

**CRISIS IN NEPAL**  
**RECENT DEVELOPMENTS**

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**INTRODUCTION**

The year 2005 and the first quarter of 2006 have been most strenuous period for Nepal, with unexpected political twists and turns for each of the three major players in the conflict – the King, the Communist Party of Nepal (Maoist) and political parties. Although the political parties have succeeded in re-establishing multiparty democracy after the massive peaceful demonstration in April 2006, resumption of peace process and resolving Maoist insurgency seems to have major hurdles in the present situation. This report would focus on major issues between September 2005 and March 2006.

**ROYAL TAKE OVER AND POLITICAL INSTABILITY**

King Gyanendra, who has appointed and dethroned three governments consecutively since the dissolution of the Parliament in May 2002<sup>1</sup>, took over the executive powers of the

government and imposed emergency<sup>2</sup> on 1 February 2005 in accordance with the article 115 (1) of Constitution of the Kingdom of Nepal 1990. In his address to the nation, Gyanendra said that he dissolves the Government because of its failure to make necessary arrangements to hold elections and protect democracy, the sovereignty of the people and life and property.<sup>3</sup> But ever since the royal coup, violence and disorder have remained unabated across the country, except during the brief four-month unilateral ceasefire declared by the Maoists in the late 2005.

Immediately after the take over, Gyanendra constituted a royal cabinet under his chairmanship and appointed two royalists, Kirti Nidhi Bista and Tulsi Giri as vice-chairmen of the council of ministers.<sup>4</sup> On February 2, the royal cabinet meeting

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<sup>1</sup> There were three governments appointed and dismissed by the King after the dissolution of democratically elected government under Sher Bahadur Deuba on 4 October 2002. It includes: Lokendra Bahadur Chand (11 October 2002 – 30 May 2003); Surya Bahadur Thapa (4 June 2003 – 7 May 2004); Sher Bahadur Deuba (2 June 2004 – 1 February 2005).

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<sup>2</sup> *Nepal News*, “His Majesty declares state of emergency,” 1 February 2005. Later, the state of emergency was lifted on April 29.

<sup>3</sup> Full text of the King’s proclamation is available at

<http://www.nepalnews.com/archive/2006/feb/feb01/news09.php>

<sup>4</sup> The King’s Cabinet (formed on February 2, 2005) was reshuffled for three times, on February 14, July 14 and December 7 respectively. The newly announced 35-member cabinet of loyalists includes two vice-chairmen, 12 cabinet ministers, seven state ministers and 14 assistant ministers.

approved King's 21-point programme for maintaining social unity, law and order as well as for safeguarding the sovereignty of Nepal.<sup>5</sup> King has thwarted any protest movements against his government by banning political activities and imposing house arrests on the political leaders. Although the King did not ban political parties, space for political activity was severely restricted. During the emergency period, civil society including media and NGO's activities were rigorously controlled.<sup>6</sup> The move was criticized as an attempt to compel them to follow a pro-government and 'nationalist' agenda. Control and stern actions against the private FM stations and news papers were continued since King's assumption of power. The protest movements demanding democracy by the political parties, students unions, human rights activists etc have also been ruthlessly suppressed using army and police forces.<sup>7</sup>

The King's call for talks with political parties and the Maoists have been rejected by both his adversaries. The King's initiatives for 'reconciliation' with the political parties including the

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<sup>5</sup> For full 21-point programme list, see <http://www.pmo.gov.np/21-Point.doc>

<sup>6</sup> Prominent right activists and media persons were not permitted to publish news against the government, organize meetings and also to visit foreign countries. Even after lifting emergency, in November 2005, the royal government has enforced a 'code of conduct' for all INGOs and NGOs functioning in Nepal to make their activities transparent and publicize their progress report and balance sheet. But responding to a writ petition filed by nine NGOs against the code of conduct, the Supreme Court issued a stay order on 23 November against its implementation.

