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NEPAL:
EARLY WARNING ANALYSIS

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Executive Summary

Despite the appointment of a new interim government led by former Prime Minister Sher Bahadur Deuba in June 2004, there are few signs yet of any significant moves towards the resumption of peace talks with Maoist rebels. However, developments since King Gyanendra's controversial dismissal of Deuba's earlier, democratically elected government in October 2002 have forced changes that could augur well for any future negotiations. They include the King's apparent willingness to revert to his position as a constitutional monarch and allow the country's main political parties to re-enter the peace process. The King's decision to bow to public protests, demanding the restoration of multi-party democracy after the collapse of peace talks in September 2003, suggests that he and his advisers may now accept that there can be no viable political settlement based solely on negotiations between palace representatives and the Maoists.

It is, however, far from clear that Prime Minister Deuba will be able to fulfill his brief of restoring peace and holding elections by April 2005. His earlier attempts in July 2001 to secure a deal with the rebels failed within four months, precipitating a sharp escalation in violence and the imposition of a state of emergency. The greatest challenge facing Deuba this time around is the absence of a clear-cut political consensus in favour of his government. The dominant faction of Deuba's ruling Nepali Congress Party (NCP), led by Girija Prasad Koirala, has refused to join the government and questioned its independence. There is also no indication that the Maoists are prepared to accept the legitimacy of the new government, lay down their arms or ease the climate of political instability. Levels of conflict-related violence, especially in rural areas in western and mid-western regions remain high, and there is now a clear trend showing that such violence has spread to major urban centres, including the capital, Kathmandu.

External forces, notably the influence of the newly elected government of India, could break the triangular and fractious dynamic between the King, mainstream political parties and the Maoists that has so damaged the peace process. Unlike its predecessor, the new Congress-led Indian administration has clearly signalled its interest in pursuing a political solution hand in hand with any dialogue involving further technical or military assistance to Nepal to help curb the insurgency. Foreign donors, on whom Nepal's increasingly precarious economy depends, have also thrown their weight in favour of resuming peace talks. Though the United States, Nepal's chief source of foreign aid, remains wary of any let-up in the global "war against terrorism", European governments have been unwilling to accept that this campaign should entail any further deterioration in Nepal's human rights record or the loss of more civilian lives.

1 Introduction

1.1 The Historical and Political Background

The Himalayan Hindu kingdom of Nepal has been a monarchy for almost 1,500 years. Its modern history dates back to Prithvi Narayan Shah, the ruler of the tiny mountainous state of Gorkha in western Nepal, who reigned from 1743 to 1775 and is generally credited with consolidating Nepal as a recognizable nation-state in the eighteenth century.¹ The conquest by Prithvi Narayan Shah of the Kathmandu Valley and its surrounding territories in 1769 was a major development in the process of national unification. Some scholars believe that it also set the tone for a recognizable Nepalese “worldview”, which has favoured physical isolation and the exclusion of foreigners.² Nevertheless, despite its attempts to shun contact with the outside world, Nepal was unable entirely to ignore its two big neighbours, British India to the south and China to the north. Indeed, following the death of Prithvi Narayan Shah in 1775 Nepal launched a policy of territorial expansion that forced it to encounter China’s Ch’ing dynasty and the British India Company, both of which successfully resisted Nepal’s adventures to the north and south of its border.

This early historical configuration has continued to shape modern Nepalese foreign policy, which remains sensitive both to India and China, constraining Nepal’s freedom of action and lending credence to Prithvi Narayan Shah’s vivid description of Nepal as “a yam between two stones”.³ The Anglo-Nepalese war of 1814-1816 was a sharp blow to the kingdom. However, while Nepal lost Sikkim and most of the lands in the Terai region, it never became a formal British colony. Nevertheless, the war marked the end of a remarkable period of conquest and expansion, broadly setting the boundaries that define Nepal today.

Many of the characteristic features of Nepal’s political system emerged during the early period of its national consolidation. The lack of strong leadership following the death of Prithvi Narayan Shah in 1775 meant that political factions emerged quickly to fill the power vacuum. This struggle for power involved both the royal and the noble families, who vied with each other to promote their own factional interests. One of the most dramatic and bloody consequences of these intrigues was the Kot (the palace armoury) Massacre of 1846. It allowed the military commander Jang Bahadur Rana to emerge as Nepal’s *de facto* ruler, following a purge, which killed many of his aristocratic competitors and drove thousands more into exile in India.⁴ Jang Bahadur’s rise to power also marked the start of a period of autocratic Rana rule, which lasted for more than a century. One of its significant legacies was the *Mulki Ain* (Legal Code) of 1854, which sought to integrate Nepal’s heterogeneous society and lend it a coherent national political identity predicated on Hinduism. Even today the constitution describes Nepal as a Hindu kingdom, though it does not establish Hinduism as the state religion. In 1951 a civil disobedience movement finally brought an end to the Rana-dominated oligarchy. It led to the restoration of the King as the chief executive power, the legalization of political parties and parliamentary elections in 1959.

¹ Rose, L. and Scholz, J.T., *Nepal: Profile of a Himalayan Kingdom*, Boulder CA: Westview Press, 1980; Stiller, L., *The Rise of the House of Gorkha: A Study in the Unification of Nepal*, New Delhi: Manjusri, 1973

² Sever, A., *Nepal under the Ranas*, New Delhi: Oxford University Press, 1993, p. 21

³ Shah, R., *Nepali Politics: Retrospect and Prospect*, Delhi: Oxford University Press, 1978, p. 104

⁴ For a full account of Jang Bahadur Rana’s rise to power see, Whelpton, J., *Kings, Soldiers and Priests: Nepalese Politics 1830-1857*, Kathmandu: Ratna Pustak Bhandar, 1992

The anti-Rana movement substantially re-defined the political landscape of Nepal. On one side there emerged a more powerful monarchy, wielding control over the army and enjoying a significant degree of constitutional authority. On the other were political parties of which the most important was the Nepali Congress Party (NCP), which was founded in 1947 by Nepalese living in India and which represents Nepal's oldest, continually functioning political party. It is influenced by the Indian National Congress, from which it freely borrowed its basic principles, which have been described as "a combination of socialism and parliamentary democracy as its goal and Gandhian non-violence as its tactics".⁵ It spearheaded the armed struggle against the Rana regime with the help of India and soon established a powerful constituency in the Kathmandu Valley. Many NCP insurgents (organized as the Mukti Sena or Liberation Army) also succeeded in gaining footholds in the rich Terai area and in the hill regions of the west and the east, where army operations were difficult to sustain. The other main party was the Communist Party of Nepal-Marxist (CPN-Marxist), which was established in Calcutta in 1949. However, it refused to take part in the struggle against the Ranas, claiming that it was a "bourgeois revolution". For much of the 1950s the CPN remained a marginal force in Nepalese politics, gaining only seven per cent of the vote in the elections of 1959.

A myriad of smaller parties also emerged in Nepal during the 1950s, though most were engaged chiefly in slashing at each other, further intensifying the endemic factionalism that has become a hallmark of Nepalese politics. The political themes that surfaced in the 1950s – class, anti-authoritarianism, nationalism and agitational united front tactics – were also new to Nepalese party politics. Despite these broad changes, however, it has been argued that Nepal's political system has scarcely evolved since the mid-eighteenth century, and that it remains deeply "hierarchical, centralised, riddled with conspiracies and dominated by a complex patron-client nexus".⁶

1.2 The Structure of Society

While the extent of changes wrought on the political scene by the anti-Rana movement is still open to debate, there is little debate that the structure of Nepalese society remained very largely unaffected by these developments. More than half a century after the onset of a more democratic era, Nepal is still ranked as one of the world's poorest countries with a per capita income of just US\$ 250. Its essentially feudal structure of society, which accounts for Nepal's crippling poverty, has been immune to Nepal's growing exposure to the West as well as to the influence of more democratic norms that followed the overthrow of the Rana regime. Much of this structure was sustained by the physical remoteness of many parts of the country and by Nepal's complex ethnic and caste make-up.

There are three main geographic regions: the mountain (*parbat*) zones, the hill (*pahad*) regions and the Terai (Persian: "damp") plains.⁷ By far the most remote of the three regions are the mountainous zones, which are sparsely populated and where any farming activity is confined mainly to the lowlying valleys and river basins around the Upper Kali Gandaki Valley. The hill regions, lying immediately to the south include the Kathmandu Valley. They

⁵ Whelpton, J., The General Elections of May 1991, in Hutt, M. (ed.), *Nepal in the Nineties*, New Delhi: Oxford University Press, 1993, p. 50

⁶ Brown, L., *The Challenge to Democracy in Nepal*, London; New York: Routledge, 1996, p. 1

⁷ United States, Library of Congress, *Nepal and Bhutan: Country Studies*, Washington DC, 1993, pp. 56-62

represent the country's most fertile and urbanized area as well as its political and cultural heartland, where the capital, Kathmandu, is located. This region remains the most heavily populated part of the country despite almost continuous out-migration. Despite its difficult terrain, much of the economic activity has tended to focus on agriculture, making land an acutely scarce commodity. In contrast to both regions, the Terai is low-lying and tropical. Its rich alluvial soil, drained of malaria-infested swamps in the nineteenth century, have since served as the country's main granary and land resettlement frontier, attracting thousands of hill dwellers away from the inhospitable regions of the highlands.

