nations to the local government. In Nepal, where a man's title bears a direct relationship to the influence he can exert, the absence of a resident representative meant that United Nations personnel had no access to the corridors of power and, specifically, to the king. In 1963 a representative was posted to Nepal in the hope of increasing the effectiveness of UNTAA and OPEX staff.

The progress made by another United Nations activity, the Special Fund's hydro-electric survey of the Karnali river, was in direct contrast to the relative inefficacy of the advisory and management programme. The Karnali survey, for which the United Nations Special Fund was contributing \$914,000, was a straightforward technical project managed and administered entirely by Special Fund personnel.

The ICAO, the ILO, and UNESCO were also active with relatively minor projects in Nepal.

United Nations efforts in Nepal, in summary, were effective when United Nations personnel retained *de facto* authority, ineffective when United Nations personnel acted as advisers or managers

without real power. But in no case could the United Nations efforts in themselves be seen as even potentially harmful. Only the malaria eradication project involved the creation of a new organization. But the organization in this case performed a useful and necessary function.

OTHER DONORS

Of the other donors, the Ford Foundation was the largest in money terms, having expended \$1.54 million by 13 August 1962.²¹ This sum had financed the Cottage Industries Centre (opened in 1954), the Home Science Centre (1954), an exchange of farm youth between Nepal and America, a rural institute (opened in conjunction with India, in 1958), and two advisers to the government on planning.

The Cottage Industries Centre had, fortunately, dropped its Gandhian outlook and with it, its emphasis on generating cottage industries in the Nepalese countryside. As in India, this had proven not only futile but costly. The centre now concentrated on improving existing manual skills, such as carpentry and shoe-making, and on creating new ones in such fields as electrical repair, machinery repair, and electronics. In some cases this had fairly good results, in others, heartbreakingly bad ones. For the carpenters, who came from families of carpenters, it meant greater skill which could be applied to a job in the family business. But for the majority of the young men trained in machine-shop work, it meant becoming unemployed or becoming an over-qualified waiter in a Kathmandu hotel, for new jobs were not generated as fast as graduates entered the labour market. The centre tried to co-ordinate its programmes with existing development projects. Electricians would be needed, for example, for the hydro-electric facilities at Panauti and Trisuli. But both of these installations were scheduled to have been finished in 1961. Neither was completed in mid-1963. Meanwhile, electricians were finishing their training. The question was: who would preserve this valuable resource by employing the men until construction was completed? Ford's two other projects, the domestic-science centre and the youth exchange, made little impact. Both suffered from the same basic conceptual failing. Both assumed that the Nepalese peasantry was ready to accept change. This was not the case. Ford's advisers to the Planning Commission and Ministry

²¹ USOM, *External Assistance to Nepal*, p. 4.

of Economic Affairs, a ministry unusually receptive to new ideas, may have introduced important changes. Certainly, if and when the planners are able to exercise effective authority, these advisers could be helpful.

Japan donated the services of a team of technicians to conduct a hydro-electric survey of the Kali river and sent in an expert to assist in the design and manufacture of simple agricultural implements. West Germany pledged \$750,000 for equipment and instructors for a technical institute to train telecommunications electricians, motor-vehicle mechanics, water fitters, and plumbers. By the agreement signed on 1 December 1962 Nepal was required to provide land and buildings and to bear running costs. The Germans obviously had not learned from the Russians' experience. France deputed an expert to study Nepal's tourist industry. Pakistan trained Nepalese pilots. Canada granted \$149,000 worth of wheat. Other nations, including almost every nation of Europe, east as well as west, granted scholarships or small amounts of commodities.

THE IMPACT OF MINOR AID PROGRAMMES

Each of these smaller programmes, taken by itself, had commendable qualities. A few had been extremely successful in fulfilling their immediate aim, but in the aggregate they created serious problems for Nepal. Because of their number and the variety of their methods, they vastly complicated the Nepalese government's task of co-ordinating development efforts, with the result that there was little co-ordination. Some of the smaller programmes, by creating new tasks for government departments, contributed directly to the growing cumbersomeness of the government.

Together, the smaller programmes added little to the economic infrastructure of Nepal. In this sense Britain, which contributed electricity-generating equipment and gave scholarship grants for study in fields of which the skills were urgently needed, was perhaps the most helpful. But most of these programmes were based on the idea that limited efforts could assist in the development of existing resources within Nepal. It was here, ironically, that the smaller programmes may have had their most marked negative effect.

The large number of these programmes—all of which, incidentally, were well publicized—created an impression of great activity. And, too often, activity gave the illusion of progress. This illusion, which the government of Nepal did little to dispel, gave weight to

arguments of anti-reform elements that reforms were not essential, that development was going ahead without reform. The government used the existence of the smaller programmes—and the prospect that these programmes would grow—as a defence against American and Indian pressure for reform. These other programmes were viewed as alternatives to American and Indian aid, as assistance without the strings which the two largest donors were attempting to attach to their aid.

