

# Nepal's people phenomenon

The path ahead will be necessarily bumpy, but the goal is clear: making inclusive democracy happen, righting the historical wrongs against the majority population in this country of minorities. The task began with the defeat of Gyanendra's preposterous agenda. The kingship has been brought to its knees, which is where it will have to be kept, if at all. Nepal needs to go back to being a country where the people smile; where villagers on the trail look at you in the eye and brightly inquire into your personal history, rather than fearfully looking away. Already, during the People's Movement, the twinkle returned to the Nepali eye.

KANAK MANI DIXIT

*Hum dekhenge ...  
Jab takh giraye jayenge  
Sab taaj uchale jayenge\**

WELL, the virtuous people of Nepal saw to it that the crown was dashed. Very late in the modern era, long after other countries of South Asia had experienced their uplifting, cathartic moments, Nepalis by their millions stood up against feudalism. People Power simultaneously pushed back a despotically inclined king, made space for pluralism, and created the conditions for peace. The mission now is to bring the Maoists in from the jungle while ensuring that the kingship is forever barred from mischief. Faiz Ahmed Faiz would have liked it here in Kathmandu this week, as would have Iqbal Bano, who sang that immortal people's anthem.

Bangladesh achieved independence in 1971; the rest of South Asia, its freedom in 1947 and 1948. For Nepal, the heady days of popular participation for a common future were encapsulated in the spring of 2006. As predicted earlier, a sputtering "movement" suddenly con-

verted into a People's Movement of colossal dimensions, fuelled by the scorn Gyanendra had continuously heaped upon the citizenry. Suddenly, the weakened, unarmed middle ground, represented by the political parties and civil society, gained the upper hand. Meanwhile, a hopefully chastened Maoist leadership saw a non-violent mass movement achieve where ten years of their war had failed.

A menacing autocrat who sought to rule on the basis of dynastic right, outright misrepresentation and military might, Gyanendra was incapable of acknowledging the political maturity of the people. Taking energy from an insular, self-serving Kathmandu Valley upper class, equally contemptuous of the political parties, he began appointing prime ministers at will in October 2002 and finally took over as head of government on February 1, 2005.

Gyanendra's excuse for his army-assisted takeover was to fight the insurgency, but the intent was to maintain himself as a corrupt, all-powerful autocrat. His most awful act was to militarise an innocent society, already devastated by years of insurgency. Fortunately,

despite the worst of intentions, this man did not have the intellectual or organisational skills to run a police state.

### Another spring

The people of Nepal first achieved democracy during another spring, 15 years ago, through a more modest people's movement that delivered the 1990 Constitution. For 12 years till 2002, they experienced freedom and made the most of it. While the legacy of two centuries of oppression by Kathmandu's rulers was difficult to undo in a dozen years of democracy, what pluralism did for Nepal was electric. A voiceless people discovered the power of speech; they developed a confidence unprecedented in their history.

This empowerment of the masses is what the feudocrat in Gyanendra never understood, and he would have been overthrown immediately after 1 February had a violent insurgency not been raging in the countryside. For a decade, that misconceived rebellion one of Maoist chieftains making their own grabs for power, through the barrel of the gun had sapped the energy of

the nation. The politicians who were engaged in non-violent politics were caught between two guns. It was last autumn, when the Maoists conceded the failure of their 'people's war' and agreed to come into open politics through a constituent assembly, that the People's Movement became possible.

On November 22, 2005, tired of waiting for dialogue with a sneering Narayanhiti palace, and with the Maoists having already signalled their climbdown, the political parties signed a 12-point understanding with the rebels to fight the regime in parallel. The political rallies suddenly began to attract the public, now that the parties were able to promise a fight for the return of both democracy and peace. The participation in the rallies climbed to 50,000, a lakh, two lakh. Meanwhile, Gyanendra continued to display a conduct specifically designed to emphasise his scorn for the common masses. Even as he was receiving felicitations as a "Hindu Emperor" from a dreadfully organised meeting of conservative Hindus in the town of Birgunj, the movement sparked and took off. The bottled-up anger against the aberrant king exploded in the heady People's Movement of 2006. It was a political tsunami of a force few could believe.

People in other parts of the sub-continent have perhaps forgotten how it is to be one nation together fighting for a cause. The Nepali People's Movement was a South Asian, Asian and global happening, where a people discovered the simple pleasure of fighting together for pluralism. And when Gyanendra



sought to provide measly concessions -- too little and too late -- on Friday, April 21, another people's tsunami crashed against the Narayanhiti gates. Gyanendra's regime finally crumbled. Close to midnight on Monday, 24 April, he gave in to the popular will and restored the Third Parliament, asking the political parties to form a government.