The diversity of Nepal's high mountain peaks and fertile valleys is reflected in its ethnically diverse and complex society, formed as a result of migrations over many centuries from Tibet, India and Central Asia. The mainly Nepali speaking population is made up of between 40 and 60 caste and ethnic groups, more than 80 per cent of which are Hindu, followed by Buddhists and a small minority of Muslims. They fall broadly into three major categories: the Indo-Nepalese, the Tibeto-Nepalese and indigenous tribal communities.⁸

The Indo-Nepalese, who dominate Nepal numerically, are divided into two groups: Indo-Aryans who fled Muslim rule in India several centuries ago to settle in the highlands and parts of the Terai region, and more recent immigrants from India, who moved into the plains of the Terai during the nineteenth and early twentieth centuries. The former (especially the highlanders) stand at the apex of the political and economic hierarchy, having benefited from superior education and training; the latter (the *madhesis* or midlanders) have been peripheral to the political system and are often economically deprived; in the 1990s many were landless, low-caste peasants from poorer regions of the Indian border states of Assam and Bihar. The tightening of citizenship rules in the early 1950s directly affected these more recent immigrants, creating a category of "stateless" people in the plains of Nepal.

The second major group, the Tibeto-Nepalese, includes communities of Tibetan and Mongol origin, who are spread across the highlands from west to east and are often small, relatively isolated and self-contained. They include the Gurungs and the Magars in the west and the Rai, Tamangs and Limbus in the east. The Gurungs, Magars and Rais have historically provided the bulk of the famous Gurkha contingents of the Indian armies.⁹ Sherpas and Bhotias in the north also belong to the Tibeto-Nepalese, as do the Newars, who were among the earliest inhabitants of the Kathmandu Valley. Originally followers of Buddhism, the Newars were gradually stratified along lines of the Hindu caste hierarchy under the influence of commercial contacts with South Asia, and developed a vigorous socio-political and intellectual culture that became a synthesis of Hindu and Buddhist principles.

The third and much smaller group consists of indigenous, tribal communities, which predated the advent of both the Tibeto-Nepalese and the Indo-Nepalese. They include the Dhimals and the Tharus of the southern Terai.

Another important dimension of Nepalese society, which complicates its ethnic mix, is the caste system. Most ethnic groups of Indian descent subscribe to the Hindu caste system, which is broadly modelled after the orthodox Brahmanic system though this has undergone some changes in the Nepalese context. At the apex of this caste system stand the Brahmins or

⁸ For a comprehensive survey see Bista, D.B., *People of Nepal*, Kathmandu: Rasta Pusak Bhandar, 1967

⁹ The term Gurkha was derived from the name of the western principality of Gorkha, 70 km west of Kathmandu, and does not designate an ethnic group.

the priestly castes, who are commonly known in Nepal as *bahun*s. *Bahun*s may also include the next highest warrior castes, the Kshatriyas, who are more widely recognized in Nepal as the Chhetris.¹⁰ Others included in these high ranking castes in Nepal are the Thakurs or members of the aristocracy. There is also an untouchable occupational caste, the Dalits, who are estimated unofficially to total some 20 per cent of the population.¹¹ Though untouchability was banned under the Civil Code of 1963, discrimination is still widespread in schools, employment and commerce.

The caste system has been the single most fundamental component of Nepal's feudalistic economic structure, which has allowed its high-caste Hindu population to appropriate lands, particularly in the more productive lowlands. However, caste has played a much less important role among the Tibeto-Nepalese communities, which have generally preferred communal ownership.¹² The first real challenge to the feudalistic power structure supported by the caste system came in 1950-1951 with the overthrow of the Rana regime. Although the partyless *panchayat* (public assembly) regime (1960-1990) witnessed some change it tended broadly to consolidate even further the control of those who had dominated the old order.¹³ Established elites in the post-Rana period were given new opportunities to acquire wealth and status. They included access to key administrative posts that, not surprisingly, the *bahun*s (Brahmin and Chhetri families) and to some extent, the Newars, with their Sanskrit-rich education soon dominated. In 1991 an estimated 80 per cent of senior posts in the civil service, the army and the police were still controlled by the Brahmins and Chhetris of the hills, who comprised less than 50 per cent of the population; 13 per cent were held by Kathmandu Valley Newars, who represented a mere three per cent of the population.¹⁴ The correlation between caste and class that became steadily more visible by the 1980s was instrumental in paving the way for a political struggle based on the dynamics of class interest.

1.3 The Roots and Context of the Maoist Insurgency

The emergence of the Maoist movement in the mid-1990s finally exposed the full measure of Nepal's failure to modernize a society that is still heavily dominated by caste, class, ethnicity and geography. While some of the country's more reform-minded political parties, including the NCP and the CPN, have claimed to address the problem of Nepal's grinding poverty and underdevelopment, they have been unable to escape the stigma of being the tools of a high-caste, corrupt and nepotistic Kathmandu elite. Some observers now conclude that conditions, especially in the hinterlands of Nepal, had so sharply deteriorated by the 1990s that they were ripe for an insurgency and that, even if the Maoists had not seized upon the opportunity, another party would have.¹⁵ This explains why even at a time when the demise of communism globally makes Maoism look like an anachronism, the Maoist movement in Nepal has been able successfully to appeal to widely held perceptions of deep-seated

¹⁰ Rose, Leo E., *The National Political Culture and Institutions of Nepal*, in J. Wilson and A. Shastri (eds.), *The Post Colonial States of South Asia*, London: Curzon Press, 2001, p. 115

¹¹ Gersony, R., *Western Nepal Conflict Assessment*, Portland OR: Mercy Corps, 2003 http://www.mercycorps.org/pdfs/nepal_report.pdf [accessed August 2004], p. 31

¹² United States, Library of Congress, *Nepal and Bhutan*, p. 80

¹³ Brown, pp. 23-113

¹⁴ Nepali Press Digest survey, cited in United States, Library of Congress, *Nepal and Bhutan*, p. 77

¹⁵ International Crisis Group, *Nepal Backgrounder: Ceasefire – Soft Landing or Strategic Pause?*, Kathmandu; Brussels, 10 April 2003, http://www.icg.org/library/documents/report_archive/A400943_10042003.pdf [accessed August 2004], p. 7

injustices. While there is little evidence that the rural population is in any way responsive to Maoist theory, there is no question that many believe they have been ill-served by successive governments and were willing, at least in the early stages of the insurgency, to support the Maoists for their targeting of obvious symbols of inequality, including high-caste state officials, policemen, judges and revenue officers.

Although the roots of the current Maoist insurgency are to be found mainly in the rigidity of Nepalese society and the structural weaknesses of its economy, the Maoist movement developed in much the same way as most other political parties in Nepal, that is, through a series of tortuous factional alignments and realignments. In the 1970s factions emerged within the Nepalese left, which increasingly pressed for armed struggle against an absolutist monarchy. They were encouraged by an uprising in May 1971 in the south-eastern district of Jhapa, where a group of young CPN activists, influenced by the violent, extreme-left Naxalite movement in the neighbouring Naxalbari region of India, killed eight “class enemies” before a police unit was dispatched to eliminate them. It was from within two extreme-left factions, the Communist Party of Nepal (Mashal) and the Communist Party of Nepal (Masal),¹⁶ that the current Maoist leaders, Pushpa Kamal Dahal (alias Prachanda) and the chief Maoist ideologue, Baburam Bhattarai, respectively, were later to emerge. It was they and their supporters who, following the restoration of democracy in 1990, pressed for elections to a new constituent assembly to frame a “people’s [republican] constitution”, which remains a key Maoist demand.

At the elections of 1991 the little known Maoists burst onto the political scene as the United People’s Front (UPF), and won the third largest share of seats in parliament after the NCP and the CPN-UML. By 1994 however the Maoists were beset by fresh divisions, which this time united Prachanda and Bhattarai, who together launched the CPN (Maoist) in 1995 and publicly embraced violence as the best means of achieving the Maoist doctrine of revolution through “people’s war”. On 4 February 1996 the Maoists issued an ultimatum to the NCP government based on a 40-point manifesto, which included curtailing the privileges of the royal family and the drafting of a new constitution through a constituent assembly, warning that unless action was taken to meet their demands they would wage an armed struggle against “the existing state”. On 13 February 1996, the Maoists struck in six districts across the mid-western region, by staging attacks against police posts.¹⁷

The heartland of the insurgency (or Red Zone) is located in the remote western districts of Rukum and Rolpa, where the overwhelming majority belongs to the Magar ethnic group. But it would be wrong to conclude from this that the Maoist movement is predominantly a Magar ethnic movement. Nor do the Maoists enjoy any special support among the lower castes or untouchable groups, such as the Dalits. In that respect, the fact that most of the Maoist leadership belongs to upper castes has been something of a political liability, even if the Maoists have on the whole succeeded in channelling specific caste and ethnic grievances. What did prove to be instrumental to their success, however, was the delayed response of the central authorities: the Royal Nepalese Army (RNA) was not deployed until November 2001, almost six years after the start of the insurgency, due to the King’s reluctance to declare a state of emergency. In the intervening years the Maoists were virtually unopposed and free to travel widely to villages and districts across the country, where they almost always found a

¹⁶ Both *mashal* and *masal* mean “the torch”

¹⁷ Thapa, D., Day of the Maoist, *Himal Magazine*, May 2001, <http://www.himalmag.com/may2001/cover.html> [accessed August 2004]

receptive audience. Many ethnic and low caste persons were ready to join the rebels in concluding that only an armed revolt and the ideology they proclaimed offered a way out of Nepal's unrelenting poverty, government neglect and corruption.¹⁸

2 Review of the Political Situation

2.1 The Monarchy and Political Parties

The most significant development since the dismissal by King Gyanendra of the democratically elected government of Sher Bahadur Deuba in October 2002 has been the emergence of a triangular dynamic involving the monarchy, the Maoists and mainstream political parties. This was triggered in part by King Gyanendra's assumption of executive powers, which was widely regarded by both Maoists and the overwhelming majority of the political establishment as a dangerous breach of the system of constitutional monarchy that has been in place since 1990. At the time a people's movement (Jana Andolan) was widely hailed for ending three decades of absolute monarchical rule and replacing it with a democratic parliamentary system. However, many features of the new constitutional dispensation were left vague and riddled with loopholes, which allowed the King to re-emerge as a key partisan player on the national political scene. The result has been a steady erosion of the King's image as a neutral political arbiter and a growing perception that the monarchy is as much a cause of the current political instability as its unwitting victim.