Conclusion: The Utility of Aid

THIS study has attempted to demonstrate that the nations and agencies which extended economic aid to Nepal, with few though significant exceptions, failed to accomplish what they set out to accomplish. Preceding chapters have offered evidence to suggest why this happened. It was significant that, despite the diversity in the aid programmes, the explanations that emerge were remarkably uniform. Time and again, an apparent reason for a programme's failure was traceable to flaws in two conceptions—conceptions that were the foundation and the framework of the majority of the aid programmes.

The first of these conceptions or assumptions was a belief in the readiness of Nepal for social, economic, and political change—a belief founded less on empirical evidence than on the widely accepted idea that almost all underdeveloped lands were being swept by a 'revolution of rising expectations'. This conception was the foundation of virtually every aid programme. The aiding nations designed their programmes as political responses to the political opportunities and dangers ostensibly posed by aroused expectations. They based the economic content and much of the methodology of their programmes on the eagerness that they thought logically accompanied aroused expectations.

The United States was candid in admitting that its programme was so designed and so based. Other donors were less frank. But it is difficult to find any other convincing explanation for their heavily financed attempts to improve the lot of the peasants through village development and agricultural projects, for their preference for service-type projects and technical assistance schemes (which assumed a willingness to learn) over capital projects, and for their general inclination to favour projects that required immediate and substantial participation by Nepalese personnel.

Nepal, however, was not in the grip of a 'revolution of rising expectations'. The majority of its inhabitants were unaware that a way of life different from their own even existed. Those who were

aware either refused to believe that change was possible for them or they had a vested interest in the *status quo*. Most of the peasants, who comprised about 95 per cent of the population, lived at such a low standard and were in the grip of such an iniquitous land-ownership system that their interest in the world beyond the village boundaries was minimal. To them, the prospect of change involved unacceptable psychological and material risks. Peasants who owned lands and made up the power structure in village life looked upon practically any innovation as a direct threat to their position. The result, as noted by Wolf Ladejinsky, the specialist in agrarian reform, was that the very idea of utilizing modern practices such as better seeds and fertilizers was not 'part of the mental make up of either landlords or tenants'.¹ For this reason, efforts to improve agricultural techniques and to raise yields by means of direct approaches to the peasant through village development, agricultural extension, and similar projects met with nearly total defeat.

Similar resistance to change was inherent in other elements of Nepalese society. The working people of the towns were still heavily dependent on small landholdings or on employment on the land. They therefore shared many of the peasants' attitudes. The small, but critically important, middle class derived its income largely from rents paid by peasant tenants. Nepal's civil servants, products of this class, supplemented their meagre salaries with income from the land. The same was true of Nepalese politicians. Even the leadership of the Nepalese Communist Party shared the general middle-class interest in maintaining the *status quo*.

Only one element of Nepalese society could be said to have had a vested interest in fundamental change. But this element, the educated and semi-educated, who were unemployed or received negligible incomes from the land, was only just coming into existence at the end of the twelve-year period covered by this study.

Conservatism

The basic conservatism of the people of Nepal was not, however, just an economic phenomenon. As in every civilization, developed or underdeveloped, the *status quo* was reinforced by religious attitudes, by standards of conduct and morality, and by social institutions (such as the inheritance system).

A number of donors and particularly the United States failed to

¹ Ford Found., *Ladejinsky Rep.*, p. 4.

grasp this. They assumed that Nepal was merely poor and that therefore there were no fundamental barriers to the introduction of western techniques into Nepal. Their programmes and projects often demanded too much of individual Nepalese, as they took it for granted that intelligent men—and many of the Nepalese involved in development projects were highly intelligent men—could easily learn new techniques and methods. They ignored or minimized the fact that attitudes towards cause and effect, time, and individual responsibility—basic to a technological civilization—were foreign to Nepal, as they were to most underdeveloped societies.

The second conception inherent in the structure of the aid programmes stemmed from similar misconceptions about Nepal and underdeveloped countries in general. The aid donors assumed that the government was able and willing to administer development projects of considerable complexity and that the government's existing defects as an administrative body could be easily remedied through training. If belief in the readiness for change in Nepal could be said to have been the foundation of many aid programmes, then these assumptions about the quality and nature of government were the framework within which the programmes would implement development projects.

The state of government in Nepal did not warrant the optimism implicit in the aid donors' views. As most donors eventually learned through harsh experience, the government lacked both the administrative capacity and the political will to govern. Nepal, like most underdeveloped countries (with noteworthy exceptions such as India), came on to the international scene in the post-war years with virtually no civil service, as the Rana governments had confined their activities to police and tax-collecting functions. After the 1950 revolution, far greater demands were made on the administration, but political turmoil and utilization of the civil service as a source of patronage ensured that the service would not attain the stability and security it needed to meet these demands.