<sup>7</sup> *Kathmandu Post*, "Excessive use of force: OHCHR," 20 April 2006. Office of the High Commissioner for Human Rights (OHCHR) and many other human rights groups has constantly criticized grossly excessive use of force by security forces against demonstrators.

election offer were criticized as a ploy to put a democratic facade on an autocratic regime. Subsequently, the major seven political parties alliance have started debating on establishment of republican form of government rather retaining the 'constitutional monarchy' after restoring multi-party democracy in the country stating that the monarchy has become 'irrelevant' after the take over. Failing to win the support of the political parties, royal forces pursued brutal suppressive measures against the anti-Monarchy protesters. The opposition parties have suffered with scores of their leaders and cadres being arrested and at least 14 activists dying during protest demonstrations in April 2006 against the government.

King Gyanendra's desperate decision of taking over the power has definitely made him loose the support of Nepal's traditional allies particularly India, US and UK. The Monarchy was constantly criticized by the international community for derailing the democratic system, perpetrating violence against the political parties and large level human rights violations. Various human rights organizations including the United Nations and Amnesty International are more concerned about the precarious conflict situation and government's constant refusal for any peaceful settlement with the Maoists. Their call for the King to reach an agreement with democratic political forces falls into deaf ears. Although, China, Pakistan, Russia and Bangladesh had expressed a tacit acceptance for royal government in initial months, it gradually eroded mainly because of the strong domestic as well as international opposition.

## **POLITICAL PARTIES – MAOISTS COALITION**

Next to the King's take over, most important political event in Nepal was the alliance between the political parties and the Maoist insurgents. The first signs of an agreement between the seven opposition political parties' alliance<sup>8</sup> and the Maoists emerged when the latter expressed support for the parties' pro-democracy movement against the Monarchy. In a statement released by the supreme Maoists leader Prachanda on June 19, sent out a positive signal. It stated "Earlier, we were surprised at the way the political parties had been conspiring directly or indirectly with the despotic monarchy. Now, although late, the parties have given (their) commitment to (a) constituent assembly, absolute democracy and an end to the despotic monarchy."<sup>9</sup> In order to show his commitment for the coalition, Prachanda expressed 'maximum flexibility' to fight against the King and issued orders to all organs of his party, the People's Liberation Army (PLA) and the new People's Government, not to carry out physical attacks on unarmed persons and political activists.<sup>10</sup> Internal contradictions among the parties about the proposed alliance with Maoists were ironed out when NC president Girija Prasad Koirala declared an open dialogue with the Maoists, irrespective of the

consequences.<sup>11</sup> Maoists too ruled out the possibilities of peace talks with the royal government and set aside the military means to achieve victory. The first round of talks between Maoists and the alliance leaders was reportedly held in Humla, a remote district in the Karnali region, on July 28, 2005.<sup>12</sup>

After several rounds of secret talks<sup>13</sup> between the political parties and the Maoists, they announced formation of coalition against the King's direct rule and declared a 12-point agreement on 22 November, 2005.<sup>14</sup> The key issues and objectives referred in the agreement are:

- Ending autocratic monarchy through nationwide democratic protests;
- Establishing absolute democracy through the restoration of Parliament, forming all-party government with complete authority, holding elections to a constituent assembly through dialogue and understanding with the Maoists;
- Keeping the armed Maoists force and the Royal Nepalese Army (RNA) under the supervision of the United Nations;
- Expressing commitment for free political parties activities, absolute democracy, competitive

<sup>8</sup> The seven-party alliance includes the Nepali Congress (NC), Nepali Congress-Democratic (NC-D), Communist Party of Nepal – United Maoist Leninist (CPN-UML), Nepal Workers and Peasants Party, People's Front of Nepal, Nepal Sadbhavana Party (Anandi) and United Left Front.

<sup>9</sup> Prachanda's statements are available at <http://krishnasenonline.org/english.htm>

<sup>10</sup> *Nepal News*, "Maoists positive over seven parties' call," 19 June, 2005.

<sup>11</sup> *Kathmandu Post*, "Parties to hold talks with Maoists," 1 July 2005.

<sup>12</sup> *Kantipur Online*, "Parties, Maoists hold talks in Humla," 29 July 2005.