There is no doubt that some of King Gyanendra's actions since October 2002 have grossly distorted the troubled relationship and delicate balance between the monarchy and the country's political parties. At the same time, his predecessor (and brother) King Birendra (who was killed in June 2001 along with nine members of his family by the Crown Prince, who also killed himself) had worked assiduously to keep intact the substantial powers wielded by the palace. Significantly the 1990 constitution retains the monarch's right to control and deploy the army and also authorizes a substantial margin of discretion under which the King may intervene in a crisis. Indeed, even in 1990 some analysts feared that the "gentleman's agreement" drawn up between the King, the NCP and the communists reflected not so much "a constitutional monarchy under a multi-party democracy, but a parliamentary democracy under a constitutional monarchy".¹⁹ At the same time, it is also clear that the weakness and endemic factionalism characteristic of the country's political parties have vastly strengthened the position of successive monarchs since the 1950s – a trend that has substantially benefited King Gyanendra.

One of the most controversial aspects of King Gyanendra's approach to the current political instability centres on his control of the RNA. It is suggested that one reason why the King may have delayed the deployment of the RNA to curb the insurgency, despite repeated pleas by politicians, was to cast political parties in a poor light and highlight the failure of the parliamentary system to guarantee law and order.²⁰ The RNA's refusal to get involved in the conflict until authorized to do so by a royal declaration of a state of emergency was also seen as proof of the RNA's greater loyalty to the monarch than to the civilian leadership.

¹⁸ Gersony, p. 34

¹⁹ International Crisis Group, *Nepal Backgrounder...*, p. 3

²⁰ Gersony, pp. 19-20

However, it is the King's allegedly questionable role in peace talks with Maoist rebels that has provoked the greatest anger among political parties. Soon after his dismissal of Deuba's government in 2002, King Gyanendra opened secret negotiations with the Maoists, which led to a ceasefire and peace talks in 2003. The collapse of the peace talks later that year opened the way for a virtually unprecedented wave of street demonstrations, orchestrated by mainstream political parties, against the King and his court. At issue was the still thorny question of the King's unconstitutional assumption of executive powers, his refusal to reinstate Deuba's democratically elected government and his blatant attempt to secure his position by appointing a succession of pro-royalist prime ministers (Lokendra Bahdur Chand and Surya Bahadur Thapa, both from the Rashtriya Prajantra Party (RPP – National Democratic Party) instead of an all-party government.

The reappointment of Deuba in June 2004 could yet change the balance of power by allowing the political parties to regain the initiative many thought they had lost after October 2002. However to do so, the country's political leaders will need to overcome their divisions and set aside their differences. Deuba's decision to accept the post of prime minister, without being formally endorsed by all political parties as their consensus candidate, and his failure to win over rival factions within his own NCP suggest that the King will retain the upper hand in shaping political developments in the short term. Despite widespread popular protests against him, King Gyanendra can be confident that the monarchy as an institution still commands enormous popular respect and stands in no immediate danger of being abolished. In addition, political parties are weak and the RNA remains firmly loyal. International criticism of the King has also been largely muted even if some international donors have succeeded in forcing him to reconsider the merits of a multiparty government. By contrast, most mainstream political parties remain the object of widespread public derision. They have been blamed for not doing enough to support the peace process since 2002, apparently to keep the King and the Maoists from strengthening their positions at the parties' expense. It is an irony that the one factor that could possibly unite Nepal's fractious political parties and thereby consolidate its democratic process is the King's attempt further to consolidate his powers. So far, however, the King's manoeuvres have pre-empted that outcome.

2.2 The Prospect of Elections

Holding elections by April 2005 and restoring peace are the biggest challenges facing the interim government of Prime Minister Deuba. Success is however far from guaranteed, raising the prospect of still more violence. In one important sense Deuba is caught in a vicious circle: to hold elections there must be peace, but peace can best be guaranteed by a government that enjoys a popular mandate. The recent experience of previous governments does not offer grounds for much optimism, though there may be some prospect of more hopeful developments in the short term.

The most important condition for the new government to secure a more stable political environment is to press the Maoists to agree to a ceasefire. There have been two ceasefires between 2001 and 2003; both collapsed amid acrimony and mutual recrimination. However, one reason for their breakdown, and the suspension of peace talks in August 2003, was the interventionist role of the King, who was believed to have exercised pressure on the pro-royalist Prime Minister Lok Bahadur Thapa not to concede any diminution of royal powers. Another significant obstacle at the time was pressure from some sections of the Maoist movement to continue the offensive against government forces in the expectation that increasing levels of violence would force a compromise on the rebels' terms. At issue, politically, was the Maoist demand for elections to a constituent assembly to frame a new

constitution that would decide the fate of the monarch; the government insisted, however, that it would only allow the present constitution to be amended in parts rather than replaced in its entirety.

Though Deuba's government is likely in the first instance to encounter similar Maoist intransigence, the political and international situation has evolved considerably since mid-2003. This could allow fresh overtures to meet with different responses. The most important factor here is the role of the King, who, while by no means prepared wholly to withdraw from the political scene, is likely to be much more cautious in seeking to influence the outcome of any future negotiations between the government and Maoist rebels. The protracted public demonstrations, which erupted after the breakdown of the last round of talks, were widely construed as a signal of public disaffection with the King's controversial role in politics. Although Deuba was hand-picked by the King after political parties failed to agree on a consensus candidate, the changed political climate and the intense public longing for peace could give Deuba greater room for manoeuvre vis-à-vis the Maoists than that allowed to his predecessor, Surya Bahadur Thapa.

At the same time, it is clear that the new government's chances of securing a ceasefire and paving the way for fresh peace talks will require bold measures. In the short to medium term this is unlikely to involve an appeal for international mediation, though the Maoist leader, Prachanda, has again recently insisted on any peace process being supervised by the UN. Deuba could however issue a clear invitation to the rebels to join a government of national unity. As in the case of most rebel movements, the Maoists' exclusion from the political mainstream has intensified their sense of alienation. Deuba could take advantage of this by offering the Maoists a stake in the system. By doing so he would be sending out a strong signal to the Maoist leadership that, while violence will not be tolerated, the government is ready to acknowledge that the broad thrust of Maoist demands, which is the urgent reform of Nepal's economic and social system, is justified. This could also potentially focus attention away, at least in the short term, from the seemingly "non-negotiable" Maoist demand for a new constituent assembly. It is also worth noting that the Maoists in 2003 had agreed to forgo their insistence on a one-party communist republic by agreeing to accept a multi-party system. While more radical groups within the Maoist movement can be expected to spurn these moves, some sections of the leadership could find Deuba's offer difficult to resist. They are likely to be influenced by the attitude of the new Congress-led government in India, which has assumed a far more pro-active position on the Maoist insurgency and indicated that it may continue denying safe havens for the Maoist leadership across the border.

Deuba's chances of success will also depend on his relations with rival factions within his own party, the NCP, and other smaller parties, which have so far refused to recognize the legitimacy of his government. Any durable agreement with the Maoists will need their backing. Here too Deuba may need to act with courage by agreeing to reinstate the parliament, which was dissolved by the King in 2002 on Deuba's request. By doing so, Deuba could reiterate, once and for all, that parliament rather than the palace has the final say in defining Nepal's political future.