Throughout the twelve years after the revolution, the civil service remained at the mercy of the political storms of Kathmandu. As governments came and went, civil service purges became a regular occurrence. Consequently, appointments and dismissals were made almost exclusively on political grounds. Competence was largely irrelevant. Decisiveness and initiative were dangerous qualities for

those who possessed them. Though the aggregate of skills in the government increased, the basic causes for inaction—fear in the ranks of the civil service and preoccupation with the struggle for power and influence among the politicians—were not removed. The government, consequently, remained a far less suitable instrument for the implementation of aid projects than many donors, despite their experiences, assumed it to be.

The Short-term Impact

These structural flaws in a majority of the aid programmes had a profound impact on their performance. First and most obviously they accounted for many of the failures which individual projects suffered. As the evidence in previous chapters suggests, projects that demanded the least in terms of local participation and government action ultimately accomplished the most. The success of the Swiss projects was the best example. Conversely, the more the projects demanded of Nepal, the less they accomplished, as was illustrated by the case of the American foot-bridge scheme.

The reliance on these two assumptions was also responsible for frustrating the short-term political aims that most of the aid was intended to achieve. With exceptions that will be discussed below, the donors so structured their programmes that their political aims could be advanced only by the successful implementation of their economic projects. When the projects failed, then aid as a means to political ends failed also.

Economic aid failed to hasten the pace of the democratization of Nepalese society, as desired by western donors and India. Aid projects did not, as hoped, increase political consciousness. And they did not encourage the formation of a true diversity of political-interest groups, at least one of which would have not only a vested interest in change but also a sufficiently strong stake in the *status quo* to eschew revolution.

Economic aid failed to encourage political stability—an end particularly sought by India but also considered desirable by western donors. In this area, aid proved to be irrelevant. Because aid had a negligible impact on the economy—a point that will be explored below—it influenced such political developments marginally. The politicians themselves were notoriously indifferent to economic matters. Only in the latter years of the period covered by this study did aid come to effect political stability, and then ironically enough,

it was mainly as a source of potential instability. As has been seen, this was the result primarily of the emergence of an educated but unemployed element.

Finally, economic aid fared badly in promoting gradual social revolution, a goal desired by all non-Communist donors and actively encouraged by the United States through its support for cadastral surveys as a first step to land reform, for revisions in the tax structure, and for administrative reform. But efforts in this direction had necessarily to be channelled through the government. They invariably came to nought.

Economic aid did have successes in the political realm, but only in instances where the two assumptions were either not operative or were irrelevant. China strengthened the hand of pro-Chinese elements by simply making a cash grant, a form of aid that presumed no more than a desire for ready cash. Israel obtained diplomatic support from Nepal by exhibiting its concern for Nepal with an aid programme whose ostensible virtue was not what it could accomplish but the disinterestedness it revealed. And through aid, both China and India advanced their strategic interests in Nepal. Their gains, however, tended to cancel each other, as India controlled the highway from its border to Kathmandu and China will control the road from Tibet to Kathmandu. In the case of India, moreover, the deterioration of internal conditions in Nepal, to which Indian aid contributed, more than balanced the road and the few airfields India constructed.

The Long-term Impact

The two fundamental assumptions made by the aid donors also affected the longer-term impact made by aid in Nepal. Here again their influence was negative. Because of the shape and direction they gave to the aid programmes, aid not only failed to give a significant boost to Nepal's economy, but it may even have made growth more difficult to achieve.

The former contention, that aid did not spur Nepal's economic development, cannot be proved conclusively, as national income and per capita income statistics are not available. One must therefore rely on the observations of competent students of the scene in Nepal. The views below are those of four such students.

Harry B. Price, a United Nations financial adviser to several of the governments of Nepal, concluded in his economic survey of the

kingdom that the economy had not altered appreciably since the revolution. He found that technical innovations had been introduced into the economy through the foreign aid programmes but that, with the exception of the area of transportation, these innovations existed only on an experimental, pilot project, or demonstration basis.²

A similar conclusion was reached by Professor John T. Hitchcock, an American anthropologist who lived in and studied a *thum* (administrative division containing 500 households) in the hills, two days' walk south of the important market town of Pokhara. Hitchcock found that this representative *thum* had undergone 'little technical change' and that agricultural techniques remained unchanged.³ He did discover, however, that monetization of the economy had progressed and that there was a growing variety of consumer goods (imported from India) available in the local shops. The increase of currency in circulation had resulted from a general rise in prices and greater remittances of Indian rupees from the growing number of local men serving in the Indian army and otherwise employed in India.⁴ The only evidence of any development effort he found was a shovel and some maize seeds that had been sent home by a local youth working as a development official in Pokhara. It should be noted that the *thum* Hitchcock described was more accessible than most, as it lay on a major trade route between two large trading centres.

