Nepal and Bhutan in 2014

New Governments, Old Problems

ABSTRACT

Both Nepal and Bhutan formed new parliamentary governments in 2014. In both cases, a new party took control, but major policies remained unchanged. Many people experienced hardships in buying basic commodities (because of inflation in Nepal and a subsidy dispute in Bhutan). Nepal faced three natural disasters.

KEYWORDS: elections, Narendra Modi, Mount Everest, constitution, literacy

NEPAL

In early 2014, Nepal formed a new government, replacing the interim election government¹ led by the country's Chief Justice Khil Raj Regmi. The new government was based on the results of the long-delayed Constituent Assembly elections, held in November 2013. As in past elections, when voters generally voted out whichever party held control, the ruling Unified Communist Party of Nepal (Maoist) lost its parliamentary majority. Seats went instead to the two major centrist parties, the Nepali Congress (NC) and the United Marxist-Leninists (UML). Initially, the Maoists rejected the outcome of the election, alleging fraud, and threatened to withdraw from the government, but they eventually consented to remain in the Constituent Assembly and participate in the administration's cabinet.

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1. Nepal had faced administrative difficulties after the mandate from the 2008 election expired in 2010. The First Constituent Assembly served two years as an acting interim legislature, but disbanded in 2012. By 2013, the country had lacked a parliament for a full year and was under a Maoist caretaker administration. An agreement between the main political parties resulted in the dissolution of the Maoist administration under Baburam Bhattarai and its replacement by a non-party-based government under the chief justice pending national elections. Regmi was sworn in at the head of this new temporary administration in March 2013.

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No party won an outright majority, but in January 2014 a consensus government was announced: an NC-dominant administration primarily backed by the UML. Sushil Koirala, the 74-year-old president of NC, was sworn in as prime minister in February. A member of the powerful family that has dominated the NC, Sushil Koirala is cousin to three past prime ministers of Nepal. He is widely respected for the austerity of his personal lifestyle, but he is not known as a powerful or dynamic leader. Expectations are low that his administration will be effective at implementing policy or correcting the government's chronic inefficiencies.

The conservative Rashtriya Prajatantra Party-Nepal (National Democratic Party-Nepal, RPP-N)² claimed 24 seats in the new Constituent Assembly, becoming the legislature's fourth largest party. RPP-N wants Nepal to re-declare itself a Hindu state, and was the only party advocating monarchy after 2008 (when Nepal's king stepped down). RPP-N's 2014 party platform was silent on the subject of kingship, however, which indicates that while Hindu statehood has become moderately more popular, monarchy is no longer a viable goal anywhere in Nepal's mainstream politics.

The priority of the new Constituent Assembly must be in promulgating a new constitution. Nepal committed to implement a constitution by 2010 at latest, but continues to be governed under the Interim Constitution of 2007. The new constitution cannot be completed because the parliamentary parties continue to disagree on the administrative structure of the future government. Most parties consent to a federalist model, but the Maoists and their allies advocate for districts based on ethnic identity, while the NC and UML prefer a non-ethnic administrative model. Both India and China have expressed concern that creating or reorganizing districts could lead to instability along their borders.³ Many observers doubted whether a governance structure could be agreed upon by the parties' announced deadline in January 2015, and indeed it was not.

2. The RPP-N is one of the few organizations still using the term "*prajatantra*" to mean "democracy": the word "*praja*" connotes "people" in the sense of "royal subjects." Non-royalist parties use the terms "*loktantra*" or "*ganatantra*."

3. Kamal Dev Bhattarai, "The Geopolitics of Nepal's Federal Structure," *The Diplomat* (Tokyo), October 27, 2014, <<http://thediplomat.com/2014/10/the-geopolitics-of-nepals-federal-structure/>>, accessed October 28, 2014.

Economy, Policy, Diplomacy

At the government level, revenues have been strong. Gross domestic product (GDP) reached US\$19.29 billion for 2013, and the Asian Development Bank estimates that GDP grew by an estimated 5.2% for Nepal's fiscal year (FY) 2014, which ended in July.⁴ However, actual government spending has been sluggish, particularly on infrastructure, so apparent economic health has not necessarily translated into effective service delivery or accomplishment of development goals.⁵ Nepal has also struggled in recent years with inflation hovering near 10%. Food costs rose steeply in 2014, and are expected to continue to rise following a lackluster monsoon season.

Nepal's economy relies heavily on remittances from abroad, and millions of workers now spend their economically productive years outside the country. The ever-increasing prevalence of labor migration continues to change the social fabric of villages and families. Many Nepali laborers travel through informal channels and intermediaries, and are vulnerable to exploitation.⁶

The government has declared 2014–15 to be Illiteracy Elimination Year, and has mobilized paid teachers and thousands of Class 9 and 10 students (who are generally in their mid-teens, and will be awarded marks for their School Leaving Certificate) as volunteers to help raise literacy rates to 95% by the end of 2015.⁷ Nepal's basic adult literacy rate is estimated to have risen from 64% in 2011 to 84% in 2013 through concerted government campaigns—but basic literacy is judged on a low standard, and an enduring commitment will be needed to raise the population to functional literacy.