2.3 Bhutanese Refugees and the Issue of Citizenship

Deuba's new government will also be under pressure to address the issue of the status of more than 100,000 Bhutanese refugees, or Lhotsampas, of ethnic Nepalese Hindu descent, who fled their homes in southern Bhutan more than a decade ago after alleging discrimination by Bhutan's Buddhist Druk kingdom. Many of the refugees (who represent an estimated one-

sixth of the population of Bhutan) had been settled in the Bhutanese kingdom for generations, though some migrated later in the 1960s, attracted by prospects of a better life and Bhutan's relative economic stability. In 1985 Bhutan announced the tightening of citizenship rules amid a controversial cultural offensive based on a policy of "one nation, one people" called *driglam namza* ("national customs and etiquette"), which aimed to strengthen the kingdom's Buddhist foundations. Under a new census Southerners claiming citizenship rights were required to produce documentary evidence of legal residence (including tax receipts from 1958 – the cut-off date for citizenship), failing which they were forcibly deported to Nepal. Those who protested against the new rules were summarily charged and imprisoned.²¹

The measures resulted in thousands of Bhutanese leaving their homes in 1991. Most headed for Nepal, where they have languished in seven UNHCR-assisted camps in the Jhapa and Morang districts in the east. Some also live outside the camps. According to the Nepal Red Cross Society they total between 10,000 and 15,000; another 20,000 are thought to be in India.²² After years of acrimonious exchanges between Nepal and Bhutan on the refugee issue, the two countries finally agreed to hold talks. This resulted in the creation of a Joint Verification Team (JVT), which launched a pilot screening project at the Khudunabari camp in March 2001 to determine potential candidates for repatriation. In December 2003 the verification process stalled abruptly amid allegations of assault by some refugees on Bhutanese members of the JVT at the Khudunabari camp. Meanwhile, the verification process established the status of some 12,000 refugees, but none of them has as yet been repatriated.

The verification process has been widely criticized by international refugee and human rights organizations.²³ Their main objection has been the exclusion by Nepal and Bhutan of any third party, preferably the UNHCR, to oversee the process of verification, which recognized only about three per cent of the refugees as bona fide Bhutanese citizens with the right of return, leaving the vast majority stateless. Also at issue is Bhutan's refusal to allow the UNHCR access to the country to survey or monitor areas designated for the resettlement of the refugees. The overwhelming concern, though, focuses on the issue of citizenship, affecting the majority (some 70 per cent) of Bhutanese refugees classed by the JVT in Category II, including those who are said to have migrated "voluntarily". It is as yet far from clear whether these refugees will be forced to re-apply for Bhutanese citizenship (even though many were made to sign "voluntary migration forms" when leaving Bhutan), and if so, whether they will be forced to meet the stringent requirement for all Bhutanese citizens to be fluent in Dzongkha – the language of northern Bhutan and the country's official language. Nepal has also offered refugees from Category II, who choose to stay in Nepal, the possibility of Nepalese citizenship. However, many refugee organizations have cast doubt on the viability of this proposal in the current climate of political insecurity and instability in Nepal, and have emphasized that as Nepal is not a signatory to the UN Refugee Convention, it is

²¹ United States, Library of Congress, *Nepal and Bhutan*, pp. 323-7

²² Nepal Red Cross Society, *Existing Situation of Bhutanese Refugee[s]*, Kathmandu, 2004, http://www.nrcs.org/bhutanese_refugees.html [accessed August 2004]. See also United States, Department of State, Bureau of South Asian Affairs, *Background Note: Nepal*, Washington, January 2004, <http://www.state.gov/t/pa/ei/bgn/5283.htm> [accessed August 2004] and United States Committee for Refugees, *Worldwide Refugee Information: Country Report 2002: Nepal*, Washington, 2003, <http://www.refugees.org/world/countryrpt/scasia/nepal.htm> [accessed August 2004]

²³ See e.g. Human Rights Watch, *Trapped by Inequality: Bhutanese Refugee Women in Nepal*, New York, September 2003, <http://www.hrw.org/reports/2003/nepal0903/> [accessed August 2004]

under no obligation to grant refugees legal status, rights or opportunities for local integration. Furthermore most Bhutanese refugees have also insisted that they want to go back home.²⁴ However, there are still no guarantees that the refugees will in fact be able to re-occupy the homes and lands they abandoned. In 2001 the NGO group, Habitat International Coalition, found that the Bhutanese government had been resettling northerners on lands belonging to refugees in the south. Some of the land was said to have been granted to state officials, including members of the armed forces and the police.²⁵

The issue of citizenship for Bhutanese refugees resurfaced amid fresh controversy in 2003, when the UNHCR signalled an apparent change in policy by indicating that it would consider the suspension of the repatriation of Bhutanese refugees in favour of their resettlement elsewhere, either through their integration in Nepal or by seeking the help of other countries, namely India. The proposal was justified by the UNHCR on the grounds that the Bhutanese government had made it impossible for the agency independently to guarantee that returning refugees would be accorded the safety and dignity they were entitled to. The proposal was also aimed to help start the process of phasing out assistance to the camps. The UNHCR's plans have triggered a sharp response from refugee organizations, which believe that they seriously compromise the refugees' right of return.²⁶

India's role in the latest refugee crisis meanwhile is bound to be a determining factor. India oversees Bhutan's foreign policy and supports its army; it is also Bhutan's chief financial benefactor. With the new Congress government adopting a more pro-active stance vis-à-vis developments in Nepal, it may be time also for the new Deuba government to seek the assistance of its powerful neighbour to exert pressure on Bhutan to settle the dispute over the refugees.

3 The Security Situation

3.1 The Scale and Pattern of Maoist Violence

Since the breakdown of peace talks in mid-2003 Nepal has experienced its highest level of violence. According to estimates published in April 2004 by the Kathmandu-based human rights group, Informal Sector Service Centre (INSEC), 2,480 people have died since the collapse of the last truce between Maoist rebels and security forces in August 2003, with more than two thirds killed by government troops. There are now fears that the conflict will escalate further as a result of government proposals to introduce local civilian militias, made up of untrained and undisciplined civilians, and reported plans by the Maoists to expand the size of their total force by inducting up to 50,000 children by mid-2004.

At first Maoist operations were limited mainly to remote western regions, especially around the districts of Rolpa and Rukum. Their main targets in the early years of the conflict were district police and army outposts. Government inaction and the reluctance of the RNA to get involved without a clear endorsement from King (who formally controls the RNA) until 2001

²⁴ Association of Human Rights Activists, Bhutan (AHURA), *Government Repression of Southern Bhutanese (Lhotshampas)*, Jhapa, [2000], <http://ahurabht.tripod.com/index.html> [accessed August 2004]

²⁵ Habitat International Coalition, *Report on Fact Finding Mission to Bhutan*, [2001], http://www.geocities.com/bhutanese/refugees/habitat_ffm.html [accessed August 2004]

²⁶ See Human Rights Watch [et.al.], *Nepal/Bhutan: Bilateral Talks Fail to Solve Refugee Crisis*, New York, 28 October 2003 (press release), <http://www.hrw.org/press/2003/10/nepal-bhutan102803.htm> [accessed August 2004]

meant that the Maoists were able to expand their operations and win recruits across many more districts. It is now estimated that 73 of Nepal's 75 districts have been affected by Maoist-related violence, which has killed more than 9,000 people since 1996. In spite of this, there have been no reports of mass killings, no wholesale destruction of villages or the mass forced resettlement of civilians.

However, there are indications that the pattern of Maoist violence is evolving away from mass (and often uncoordinated) raids on security headquarters at the district and village levels to more targeted attacks in urban areas against police, security and military personnel. Because of the high number of casualties on their side until recently, the Maoists have also chosen to deploy smaller groups, which engage in hit-and-run operations. These have proved to be particularly effective in Kathmandu, where the Maoists have been able to stage a series of devastating bomb attacks since September 2003. This change of strategy has meant that more armed personnel have had to be deployed in urban centres, especially in the Kathmandu Valley, where according to one estimate up to 50 per cent of the country's security forces are presently concentrated.²⁷ It has also meant that the already overstretched security forces are spread thin in rural areas, which remain the focus of Maoist activity.

Since late 2003 there has also been a noticeable increase in Maoist activities in other areas where the effects of the conflict have been limited until recently. They include the Terai region bordering India and parts of eastern Nepal, which have witnessed a significant increase in Maoist recruitment, especially among the *madhesis* of Indian descent, many of whom are politically disenfranchised and suffer discrimination. Increased Maoist activity in these areas has also meant opening up new sources of extortion in areas that are relatively better off than the desperately poor western and mid-western districts that had hitherto served as the main bases of financial support.

Maoist methods have become increasingly brutal and extra-legal; most importantly, they appear to target precisely those sections of the civilian population they claim to protect. The most recent such case, highlighted by Amnesty International in July 2004, involved eight members of the Dalit community in Thalsa in Accham district, who had their legs crushed in June by Maoists wielding hammer.²⁸ Teachers and local government officials have also become the target of systematic attacks, abductions and killings. The Maoists have long regarded teachers as legitimate targets for their role in promoting a government-approved curriculum. The killing of local officials, justified by Maoists as the necessary elimination of "collaborators", has had a damaging effect on democratic consolidation, especially at the village level where it is most needed. There has also been a marked increase in the kidnapping and forcible recruitment of young people to serve as combatants, owing to military pressure on the Maoists whose ranks have been steadily depleted. Intimidation has been a common practice among the Maoists. The commonest form has been extortion (of money, food or livestock) and robberies, to finance their activities. More recently however Maoists have also resorted to systematic intimidation to force people to take part in general strikes (or *bandhs*) in an effort to demonstrate their political strength.