Hitchcock made no attempt to account for the lack of progress he had found, though his description offered insights from which possible explanations could be deduced. In contrast, Wolf Ladejinsky and Dr Y. P. Pant were primarily concerned with the reasons why change was taking place so slowly. Their analyses had direct bearing, therefore, on the role of foreign aid in Nepal's economic development.

Ladejinsky shared the view that little progress had been made to date. He attributed this to the state of Nepalese agriculture and advanced the argument that economic development in the kingdom was firmly linked to agricultural development. Unless there were an increase in agricultural production and rural living standards,

² UN Dept of Social & Econ. Aff., Tech. Assist. Ctee, *Econ. Survey Nepal*, p. 6.

³ J. T. Hitchcock, *Change in a Hill Thum of Central Nepal* (unpubl. MS.).

⁴ The increase of local men working in India is described in Hitchcock, 'A Nepalese Village and Indian Employment', *Asian Survey*, i/9 (Nov. 1961).

he 'seriously question[ed] whether the contemplated economic development of the country [could] succeed'.⁵

Reform Essential

He asserted that agricultural development, in turn, depended on the implementation of meaningful land reform. Though he admitted that there were technical difficulties involved in such reform, he believed that these were secondary. 'In a country such as Nepal, the most important requirement for dealing with the land problem is *will* and *determination* on the part of the government to proceed with the job.'⁶

In his report to the king, Ladejinsky did not make explicit his views on the efficacy of aid. From his analysis, however, it can easily be inferred that he had found aid efforts to be futile. In an article on the general subject of agrarian reform, he agreed that a number of ingredients went into a successful land reform, including technical assistance, co-operatives, and credit. But, he added: 'Important though the other ingredients are, unless those who work the land own it, or are at least secure on the land as tenants, all the rest is likely to be writ in water.'⁷

Dr Pant, Nepal's best-known economist and, at the time of writing, Finance Secretary to the government, was more explicit about the efficacy of aid, though, undoubtedly prompted by the demands of his official position, he was somewhat circumspect. From his statement that 'it is only after a country is prepared for the possible process of change that international relations or foreign aid can do much to help its onward march . . .', it can be inferred not only that he believed Nepal had not marched forward, but that he attributed this lack of progress to an unpreparedness for change.⁸ He did, however, place part of the blame on the aid missions: 'From the available information, it is obvious that foreign aid has not been used satisfactorily.'⁹

Pant went one step further than the other three commentators. He suggested that aid might have had negative effects on Nepal:

Past experiences of other countries have shown that any premature forcing of pace through foreign trade or capital or, to be more clear,

⁵ Ford Found., *Ladejinsky Rep.*, p. 4.

⁶ *Ibid.* p. 3.

⁷ Ladejinsky, 'Agrarian Reform in Asia', *Foreign Affairs*, xlii/3 (Apr. 1964), p. 446.

⁸ Dr Y. P. Pant, *Nepal's Economic Development on International Basis* (1956), p. 24.

⁹ *Ibid.* p. 77.

foreign aid itself is likely to have an adverse effect until the time when it becomes an organized part of the inner process of the country's evolution.¹⁰

He did not elaborate, however, on how this adverse effect could make itself felt. A possible explanation for his remarks can be found in the existence of threatening areas in both Nepal's economy and polity—areas where aid may well have had an adverse effect.

The Land Deteriorates

At the end of 1962 Nepal was no longer a green land. A land-hungry population had destroyed much of the nation's timber by clearing new earth for cultivation higher and higher up the hill-sides. And with the substitution of terraces for trees and natural plants, erosion had become far worse. The soil washed away in the summer rains, and the productivity of the earth decreased. This was not a new process. As early as 1949 a Nepalese agronomist had noted it.¹¹ But Nepal was not a large country; and the population, growing rapidly as throughout South Asia, was pressing ever harder on the limited quantity of land.

As land conditions in the hills deteriorated, more and more of the hill peoples had to seek work elsewhere in order to eke out a living. A steadily increasing number, as Hitchcock pointed out, crossed the border into India. For Nepal's economy, the existence of work in India was an essential safety-valve (though the need to go so far for work imposed an incalculable hardship on the emigrants themselves). If Indian employment opportunities diminished or India imposed restrictions on Nepalese labour, Nepal would be faced with a grave crisis. For the number of employment opportunities in Nepal had grown marginally. The kingdom's industrial sector was, in fact, in a worse state than it had been in 1950, with only 5 of 37 factories making a profit, while 12 of the remainder were in liquidation and 6 had shut down.¹² In Kathmandu a few small industries had been opened, principally at the American-backed industrial estate, but the number of jobs there was measured in hundreds.

Nepal needed new industry not only to create employment but

¹⁰ Dr Y. P. Pant, *Nepal's Economic Development on International Basis*, p. 23.