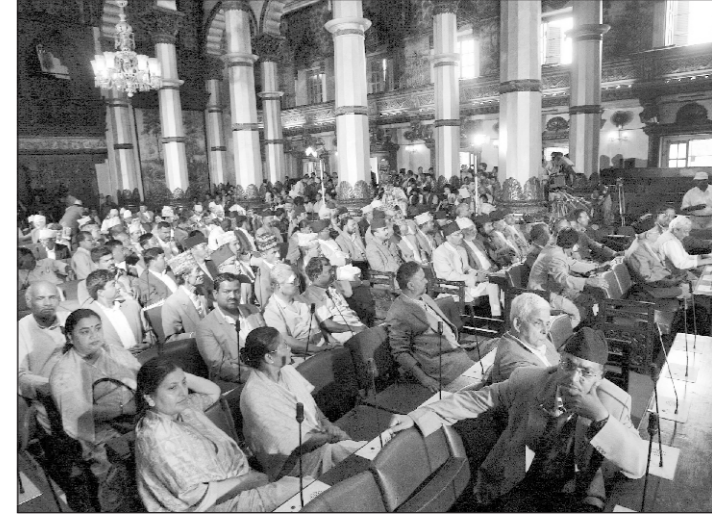
### Coming of age

This "people phenomenon" holds larger meanings than simply the shunting aside of an active monarch. It has united a country that has been historically, socially and geographically divided. Between eight to ten million citizens were engaged in the weeks-long agitation, coming in from the fields and terraces, trekking to the roadheads, demanding *lokta*, the new term for total democracy.

Perhaps the greatest gift of the

People's Movement of 2006, besides creating conditions for an end to the Maoist rebellion, is that it sets Nepali nationalism on more inclusive and solid foundations. To date, the nationalism of the modern era, together with its reliance on xenophobia and frivolous symbolism, was based on the midhill caste/ethnic identity, the Nepali language, a "Hindu" monarchy, and a particular brand of hill Hinduism. Each of these elements had the consequence of excluding a large section of citizens, even whole communities.

Having been ushered in by citizens of all ethnicities, castes, languages, faiths, gender and regional origins, this new democracy is no longer a gift from Kathmandu's powerful clique to the country at large. The inclusive democracy, to be crafted on the basis of the People's Movement through the promised constituent



assembly that will write a new Constitution, will at long last provide all of the people with "ownership" of their country. The Nepal of the future will be a raucous, occasionally unruly, democracy. But the state will have the stability required for nation-building.

Already, the people have gained confidence from their ability to fight a despot and to define their own future vis-a-vis a nervous international community. This assurance adds to the country's stature, and will henceforth provide it with self-assurance in the conduct of foreign relations, particularly in dealing with the overwhelming southern neighbour, India. This new confidence will translate into numerous other dividends, including more equitable development works, where the goals are set indigenously rather than by the ubiquitous "donor" government or agency.

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*"We shall see ...  
When the crowns shall be toppled  
When the palaces will be demolished"*

This article was written in detention, originally for Himal Southasian magazine. The writer was released at midday, April 25.

# Global economic imbalances and the G-7

## LETTER FROM EUROPE

In order to achieve an orderly resolution of these problems, the first step the Western-dominated IMF, the World Bank and the G-7 must take is to engage with these so-called emerging nations on a basis which would allow them to feel that they have a role to play in the decision-making process.

CHAKLADER MAHBOOB-UL ALAM

IN a recent article on the rapidly growing global imbalances, published in the International Herald Tribune of April 20, 2006, Mr. Rodrigo de Rato, the current managing director of the International Monetary Fund wrote, "The most visible aspects of global imbalances are the very large deficit in the U.S. current account and the correspondingly large surplus in the external accounts of other countries. These include the oil exporters, Japan and the countries of emerging Asia, especially China." In the same article, Mr. Rato warned that a disorderly resolution of these imbalances could spark a global recession. He could have added that the current rise of energy prices, if unchecked, may also lead

to a global recession.

In order to achieve an orderly resolution of these problems, the first step the Western-dominated IMF, the World Bank and the G-7 must take is to engage with these so-called emerging nations on a basis which would allow them to feel that they have a role to play in the decision-making process. The economic and political realities have changed since 1945, when the IMF and the World Bank were first set up. In this respect, I agree with Mr. de Rato's recommendation to give greater voting rights to the emerging countries in the affairs of the IMF. A proposal to this effect will be discussed at the September meeting of the IMF.