<sup>13</sup> Some of their talks were reportedly held in India, where the parties' leaders and Maoists finally agreed to fight against the Monarchy and formulated 12 point program.

<sup>14</sup> See full paper of 12-point agreement in *Nepali Times* (Issue 274)

<http://www.nepalitimes.seacem.com/issue/274/FromtheNepaliPress/9190>

multiparty system, civil liberties, human rights, the concept of rule of law, observance of fundamental rights by the Maoists;

- Undertaking self-criticism and self-evaluation of past mistakes, commitment not to repeat such mistakes in future by both sides;
- Maintaining friendly relations with all countries of the world and good-neighbour relationship with India and China;
- Settling any problem emerging between the parties through peaceful dialogue at the concerned level or at the leadership level.

In a reaction to the proposed alliance, the government forces have constantly threatened the seven party alliance that they would also be treated as terrorists along with the Maoist rebels, if their relationship continues on the basis of the above mentioned 12-point agreement. Civil society members, human rights activists and many donor agencies have appreciated Maoists' decision of joining the peaceful political movement. United Nations (UN) Secretary General Kofi Annan has welcomed the accord between the seven political parties and Maoists to restore democracy in the country.<sup>15</sup> Immediately after the declaration, NHRC sources informed that contact offices would be set up in Jumla, Rolpa and Khotang districts within two months in the first phase while similar offices would be established in Butwal of Rupandehi and Dhanusha in the second phase. Defend Human Rights Movement-Nepal, a coalition of over two dozen leading rights groups in the country welcomed the 12-point understanding between the seven party opposition

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<sup>15</sup> See, *Kantipur Online*, "UN welcomes parties-Maoist understanding," 24 November 2005.

alliance and the CPN (Maoist).<sup>16</sup> In general, the situation was fairly encouraging inside Nepal and the alliance parties were appreciated for their initiatives of bringing Maoists into mainstream politics.

Subsequently, on 19 March 2006, the Seven Party Alliance (SPA) and the Maoists formally agreed to strengthen their coalition and announced a second Memorandum of Understanding.<sup>17</sup> After discussions in New Delhi during the first half of March, both parties announced their intentions to intensify their opposition against the Monarchy. A four day general strike was jointly announced from 6 April. On their part, the Maoists prematurely lifted their 20-day economic and transport blockade on 20 March in all district headquarters, including Kathmandu, which had been imposed from 14 March. They also decided to withdraw the indefinite strike that was scheduled for April 2006. Although both entities pledged to restore democracy and normalcy by peaceful means, the agreement did not address their basic differences regarding the Constituent Assembly. The SPA sources reiterated their earlier stance on reinstating the dissolved House of Representatives in order to retain their hold on the Parliament. Whereas the Maoists prefer holding an election before forming a new parliament, which would enable them to compete with the political parties. The government's reactions over the second MoU forecasted its preparedness to be more brutal in case the alliance launched any major protest movement. However, the

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<sup>16</sup> *Nepal News*, "Rights groups welcome Parties-Maoist understanding," 25 November 2005.

<sup>17</sup> *Kantipur Online*, "SPA, Maoists make public second MoU," 19 March 2006.

agreement itself received mixed reactions from regional and international powers.

While 'cautiously' welcoming the alliance, India, US and UK<sup>18</sup> urged the King to work with democratic political forces and the Maoists; and to abandon the path of violence to reach a peaceful settlement. But their support to the alliance did not move beyond initial statements, because of the fear that any of their support for the alliance would provide greater credibility to the Maoists. Also it seemed important to engage the rebels equally with the legitimate constitutional forces. Despite all international ramifications, the second round of talks between Maoists and the political parties were held in Indian capital, New Delhi.<sup>19</sup>

Meanwhile reiterating his suspicion over the Maoists-parties alliance, the US Ambassador to Nepal James F. Moriarty expressed his dissatisfaction and pointed out that reconciliation between the monarch and the political parties was the only practical and workable solution to the current

political crisis.<sup>20</sup> He also cautioned that the polarization only eased the Maoists' divide and conquer strategy and warned that further repression of royal government would ultimately fail and Nepal would suffer greater misery and bloodshed. It was opined that the 12-point understanding with the Maoists was not in favour of the parties and urged for reconciliation between the constitutional forces (the monarch and parties) to isolate the Maoists, nationally and internationally. On the criticism on 12-point agreement, the seven party alliance leaders said that the international community might make statements that suited it and reiterated their firm determination to activate the Constitution. Also they clarified that the 12-point understanding with the Maoists was reached in a realistic context to bring Maoists into the mainstream.

