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Director of Central Intelligence

NATIONAL INTELLIGENCE DAILY

Monday, 20 March 1989



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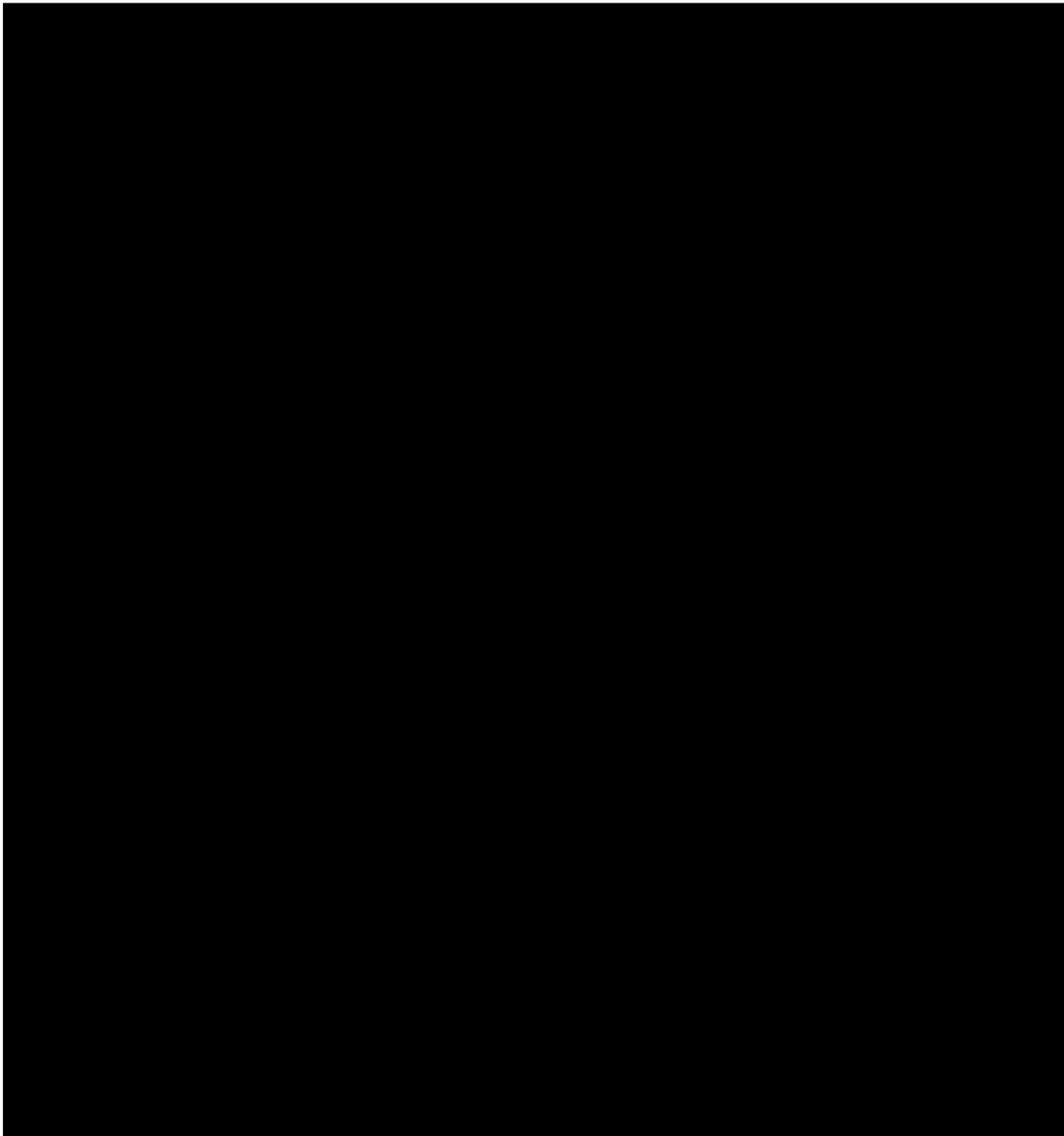
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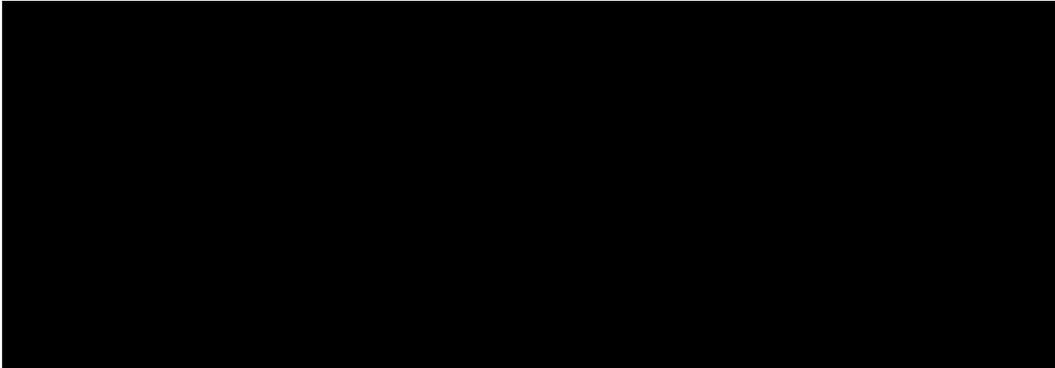