This is good news. But let us be frank about it. While the World Bank functions as an important anti-poverty institution and the IMF

monitors how the economic policy of one country affects others -- the US is putting pressure on the IMF to include the surveillance of exchange rates of countries like China as one of its more important activities --, the real power centre of global capitalism is an informal club called the G-7, which discusses all matters of international concern and work out common strategies, which affect not only the member countries but also most other nations of the world. The international institutions like the World Bank, the IMF and the WTO then pick up these guidelines and prepare their agendas accordingly.

One of the consequences of the Middle East crisis in 1973 was an unprecedented rise in oil prices which created havoc with the balance of payments of most nations. It was at that time that Valery Giscard

d'Estaing and Helmut Schmidt were finance ministers of France and West Germany respectively. They used to get together informally to discuss oil prices, the exchange rate fluctuations and the world economic outlook.

After becoming presidents, they invited the leaders of the United States, the United Kingdom and Japan to join them at an informal meeting in a country house in Rambouillet, a village close to Paris. Thus, the G-5 was born in 1975. The gold standard was abandoned in 1976 making the surveillance of exchange rate fluctuations even more important. Later Canada and Italy were invited to join the group, which came to be known as the G-7 or the group of the seven most industrialised nations of the world, who controlled most of its financial resources. In 1994, Russia was invited to attend the G-7 meetings as a special guest. Now the group is often referred to as the G-7 plus one. In fact, the next summit of the G-7 will be hosted by Russia in St. Petersburg in July, this year. Now the question is: Does the composition of the G-7 plus one reflect the current economic realities of the world?

The short answer is no because it includes neither the oil exporters nor the emerging countries of enormous importance like India and China.

In this respect, China probably occupies the most anomalous position. Politically, Chinese influence in Asia, Africa, Latin America and even in Australia is growing. China is currently the fourth largest economy in the world with huge trade surpluses. It is likely to overtake Germany and Japan in the near future. America's trade deficit with China reached \$203 billion in 2005. It is also the holder of huge foreign reserves. If China suddenly decided to switch from dollar-denominated government bonds to euro-denominated securities, its effect on US interest rates and the value of dollar would be disastrous. Yet, despite all this, China is not represented at the G-7 meetings.

Now the question is: If countries of economic importance like China, India, South Africa and Brazil are not represented adequately at the G-7 meetings, why should they feel bound by the decisions taken there?

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# Lobbyists for a facelift?

## NO NONSENSE

The alliance government has appointed image enhancing lobbyists firms for a monthly retainer of at least \$45,000 for "balanced reporting on Bangladesh" to build a "positive and correct image" among the US policymakers. The contract was signed at a time when some high profile lobbyists are indicted for corruptions and US lawmakers are passing legislations and distancing themselves from the much-disparaged lobbyists. For example, on August 4, 2005, two Israeli lobbyists were indicted by a US federal grand jury amid a probe into the release of classified Pentagon documents. On January 3, 2006, top Republican lobbyist Jack Abramoff pleaded guilty to conspiracy, tax and fraud charges.

ABDULLAH A. DEWAN

LOBBYING, a professional service of public affairs advocacy, targets the US Senate, the House of Representatives, and state legislators to promote interests of corporations and political interest groups. This tradition began with President Ulysses Grant between 1869 and 1877. Being prohibited from smoking in the White House by his wife, Grant used to puff his cigars in the "lobby" of the nearby Willard Hotel. Having been spotted there often, politicians and others seeking favors began to frequent him during his time of repose, while he was in good mood loitering in the lobby.

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Morshed Khan has defended the hiring of lobbyists by echoing "Her Majesty's" patented rhetoric that some political leaders have launched false campaigns abroad against "our beloved country" and tried to brand Bangladesh as a fundamentalist state. The lobbyists have drawn up a long list of carte du jour and the more flamboyant ones include (reproduced from the April 10 issue of The Daily Star to direct readers focus on my skepticisms presented in parenthesis following each item):

- Dispelling misconceptions about alleged human rights abuses, corrupt government practices and Islamist militancy. (How would the lobbyists refute crossfire killings, country's consecutive number one corrupt ranking, countryside terrorists bombing spree and the swelling

growth of *madrasas*?)