### **CEASE FIRE AND TENTATIVE PEACE**

After sincere attempts and constant pressure from different quarters including political parties, civil society members and the international community, Maoists declared unilateral ceasefire from September 3, halting all offensive operations for a period of three months. However, the Maoist authorities unambiguously stated their intention only to engage with the political parties and refused to hold parleys with the palace-appointed government. Prachanda, in his statement declared that his forces were in a state of 'active defence' and would break the ceasefire if the security forces stepped up its offensive

<sup>18</sup> See, *Kantipur Online*, "US, India welcome new political development," 24 November 2005; *Nepal News*, "Britain cautiously welcomes alliance-Maoist pact," 28 November 2005.

<sup>19</sup> See, *Kathmandu Post*, "SPA-Maoists Parleys," 19 March 2006. In the informal talks, Maoists members led by Baburam Bhattarai and SPA leaders including CPN-UML leaders Jhal Nath Khanal and Bamdev Gautam, NC leaders Krishna Prasad Sitaula and Mahantha Thakur, Chairman of People's Front Nepal Amik Sherchan and spokesman of CPN Unity Centre Mashal Narayan Kaji Shrestha took part in the Indian capital from March 11.

<sup>20</sup> See, *Nepal News*, "Reconciliation is the only viable solution to the present crisis: Moriarty," 15 February 2006.

operations against them.<sup>21</sup> The Maoists also rejected any possibilities of peace talks with the royal government.

While discarding the Maoists unilateral ceasefire, the vice chairman of the government, Tulsi Giri said, "it is impossible to hold talks with the Maoists when they are still carrying guns." Despite the government's reluctance to respond, Maoists decided to extend the ceasefire on December 2 for a month (till January 2) because of the extreme pressure from international community, political parties and the human rights organizations.<sup>22</sup> Maoist leader Prachanda said that their decision would strengthen the movement for democracy and help in reaching a political solution through a constituent assembly. However, due to continuous counter insurgency operations of security forces and constant provocations of the royal government throughout the ceasefire period there was a fear of return of violence at any time.

Finally the threat of Maoist withdrawal of ceasefire came true and it ended the four months old unilateral agreement on 2 January, 2006. Maoists blamed the King for ending the ceasefire and accused him for the following: killing unarmed Maoist cadres (after arresting them in Palpa and Morang districts) along with Kim Bahadur Thapa, a top leader during RNA military operations.<sup>23</sup> While appreciating the concerns of national and international actors including the United Nations (UN) and the

European Union (EU) in extending the ceasefire, Prachanda stated that its continuation would be suicidal for the Maoists. On the other hand, the royal government blamed the Maoists, calling their ceasefire a 'strategic ploy' and refused to resume the peace process. Dr Tulsi Giri, vice chairperson of the council of ministers, even claimed that the Maoists felt forced to declare a ceasefire because "the government has broken their back".<sup>24</sup>

Despite the presence of ceasefire, violence was perpetrated by both security forces and Maoists as well. At least 75 people were killed including 62 by security forces and 13 by Maoists during the three-month period of ceasefire from 3 September to 2 December, 2005. Though the number of killings by the Maoists has gone down, there has been rise of incidents of abduction. In the same period, Maoists abducted 8,777 people, mostly teachers and students, forcing them to participate in 'training camps' organized by the rebels. Many of them have not been released yet or have disappeared. Also, the security forces have arrested at least 214 persons from 35 districts in allegation of being Maoists and re-arrested 36 persons from 11 districts, despite release orders from the courts.<sup>25</sup> However, four months of ceasefire drastically reduced the ratio of killings

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<sup>21</sup> See, *Kantipur Online*, "Maoists declare ceasefire for 3 months," 3 September 2005.