Nepal has worked to balance its diplomatic ties to both India and China. Prime Minister Koirala visited China in June 2014 to attend the China South Asia Expo, and China has continued its financial and infrastructure support to Nepal. China's influence had increased under the years of the Maoist-led government, resulting in heightened official pressure on Tibetan expatriates

4. See <<http://data.worldbank.org/country/nepal>>; <<http://www.adb.org/countries/nepal/economy>>; <<http://www.adb.org/publications/basic-statistics-2014>>, accessed December 8, 2014.

5. Asian Development Bank's Nepal country summary, at <<http://www.adb.org/countries/nepal/economy>>, accessed October 28, 2014.

6. The Asia Foundation has put out a recent report on South Asian migrant labor that can be found at <<http://asiafoundation.org/publications/pdf/1302>>.

7. Binod Ghimire, "Fighting Illiteracy," *eKantipur*, September 1, 2014, <<http://www.ekantipur.com/2014/09/01/editors-pick/fighting-illiteracy-incredible-nepal-total-literate-next-year/394406.html>>, accessed October 28, 2014.

to discourage protests, demonstrations, or political writings. This shift in alignment caused anxiety in India, which has been making major overtures to enhance its own relations with Nepal and maintain its diplomatic priority. India's new Prime Minister Narendra Modi visited Nepal in August—the first time an Indian premier had come to Kathmandu since 1997—and committed US\$1 billion in aid and loans. The NC has also historically looked to India, so its return to power may promote pro-India policies.

Nepal hosted the 2014 SAARC (South Asian Association for Regional Cooperation) Summit in Kathmandu in late November, the first such summit for three years. Modi created momentum for a meeting of SAARC leaders by inviting the heads of all SAARC nations to his inauguration. When Nepal was chosen as host, much money and labor were invested to beautify the capital. The summit itself, however, was lackluster. Of the three connectivity agreements brought up for consideration, only the one on electricity was signed. A South Asia Free Trade Agreement (SAFTA) and the SAARC Agreement on Trade in Services (SATIS) did not move forward substantively.⁸

Natural Disasters

Because of its unique geographical position, Nepal has been one of the first countries to experience significant effects of climate change. In 2014, it endured three high-profile weather-related disasters that damaged tourism and infrastructure, raising significant questions about anticipating and responding to changes in the sensitive local climate.

In April, a bulge of ice broke free from the West Shoulder of Mount Everest and fell onto a column of climbers, prompting concerns about the stability and predictability of high-mountain snowpack and glaciation. Twenty-five men were struck by the ice, and 16 Nepali nationals (no foreigners) lost their lives in the deadliest incident in the history of Everest ascents. Following the incident, Sherpas working on Mount Everest declared a strike to pressure their employers and the government for improved compensation and working conditions.⁹ Despite Kathmandu's insistence that Everest

8. Sharmada Srinivasan, "SAARC Summit Debriefing," *The Diplomat*, December 2, 2014, <<http://thediplomat.com/2014/12/saarc-summit-debriefing/>>, accessed December 8, 2014.

9. A list of the demands can be found at <<http://thehimalayantimes.com/fullNews.php?headline=Everest+expeditions+uncertain&NewsID=412396>>, accessed October 23, 2014. See

remain open, tour operators canceled their climbs one by one, and the season closed with fewer summits than in any year since the mid-1990s.

In early August 2014, following monsoon torrents, a landslide in Sindhupalchowk District killed almost 150 local residents.¹⁰ The displaced earth created a 50-meter-high natural dam across the Sunkoshi River, which flooded the valley with an unstable new lake and jeopardized the country's only paved north-south road into China. The Army began cutting channels to release water pressure, fearing a sudden breach would create disastrous flooding. The pent-up water was released gradually enough that when the dam collapsed in September there was only limited property damage and no further deaths.

In October, a freak snowstorm blanketed the Annapurna Circuit—a western region popular with tourists for hikes and non-technical climbs. Hundreds of guides and tourists were caught unprepared, and more than four dozen Nepalis and foreign tourists perished. Another 500 people were airlifted out of various locations.¹¹ The storm highlighted the increasing unpredictability of local weather patterns, and cast doubt on the supposed safety and ease of hiking in the Annapurna Mountains, a key sector of Nepal's tourism industry.

BHUTAN

His Majesty the Fifth King Jigme Khesar Namgyel Wangchuck continued royal service for the welfare of the people, notably by providing land grants and other relief to the landless and the poor.

In the kingdom's second parliamentary election, in 2013, the opposition People's Democratic Party (PDP) won 32 of 47 seats. While Druk Phuensum Tshogpa (Bhutan Peace and Prosperity Party, DPT) had been elected for

also Jon Krakauer, "Death and Anger on Mount Everest," *New Yorker*, April 21, 2014, at <<http://www.newyorker.com/news/news-desk/death-and-anger-on-everest>>.