¹¹ Nepal, *Report on a Study of Agricultural Conditions in the Eastern Nepal Hills*, by C. B. Gurung (Kathmandu, 29 May 1949), p. 28.

¹² UN, Dept of Social & Econ. Aff., Tech. Assist. Ctee, *Econ. Survey Nepal*, by H. B. Price, p. 49.

also to mitigate an increasingly intractable food problem. The kingdom exported large quantities of foodgrains, thereby earning the Indian rupees to pay for imports of finished goods. Yet malnutrition was almost universal, and the domestic demand for food was inevitably rising with the growing population. Clearly both industrial and agricultural production had to be increased. Meanwhile foreign aid funds paid an ever-growing share of Nepal's import bill.¹⁸

The aid programmes were in no way responsible for unleashing the forces—population expansion (malaria eradication had not yet made a substantial impact), erosion, decrease in agricultural productivity, unemployment—that were dragging the Nepalese economy down. In fact the few bright spots in the economy, the advances in infrastructure in the areas of transport, communications, and education, were entirely due to the efforts of one or another aid donor. But aid may have weakened the impulse to take the steps needed to bring economic deterioration to a halt.

The Basic Problems

The small number of useful improvements made through the aid programmes did not offer a solution to the basic problems confronting Nepal. These were not the lack of skills or capital, though Nepal sorely lacked both. They were, rather, structural problems—primarily of landownership and tenure, as well as those of taxation and of administration.

Each of these problems would have daunted any government. Establishing a workable tax-collection system, for instance, is an imposing task in the most ordered of nations. In Nepal the difficulties would have been immeasurably greater. The same applies to administrative reform and, as Ladejinsky pointed out, to land reform. Yet in none of these areas were the technical problems insoluble. In Nepal there was no notable instance when an experiment was attempted and then given up because the mechanics of the project had been overwhelming. Rather, no significant head-

¹⁸ Nepal's accounts for all transactions with India apparently balanced, as the kingdom's Indian rupee reserves were relatively stable in a situation of free convertibility. In Nepal Rastra Bank, *Rep.*, p. 23, the state bank suggests that this balance may have been made possible through foreign aid infusions. There could have been no other explanation. The *Report* points out that total imports in 1960, for example, were \$36.2 m. (p. 22), while total foreign aid expenditures that year were at least \$10.4 m. (Min. Econ. Aff., *Foreign Aid to Nepal Since 1952*). In subsequent years, reserves remained steady, but the inflow of aid funds increased, with the US spending \$7 m. annually in Indian rupees.

way was made in basic reform because no significant effort was made. The same qualities that Ladejinsky believed were the *sine qua non* for land reform were the essential ingredients for tax and administrative reform: will and determination. And the various governments of Nepal did not exhibit these qualities.

Many in Nepal would have agreed that reform in taxation, administration, and land tenure was vital to the nation's development. The king also appears to have taken this view. Yet his government could not easily take steps that would damage the immediate interests of powerful persons and groups. All the reforms in question would have hurt those currently in positions of influence. The government of Nepal, or any other government in a similar position, would have been far more likely to risk the wrath of these groups if it had also been under a countervailing pressure from elements in the population that had a strong interest in reform. Such elements existed in embryo in Nepal: the educated young.

Both in numbers and in quality, however, this group had so far been eliminated as a serious source of pressure. By bringing the graduates into the government, the regime had given them a firm stake in the *status quo*. The government's ability to do this was a consequence of the availability of foreign funds. In short, foreign aid served to frustrate the very reforms that most of the donors were working to push through, and that, in any event, were essential if their aid were to be effective. Thus, in Nepal, aid, despite its successes in some areas, actually reduced the prospect for growth by its impact on the political scene.

The unfortunate impact of foreign aid on the long-run prospects for the economy was paralleled by its equally unfortunate effects on Nepal's political position. The government of Nepal was in the worst financial condition of its modern history and was therefore heavily dependent on foreign support. In the 1962 budget, foreign powers and agencies were to pay 94 per cent of 'development' expenses (i.e. expenses that appeared in the development budget). But, as the Minister of Finance admitted, many items in the development budget were now normal recurrent costs and should have been in the regular budget. He estimated that recurrent expenses of schools, health facilities, and other long-completed development projects totalled as much as \$6.7 million.¹⁴ Expenditure under the

¹⁴ Nepal, National Planning Council, *On Planning and Development*, by R. Shaha (1961), p. 8.

regular budget that year was \$13·6 million while total revenue, exclusive of foreign aid funds, was \$12 million, thus leaving Nepal with an apparent deficit of as much as \$8·3 million before a penny was spent on actual development projects.¹⁵ Nepal was especially dependent on the United States and India, the former because of its generous rupee expenditures in Nepal and the latter because of its aid grants and its liberal trade and immigration policies.