<sup>22</sup> *Kantipur Online*, "Maoists extend ceasefire for one month," 2 December 2005.

<sup>23</sup> *Nepal News*, "Maoists call off ceasefire," 2 January 2006.

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<sup>24</sup> Yubaraj Ghimire, "In Nepal it is a three-horse race once again," *Indian Express*, 7 January 2006.

<sup>25</sup> See Human Rights Violations report released by Informal Sector Service Center (INSEC). Available at <http://www.inseconline.org/hrvdata.php>. According to INSEC sources, altogether 13,092 people have died since the onset of the Maoist 'People's War' from 13 February 1996, till 11 February 2006. The security forces have been responsible for 8,417 deaths while the Maoists have killed 4,676 persons.

per day and provided a short term peaceful environment in the country.

### **CONFLICT RESUMES**

The powerful bomb blasts in government establishments in Pokhara, Butwal and Bhairahawa on January 2 signified the end of the ceasefire and resumption of the Maoist offensive against the State. Subsequently, major clashes were reported across the country including Kathmandu, Palpa, Syangja, Makwanpur, Bhojpur, Nawalparasi, Dhading, Jhapa, Kavre etc. Major incidents of violence since the collapse of ceasefire include<sup>26</sup>:

- January 14: Twelve soldiers were killed and eight persons sustained injuries in a series of attacks carried out by the Maoists at different police posts of the Kathmandu Valley.
- January 20: Six police personnel were killed and four others sustained injuries when Maoists launched simultaneous attacks on the BP Chowk security check post, Jamunaha Police Post and the Customs Office in the Nepalgunj town of Banke district.
- January 27: 11 Maoist insurgents and two SF personnel were killed in a Maoist attack on the joint security base at Hatuwagadhi in Bhojpur district.
- January 31: Eleven SF personnel and four insurgents were killed in a Maoist attack at Tansen, headquarters of the Palpa district.
- February 7: Five persons are killed when the Maoists attacked a RNA base camp and the Panauti municipality office in Kavrepalanchowk district.
- February 7: Five soldiers were killed and three sustained injuries when Maoists launched a massive attack in Dhankuta targeting the district administration office, regional administration office and all security agencies in the district.
- February 9: Sixteen SF personnel, four Maoists and a civilian were killed at Rambhapur area along the Sunwal-Butwal section of the Sidhartha Highway in Nawalparasi district, when the Maoists attacked the security personnel who had reached Rambhapur to remove roadblocks put up by the former.
- February 28: Eighteen Maoists and 11 SF personnel were killed in a clash at Panena, a bordering area between the Arghakhanchi and Palpa districts.
- March 10: Seven soldiers were killed during clashes with the Maoists in the southern part of Ilam district
- March 20: 13 soldiers were killed during a Maoist ambush in the Dapcha area of Kavre district
- March 21: Nine police personnel and three Maoists were killed when the latter attacked the Ilaka police post at Birtamod in Jhapa district.
- April 5: Five police personnel and four Maoists were killed during clashes at Malangwa, headquarters of the Sarlahi district.

<sup>26</sup> Source: South Asia Terrorism Portal.

- April 6: At least ten security personnel were killed in a Maoists attack on RNA helicopter in Kholachour area in Sarlahi district.
- April 7: At least four Maoists and two civilians were killed after Maoists attacked security bases in the Butwal and Kapilavastu districts.
- April 23: Five Maoists, one SF personnel and three civilians were killed in an attack by the Maoists on security bases in Chautara, headquarters of the Sindhupal chowk district.

