

## **Nepal. Looking Back on 2004, Looking Forward to 2005**

Dev Raj Dahal, FES Kathmandu, January 2005

- Amnesty International (AI) has dubbed Nepal as “Country at Risk” because it is hurtling towards a major crisis with the intensification of the conflict between the establishment and the Communist Party of Nepal-Maoist (CPN-Maoist). As a result, the Nepali state is going through a downward spiral in terms of democratic and development processes.
- Political parties outside the helm of power are squeezed between the ongoing insurgency in the rural areas and an anti-democratic spiral in the capital city, Kathmandu, where the state power is centralized. It is clear that the establishment lacks an institutional capacity to effectively resolve the conflict.
- Capitalizing on the weak security presence in rural areas, the rebels are forcing the Village Development Committee (VDC) secretaries, the only remaining representatives of the state in society, to resign *en-masse*. Public cynicism with the national institutions such as government, political parties, bureaucracy and courts runs intense due to their poor performance and abuse of authority.
- The tendency of major actors - the establishment, opposition parties and the rebels - to distrust and oppose each other continues to perpetuate the political deadlock. The politics of deadlock has put a question mark on the ability of the leadership to lead the nation in difficult times and manage the clash of countervailing national and international forces. The media, civil society and human rights organizations are pro-actively engaging publicly in peace activism and democratization.

### **Political Situation**

The joint agitation of five parties - Nepali Congress (NC), Communist Party of Nepal- Unified Marxist Leninist (CPN-UML), Nepal Sadbhavana Party (NSP-Anandi Devi), Nepal Workers and Peasants' Party (NeWPP) and Jana Morcha Nepal (JMN) - demanding the restoration of the parliament forced King Gyanendra to reappoint Deuba as Prime Minister on June 10, 2004. The King entrusted the Premier with the responsibility to include all sides in the government, restore peace in the country by starting a dialogue with the CPN-Maoist and initiate elections to the House of Representatives within mid-April 2005. After Deuba's formation of a coalition government by NC (Democratic), CPN-UML, Rastriya Prajatantra Party (RPP), NSP and royal nominees, the political agitation against the King became somewhat weak, but it has not contributed much to stabilize state authority. Neither

has any headway been made towards peace negotiations with the CPN-Maoist, although the government has been repeatedly calling on the Maoists to initiate the dialogue process in their camp. Equally remote is the possibility of holding parliamentary elections within a stipulated time, mainly because of the security situation. Vicious factionalism caused by leadership wrangling for power has gripped all major parties, afflicted their ancillary organizations and weakened their authority to take any positive initiative.

### **Role and Position of Key Political Actors**

**The Establishment:** King Gyanendra in his interview with *Time Asia Magazine* on February 2 expressed his interest “to play the role of a constructive monarch by becoming visible to the public and know their concerns.” Immediately after this, he started his tours in the western region of the country, where the

mainstream political parties have disengaged themselves leaving the political space for revolutionary politics. On December 23 in another interview with *Times News Network* the King asserted, "A king in today's times has to be dynamic, be skilled in technical and adaptive leadership, be communicative and yet remain that father figure that every one can turn to. He can't be only seen and heard, he needs to interact with the masses. The monarchy has to have mass participation." Proponents of active monarchy believe that only an active monarchy can end anarchy, misrule, corruption and violence ushered in by multiparty rule and reunify the already torn state. On November 10, the government's spokesman, Minister for Communication and Information, Dr. Mohammed Mohasin warned, "If the current multi-party government cannot solve the Maoist problem and hold elections then we will have to resign. The country then might go for a tough way ahead causing the failure of the Constitution, the liberal regime and the state." In the wake of the CPN-Maoist's weeklong blockade of the capital and other parts of the country in December, Dr. Mohasin said, "The government might be compelled to declare a state of emergency if the current situation persists."