Nepal's increased reliance on foreign support could, in the long run, only jeopardize its independence and distort its foreign policy. King Mahendra undoubtedly pursued his perilous policy of neutrality in the Himalayas out of frustration at the *de facto* restrictions on his country's independence. Such frustration may have explained his readiness to agree to the Chinese road project.

Finally, the worsening financial position of the government and the deterioration of the economy seemed certain to lead to political instability and turmoil. With the inevitable emergence of a large group of educated persons whom the government could not possibly employ, Nepal was faced with the prospect of an eventual growth of extremist political activity.

A Perspective

In the twelve years following the 1950 revolution, foreign powers and agencies extended \$90 million of aid to Nepal.¹⁶ This sum, in the context of Nepal, was substantial; it could have done the country greater service.

The experiences of Nepal with aid do not suggest any one approach that would have been perfect. This author is tempted to believe that the \$90 million would have been better spent on a few major capital projects in electricity and communications. Such projects, particularly those in hydro-electricity, would have been immune to most of the troubles that beset aid in Nepal. A large dam, for example, would not have encountered serious resistance from civil servants or from the population as a whole, since dams do not pose a tangible threat to anyone's position or privileges. At the same time the construction of a dam would not have required the active support of the population, thereby making the readiness

¹⁵ Min. Econ. Aff., *The Budget Speech, 1962* (1962), pp. 22 and 24.

¹⁶ The figure is derived from various documents including Min. Econ. Aff., *Indian Aid to Nepal* and *Foreign Aid to Nepal Since 1952*; USOM, *Expenditures 1952-61*; ICA, *Quarterly Project Report Amendment* (Kathmandu, 30 June 1962).

for change largely irrelevant. A hydro-electric project would have had the virtue of being a considerable distance from Kathmandu, thus minimizing interference by the civil service. When completed, it would admittedly not have been simple to operate, but a relatively few skilled technicians (foreign ones if necessary) could have managed. A foreign agency could have trained the necessary personnel abroad and on the spot during the construction phase—a sufficiently lengthy process to ensure that the training was thorough. A dam would have been largely self-sufficient for maintenance and would have thus needed little support from other government departments.

A project of this nature would not have called forth an expansion of the civil service and, once completed, it could hardly have been a drain on the national budget. To the contrary, the existing demand for electricity in Nepal and northern India was great enough to make a number of hydro-electric projects highly profitable. Hydro-electricity would have been not only an excellent money-maker in Nepal but also an excellent export.

Finally, the availability of the electricity from a dam of this type could have made a profound impact on the investment habits of those Nepalese with resources and on the possibilities for future development. During the period when the readiness for change was minimal, electricity could have served as an excellent catalyst. Then and later, it could have acted as one of the prime movers of Nepal's economic development.

But such thoughts are not only highly speculative; they fly in the face of the realities that prevailed during the 1950s and early 1960s. The experiences of Nepal are a commentary on the methods and policies those realities engendered. Primarily they are a commentary on the utility of economic aid as a political or diplomatic tool.

The lesson of Nepal would seem to be this: in a nation that is politically and otherwise unprepared for change, and therefore for economic development, economic aid is an instrument of extremely limited utility. Aid can be politically effective, but only in those few instances where its efficacy is not dependent on the attainment of economic goals. Thus an offer of aid can appear to manifest the donor's political support for the recipient—as did the Chinese cash grant to Nepal in 1956. And a facility financed by aid can be of strategic value to the donor—as are the Indian- and Chinese-built roads in Nepal.

But even in these two areas, the efficacy of aid is limited. Once two donors with conflicting political objectives—such as India and China—have given aid, and thus demonstrated their support for the recipient, a new situation has been created. The donors are then in a dilemma. For, beyond a point that is quickly reached, more aid does not necessarily evoke more support, whereas a withdrawal of aid will almost certainly be taken to indicate withdrawal of support. At the same time a competitive escalation in quantities of aid may merely lead both donors deeper into the morass of aid administration, with results, as has been seen, that can be positively detrimental to the donors' interests. Even an aid programme limited to strictly strategic objectives may similarly rebound on the donor. For if it is generally regarded as a device to further the donor's and not the recipient's interest, a programme of this nature can arouse such ill will that the donor's overall political interest may on balance be adversely affected.

Furthermore, in a country unprepared for change, aid that attempts to advance more fundamental political objectives—such as bringing about political stability for furthering the cause of representative government—invariably faces the risk—even the probability—of defeat. For such objectives, in contrast to those discussed above, do presume that the aid will be economically effective. But such aid is not economically effective, as has been seen, precisely because it is structured to meet desires and wants that do not exist and to cope with a readiness for change that has not yet appeared.

