

New prime minister installed in Nepal

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Nepal's new Prime Minister Sher Bahadur Deuba, appointed on June 2, announced last week that the king had finally returned full executive power to him. Less than two years ago, King Gyanendra sacked Deuba in October 2002 for "incompetence" amid a deep political crisis provoked by the ongoing civil war against Maoist insurgents—itself the product of the country's economic backwardness and poverty.

Gyanendra also dismissed parliament and installed a succession of his own appointees as prime minister, all of whom have confronted popular opposition. Deuba's immediate predecessor, Surya Bahadur Thapa, was forced to resign on May 7 in the face of continuous street protests led by a coalition of opposition parties known as the Five Party Alliance (FPA).

The FPA, which includes the Nepal Congress Party (NCP) and Communist Party of Nepal-Unified Marxist Leninist (CPN-UML), is demanding the restoration of parliament and national elections. Following Thapa's resignation, the king called on political parties to propose prime ministerial candidates. While the FPA did not submit a name, the opposition parties met with the king on June 2, after which Deuba's appointment was announced.

At this stage, no opposition party has joined the government. Deuba sits atop a cabinet of three—himself and two other members of his small Nepali Congress-Democratic Party, a breakaway from the NCP. The "mini-cabinet" was sworn in on June 10 with Deuba holding more than two dozen ministries, including finance, defence and royal affairs.

While calling for other parties to join his government, Deuba has issued thinly veiled threats against the continuation of mass anti-government protests. "There is the problem of law and order and my priority will be to maintain law and order," he said recently. He has reimposed a ban on political demonstrations.

Deuba has also called for a peace settlement with the

Maoist leadership to end the civil war. "Enough is enough, war is enough, nobody is going to win, the country is going to lose," he told Reuters after his appointment. In Nepali ruling circles, an end to the war is considered crucial to any prospect of attracting foreign investment and financial aid.

Himalaya Rana, a former central bank governor, told the *Financial Times* last week: "The influence of the Maoists cannot be underestimated. Their influence is growing day by day. Their *bandhs* [strikes] reduce [economic] activity by 20-30 percent. Many businesses are defaulting on loans." A strike by colleges and schools led by a Maoist student union closed hundreds of institutions for nearly two weeks before ending last week.

Deuba has tried and failed before to reach a peace settlement. He initiated talks with the Communist Party of Nepal-Maoist (CPN-M) shortly after coming to office in 2001. After negotiations broke down later that year, Deuba announced a state of emergency, imposed a series of anti-democratic measures and intensified the war against the Maoists. However, despite military assistance from India and the US, the Royal Nepal Army (RNA) has failed to defeat the rebels.

To have any credibility, Deuba's new administration desperately needs the support of opposition parties. NCP leader G.P. Koirala has expressed reservations about Deuba, declaring "he was the continuation of the previous government". Koirala indicated that the opposition alliance would continue to agitate for the reinstatement of parliament and an all-party government to prepare new elections. The CPN-UML first hinted that it might join the government but later drew back after opposition from its rank-and-file.

The NCP and CPN-UML leaders are looking for a way out of the current political impasse but are also nervous about the extent of popular hostility to the monarchy, including in their own ranks. As a result

they are wary about openly collaborating with the king's hand-picked appointee. Following Deuba's appointment, more than 15,000 people demonstrated in Katmandu, chanting slogans branding him as a stooge of the king.

The Maoist CPN-M denounced Deuba's appointment as an "old drama by the old regime, [which] will do nothing but intensify the civil war". The party accused the king of bowing to pressure from "American imperialism". The CPN-M has, however, declared its willingness to negotiate with the monarchy if the talks are held under the auspices of the UN.

India and the US have expressed their support for the installation of Deuba, who maintained close ties with both countries during his previous term of office.

Highlighting Indian concerns over the continuing crisis in Nepal, newly-appointed External Affairs Minister Natwar Singh made Katmandu his first overseas trip. According to the *Indian Express*, Singh "impressed upon Deuba and Gyanendra that New Delhi would continue its ongoing cooperation in the military, political and economic spheres".

New Delhi fears that the Nepalese rebellion has the potential to spill over the border, with possible collaboration between the CPN-M and various separatist and Maoist movements inside India. Several Maoist-dominated areas, including Kanchipur, Kailali and Bardia, are close to New Delhi. India's Ambassador to Nepal, Shyan Saran, commented recently: "The Maoist insurgency is a threat not only to the security of Nepal but also to the security of India."

Sections of the Indian ruling elite are pressing for more active Indian intervention to crush the Maoist rebels. Expressing these sentiments, the *Times of India* commented: "Increasingly Nepal seems to be spinning out of control. In many parts of the country the Maoist writ runs freely and in fact it is these insurgents who run local governance. Even Katmandu City is not safe from the Maoists, as many bomb blasts and other attacks have testified. Sooner rather than later someone will have to intervene in Nepal. The question is who and when?.... India can ill afford to let this state of dangerous drift continue."

Washington also announced its support for Deuba. US State Department spokesperson Richard Boucher declared: "We certainly hope that all the parties will realise the way to solve their differences is through

politics and we would hope that people would follow a peaceful course."

Support for "democracy" and a multi-party government is viewed by the US as a means of dealing with the Maoists. Assistant Secretary of State for South Asia Christina Rocca outlined the strategy in April: "The preservation of Nepal's system of constitutional monarchy and multi-party democracy is key to defeating Maoist challenges. The palace and the parties must unify—urgently—under an all-party government as the first step to restore democracy and presenting a unified front against the terrorist insurgency."

For Washington, the Nepalese civil war is a destabilising influence on the Indian subcontinent, where the US has growing strategic and economic interests. The conflict has provided a means for intervening more directly in a country that is strategically located on the border with China and adjacent to the key resource-rich regions of Central Asia. The US has provided modern automatic rifles and training to RNA troops.

The US and other major powers have been putting pressure on King Gyanendra to accommodate the opposition parties. In early May, the Nepal Development Forum, comprised of 20 donor countries and organisations such as the World Bank, issued a statement calling for urgent steps to "have the democratic process restored". On the same day that Deuba was appointed, the World Bank approved financial aid worth \$US40 million.

The future of the Deuba government remains highly uncertain, however. While publicly supporting peace talks, the US and India are continuing to bolster the Nepalese military in preparation for further fighting.



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