²⁷ International Crisis Group, *Nepal: Back to the Gun*, Kathmandu; Brussels, 22 October 2003, p. 7, http://www.icg.org/library/documents/asia/nepal_back_to_the_gun.pdf [accessed August 2004]

²⁸ Amnesty International, Open Letter Regarding Attacks on Civilians by Communist Party of Nepal (Maoist), London, 1 July 2004, <http://web.amnesty.org/library/Index/ENGASA311392004?open&of=ENG-NPL> [accessed August 2004]

3.2 The Impact on Population Displacement

The Maoist insurgency has generated devastating levels of internal population displacement. In the last two years conflict-related displacement has risen significantly. The worst affected areas continue to be the western and mid-western hill districts, though other areas have also been affected. Reliable IDP figures are difficult to establish and estimates tend to vary widely. The Kathmandu-based Community Study and Welfare Centre (CSWS) estimates, on the basis of displacement figures in five districts including the rebel heartlands of Rolpa and Rukum, Saylyan, Dang and Accham, that the total number of IDPs in Nepal as of January 2004 stood at between 350,000 and 400,000 out of a total national population of approximately 26 million. The percentage of displacement in these districts as of January 2004 stood at 25.70 per cent, 27.60 per cent, 9.84 per cent, 2.60 per cent and 9.80 per cent, respectively.²⁹

Meanwhile the latest IDP global report by the Norwegian Refugee Council (NRC) points to more “realistic estimates” of between 100,000 and 200,000 people in Nepal, who had been displaced by the end of 2003.³⁰ These figures closely match estimates by UNDP, which set the number of IDPs in 2003 at between 100,000 and 150,000.³¹ The Nepali human rights organization INSEC indicates in its latest report that the total number of people internally displaced in 2003 stood at 31,635, not including people who migrated abroad.³² These figures are likely to be a considerable underestimate, as they do not (as they had previously) cover the entire country or fully account for displacements in the eastern and central regions.

Children have also been the victims of conflict-related displacement. Many have been forced to flee to urban or semi-urban centres where they live in unhygienic and often hostile environments. According to the Nepali NGO Child Workers in Nepal Concerned Centre (CWIN) the number of children displaced by the end of 2003 stood at between 4,000 and 8,000.³³ The UN Children’s Fund (UNICEF) estimates that at least 30,000 children have been separated from their families and pressed into forced labour since the onset of the insurgency.³⁴

²⁹ Dhakal, D.R., *Plight of Internally Displaced Persons in Nepal*, Kathmandu: Community Study and Welfare Centre (CSWC), 1 February 2004, p. 8, [http://www.db.idpproject.org/Sites/idpSurvey.nsf/0DFA5D0E9A30CECF1256E38003C7EEEE/\\$file/CSWC_Feb04_IDP_paper.pdf](http://www.db.idpproject.org/Sites/idpSurvey.nsf/0DFA5D0E9A30CECF1256E38003C7EEEE/$file/CSWC_Feb04_IDP_paper.pdf) [accessed August 2004]

³⁰ Global IDP Project, *Internal Displacement: A Global Overview of Trends and Developments*, Geneva, February 2004, p. 26, http://www.idpproject.org/press/2004/Global_overview.pdf [accessed August 2004]

³¹ Irwin, D., van Duijn, L., Seaman, A. (eds), *Nepal IDP Research Initiative Findings*, Geneva: Global IDP Project, March 2003, [http://www.db.idpproject.org/Sites/idpSurvey.nsf/wViewSingleEnv/B3F62983E88516E7C1256CFB0042F573/\\$file/Final+IDP+Report.pdf](http://www.db.idpproject.org/Sites/idpSurvey.nsf/wViewSingleEnv/B3F62983E88516E7C1256CFB0042F573/$file/Final+IDP+Report.pdf) [accessed August 2004]

³² Informal Sector Service Centre (INSEC), *Human Rights Yearbook 2004*, Kathmandu, 2004, Chapter 5: Armed Conflict and Internal Displacement. Text available at [http://www.db.idpproject.org/Sites/idpSurvey.nsf/069EFCBE3E2F5C03C1256EBD0049CBD3/\\$file/Armed+Conflict+and+Internal+Displacement.pdf](http://www.db.idpproject.org/Sites/idpSurvey.nsf/069EFCBE3E2F5C03C1256EBD0049CBD3/$file/Armed+Conflict+and+Internal+Displacement.pdf) [accessed 7 July 2004]

³³ Child Workers in Nepal Concerned Centre, *Children in Armed Conflict*, Kathmandu, June 2004, http://www.cwin-nepal.org/press_room/factsheet/fact_cic.htm [accessed August 2004]

³⁴ Agence France Presse, *Suffering of Nepal’s Children Unnoticed on International Stage*: UNICEF, Geneva, 17 October 2003

Internal displacement in Nepal has shown some special characteristics: it is mainly rural-based, unobtrusively organized rather than involving mass exits, affecting adolescents, and with an almost equal impact across caste and ethnic groups.³⁵ In the early years of the conflict much of the internal displacement was triggered by the action of security forces, who often falsely accused people of being Maoists and tortured and raped scores of people as punishment. Some of the worst atrocities occurred in the districts of Ropla, Rukum, Jajarkot, Sindhuli and Gorkha. Maoists have also been responsible for internal displacements in these districts. Those targeted included members of the security forces and their families, local officials, political workers, rich and middle-class farmers and even Maoist cadres accused of surrendering to government soldiers. The Maoists have also forced internal displacement by threatening people with extortion and compelling them to join Maoist militias.

Another cause of internal displacement in the wake of the insurgency has been the decline of employment opportunities in rural areas, where the escalation in violence and insecurity has led to the closure of scores of businesses and forced the migration of the economically active sections of the population. In the mid-western and far western regions, food scarcity has also prompted many people to leave their homes in the region, while those who cannot, such as the elderly, women and children, are often left to face imminent starvation. This has affected agricultural production: according to INSEC, the sale of seeds has declined sharply in the districts of Pyuthan, Rolpa and Rukum in the past eight years.³⁶ The raiding of food depots by Maoists, which has led some NGOs and international aid agencies like the World Food Programme (WFP) to shut down granaries in some western regions on grounds of security, has also contributed to acute food shortages. The forced closure of schools and the by now routine abduction of school children by Maoist forces has also caused many people to flee these districts. According to the US-based organization, Refugees International, Maoist attacks on district schools have led to the closure of up to 700 schools and the displacement of 3,000 teachers.³⁷

The Norwegian Refugee Council has expressed concern that, although thousands of people have been fleeing their villages across rural areas, especially in western Nepal, the government does not formally recognize a displacement crisis and has not developed any IDP-specific strategy or sought any international assistance. This has aggravated the IDP problem. Similarly many aid agencies, while implementing development projects, are not addressing the emergency needs of IDPs.³⁸ Although there is some limited assistance provided to displaced victims of Maoist violence through the Kathmandu-based Maoist Victim Association, there is no similar organization treating people displaced as result of the action of security forces.

3.3 The Erosion of Human Rights

The human rights situation has deteriorated sharply since the onset of the Maoist insurgency in 1996. More worrying still is recent the claim by Amnesty International that, since the breakdown of peace-talks in August 2003, there has been an “exponential” increase in human rights violations by both sides to the conflict. They have included arbitrary arrests,

³⁵ Dhakal, p. 5

³⁶ Informal Sector Service Centre (INSEC), p. 119

³⁷ Refugees International, *Forgotten People: The Internally Displaced People of Nepal*, Washington DC, 19 March 2004, <http://www.refugeesinternational.org/content/article/detail/950/> [accessed August 2004]

³⁸ Global IDP Project, *Internal Displacement...*, p. 24

disappearances, torture, extra-judicial executions and rape.³⁹ Although the government stated in November 2001 that restrictions would only target known and confirmed Maoists, there have been widespread allegations since then that security forces acted with impunity against anyone suspected of Maoist sympathies, often arresting and detaining such individuals without charge, especially during the wave of street demonstrations and *bandhs* (strikes), which engulfed the country until the appointment of the new government in June.

With the lifting of the state of emergency in August 2002, Maoist suspects have been routinely detained under the 2002 Terrorist and Destructive Activities Act, which allowed suspects to be detained without charge for up to 60 days and to be held in preventive detention for up to 90 days. The Act also provided for immunity for members of the security forces or others who undertook “bona fide” actions to control terrorism. One of the worst cases of human rights abuses by the security forces occurred in the village of Doramba in Ramechhap district on 17 August 2003, just a few days before the formal suspension of peace talks, in which 20 people were shot at close range and summarily executed. An investigation by the National Human Rights Commission into the massacre at Ramechhap concluded that serious abuses of international human rights and humanitarian law had occurred. In December 2003 the government established a Human Rights Promotion Centre to ensure that fundamental rights were adhered to but there were concerns that the centre might jeopardize the independence of the NHRC.

In February 2004 a US State Department report concluded that Nepal’s human rights record during 2003 remained “poor” and that the security forces, including the RNA, continued to resort to “arbitrary and unlawful lethal force and abuse of detainees, sometimes using torture as punishment to extract confessions”. Of particular concern was the disappearance of persons in custody.⁴⁰ The dubious circumstances of many of the deaths have caused grave misgivings among human rights groups. In early 2004 the government responded to mounting international pressure by jailing 15 soldiers of the RNA for seven months after they were found guilty of human rights violations; another six were dismissed for “excesses” committed during operations against Maoist rebels. Amnesty International has kept up the pressure, and at the UN Commission on Human Rights in April 2004 again accused the government specifically of arbitrary arrests, extra-judicial executions and torture, but also charged the Maoists with indiscriminate killings, abductions and child recruitment.⁴¹ Human rights groups have also specifically urged the government to sign a Memorandum of Understanding with the office of the United Nations Commissioner of Human Rights (UNCHR). One problem facing human rights activists is that such pressure is unlikely to yield results so long as Western governments, especially the UK and the US, portray the Nepalese situation as part of a broader “war against terrorism” requiring some suspension of civil and political rights.