Many CPN-UML cadres are deeply unhappy at its joining the government, prefer a unilateral declaration of ceasefire and withdrawal of the terrorist tag and red corner notice against rebels so that the peace process can be started immediately. They do not oppose the opposition parties' demand for the revival of the parliament, the rebels' demands for a Constituent Assembly election and the involvement of the UN in mediation. RPP has also opted for a new constitution, even if it means a Constituent Assembly, especially if it can bring the rebels to a peace process. The RNA, the Armed Police Force and the police have prepared a three-year security-cum-development scheme that includes the recruitment of 21,000 security personnel to add to its current 80,000 troops, modernization of equipment, relief materials to victims, extending security coverage and containing rebels' maneuvers. It believes that after the detention of a dozen of senior Maoist leaders in India, tight security in the southern border, elimination of the Maoists' Special Task Force from Kathmandu Valley and the split of the Maoist-affiliated e-

gional front in the south and an ethnic front in the eastern region, the rebels have become enfeebled. The security forces are, however, spread thin to cope with the Maoist conflict and are not getting any cooperation from the political parties and do not seem strong enough to enforce peace on their own.

**CPN-Maoist:** The CPN-Maoist claims that its People's War is in its third phase - the "strategic offensive" phase, which is supposed to mark a change in its military strategy from "decentralized" to "centralized" action to keep the unified command of security forces on a defensive and encircle the city from the villages. They are on a recruiting drive with the slogan "one family, one militia member" to bolster their strategic profile and foil air raids. It perceives India as the main threat to the People's War and the peace process and is trying to combat external intervention through its alliances with Maoist parties in India and abroad to create what it calls the "Himalayan Revolutionary Zone" from Kashmir, Nepal to Assam in India. The Coordinating Committee of Maoist Parties and Organizations of South Asia (CCOMPOSA) formed in July 2001, coordinates their activities in South Asia. The merger of the Maoist Communist Center (MCC) and People's War Group (PWG) in India has further boosted the morale of the Nepalese rebels.

The CPN-Maoist casts doubt over the legitimacy of the government to hold any negotiation, or fulfill its demand for a Constituent Assembly or take any decision regarding the monarchy, the RNA and certain foreign powers, such as India, the USA and the UK that are supporting the security forces in order to prevent Nepal from slipping towards a failed state. The CPN-Maoist's preference for "a direct dialogue with the king" has evoked fear among the political parties as they assume that they will be sidelined in the political process and lose legitimacy. The Secretary-General of CPN-UML even accused the Maoists "for encouraging the king to exercise executive power and helping him to become an autocratic ruler."

The rebels fear that the government is trying to isolate them through a domestic and international alliance in the name of joining the US-led global coalition against terrorism. They

have expressed concern over the growing influence of the security forces and foreign powers in decision-making. On December 7, the CPN-Maoist leader, Prachanda, reiterated that his "party is ready to hold a meaningful dialogue under UN facilitation or any appropriate international mediator to find a way out of the present political deadlock." The CPN-Maoist's bottom-line for talks involve a roundtable conference, an interim government and the election of a Constituent Assembly (CA) to draft a new constitution. The CA has attracted support from other political parties and middle class youths who are dissatisfied with the incumbent political class. Both the government and the rebels, however, reject the opposition parties' demand for the revival of parliament. The prospect for the rebels to become decisive does not seem plausible given the country's strategic geography and its geopolitical links abroad.

**Opposition Political Parties:** For fear of being hurtled into the political wilderness, the political parties find solace in calling the conflict between the constitutional forces and those seeking overall change in the Constitution a triangular one - between themselves, the government and the Maoists. Although they are very much part of the Constitution that the Maoists want to do away with, they appear to think that they are outside the realm of the violent conflict between the state and the Maoists. Instead of finding a legitimate political voice by raising people's day-to-day concerns, their lip-service to democracy is increasingly taken by ordinary folks as just a means to get to the seat of power.

