

Nepal's RSP government shifts Iran war burden onto working people

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As the US imperialist war against Iran sends shockwaves through the global economy, the recently elected Rastriya Swatantra Party (RSP) government in Nepal is imposing the burden of the crisis onto the backs of working people.

One of the poorest and most economically vulnerable countries, Nepal is landlocked and heavily dependent on remittances, tourism, and imported fuel. It relies entirely on petroleum imports from India to meet its oil and gas needs.

Remittances account for 26 percent of Nepal's GDP, with 77.3 percent of inflows originating from the Middle East. A World Bank report published on April 8 warned that the conflict in the region could lead to a "potential moderation in remittance inflows," threatening a key pillar of Nepal's fragile economy.

As of early 2026, Nepal's fuel storage reserves stood at roughly 10 days' worth of petrol and diesel. Prices have already risen sharply.

Prior to the Iran war, a 14.2kg liquefied gas cylinder was priced at 1,910 Nepal rupees (\$US13); it has increased to 2,010 rupees. The price of petrol and diesel has increased by more than 50 percent since January, reaching 217 and 225 rupees per litre at the start of May. As fuel prices rise, manufacturing and transportation costs increase, driving up prices for imported and locally produced goods.

Necessities such as rice and cooking oil have become significantly more expensive. The *Rising Nepal* reported on May 3 that over the previous month, rice and cooking oil prices rose by around 15 percent, with rice increasing by as much as 400 rupees per 20kg sack and sunflower oil reaching 300 rupees per litre. Prices of lentils, chickpeas, cowpeas and dairy products are all rising.

To curb fuel consumption, Nepal has implemented a two-day weekend. Discussions are underway to move to a four-day work week.

Economic growth is expected to be 2.3 percent this year, according to the World Bank report—half the 4.6 percent recorded in the previous fiscal year—leading to higher unemployment and worse social conditions. The report projected that over 17,000 additional Nepalis will be pushed into poverty, mainly due to inflation and the broader economic fallout from the wars in the Middle East.

Unemployment among people aged 15 to 24 stands at 22.7 percent. Around 60 percent of workers are employed in the insecure informal economy. Education and healthcare are failing; rural school dropout rates exceed 30 percent, and there is only one doctor per 20,000 people in rural areas. With 25 percent of the population living in poverty, sluggish agriculture and climate shocks have further exacerbated food insecurity.

The Iran war is worsening this already explosive situation in the South Asian country. The cost-of-living crisis is exposing the right-wing character of the RSP, which had postured as "anti-establishment." The party rose to power following Nepal's explosive Gen Z protests of September 2025, driven by youth unemployment, inequality, corruption, and deep hostility toward the political establishment.

In response to the protests that were initially triggered by social media bans, the administration of Prime Minister KP Sharma Oli unleashed a violent crackdown, killing 76 people. The continuing unrest ultimately forced Oli to resign on September 9.

The Nepal Army stepped into the constitutional vacuum as the key power broker, holding talks with Gen Z protest representatives at Army Headquarters over an interim administration. With the military's endorsement, former Chief Justice Sushila Karki was appointed interim prime minister. General elections were finally held in March 2026.

To exploit youth anger and widespread hostility toward

the traditional parties, the RSP entered into an agreement with popular figure Balen Shah, who had been associated with the youth protests. Its campaign largely centred on denouncing the corruption of previous regimes.

The RSP secured 182 of 275 parliamentary seats in the March 5 election, marking Nepal's first single-party majority since 1999. The party won over 44 percent of the direct vote, while the established parties collapsed: the Nepali Congress, the country's traditional bourgeois party, fell to 38 seats, Oli's CPN-UML to just 25 and the Maoist Nepali Communist Party (NCP) to 17. RSP leader Shah decisively defeated Oli, becoming Nepal's youngest prime minister.

The RSP regime soon proved to be nothing more than a right-wing bourgeois government driven by unabashed pro-business zeal. Formed by TV broadcaster Rabi Lamichhane in June 2022, the RSP drew sections of the middle class into its ranks, including technocrats, doctors, lawyers, and activists from non-governmental organisations.

One of Shah's first actions was to assure ambassadors that Kathmandu is committed to building an investment-friendly climate.

Many RSP MPs boast deep corporate ties: 35 directly elected MPs come from business or industry backgrounds, compared to four from the Nepali Congress and one from the NCP. The RSP's deputy leader, Dol Prasad Aryal, has business interests linked to tourism, education, and remittances. Another leading figure, Swarnim Wagle, is an economist and former technocrat associated with the World Bank.

The RSP's 100-point plan called for constitutional amendments, including a "directly elected executive," reflecting the party's aim of establishing a more authoritarian government to implement its pro-market agenda. Under this program, the affiliation of university student unions with political parties, and political activity on campuses, have been banned.

The Supreme Court has temporarily halted the RSP's call for abolishing party-affiliated trade unions.

On April 23, Shah instructed security agencies to remove "illegal" settlements along Kathmandu's riverbanks, resulting in more than 3,000 families registering for shelter at temporary holding centres after being made homeless. As the Nepal Police and Armed Police Force cleared the settlements, with military vehicles stationed nearby, underscoring the government's reliance on the military.

The Shah administration is using anti-corruption

demagogy to cover up its attacks on living conditions and democratic rights. Opposition figures including former prime minister Oli, former home minister Ramesh Lekhak, and former energy minister Deepak Khadka are facing corruption charges. Reports indicate that several other senior political figures, including former presidents, are under investigation.

The RSP leadership has not denounced the criminal US-Israeli war on Iran, thereby tacitly endorsing it. The RSP's pro-Zionist position, including its support for the Gaza genocide, was revealed when it aligned itself with Israel in a press release on October 7, 2023, which denounced the Palestinian masses' uprising against oppression as a "terrorist attack" and defended Israel's "right to defend itself."

In just three months since it took office, the RSP has revealed that it is not fundamentally different from the traditional capitalist parties it displaced.

During the 2008 mass uprising against the Nepali monarchy, the Maoist Centre, headed by Prachanda, or Pushpa Kamal Dahal, came to the rescue of Nepali capitalism, abandoning its decade-long armed struggle. For young people and the oppressed masses, this further exposed the bankrupt role of Stalinism and Maoism as defenders of capitalist rule and pro-imperialist policies in Nepal.

The RSP's record is a further lesson that Nepali workers and young people must build a genuine socialist and internationalist party, based on the Trotskyist theory of permanent revolution—the same program and perspective that guided the October 1917 Russian Revolution.

The International Committee of the Fourth International (ICFI) is the only organisation that defends this Marxist heritage. We urge Nepali workers, youth, and progressive intellectuals to contact us, follow the *World Socialist Web Site*, contact us and take up the fight to build a section of the ICFI in Nepal.



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