In their first major attack since the end of ceasefire, Maoists launched an attack on Thankot police post in the capital city, which overwhelmingly exemplified their return to offensive war and resumption of violence. Following that the rebels systematically coordinated their attacks against the government installations like wards, municipality, district administrative offices, television and communication towers, army barracks, and police posts in various parts of the country. In all these attacks, Maoists reportedly used Self Loading Rifles, M16s and sub-machine guns and mortars guns. Further they have targeted the candidates who have registered with the Election Commission for the municipal elections. In order to obstruct the election process, Maoists threatened the candidates to withdraw from their candidature and warned the government employees not to assist the royal forces to conduct the poll.

## **MUNICIPAL ELECTIONS**

After assuming power, the King proclaimed that he would restore multiparty democracy, peace and security in Nepal in three years period. Immediately he ordered the Election Commission (EC) to conduct the local body (municipal) elections in 2006 and parliamentary elections in 2007. After discussing security situation of the country with the armed forces, the EC declared 8 February as the date for municipal elections and urged the parties to register with it. On December 7, the EC officially granted permission to all 72 political parties to contest in the polls.<sup>27</sup> While the government was firm on holding municipal elections, the Maoists and the major political parties have announced their programmes separately to obstruct it.

On 22 December, a joint statement released by the Maoist leaders Prachanda and Baburam Bhattarai announced a public promotion campaign from 22 December to 13 January and mass gathering, meeting and mobilization programmes from January 14 to 25. In addition, they threatened with the 'special action' against the candidates and representatives participating in the municipal elections from 26 January to 4 February, and a seven-day general strike from 5-11 February in order to disrupt the polls.<sup>28</sup> Maoists, who have completely rejected the King's direct rule, claimed that there were no alternative left than to wage a final confrontation against the autocratic system.

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<sup>27</sup> *Nepal News*, "72 parties registered at Election Commission," December 7, 2005. Among those registered, 19 are new while 53 are old parties. In the previous general elections, total 128 parties have registered with the EC.

<sup>28</sup> See, Kathmandu Post, "Maoists announce programs to disrupt polls," 23 December 2005.



On 26 December, the joint mass movement central coordination committee of the seven party alliance vowed to make the polls a total failure and publicized separate protest programmes including 'Let's go to Janakpur' on 12 January, 'Let's go to Kathmandu' on 20 January and 'Let's go to municipalities from villages' on 26 January.<sup>29</sup> The vice-chairman of the royal government, Tulsi Giri said that the government could consider postponement of the elections if the political parties make their stance clear in a dialogue. In addition, he firmly rejected the proposal for withdrawal of the 1 February royal proclamation and revival of the dissolved parliament. Meanwhile, the government has used security forces to obstruct the anti-government political rallies, meetings and threatened the government employees and common citizens not to attend the seven party alliance campaigns.

Amidst all the political and security disorder, the local body elections, third since the restoration of democracy in 1990<sup>30</sup> were conducted by the Royal Government on the stipulated date of 8 February. According to the reports, nearly 20 percent of the eligible 1.4 million voters took part in the municipal polls despite the call of seven party alliance to actively boycott it and the Maoists' threats to disrupt it and took action against those associated with the municipal election. Of the 58 municipalities in 43 districts, elections were held in just 36 municipalities in 28 districts. Out of the 4,146 posts

available, elections were held for only 618 posts and 1,682 candidates from small parties and independents contested for the post of mayors, deputy mayors, ward chairmen, ward members and women members. Apparently, 2,251 posts remained vacant as no candidates registered their names while candidates were elected unopposed for 1,277 posts.<sup>31</sup> The EC's official figures indicate that Kathmandu polled 10 per cent vote while the turnout in most of the 36 municipalities for a total of 618 posts was nominal except in Siraha, Kalaiya, Birgunj, Siddhartha Nagar and Malangawa. In an interview, the vice-chairman of the Council of Ministers, Tulsi Giri said parliamentary elections would also be held by next year (2007) in the same manner as the municipal polls.

While the Royal forces claimed victory on 'successful' completion of the elections, it was widely condemned by the national and international community. Opposition parties defied the election results and said that they would not regard the newly elected members of municipalities across the country as authoritative persons. India, US, UK and Japan questioned the credibility of Municipal elections held without the broad support of the people and political parties. Marking the elections as meaningless exercise to resolve the political crisis, these nations urged the King to reach out to the political parties to develop a common agenda for a full return of multiparty democracy, and have stressed the need for an inclusive and comprehensive process to achieve a negotiated settlement.