The coalition of four political parties - NC, NSP (Anandi Devi), JMN and NeWPP - is organizing daily protest programs in the capital against "regression" and has suggested a four-step formula to end the conflict: appointment of the prime minister under the recommendation of political parties in the dissolved House of Representatives; formation of an all-party government; restoration of the House of Representatives and dialogue with the Maoists to bring them into the political mainstream. On June 24, the NC formulated three options - revival of the parliament, a referendum and then the Constituent Assembly - to solve the national crisis. NC leader Krishna Sitaula warned that "the insurrection in the country-

side and the protests in the cities might find common ground." A senior leader of NC, Shailaja Acharya, however, criticized the party leadership for becoming too lenient to the "extreme left" deviating from its age-old middle path. The occasional utterances of the NC for a *saha-karya* (cooperative action) with the rebels has negatively affected its prospect for a reconciliation with the King.

These parties criticize the coalition government for not initiating the peace process and have publicly burned copies of the Terrorist and Disruptive Activities-Control and Punishment Ordinance (TADO) 2004. The TADO allows security forces to detain persons accused of terrorism for a year without bringing them to court. While the mainstream political parties are more interested in limiting the king's power, political resistance to rebels in the mid-hills only comes from the JMN where it had a strong influence. A "civil society" of local people of the Surkhet-Dailekh border started to goad the rebels into surrendering to the local administration and organize peace rallies. The General-Secretary of the Communist Party of Nepal (Unity Center), Mohan B Singh, supports the "campaign to expose" the rebels.

### Role of External Powers

The international community's viewpoints regarding the resolution of the armed conflict in Nepal are gradually converging. Consensus is emerging on a "political resolution" within the framework of a constitutional monarchy and multi-party democracy. They have been calling for reconciliation among all parliamentary forces towards the crucial objective of resolving the insurgency that they see as fuelled by poverty, unemployment and injustice. The Swiss and Norwegians have shown their willingness to mediate in the conflict. The EU has suggested that Nepal "benefits from international mediation" and urged the CPN-Maoists "to respond positively and without any precondition to the government's offer for peace negotiations. Failure to do so would indicate that the CPN-Maoists have no real intention of pursuing political objectives through legitimate means."

On March 23, UN Secretary-General Kofi Annan urged the government and CPN-Maoists

"for an urgent cessation of fighting in Nepal and initiation of dialogue with the participation of all political and civil forces." He also offered his good offices for assistance towards that end. On December 24, Annan repeated his call in the wake of the escalating violence in the western region and the Maoists' blockade of Kathmandu and other parts of the country.

India and the US have been providing the biggest security assistance; they prefer the unity of all parliamentary parties against the CPN-Maoist "terror tactics." India opposes a third party mediation in Nepal's peace process. On September 8, India stressed "increased security cooperation," and started joint patrols on the border. It has also started intelligence sharing and extended cooperation to improve Nepal's security, economic and social condition. India's increased cooperation in the Tarai, plains that border India, is designed to make it a buffer zone so as to limit any spillover of the Maoist's growing influence into neighboring Indian states. On April 21, the US Assistant Secretary of the State for Asian Affairs, Christina Rocca stated, "The preservation of Nepal's system of constitutional monarchy and multi-party government is the key to defeating the Maoist challenge. The palace and the parties must unify - urgently - under an all-party government as the first step to restoring democracy and the military must maintain a better human rights record." On October 3, the US Ambassador to Nepal, James F. Moriarty stated, "My government is not comfortable with the concept of mediation right now, particularly when the Maoists are not giving any sign that their real goal is multiparty democracy." China has agreed to support "all efforts conducive to peace and security in Nepal" and maintains that Nepal is able to resolve the crisis on its own.

### **Human Rights Condition**

So far, more than 11,000 people have been killed. Among them 500 workers, 500 women and 268 children lost their lives. Kathmandu Valley itself witnessed the death of 45 persons. About 200,000 people have been displaced from their homes, 700 schools are closed and the rebels have destroyed government buildings, airports, bridges, power

plants and telecommunication systems. Conflict-affected women and men suffer from trauma, rape, harassment, torture and arbitrary detention. On December 11, the National Human Rights Commission of Nepal (NHRC) revealed 1,619 cases of disappearances, out of which the state is blamed for 1,234 and the Maoists for 331 and 54 by unidentified individuals. Amnesty International (AI), the European Union (EU) and Switzerland have urged the NHRC to establish a mandate to monitor the human rights situation in Nepal. AI in its 2004 report booked Nepal for its high record of disappearances and extrajudicial killings, torture and arbitrary arrests. It said, "The Government and armed groups have launched a war on global values, destroying the human rights of the people."