But aid of this type runs an even greater risk than the failure of its immediate political aims. This is the possibility that it will damage the donor's long-range political interests. With few exceptions, those donors who seek to achieve various short-term political objectives with their aid also have an overriding interest in the recipient nation's longer-term economic development. But, as the experience of Nepal demonstrates, an aid programme designed to fulfil short-term political objectives can actually reduce the prospects for economic growth. For the methods ostensibly demanded by the short-term functions of aid can conflict with the needs of economic development. Moreover, the efforts of larger donors to achieve short-term results can frustrate the efforts of lesser donors—such as Switzerland in the case of Nepal—who have only the longer-term interest.

An Imperative

Nepal's experiences show that economic assistance is a limited tool. It is easy to ask too much of it. Many nations have done so. Yet this step-child of the cold war offers great opportunities for constructive action. Against the gravest problem of our time, the vast inequalities among peoples, economic assistance has proved itself a potent weapon. But the uses to which aid is put must be consonant with the powers that it possesses.

The donor nations must temper their ambitions, foregoing immediate return for very long-term benefit. They must approach the requirements of the recipient nations with realism, basing their programmes on the readiness for change among the leaders and, still more crucial, among the peoples of those nations. Only by doing so will the developed donor states make progress in assisting the developing nations of the world to meet the challenge before them.

Appendix I

CHRONOLOGY

1769

Prithi Narayan Shah unifies Nepal.

1846

Jung Bahadur Rana establishes Rana rule.

1950

- 31 July India–Nepal Treaty of Peace and Friendship.
- 26 Oct. Chinese forces invade Tibet.
- 6 Nov. King Tribhuvan seeks asylum in Indian Embassy.
- 11 Nov. Nepali Congress forces attack as king flies to India.

1915

- 23 Jan. United States and Nepal sign Point Four agreement.
- 18 Feb. Rana–Nepali Congress government takes office.
- 10 Nov. Coalition government dissolved.
- 14 Nov. M. P. Koirala forms Nepali Congress government.

1952

- 16 Jan. USOM established.
- 22 Jan. Unsuccessful coup d'état by K. I. Singh. Singh flees to Peking.
- 10 Aug. Nepali Congress splits; Koirala forced to resign. King rules with Advisory Council.

1953

- 19 Feb. Nepal–UN Technical Assistance Agreement.
- 15 June Advisory Council dissolved. M. P. Koirala forms government of newly created National Democratic Party.
- 2 Sept. Kathmandu Municipal election. Communist Party wins 50 per cent of vote.

1954

- 18 Feb. NDP government dissolved. M. P. Koirala forms coalition government.
- 28 Apr. Nepal–Ford Foundation Agreement on aid.

1955

- 18 Feb. King Tribhuvan vests all royal powers in Crown Prince Mahendra.
 2 Mar. Koirala government dissolved. Mahendra begins direct rule.
 13 Mar. Death of King Tribhuvan.

1956

- 27 Jan. T. P. Acharaya forms Praja Parishad government.
 7 Oct. China grants Nepal \$12·6 million during visit by Acharaya.
 21 Oct. President Prasad of India arrives in Kathmandu; assures Nepal of economic support. Commitment of \$21 million already made.

1957

- 25 Jan. Chou En-lai pays four-day state visit to Nepal.
 15 July Acharaya resigns and government dissolved.
 26 July K. I. Singh of the United Democratic Party forms government.
 14 Nov. Singh government dissolved. King rules with National Council.

1958

- 15 May Multi-party Council of Ministers formed.
 23 June Communiqué at conclusion of king's visit to USSR commits USSR to aid Nepal.

1959

- Feb.–May General election.
 16 Feb. Nepal signs technical assistance agreement with SHAG. Privately financed Swiss projects commenced in 1955.
 24 Apr. Nepal–USSR sign \$7·5-million aid agreement.
 27 May B. P. Koirala forms Nepali Congress government.

1960

- 28 Jan. India discloses new aid grant of \$29·5 million.
 21 Mar. Nepal and China reach agreement on boundary and China grants \$21 million in aid during visit by B. P. Koirala.
 27 Apr. King Mahendra pays state visit to the United States; receives \$15-million grant.
 24 Nov. Three-man Israeli team starts varied surveys in Nepal.
 15 Dec. King dissolves Nepali Congress government; begins direct rule as Chairman, Council of Ministers.

1961

- 26 Feb. Queen Elizabeth of Great Britain pays state visit. Grant of \$2·8 million announced.
- 21 Aug. Nepal and Israel form National Construction Company of Nepal Ltd.
- 5 Sept. China agrees to grant \$2·1 million in cash and \$3·3 million in commodities to pay local costs of Chinese aid.
- 27 Oct. On return from state visit to China, king confirms Nepal's agreement to Kathmandu–Lhasa road.
- 1 Dec. West Germany offers \$750,000 for workshop project.

1962

- 5 Oct. Marshal Chen Yi, Deputy Premier of China, offers Nepal support in event of aggression.
- 4 Nov. Demarcation of Nepal–Tibet border completed.