<sup>29</sup> See, Kantipur Online, "Alliance unveils fresh boycott campaign for polls," 26 December 2005.

<sup>30</sup> Previously local body elections were held in 1992 and 1997.

<sup>31</sup> For Municipal election details, see [http://www.nepalnews.com/archive/Municipal\\_polls\\_2062.php](http://www.nepalnews.com/archive/Municipal_polls_2062.php)

### **ECONOMIC TURMOIL**

When Nepal was passing through low growth rate and high inflation, resumption of conflict further deteriorated the economic condition. The economy has been adversely affected by exacerbation of the insurgency and political instability since the second half of 2001. Ten years long conflict has hampered the growth rate in agriculture, which occupies nearly 40 percent share in the country's GDP. Nepal's Gross Domestic Product (GDP) growth witnessed a downward spiral in the fiscal year 2004-05. According to the official sources, the economic growth declined by 1.21 per cent in 2005 compared to 2004 mainly due to weak agricultural growth rate, low capital formation and dismal performance of non-agricultural sector. The GDP growth rate stood at 2.33 per cent in the year 2004-05 compared to 3.54 per cent in the previous fiscal year, which is lower than the government's target of 4.5 per cent.

While the conflict escalated on one hand, the royal government has completely failed to strengthen the economic stability on the other side. According to the data released by the Ministry of Finance (MoF) on February 22, figures for the last six months reflect a widening mismatch between expenditure and revenue. Revenue collection has grown by a nominal 5.8 per cent (with inflation at 8.5 per cent) while total expenditure has soared by 15.6 per cent. According to Ministry of Finance sources, the foreign aid flow is Rs 14.28 billion in 2005, as against Rs 23 billion in 2004.<sup>32</sup> As the political impasse has deepened, non-political and diverse interest groups have

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<sup>32</sup> See *Kantipur Online*, "GDP rate plummets to 3.5 pc," 9 March 2006.

gained control in the government thereby putting the national interest at stake. In a report released by Institute for Developmental Studies (IfDS) said, "In real terms, revenue growth is negative, development spending has gone down substantially, economy is showing signs of stagflation and capital flight has soared."<sup>33</sup> It was estimated that the government's revenue, fall short of the target by Rs 8 to 11 billion, where it was already reeling under a resource gap of over Rs 6 billion. The authorities have completely ignored the development, but remained too busy in talking about sustained resolution of conflict without taking action.

### **INTERNATIONAL RESPONSE**

Amidst continuing chaos inside Nepal the international community has increased pressure substantially for the restoration of democracy and the multi-party system. India, UK and USA, Nepal's strongest supporters in the pre-February 1 phase, have made their positions abundantly clear. The European Union and some constituent countries, such as Switzerland, Norway have expressed their strong disappointment at the royal takeover and the escalation of conflict. This disapproval has, in many cases, resulted in the suspension of financial aid as well as suspension of military assistance by India, USA and UK. UN's concern and its involvement in Nepal considerably increased when violence grew up across the country. Though the UN has expressed its willingness to facilitate the peace process, it was rejected by the royal government.<sup>34</sup>

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<sup>33</sup> *Kantipur Online*, "IfDS lambastes govt," 28 March 2006.

<sup>34</sup> See, *The Himalayan Times*, "Pandey no to assistance in tackling insurgency," 6 March 2006. Nepal's Foreign Minister RN Pandey told in an interview, "Nepal will never seek military or diplomatic assistance from any

Expressing their deep concern over the collapse of the ceasefire, the international community has demanded restoration of multiparty democracy, civil liberties and human rights to bring about peace in Nepal. Among the high level diplomatic visit to Nepal, US Principal Deputy Assistant Secretary of State for South Asian Affairs, Donald Camp indicated the arrests and harassment of peaceful democratic forces as a violation of their civil and political rights. He also insisted that a dialogue between the King and the political parties, and a return to democracy are the only effective ways to address the Maoist insurgency in Nepal.<sup>35</sup> Similarly, the European Union, UK, United Nations, India and Japan have expressed their concern over the escalation of conflict and condemned the government's actions against the political parties. Even though the international community expressed support for the democratic struggle of political parties against the monarchy, it remains hostile towards talks between the Maoists and the political parties. It is feared that any agreement between them would legitimise the Maoists.