On December 11, Brad Adams, the Asia Director of Human Rights Watch, referring to the new legislation passed by the US Congress said, "This legislation is a crucial step forward for the protection of human rights of Nepalese." The American terms require the government to take effective steps to end torture and to prosecute those responsible for gross violation of human rights, determine the number of Supreme Court habeas corpus orders and make substantial progress in complying with them, including all other outstanding orders, cooperate with the NHRC to identify and resolve all security-related cases involving individuals in government custody and grant the NHRC free access to all places of detention. The Team of the UN Working Group on Enforced or Involuntary Disappearances led by Stephen J. Toope (December 14) is said to be presenting the report to the executive meeting of the United Nations High Commission for Human Rights (UNHCHR) in Geneva.

In response to growing international concern, the RNA took disciplinary action against soldiers for 39 human rights abuse cases. 43 guilty personnel were jailed, 30 were dismissed from service and 11 were demoted. According to an RNA source, 108 civilians are still in state detention. His Majesty's Government and the UN Office of the High Commissioner for Human Rights (OHCHR) have also signed a memorandum of understanding under which NHRC can investigate any incident of human rights abuse and visit any custody for inspection without any prior notice.

## Foreign Policy Issues

Nepal's foreign policy challenges continue despite small successes. On March 2, the government's consent to send Nepali workers to join the reconstruction jobs in Iraq marked a shift in its earlier policy. Nepal joined the folds of an economic grouping - Bangladesh, India, Myanmar, Sri Lanka and Thailand Economic Cooperation (BIMSTEC) - to exploit the potential in the tourism sector. It also signed the South Asian Free Trade Agreement (SAFTA) including India to foster economic cooperation.

The 14-year-old problem of settling the 120,000 Bhutanese refugees stranded in Nepal remains unsettled. Donors fear that refugees could become a breeding ground for terrorists and have urged India to lend a "helping hand" in resolving it. The United Nations High Commissioner for Refugees (UNHCR) has offered its three-pronged formula: repatriation of refugees to Bhutan, their settlement in Nepal and the resettlement of the refugees in large and small recipient countries of the world for its solution. Both Nepal and Bhutan reject this formula.

The problems of border management, control of terrorist activities and cross border crimes dominated Nepal-India relations. India asked Nepal to provide a transit route for carrying out trade with the northern neighbor, China. Nepal asked India for a duty-free market access for Nepali goods. On February 23, an initial agreement on the regulation of passenger vehicular traffic between the two countries on 14 routes from five border points was signed. They also signed a bilateral railway agreement for the operation of the largest Inland Container Depot (ICD) in Birgunj. After Birgunj, India has shown interest in opening additional consulates in Nepalgunj and Bitarnagar to "safeguard and promote India's long-term strategic, political, trade and economic interest in Nepal."

On June 5, India's External Affairs Minister, K. N. Singh, pledged to support Nepal to "put down the Maoist insurgency." India is supporting Nepal in military, economic, education, flood control and cultural development. During Premier Deuba's visit to India (on September 9) India's foreign secretary Shayam

Sharan, stressed "increased security cooperation" to tackle the "shared threat" of insurgency. In November, the talk between the two countries to amend the Extradition Treaty and Mutual Legal Assistance Treaty on Criminal Matters, however, remained inconclusive. Nepal did not accept an Indian proposal to extradite third country nationals. On November 2, Pakistani Prime Minister Shaukat Aziz, while visiting Nepal, expressed his readiness "to provide military assistance if Nepal asked for it." Nepalese media speculate that India is putting pressure on the beleaguered King to sign a security pact with New Delhi, which might undermine the country's independence.