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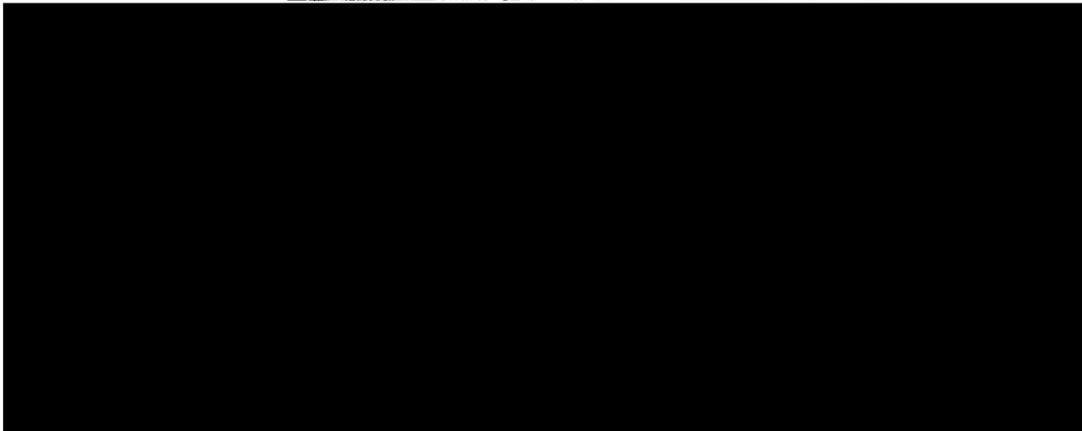
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Nepal: India Pressing To Reaffirm Hegemony

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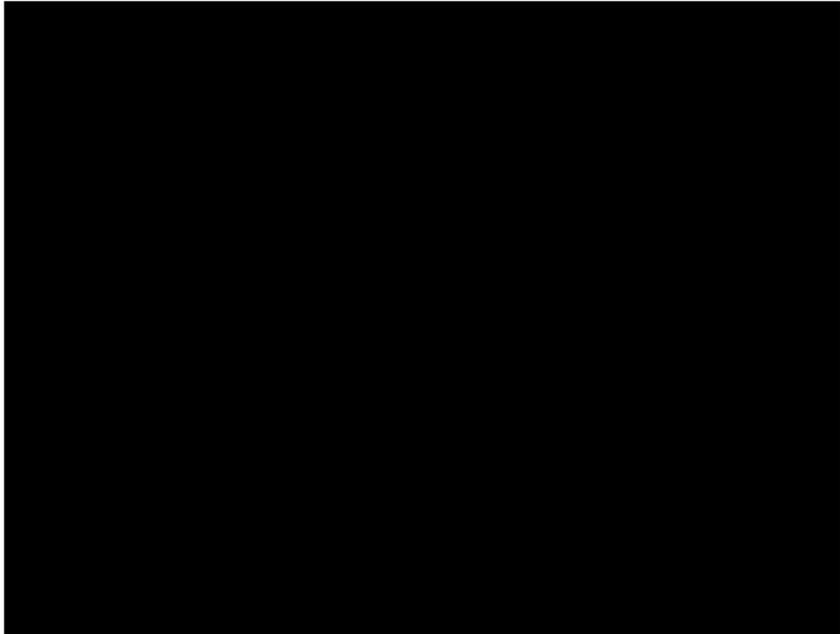
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NEPAL: India Pressing To Reaffirm Hegemony

India, displeased with Nepal's efforts to assert greater independence, is putting pressure on King Birendra by threatening to allow treaties vital to the Nepalese economy to expire this month.

New Delhi has given Kathmandu notice that the trade and transit treaties between the two countries, the most important trade treaties Nepal has, as well as a coal agreement, will soon lapse. Nepal's oil corporation also has been notified that India's agreement to refine Nepalese oil imports will not be renewed.

Comment: India evidently is trying to force Kathmandu to adhere more closely to foreign and economic policies New Delhi favors rather than those Nepal, sandwiched between India and China, finds useful. Nonrenewal of the treaties would create serious fuel shortages and inflationary pressures in Nepal. Kathmandu

probably will approach international and donors to provide needed revenue. Nepal has tried to push its regional independence in recent months, most notably by reinforcing its relationship with China, and is discouraging Indian workers from entering Nepal, which Kathmandu has freely allowed in the past.

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