

# Nepal: Constitutional crisis temporarily averted

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The Nepalese government narrowly averted a major constitutional crisis following a last-minute deal on Friday with the opposition Unified Nepal Communist Party-Maoist (UCPN-M) to extend the present parliament for a year. None of the underlying issues has been resolved, however.

The parliament functioned as a constituent assembly under an interim constitution that replaced the previous monarchy. Discussions over a permanent constitution have been deadlocked. If last Friday's deadline had passed, there would have been no constitutional basis for the parliament and the government to continue.

The three-point agreement leaves aside all the contentious issues. Firstly, it proposes to conclude the so-called peace process whereby the Maoists gave up their arms in 2006 and entered a coalition government. Thousands of former Maoist fighters remain in UN-supervised cantonments after the country's military chiefs refused to integrate them into the army as required under the peace process.

Secondly, the agreement declares that the process of drafting a new constitution will be expedited, but does not address any of the outstanding issues. Thirdly it states that the present prime minister will resign at an "appropriate time" to pave way for the formation of a new government.

The Maoists had been demanding that Prime Minister Madhev Kumar, from the Nepal Communist Party-Unified Marxist-Leninist (CPN-UML), resign immediately to make way for a "national unity government" led by them. Kumar had flatly refused to step down, right up to the last minute.

Without the support of the Maoists, who control the largest parliamentary bloc, the government lacked the necessary two-thirds majority to extend the parliament. The only option being considered was the declaration of a state of emergency by the president—a move that would have just compounded the crisis. The army was put on high alert.

Both sides came under considerable pressure from the major powers to reach a deal and salvage the peace process, which has been fraught with tensions from the outset. Having joined the interim government, the Maoists emerged as the major winners in the 2008 parliamentary election and formed a coalition government. UCPN-M leader Pushpa Kamal Dahal resigned last May, however, when President Ram Baram Yadev overruled his decision to sack the army chief, General Rookmangud Katawal. Katawal had repeatedly refused to enlist Maoist combatants to the army.

Prime ministerial spokesman Bishnu Rijal described last Friday's agreement as a "breakthrough" that "opened the door ... to end the current political deadlock." He told the media that "the prime minister is ready to resign... He is not going to get in the way." In the same breath, he added: "[He] wants to make sure that all the outstanding issues arising from the peace process are settled before he resigns."

Having secured the extension of parliament, the government could well drag out the prime minister's resignation. Throughout last week's negotiations, the issue of the "peace process" involved sharp differences over the former Maoist fighters. The government still

claims that there are only 3,000 of them while the Maoists insist that there are 19,000 to be integrated. The ruling coalition is also pressing for the disbanding of the Maoist youth wing—the Young Communist League.

The Maoists too praised the deal as a “positive” development. UCPN-M spokesman Dinanath Sharma said his party had agreed to “take the peace process to a logical conclusion and finish the tasks that remain”. Party chairman Dahal claimed the result was a triumph that had “defeated those forces who wanted to derail the peace and constitution-drafting processes”.

Differences between the government and opposition have already emerged. A meeting yesterday between the ruling CPN-UML and Nepali Congress with the opposition UCPN-M broke down with no agreement on the implementation of the arrangements. The UCPN-M pushed for the prime minister’s resignation while the ruling parties insisted that the issues of the Maoist ex-fighters and youth wing be resolved.

There are no fundamental differences between the government and opposition on economic policy—both sides support the pro-market agenda demanded by foreign investors. Rivalry between the major and regional powers has exacerbated tensions in Kathmandu. The ruling coalition, however, has been more closely oriented toward India and has been suspicious of the UCPN-M’s leaning to China. The Maoists in turn have denounced the government as a puppet of India.

The decision to pull back from the brink was strongly influenced by the country’s worsening economic crisis. In the wake of the three-point deal, the International Monetary Fund (IMF) approved a \$US42 million emergency loan on Friday. Its press release stated: “Nepal is facing considerable external and financial risks. A substantial, albeit delayed, impact of the global crisis has led to a significant deterioration of the current account, a loss of international reserves, and a liquidity crunch in the banking sector.”

The IMF pointed to a decline in Nepalese exports, a sharp slowdown in remittances from overseas workers

and falling economic confidence. IMF deputy managing director Naoyuki Shinohara explained: “At the core of the program [that Nepal will have to implement] are a tight monetary and fiscal policy stance to support the exchange rate peg, and efforts to improve financial sector soundness.”

According to a recent Nepal Central Bank report, merchandise exports declined by 10.4 percent during the nine months since last July in contrast to a growth of 20.3 percent over the same period in the previous fiscal year. Garment manufacture has been one of the country’s main export earners but exports plunged sharply from 11.5 billion rupees (\$US154 million) in 2002/2003 to 4.5 billion by 2008/2009 fiscal year. Central Bank chief Yuva Raj Khatiwada has told the media that Nepal is considering a devaluation and revising its long-standing currency peg against the Indian rupee.

The deepening economic crisis is certain to exacerbate social and political tensions in what is one of the poorest countries in the world. With the government and opposition already debating the implementation of last Friday’s three-point agreement, further political turmoil is soon likely.



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