Nepal's relations with China remained stable. The Chinese government is wary of external meddling in Nepal's internal affairs. It took action against four Maoists arrested in Tibet and tightened the security of the border. On August 16, Nepal and China signed agreements for the implementation of four projects in Nepal - continuing economic and technical cooperation given by China to Nepal, a project for laying optical fiber from Kathmandu to Khasa of Tibet, setting up an Ayurvedic Drugs Research Center, and construction of another Ring Road in Kathmandu Valley. China provides Nepal with Rs. 720 m annual grants every year. Agreements were also signed to construct border pillars.

On July 26, the United States Agency for International Development (USAID) signed amendment agreements to five ongoing bilateral grant programs, totaling US\$ 24.4 m. The total value of these five agreements for the life of the projects amounts to \$ 187.6 m. The funds support protective health, peace through good governance and incomes to targeted areas. Due to the Maoist threat the US has suspended its more than four decade long Peace Corps program in Nepal.

Seven lawmakers of the German Bundestag visited Nepal in February as part of a friendship tour and to take stock of Nepal's governance situation. On November 4, Germany agreed to provide an additional grant of 13 m Euro in priority areas of cooperation such as health and family planning, local self-governance and civil society, hydropower, biogas program, forestry and renewable energy. Due to the conflict, the construction of

the 70-megawatt Middle Marsyangdi hydro-power project has been delayed. Valued at \$ 165 m and largely funded by Germany, the cost of construction has thus been increasing.

### **Economic Review**

Nepal's population stands at 26.5 m. and is rising at the rate of 2.5%. It ranks 140<sup>th</sup> in the Human Development Index. Life expectancy at birth is 59.6 years. Nepal ranks 69<sup>th</sup> (among 95 developing countries) in the Human Poverty Index (HPI) and 116<sup>th</sup> in the Gender-Related Development Index (GDI). With an average per capita income of US\$ 269, a majority of the Nepalese are poor and caught in caste and class hierarchy and patriarchy. The Nepal Living Standard Survey (NLSS) reveals a decline of poverty levels in Nepal. Those living below the poverty line make up 30% of the population from the earlier 42%. The GDP growth increased to 3.7% this year from 2.7% of last year due to the good performance by the agriculture sector (3.7%) which contributes 39% to GDP and provides employment to 80% of the people. Increased irrigation facilities and a good summer harvest contributed to this.

The industrial growth, however, declined from 2.3% last year to 1.8% this year. Nepal's industrialization is very primitive and engages only a small workforce. The service sector, especially trade, tourism, transport and communication them is getting worse, especially for the rural people.

The labor market too hit snags due to regular industrial shutdowns and general strikes. More than 90% of the country's 11 million labor force, employed in the informal sector, is not covered by any social protection scheme. Nepalese and international agents illegally recruit Nepali workers for Iraq and other countries. On August 31, the killing of 12 Nepalese by an Iraqi radical Islamic group provoked spontaneous riots in Kathmandu and various cities that destroyed 325 manpower export companies. The Commission constituted to investigate the riots estimated the damage worth Rs.1.5 bn. The government has pledged to take action against the culprits and compensated the families of the victims and the loss incurred by the manpower agencies. At a time when the country's business

sector is failing, foreign employment is keeping the economy afloat.

During March, April and May all three national labor federations - Nepal Trade Union Congress (NTUC), General Federation of Nepalese Trade Unions (GEFONT) and Democratic Confederation of Nepalese Trade Unions (DECONT) launched a movement for social security and democracy and protested against the banning of strikes by the government under the Essential Services Act. GEFONT and NTUC also established a joint secretariat so as to promote a single union in Nepal and started to formulate joint policies and activities in areas of occupational safety and health, workers' education and joint policy development. GEFONT also organized its 4<sup>th</sup> National Congress from May 1-4.