Both the US State Department and Amnesty International have also drawn attention to restrictions on public celebrations by the Tibetan community and the violations of the rights

³⁹ Amnesty International, *Annual Report 2004: Nepal*, London, 2004, <http://web.amnesty.org/report2004/npl-summary-eng> [accessed August 2004]

⁴⁰ United States, Department of State, *Country Reports on Human Rights Practices 2003: Nepal*, Washington DC, February 2004

⁴¹ Amnesty International, Commission on Human Rights ... Oral Statement by Amnesty International, 6 April 2004, <http://web.amnesty.org/library/Index/ENGIOR410132004?open&of=ENG-NPL> [accessed August 2004]

of Tibetan asylum seekers. Of particular concern was the forced expulsion to China of 18 Tibetan refugees, including eight children, in May 2003.⁴²

4 Review of Early Warning Indicators

4.1 Current Socio-Economic Conditions

The Maoist insurgency has taken a heavy toll on Nepal's already fragile economy and any further deterioration is likely to exacerbate existing social and political tensions. Although some progress has been made over the last few decades to increase output and employment, develop the infrastructure, and promote industry and international trade, Nepal still remains one of the poorest countries in the world, with almost 40 per cent of the population living in absolute poverty. Economic growth has virtually stagnated, and by the government's own account (as unveiled in its first budget in July 2004), was a mere three per cent in the last fiscal year.

UNDP's Human Development Report 2004, which appeared almost simultaneously, also painted a bleak picture of Nepal's social and economic development, ranking it 140th out of 177 countries on the scale of human development indicators.⁴³ The report also shows that there has been little change in other indicators: life expectancy stands at 59 years while adult literacy has fallen sharply from roughly 57 per cent to 44 per cent. Regional variations are considerable, with many of the poorer western regions faring far worse in terms of these indicators. For example, it is estimated that in some mid-western regions like the Maoist stronghold of Rolpa, the per capita income is less than half the national average of just under US\$ 250. The trend is similar with regard to life expectancy, which in many parts of the country is half that of Kathmandu. These regional discrepancies have lent credence to the idea of "two Nepals", leading some observers to conclude that, "it is no coincidence that the Maoist insurgency sprang from those regions that have always been treated as the lesser of the two nations within the nation".⁴⁴

The new government's first budget unveiled in July 2004 seeks to address some of these issues by placing a high priority on poverty alleviation, which is now widely recognized as an integral part of any campaign to curb the spread of Maoist influence. However, spending on security has also risen by nine per cent, indicating that, with Nepal's already meagre resources, it is still in danger of favouring defence over development expenditure, thereby continuing to fuel the insurgency. Investment in local development projects could also be affected, lending further ammunition to the Maoist case.

If the new government is unable to restore peace by reopening dialogue with the rebels there is a strong chance that Nepal's main source of revenue – its tourist industry – will decline even further, hastening the country's downward economic spiral. The Maoist insurgency has already almost crippled tourism, and now threatens physically to move into key tourist resorts like Pokhara (which recently witnessed the killing of its mayor by Maoist rebels). With no end in sight to the violence, and with the grim reminder of Maoist attacks against foreign

⁴² Amnesty International, *Annual Report...*

⁴³ United Nations Development Programme, *Human Development Report 2004: Cultural Liberty in Today's Diverse World*, New York, 2004, http://www.undp.org.np/publications/hdr2004/hdr04_HDI.pdf [accessed August 2004]

⁴⁴ International Crisis Group, *Nepal Backgrounder...*, p. 9

multi-national companies, including Coca-Cola, in 2001 and 2002, foreign investment is also likely to fight shy in the short to medium term. For a country as heavily dependent on foreign aid as Nepal, the consequences could be devastating.

4.2 Law and Order Capacity

The state's capacity to curb the insurgency and restore law and order, especially in more remote western districts, where the Maoists seem to have gained a foothold, will remain extremely tenuous so long as a political solution appears out of reach. Since the breakdown of the last round of peace talks and the collapse of the ceasefire in August 2003, violence has escalated sharply with little or no indication that the government has the means substantially to contain it. In many parts of rural Nepal government control is seen at best to be nominal, confined for the most part to district headquarters. Kathmandu, which until recently had escaped the worst of the violence, has also become vulnerable with almost daily bombings and armed attacks against police officers, military personnel and state officials.

Meanwhile recent measures by the government, announced in November 2003, to protect the rural population against attacks by the Maoists by arming civilian militias have been condemned by most human rights groups as ill-advised, particularly in the context of the current highly volatile political climate.⁴⁵ The measures involve arming untrained and undisciplined village militias, or Rural Volunteer Security Groups, to resist Maoist attacks. Though the government has denied that it has already started distributing weapons to local village groups, it has not withdrawn the plans. Its critics fear that the creation of untrained militias to take on the Maoists would have damaging consequences, the most important of which would be to force villagers to take sides in the conflict and possibly encourage the further violation of human rights, by adding to the number of extra-judicial killings, abductions and illegal imprisonments, which are already rife in many parts of the country. The measures appear to confirm a growing sense of desperation among officials, who may be concerned to emphasize the state's coercive power at a time when it seems to observers to have lost the political initiative. Most analysts agree however that neither side is likely to win the military campaign.

Even after the deployment of the RNA in 2001 the state's capacity to enforce law and order continues to be the subject of intense debate. Opinion is divided as to whether or not the involvement of the RNA might have aggravated the conflict and whether its lack of experience in the field of counter-insurgency has actually limited the scope of its response, especially in rural areas. There is also concern as to whether or not the RNA's close political links with the monarchy (the King is formally the supreme commander of the armed forces) may have undermined its professionalism. The RNA has been implicated in a number of cases involving the gross violation of human rights, notably the mass killings in Ramechhap district in 2003, and it (along with the security forces as a whole) has also been held responsible for the majority of fatal casualties since the breakdown of the peace process in 2003.

Substantial foreign military assistance, especially from the United States, Britain and Belgium, is known to have been a crucial factor in upgrading the RNA's firepower and base defences. Many inside the RNA believe that improved firepower and training may now make it possible to impose a military solution on the Maoists. However, this hypothesis is difficult

⁴⁵ International Crisis Group, *Nepal: Dangerous Plans for Village Militias*, Kathmandu; Brussels, 17 February 2004, <http://www.crisisweb.org/home/index.cfm?id=2520&l=1> [accessed August 2004]

to test as it depends upon substantiating battlefield claims, which are invariably contested by both parties to the conflict. One example of this was a fierce battle in the Maoist heartland of Rolpa in September 2003, where the RNA said it had killed 45 Maoists and lost six of their own men; the Maoists claimed they had lost seven men but killed 20 RNA and police.⁴⁶ The RNA's most visible attempts to enforce law and order have been concentrated mainly in and around Kathmandu, but even here security is not watertight though it remains to be seen whether the Maoists can mount a devastating attack against the capital.

4.3 Shifts in Political Discourse

Prior to the breakdown of the last round of peace talks in August 2003 there were signs that all parties to the conflict – the King, the mainstream political parties and the Maoists – had begun, however subtly, to shift the tenor of their political discourse. This raises the question of whether the warring parties are as far apart politically as the subsequent escalation of violence would suggest or whether there is some room for accommodation.

Indications of a shift in the Maoist discourse emerged in a position paper submitted to the government in April 2003, in which the Maoists called (as they did in 2001) for a roundtable conference to appoint an interim government, which would organize elections to a constituent assembly. They also pressed for a secular country and proposed restructuring the RNA to allow the absorption of Maoist forces. However, some observers at the International Crisis Group (ICG) were quick to point out that the actual details regarding the precise mechanism by which a constituent assembly was to be elected were notably absent from the position paper, suggesting that the Maoists, who last participated in elections in 1991, were possibly very cautious about the real extent of their popular support. Insistence on a new constituent assembly could therefore have been (and possibly continues to be) more of a bargaining ploy on the part of the Maoists in order to avoid an open-ended process that would be susceptible to manipulation by others rather than a carefully worked out plan for which there are few guidelines in traditional Maoist ideology.

For its part, the government (dominated at the time by the King's handpicked ministers), while glossing over its part in contributing to the current climate of political stability, also signalled a move by accepting the merit of broad social and political changes advocated by the Maoists. The government's position paper reiterated the commitment to a multi-party system and a constitutional monarchy, and agreed to the formation of a neutral government, including the Maoists, ahead of elections. It also agreed to restructure the upper house to allow greater representation of groups suffering discrimination, and to reserve for them positions in health, education and employment. While the government's position paper made no mention of a constituent assembly, it did acknowledge the demand for constitutional amendment. Significantly, though, there was no mention of the restructuring of the RNA or any reduction in the power of the monarchy.