Appendix II

COMMITMENTS AND EXPENDITURES BY SIGNIFICANT DONORS*

| | <i>Commitments</i> (millions) | <i>Expenditure</i> (millions) | |
|---|----------------------------------|----------------------------------|-------------------------|
| China | \$39.1 | \$4.2 | Apr. 1962 |
| Ford Foundation | \$2.0 | \$1.5 | Aug. 1962 |
| India | \$49.5 | \$28.4 | July 1962 |
| Israel | unknown | unknown† | |
| Switzerland | unknown | \$0.5 | Jan. 1963 (estimate) |
| Great Britain | \$4.2 | \$0.5 | Apr. 1961 |
| UN and Agencies (excl. Special Fund) | unknown | \$3.9 | Dec. 1962 (estimate) |
| UN Special Fund | \$0.9 | unknown | |
| United States | ‡ | \$43.5 | July 1962 |
| USSR | \$10.8 | \$1.2 | Apr. 1962 |

* All amounts cited are grants except \$1.6 million of the British commitment, and \$2.5 million of the Soviet commitment, which were loans.

† Israel's share in the National Construction Company of Nepal Ltd was \$193,421.

‡ US grants (and loans) were made on an annual basis.

Sources: AID, Status of PL 480, Title I Indian Rupees as of 31 Aug. 1962; External Assistance to Nepal (all donors); Foreign Aid to Nepal Since 1952 (all donors); Nepal, Indian Aid to Nepal; USOM, Expenditures 1952-61; and Quarterly Project Report.

Appendix III

EXCHANGE RATES

(Equivalents to US \$1)

| <i>Country</i> | <i>Currency</i> | <i>Rate</i> | <i>Year</i> |
|----------------|-----------------|-------------|-------------|
| India | Rupee | 4·76 | all |
| Nepal | Nepali rupee | 5·2 | 1951 |
| | | 6·24 | 1952 |
| | | 7·33 | 1953 |
| | | 7·85 | 1954 |
| | | 8·43 | 1955 |
| | | 7·24 | 1956 |
| | | 6·57 | 1957 |
| | | 7·57 | 1958 |
| | | 7·80 | 1959 |
| | | 7·66 | 1960 |
| | | 7·61 | 1961 |
| | | 7·60 | 1962 |
| UK | Pound Sterling | 7s. 2d. | all |
| USSR | Old rouble | 4·0 | pre-1961 |
| | New rouble | 1·0 | |

Appendix IV

TREATIES AND AGREEMENTS

Nepal–People's Republic of China

Agreement between the Government of the People's Republic of China and the Government of the Kingdom of Nepal on Economic Aid, signed at Peking, 7 Oct. 1956.

Agreement between the Government of the People's Republic of China and HM Government of Nepal on Economic Aid, signed at Peking, 21 Mar. 1960.

Exchange of Letters on Working Conditions of Experts and Technical Assistance Personnel rendering Assistance to Nepal, 5 Sept. 1961.

Nepal–India

Agreement between HM Government of Nepal and the Government of India for setting up an industrial estate, signed at Kathmandu, 31 Aug. 1960 (a representative agreement).

Nepal–United States

Project Agreement between the International Cooperation Administration of the Government of the United States of America and the Ministry of Agriculture, an Agency of HM Government of Nepal, signed at Kathmandu, 20 May 1960; revision no. 1, 31 May 1960; revision no. 2, 30 June 1960; and revision no. 3, 29 June 1961 (representative agreement).

Nepal–USSR

Agreement between HM Government of Nepal and the Government of the USSR on rendering Economic and Technical Assistance by the USSR to the Kingdom of Nepal, signed at Kathmandu, 24 Apr. 1959. Protocol (to the agreement on economic aid) between the USSR and HM Government of Nepal, signed at Kathmandu, 6 Feb. 1962.

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Note: A number of documents, official and unofficial, used in this study are not included in the bibliography because they are not readily available. Most are in original or mimeographed form and can be found—with some difficulty—in the various ministries of the government of Nepal and in the records of the aid missions and foreign embassies.

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(published in Kathmandu)

| | |
|-------------------------|--|
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| <i>Gorkhapatra</i> | Nepali-language daily: government owned. |
| <i>Motherland</i> | English-language daily. |
| <i>Nepali Economist</i> | English-language journal published occasionally. |

Nepal Press Digest English-language daily summary of the large number of Nepali-, Hindi-, and Newari-language newspapers, most of which are owned by a political party or group and are likely to be short-lived. Among the more prominent of these are (or were) *Halkhabar*, *Kalpana*, *Navayug*, *Naya Samaj*, *Rashtravani*, *Samaj*, *Samiksha*, and *Samyukta Prayas* (all published in Kathmandu). The press digest also quotes *Rastriya Sambad Samiti*, the government news service.

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