India termed the collapse of four months long unilateral ceasefire as an unfortunate decision and urged the conflicting parties to reach a political settlement. Expressing strong displeasure over Nepal's anti-India policy, the Indian authorities warned that any move to pressurize India by threatening to draw closer to China

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international quarter, including India, for brokering peace and stability for resolution of the Maoist problem," in Varanasi in India on 5 March 2006.

<sup>35</sup> See, *The Himalayan Times*, "Camp delivers Bush's message to King," 9 March 2006.

and Pakistan could undermine the 'limited support' the monarchy enjoys in India. Subsequently, India has put down its traditional twin-pillar policy and insisted that the Monarchy should not compete with the political parties for political power. Although it was not officially admitted, India expressed its tacit support for the Maoists-seven party alliance talks in its capital New Delhi during March 2006. During the massive anti-King demonstrations in April 2006, India has sent diplomatic missions to Nepal in order to facilitate the conflicting parties to reach a peaceful settlement.

When the international community was overwhelmingly opposing the King's direct rule in Nepal, China's dispatch of lethal military weapons to the RNA and Pakistan's offer to train the Nepalese Army made it surprised. China sent 18 trucks of arms and ammunition through Nepal's northern border on November 22-23.<sup>36</sup> According to the RNA sources, arms were received as per the agreement reached during the visit of the Nepal Army Chief Pyar Jung Thapa to Beijing in October 2005.<sup>37</sup> When the major arms suppliers have abandoned their military assistance to Nepal since the royal coup, arrival of Chinese weapons has placed the international community in a quandary. The US and Indian authorities expressed deep concern over this issue and urged China to stop the arms supply. The royal forces were expecting, either

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<sup>36</sup> According to the reports, China's supply of military hardware includes 4.2 million rounds of 7.62 mm rifle ammunition, 80,000 high-explosive grenades and 12,000 AK-series rifles to Nepal.

<sup>37</sup> During Pyar Jung Thapa's visit, China has pledged Rs. 72 million in military aid to the RNA.

China or Pakistan to step in to support the monarchy in the worst case.

## **CONCLUSION**

Despite all prevailing political, economic and security instability, King Gyanendra in his address to the nation on 1 February 2006, refused to give up his year-old direct rule and reiterated that elections would be conducted for all representative bodies in the country by mid-April 2007. Further, he stated that there had been a significant improvement in the security and governance situation in the country over the past one year. In reality, the country has suffered with preemptive curfew prior to Municipal elections and the arrest of the pro-democracy political leaders, human rights activists, journalists and civil society members. A decade long war and political instability have turned the human rights situation in Nepal into one of the worst in the world. Sharp escalation of violence, excessive force against the peaceful demonstrators by the security forces and year long restrictions on basic civil liberties have deteriorated the human rights situation further.

When all diplomatic channels have failed to mount pressure on the government to restore democracy in Nepal, the international community nurtured hopes without any concrete roadmap for the country's advancement towards a peaceful solution in future. The international powers' unproductive policy has clearly undermined their role in establishing peace in the country. While the Maoists are looking for a soft landing for their People's War, International community has been suspicious over their role in future political system, which is preventing them to extend support to the Maoists-seven party alliance. Twelve months

of palace rule has made the security situation more precarious, emboldened the Maoist insurgents and widened the division between the conflicting parties in the country. In spite of the widespread national and international condemnations, the conflict between the security forces and the Maoist insurgents has continued to spread across the country. Nepal's deteriorating security and political situation is certainly not helping the parties to reconcile the existing problems, but pushing the country towards extreme instability.