Ultimately it would appear that what is fundamentally at issue is control of the government rather than any broad commitment as such to a new constitutional dispensation. The resolution of urgent social and economic issues could also be peripheral to Maoist concerns. Some observers have even suggested that the Maoists "are not fighting for minority rights, they are fighting for power".⁴⁷ If so, Deuba's new government may still have a chance to

⁴⁶ Clashes Claim 19 Lives in 24 Hours, *The Himalayan Times* [Kathmandu], 19 September 2003

⁴⁷ International Crisis Group, *Nepal: Back to the Gun*, p. 12

frame a more inclusive political arrangement that would be acceptable to the Maoists and all major political parties. The Maoists have already declared that they would be ready to compromise with their goal of a one-party communist republic and accept a multi-party democracy. They have also signalled that they would be prepared to accept a monarchy provided that the King's role was firmly relegated to a ceremonial position.

4.4 Ethnic and Religious Tension

Any sharp escalation of violence resulting from the Maoist insurgency could seriously undermine the delicate balance of Nepal's complex ethnic and religious make-up. Indeed, some observers have already warned that the proposed arming of untrained village militias, announced by the government in November 2003, could unleash ethnic conflict.

The potential for such conflict is great when considered against the simmering and as yet unresolved issues raised by ethnicity, caste, religion, language, and minority rights. These issues have become all the more acute since many Nepalese still feel that power and privilege remain the prerogative of the high-born and the wealthy, and that only a handful enjoy the fruits of education and employment. The failure to redress these problems is bound to feed the already overwhelming sense of deprivation and alienation, which has sustained the Maoist insurgency.

The assertion of religious and cultural identities, which could in future find expression, owes much to the policies of the Rana period and those implemented during the non-party *panchayat* system of the 1950s.⁴⁸ They tended to foster national integration by suppressing regional, ethnic, linguistic and religious identities. However, many of these divisions have remained intact and threaten to resurface. One important regional fault line could be the division between Nepal's *pahad* (hill country) and the plains of the Terai. The Ranas had encouraged the settlement of the plains by the hill peoples in an effort to "Nepalize" an area hitherto settled by, for the most part, economically deprived Indians. In the 1950s the latter expressed their resentment by staging demonstrations in favour of the adoption of Hindi as an official language on a par with Nepali. Their demands met with little success, leaving many with feelings of resentment against the Nepali-speaking political and economic elite. It is primarily among these groups in the Terai region that the Maoists are now seeking to increase their support. Caste divisions are also pronounced and potentially explosive. The high-caste *Bahun*-Chettri and Newar groups enjoy a disproportionate access to resources; though they together made up just under 40 per cent of the population in 1999, they were said to hold more than 80 per cent of the leadership positions in politics and public administration.⁴⁹

Another potential area of tension that could assume a violent form if exploited more systematically by the Maoists, is the religious division between Hindus and non-Hindus. The Maoists have already signalled their intention to press for a secular state to replace the current status of Nepal as a Hindu kingdom. The fear of religious discrimination is not only of concern to Nepal's non-Hindu minorities; it also affects lower-caste Hindus (the Dalits), who have been the victims of some of the worst forms of discrimination under the present dispensation. Maoist appeals to this group, however, are constrained for the moment by the fact that most of the Maoist leadership is itself drawn from the upper castes.

⁴⁸ Brown, pp. 78-79

⁴⁹ International Crisis Group, *Nepal: Obstacles to Peace*, Kathmandu; Brussels, 17 June 2003, p. 17, http://www.icg.org/library/documents/report_archive/A401009_17062003.pdf [accessed August 2004]

4.5 The Risk of Forced Migration

The emerging pattern of internal displacement and forced migration is complex. Most IDPs have tended first to flee towards district centres and then on to larger cities; Kathmandu remains a key magnet. According to INSEC, the IDP crisis has swelled Nepal's urban population, which is estimated to have risen by up to seven per cent since 1996.⁵⁰ Many IDPs have also moved to the Terai region bordering India from where there has been a significant increase in migration towards India since the imposition of the state of emergency in November 2001.

A UNDP-led survey conducted in 2003 identified three main destinations for IDPs: the Terai region bordering India where some IDPs have moved into unoccupied or *sukumbhasi* land, smaller commercial centres (*bazaars*) in the border regions, and India itself.⁵¹ IDPs from the mid-western districts are concentrated in the Banke, Bardiya and Dang regions of the Terai; with some IDP concentrations west of Nepalgunj. The commercial centres of these districts have also drawn IDPs, who include the families of security forces and some ex-Maoists.⁵²

The most significant changes have been witnessed in migration to India, which has risen dramatically since 2003. In November and December 2003 (the normal period of peak migration), 1,200 people were said to be crossing the border at Nepalgunj daily, with a marked increase in the number of women and children crossing. In previous years the number has been between 200 and 300. The report confirmed that the vast majority of those migrating were first-time migrants, who included both well-off Nepalese fearful of their physical safety and men driven from their homes in rural areas, where they feared being forcibly recruited into Maoist militias. The most vulnerable among this group were poor families, who have been forced to migrate with women and children but have no sure prospect of gaining employment in India; many of them include those who found no land to settle on in Nepal.

There is as yet no clear indication of where these people are in India or how they have managed to survive. It is feared by some aid agencies, though, that many end up in the slum areas of cities in northern India with no resources to return to Nepal.

4.6 The Indian Dimension

The role of India is likely to be a decisive factor in any viable peace settlement between the King, the political parties and the Maoists. Historically, India has been a significant player in the political history of Nepal. Geopolitical reality, as well as a range of economic and socio-cultural affinities, ensured that India remains a prominent force in Nepal's internal politics. In the 1990s India's influence grew further. The protracted trade dispute between the two countries in 1989-1990 accentuated economic hardship in Nepal and created a fertile ground for the pro-democracy movement that erupted in 1990. Since then an economically powerful India has made Nepal even more dependent on bilateral trade, while many parts of the Nepalese economy remain closely tied to remittances from Nepalese living in India. The

⁵⁰ Informal Sector Service Centre (INSEC), p. 119

⁵¹ Irwin, D., van Duijn, L., Seaman, A. (eds), p. 9

⁵² See e.g. Kushwaha, A., *Research Report on Internally Displaced People of Western Region Nepal*, Nepalgunj: International Nepal Fellowship (INF), 2004, [http://www.db.idpproject.org/Sites/idpSurvey.nsf/CDA34096C5372740C1256EBA00417CCF/\\$file/Wester+region+DPI+research+report.pdf](http://www.db.idpproject.org/Sites/idpSurvey.nsf/CDA34096C5372740C1256EBA00417CCF/$file/Wester+region+DPI+research+report.pdf) [accessed August 2004]

Indo-Nepalese border is one of the most open in the world; if India were to restrict the free movement of goods and people, Nepal would be at a severe disadvantage.

With an almost simultaneous change of regime in both countries, there are grounds for some optimism that the traditional relations between the two countries will serve to bring stability to the region. It is clear that the new Congress government in India, led by Manmohan Singh, intends to give priority to securing a more stable environment along its northern border. India's Congress party has had traditionally close links with the NCP, and the tenor of the latest negotiations between Nepalese government officials and the Indian Foreign Minister, Natwar Singh, suggests that the need to find a political solution to the crisis is likely to dominate all future talks.⁵³ The previous Indian government, headed by Atal Bihari Vajpayee, of the Bharatiya Janata Party (BJP – Indian People's Party), had shown little inclination to get involved politically. It chose instead to support military action by providing extensive counter-insurgency training facilities and military hardware for the RNA and co-operating with the Nepalese government in taking action along the border against Maoist infiltration. The moves were also aimed to smother links between Nepalese Maoists and extreme-left Indian groups, notably the People's War Group and the Maoist Communist Centre, as well as insurgent separatist groups operating in the north-eastern states of Assam, Bihar and Tripura. Most rebel infiltration takes place along the porous border in the Terai region bordering the Indian state of Uttar Pradesh, the Siliguri corridor and Purnea in Bihar.

By contrast, the new Indian government appears to be keen to signal to the international community that it is prepared to intervene politically with a view to ensuring security along the Himalayan border of Nepal, which it tends to regard as a natural extension of its security against China. Much of this intervention has involved delicately balancing the current Indian government's policy of supporting the monarch on the one hand and the multiparty system on the other; it has also involved the careful management of appearing to back Deuba's faction of the NCP while not forsaking Koirala, who has accused Deuba of compromising the principles of the NCP. This fragile house of cards could soon crumble if King Gyanendra fails to keep his promise to Natwar Singh to allow political parties to fulfil their political role.

India also has another stake in securing a durable peace settlement with the rebels. This centres on protecting the interests of the substantial Indian community in Nepal, including the *madhesis* of the Terai region, which the Indian government is reportedly determined to transform into a safety belt for India. These plans were badly shaken in December 2003 when Maoist rebels took the unprecedented step of threatening two Indian business ventures operating in the Terai with a "special tax". In April 2004 rebels torched 18 Indian oil tankers in Dhangadi along the Indo-Nepalese border. The most recent target has been the Modern Indian School in Kathmandu, which was attacked in June by armed rebels who exploded two bombs and destroyed 45 school computers. Indian diplomats are also reported to have received death threats and demands for money.⁵⁴ Although the Maoists have long condemned India as an "expansionist" power, the latest attacks are said to be related to the recent arrest in India of some senior Maoists. Any further hardening of India's stance against the Maoists is likely to trigger more such attacks.