On September 15, the Maoist-affiliated All Nepal Trade Union Federation (ANTUF-Revolutionary) withdrew the indefinite closure of 47 factories it had imposed, following the signing of an agreement between the government, ANTUF (R) and the employers' organization. As per the agreement, the government released two leaders of the Maoist union and informed about the whereabouts of their 22 comrades under state custody. The ANTUF (R) withdrew the closure call of industrial establishments and the employer's organization agreed to provide letters of appointment and provident fund facilities to their workers, grant payment during the period of closure, enforce collective agreements and grant an additional 10% service charge to hotel sector workers. Concerned with the layoffs of their members, Nepalese trade union federations have been organizing informal sector unions, holding peace rallies and conflict resolution programs and developing national and global solidarity for collective action.

### **Gender**

The Nepalese Constitution promises gender equality, but the condition of the gender gap in Nepalese society is high. For example, children cannot obtain citizenship on the basis of their mother's Nepali citizenship. Only 5% of the seats have been reserved for women by the Constitution for contesting election. The literacy rate of women is merely 42%. Just

8.55% of women are in the civil service and only 4% on the decision-making level. Just 0.78% of women own their house, 5.25% possess their land and 5.45% possess livestock. On average, women's ownership of property is barely 17%. The National Action Plan prepared by the government in March promises to implement the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW) 2004 within three years. The plan intends to ensure a 33% representation for women in local and national level elections, 33% in the bureaucracy, special scholarships for a girl child to ensure a free primary education and lunch at school, priority for disabled, poor and rural women in employment, and to create a high-level committee to stop the exploitation of women in foreign employment and support diplomatic efforts to return 50,000 women sold by traffickers to several brothels in India. Each year more than 10,000 women are trafficked into Indian cities and abroad. Nepal's law enforcement efforts against trafficking are hampered due to the continuing political instability and lack of resources. On July 31, a ruling of the Supreme Court (SC) recognized a daughters' right to heirless property even after the marriage, recognized women as an equal citizen and issued directives to the government to amend all the laws that treat women unequally and that contradict the gender equality. There are 137 clauses in 85 different laws that have discriminatory provisions against women.

On September 23, the cabinet passed the National Women's Commission (NWC) ordinance, which is expected to reinstate the dissolved commission. Critical barriers such as women's lack of access to resources, institutional mechanisms, patriarchal thinking, growing conflict etc. prevent women's efforts to achieve gender equality.

## Regional Co-operation

The South Asian Association for Regional Co-operation (SAARC) is gradually picking up after the growing detente between India and Pakistan in a number of areas, such as exchange of visits of high officials, reopening of consulates in Karachi and Mumbai and some improvement in transport services. On January 4, during the 12<sup>th</sup> SAARC Summit in Islamabad, Pakistan, SAARC leaders adopted the South Asian Free Trade Area (SAFTA) Framework Agreement, the Additional Protocol to the SAARC Regional Convention on Suppression of Terrorism, the Social Charter and a report on Poverty Alleviation. The Framework Agreement will have to be ratified by the member states by January 1, 2006 in the process of finalizing the free trade area by 2016. The Least Developed Countries (LDCs) are required to reduce their tariffs in the range of 0-5% in the next ten years, while the developing countries in the region will do so within the next seven years. It provides favorable treatment to the LDCs concerning anti-dumping and countervailing measures. The finalization of the SAFTA accord requires an elimination of differences on four issues: Rules of Origin, sensitive list, revenue compensation mechanism and technical assistance to LDCs. Recently, SAARC countries have agreed to draft agreements on a Limited Multilateral Tax Treaty on Avoidance of Double Taxation and Mutual Administrative Assistance in Customs Matters. The next summit scheduled to take place in Dhaka, Bangladesh on January 9-11, 2005 has been deferred on the request of the Sri Lankan government. The deadly tidal wave in the Indian Ocean affected, among others, India, Sri Lanka, the Maldives and Bangladesh.

Furthermore, China has shown an interest to join SAARC. Other members appear to be taking the proposal in a positive light.

Contact: [Marei.John@fes.de](mailto:Marei.John@fes.de), Tel.: 030 – 26 935 915  
[Ulrike.Ehnes@fes.de](mailto:Ulrike.Ehnes@fes.de), Tel.: 0228 – 883 508