10. Ongoing coverage of the landslide, with technical specifications and photos, appeared on The Landslide Blog, <<http://blogs.agu.org/landslideblog>>.

11. Nida Najar, "Mourning after Nepal Storm Resonates across Borders," *New York Times*, October 20, 2014, <http://www.nytimes.com/2014/10/21/world/asia/nepal-tragedy-reverberates-across-borders.html?_r=0>, accessed October 23, 2014; "Nepal Calls off Search for Survivors," *Australia Plus*, October 22, 2014, <<http://www.australiaplus.com/international/2014-10-22/nepal-calls-off-search-for-survivors-of-annapurna-circuit-snowstorm-that-claimed-at-least-43-lives/1381935>>, accessed October 23, 2014.

continuity and stability in 2008, this time the voters hoped for change. But there has not been much change in the kingdom's major policies. The new Prime Minister Tshering Tobgay underscored the importance of the ideology of Gross National Happiness (GNH) for Bhutan but said it is not a prime minister's job to spread it to the world. He warned about GNH distracting the country from mounting debt, rupee shortages, unemployment, and corruption.¹²

Facing a budget shortfall, the PDP government adopted austerity measures, though this effort was marred by members of Parliament (MPs) granting themselves pay raises and perks.¹³ The government resorted to revising tax structures, introducing new taxes, and issuing treasury bills to finance the deficit. The unpopular Pedestrian Day (No-Vehicle Day) was replaced by a similarly unpopular green tax on fuel and promotion of electric vehicles. If the former DPT government had overspent during its term, however, it also left the nation with 94.8% health coverage, a 63% literacy rate, 94% safe drinking water access, and 98.14% electricity coverage—as well as a trade deficit of 20% of GDP, a 107% debt-to-GDP ratio, 8% inflation, 2.9% unemployment, 9.6% youth unemployment, and a rupee crisis.¹⁴

During the 22nd round of Bhutan-China boundary talks held in Beijing, China reiterated that it “has always adhered to a good-neighboring and friendly policy towards Bhutan,” even without diplomatic relations,¹⁵ hinting that its benevolence needs reciprocating. In another development, India expressed its reluctance to support the Indo-Bhutanese Amochu River hydropower project because the river's watershed falls within the disputed territory, and the site is near the junction of the Bhutan-India-China borders.

For Bhutan's 11th Five Year Plan (2013–18), India committed US\$750 million.¹⁶ The Indian president made a state visit to Bhutan in November.

12. “Bhutan PM Casts Doubts over Gross National Happiness,” August 2, 2013, BBC.com, <<http://www.bbc.com/news/world-asia-23545641>>, accessed October 25, 2014.

13. “No Budget, No Activity,” June 10, 2014, kuenselonline.com, <<http://www.kuenselonline.com/no-budget-no-activity/#.VE1oClcxHok>>, accessed October 25, 2014.

14. “The State of the Tsa-wa-sum,” Prime Minister Tshering Tobgay's address to the third session of the second Parliament of Bhutan, Thimphu, Bhutan, June 19, 2014, <[http://www.cabinet.gov.bt/Report/State%20of%20the%20Tsa-Wa-Sum%20\(Final\)%202014.pdf](http://www.cabinet.gov.bt/Report/State%20of%20the%20Tsa-Wa-Sum%20(Final)%202014.pdf)>, accessed October 25, 2014.

15. “Foreign Minister Wang Yi Meets with Foreign Minister Rinzin Dorje of Bhutan,” July 28, 2014, <http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t178861.shtml>, accessed October 24, 2014.

16. “Narendra Modi Pledges US\$1 Billion in Indian Aid to Nepal during Visit,” *South China Morning Post*, August 3, 2014, <<http://www.scmp.com/news/asia/article/1565532/indias-modi-heads-nepal-regional-diplomacy-push>>, accessed October 25, 2014.

This was preceded by Prime Minister Narendra Modi's state visit in June. Modi's message of "B2B" (Bharat to Bhutan, i.e., India to Bhutan) highlighted India's understanding of this "special relationship" as one of dependence, not interdependence, quite contrary to the Bhutanese perception.

The year was preceded by perhaps the lowest point in the "special" Bhutan-India relationship. India withdrew subsidies for cooking gas and petroleum products two weeks before the general election, in what was widely perceived as an expression of displeasure for DPT's alleged coziness toward Beijing.¹⁷ Subsidies were restored weeks after the election,¹⁸ but the incident fanned anti-India sentiments among some sections of the population. Did India lose a friend? Only time will tell.

17. Sandeep Dikshit and Prashant Jha, "No Political Message in Subsidy Withdrawal: India," July 9, 2013, *The Hindu*, <<http://www.thehindu.com/news/no-political-message-in-subsidy-withdrawal-india/article4895754.ece>>, accessed October 27, 2014.

18. "Subsidies Are Back . . . from Today," *kuenselonline.com*, August 1, 2013, <http://www.kuenselonline.com/subsidies-are-back-from-today/#.VErjxUu_dT4>, accessed October 25, 2014.