⁵³ Natwar to Nepal: To Fight Maoists, Reform, *The Indian Express* [New Delhi], 5 June 2004

⁵⁴ Nepal Hill Troubles Echo for India, *The Indian Express* [New Delhi], 14 June 2004

4.7 The China Factor

China's policy towards the Maoist insurgency has been one of stubborn disavowal, if not disdain for a movement the current Chinese regime clearly regards as thoroughly anachronistic. China has denied that Nepal's Maoist movement is in any way comparable to its own Maoist revolution, and has taken every care to distance itself from the current Maoist rhetoric in Nepal, describing it as the language of a "terrorist" outfit. Nor have there been reports of any Chinese assistance to the Maoists. Because of this it is unlikely that China will emerge as a serious mediator, which might enjoy the trust of all parties to the conflict. It is also certain that India would resist any attempt to involve China in Nepalese affairs. Indeed, India has always jealously guarded what it regards as its "special relationship" with Nepal. This was most dramatically underlined in 1988 when Nepal negotiated a deal for the purchase of Chinese weapons. The move, widely construed by observers at the time as an open challenge to India's primacy in Nepal, prompted India to accuse Nepal of breaching their bilateral 1950 Treaty of Peace and Friendship. Any repeated attempt therefore by Nepal to seek to delink security matters with India from a quest for mediation by China is likely to threaten its relations with India.

So far the Chinese role has been limited to measures against Maoist infiltration along the border with Nepal. In November 2003 it was announced that China had extended its co-operation with the Nepalese government and arrested four armed Maoist rebels in Tibet along the border with Nepal. It was the first time such an arrest had been formally confirmed.

There has been some speculation that China's help in curbing Maoist activities is prompted mainly by its concern to win Nepal's co-operation in checking the movement of Tibetan refugees. Nepal and China tightened the movements along their border in 1986 but have not consistently enforced the restrictions. Since 2000 Nepal has disallowed the UNHCR access to the Nepal-China border to monitor the treatment of Tibetan refugees, though in 2001 it authorized the UNHCR to travel to some border districts but not the border itself. In early 2004 Nepal handed back 21 Tibetan refugees to China, who were trying to enter Nepal at the border towns of Tatopani and Barabis. Earlier, in May 2003, Nepal had forcibly deported 18 Tibetans on their way to Dharmasala in India back to China. Nepal's action at the time provoked strong criticism from the European Union and international refugee organizations though the government insisted that it was "an aberration" that did not reflect official policy. There are an estimated 20, 000 Tibetan refugees with resident status in Nepal.⁵⁵

4.8 The Role of International Donors

Nepal's heavy dependence on foreign aid for its economic development has forced the country to be sensitive to the concerns of the donor community. This meant that donor countries, most notably the United States, Britain, Belgium, Switzerland and the Scandinavian countries have considerable leverage over Nepal's economic policies. Since the 1990s donor countries have also exercised some political influence. They have played a prominent role in the transition to democracy and provided technical and economic assistance to schemes designed to consolidate the democratic process, including support for women's empowerment and informal education projects. More importantly, since the mid-1990's they have expressed themselves on politically sensitive issues, including the role of the monarchy and political parties, Nepal's relations with India, and the Maoist insurgency.

⁵⁵ See e.g. Chowdhury, A.Q., Communist Movement and Democracy in Nepal, *The Independent* [Dhaka], 16 March 2001

However, the international donor community is also deeply divided in its approach to the Maoist question, which may explain why the peace process has been largely a homegrown affair. In many respects, the United States is almost unique in regarding the current conflict as primarily an extension of its global “war against terrorism” and has furnished up to US\$ 17 million in anti-terrorism military assistance since 2001. The Bush administration is clearly concerned that Nepal could, like Afghanistan, develop into a “failed” state that would act as a safe haven for international terrorist groups. At the same time, this single-minded focus on combating terrorism has meant that the Bush administration has tended, more often than not, to turn a blind eye to human rights abuses committed by the Nepalese security forces. In the short term therefore, and as long the Bush administration insists upon referring to the Maoists as “terrorists”, there is little possibility of a diplomatic engagement between the two sides such as to hasten the momentum for peace.

Human rights concerns and pressure to resume the peace process have been much greater within the European Union. One important factor that has kept open channels of communication between the government, European donor countries and the Maoists, was that until recently many European aid agencies (in contrast to those from the United States) were still prepared to work on development programmes in areas under Maoist control. This inevitably meant having to engage with Maoist rebels, resulting in greater mutual understanding. These arrangements came under pressure in May 2004 after three major European aid organizations (the British Department for International Development, the Dutch NGO SNV-Netherlands Development Organization and the German aid agency GTZ-Technical Development Society) announced that they were indefinitely suspending their programmes in the north-western districts of Humla, Mugu and Jumla, where their staff had been threatened with violence and extortion by Maoist rebels in the area.⁵⁶ However, as the last aid donors’ meeting in Kathmandu in May 2004 clearly demonstrated, European governments can still act in concert to force changes in the direction of a peaceful and political solution to Nepal’s current crisis.⁵⁷ Former Prime Minister Thapa’s resignation, which coincided with the meeting, is now widely believed to have been a condition of further aid, with many aid donors (especially the Scandinavian countries) expressing anger at the government’s failure to improve the country’s human rights record or kick-start the peace process.⁵⁸

5 Conclusion

There is at present little or no possibility of the Maoist insurgency prevailing, either politically or militarily. While it is true that the democratic framework had been seriously damaged over the last 24 months, there appears to be very little support in favour of jettisoning the gains of the pro-democracy movement of the early 1990s and opting for a Maoist republic. Militarily also it is clear that the Maoists have incurred heavy losses since the onset of the insurgency in 1996 despite the fact that they were virtually unchallenged until late 2001. The recent change in Maoist military strategy away from mass attacks to reliance on smaller groups or cells to stage hit-and-run operations appears to testify to the view that

⁵⁶ Suspension of Support: Temporary Action, *Spotlight Weekly* [Kathmandu], 21-27 May 2004, <http://www.nepalnews.com.np/contents/englishweekly/spotlight/2004/may/may21/national5.htm> [accessed August 2004]

⁵⁷ Donors Fail to Agree Nepal Aid, *BBC World News*, 6 May 2004

⁵⁸ Ramesh, R., Protests Force Nepal PM to Quit, *Guardian* [London], 8 May 2004

the Maoist leadership may be aware of the limits of its military campaign. However, neither the political nor the military constraints of the campaign can be expected, in the short to medium term, to dissuade the Maoists from conducting ever more daring raids against security forces or seeking violently to intimidate the civilian population.

People living in the rural areas of Nepal's western and mid-western districts are likely to be most at risk. Here the rate of civilians killed in cross-fire as well as the number of those subjected to abductions, extortion and forced recruitment into Maoist ranks could rise. Other areas also risk being affected by conflict-related violence. The Terai region is known to have come under pressure. Here Maoists have intensified their campaign by appealing to the sense of social and political deprivation among the region's *madhesi* population, who include recent immigrants of Indian descent. The region is also vulnerable for being the hub of Indian business interests, which have recently come under attack from the Maoists.

The scale and manner of the RNA's response will also determine how the conflict evolves. Since its formal deployment in 2001, the RNA has come under increased criticism by national and international human rights groups, which have expressed concern about the rate of extra-judicial killings, torture and arbitrary arrests ordered by members of the security forces. Political control over the RNA remains controversial, as the King is still formally the supreme commander of the armed forces. There is also concern that the RNA's lack of battle experience and its close political links to the monarchy have made it determined to establish its military supremacy at all costs. If so, sooner or later, large-scale tragedies of the kind witnessed in Ramechhap district in August 2003 could become more common.

The role of the King and the country's political parties will be no less crucial in ensuring political stability. Much will depend on whether or not the King remains committed to his constitutional role as a neutral arbiter rather than an actor on the political scene. Nevertheless the King's temptation to assert himself can only be checked by the political parties. Their weakness, which stems very largely from their endemic factionalism, has been one of the main causes of the King's success in manipulating the political system. So far there is little real pressure internally on the political parties to forego the agendas of their individual leaders and focus on the larger national interest. However, external actors, notably India and some donor countries less mired by the rhetoric of the "war against terrorism", could be expected to adopt a more pro-active stance and play a positive role where the political parties have signally failed to do so.

The contribution of humanitarian aid agencies in the current circumstances has proved to be extremely difficult and is likely to remain so in the absence of a more durable peace. The deteriorating security situation in many rural areas is forcing many aid agencies to withdraw their personnel, many of whom have been the target of attacks and extortion by Maoist rebels. The pressure on aid agencies operating in rural areas of the west and far north-west is likely to increase even further if the government decides that more troops are needed to protect the urban areas, which now face the threat of Maoist violence. The government's plans to arm local village militias as a means of ensuring security at the local level is unlikely substantially to improve humanitarian access to populations at risk of physical attack and displacement. If anything they could increase the chances of unleashing untrained and indisciplined forces to make vulnerable sections of the population hostage to their demands. The best guarantee of humanitarian access to Nepal's vulnerable, and mainly rural, population remains therefore the restoration of power to elected local officials within the broad framework of a viable road map to peace.

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