-- Supporting the government in establishing and maintaining the "closest possible" relations with the White House and the Congress. (Does it mean Dhaka will soon close down its embassy in Washington DC? How many such close contacts have so far been consummated?)

-- Placement of positive news and features in newspapers, magazines, national journals and arrangement for the Bangladesh ambassador to appear on national television news shows. (Since signing the contract 6 months ago nothing worthy of "positive news" sparked off yet in any national media. Probably because good news is hard to find.)

-- Taking initiatives so that the interests and objectives of Bangladesh are communicated to and understood by the President and his advisors on an ongoing basis. (Are they proposing for on-going coaching classes for George Bush and his advisors? May I apply for such a coaching position, of course free of charge?)

-- Making arrangements for an early state visit for Prime Minister Khaleda Zia to the US with comprehensive public relations support for the visit. (Isn't it a bluff? Such state visits are initiated by the US embassy concerned. What if Khaleda is not around the PMO next time around, and serving time behind bars for alleged corruptions?)

-- Having the PM address a Joint Session of the Congress, followed by her major address at the National Press Club in Washington, (That is a million dollar cheap shot; a \$45,000 monthly retainer will not buy that. Besides, just because some terrorist kingpins were rounded up do not qualify her to give an address to the joint session of the US Congress. What would she say other than "AL is responsible for terrorism and conspiring against the country.")

-- Convincing the President to add Bangladesh to his itinerary during his visit to India and Pakistan in March this year. (Call the President by phone? George Bush probably declined the invitation of a tea break in Dhaka to say Hi to Khaleda? Lobbyists do not initiate such visits; they are initiated by the respective embassies.)

-- Working for increased US aid including funds from the Millennium Challenge Account. (MCA funds are tightly controlled under strict criterion. World's most corrupt government, allied with religious extremists does not qualify for such funds.)

-- Working for debt relief; supporting Bangladesh's dealings with the World Bank, IMF and the UN. (How much additional funds did Bangladesh receive since hiring lobbyists? How did the country deal with these institutions before?)

-- Establishing free trade arrangement with US; arranging for senior level military to military exchanges for joint opportunities. (Really, a joint military training negotiated by the lobbyists? This is bluntly stupid, absurd and unheard of.)

-- Working for opening doors of executives of major US corporations to interest them in projects of importance to the government. (In last six months, no doors have so far been opened.)

It is much easier and faster to repair a political party's image than that of a country's image which has been ruptured for 35 years by military dictators, incompetent political neophytes and apprentices, and of course the two women. Some bristles of good may come about if the BANJIP follows the ruling party lawmaker Dr. Oli Ahmed's stance on "cleaning criminals and corrupt elements" from the party. Because of leadership deficiency, the party became infested with wheelers and dealers who have smeared the party's reputes and along with it the country's image.

Believe it or not, when people would come to know that lobbyists are promoting Bangladesh issues, there will be further drain in alliance government's credibility among the policy makers. It is disconcerting that the ruling politicians cannot defend their five years of misrule and now, having hired lobbyists to face-lift their own image while masking the costs in the name of "our beloved country," are engaged in a desperate measure in desperate times born out of sheer political expediency for perpetuating their grip on power.

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# A more rational electricity pricing policy

From a social and economic point of view, electricity capacity should have been increased a long time ago. Note that the average cost of production drops as we increase capacity and production quantity. That the government has not done this is clearly a policy failure. But given the current situation, can we do something? Increasing prices is a short-term solution; but can we simply increase electricity prices and ignore the impact on poorer households, those that will simply be priced out of the market?

DR. NOUSHI RAHMAN AND DR. PV VISWANATH

BASIC economics tells us that increasing electricity price will decrease the quantity demanded of electricity. However, one of the pressing problems in Bangladesh, in the energy sector, is the inability of the government to meet the current demand. While there are behavioural and other factors that affect electricity consumption, the price of electricity is probably the most important one. It makes very little sense to offer electricity at prices below production cost -- it is no surprise that the quantity demanded has outstripped supply.

Of course, from a social and economic point of view, electricity capacity should have been increased a long time ago. Note that the average cost of production drops as we increase capacity and production quantity. That the government has not done this is clearly a policy failure. But given the current situation, can we do something? Increasing prices is a short-term solution; but can we simply

increase electricity prices and ignore the impact on poorer households, those that will simply be priced out of the market? Let us look at some possible solutions to this conundrum.

One answer that suggests itself immediately is some kind of differentiated pricing. Let us consider the average usage of a lower income household that has access to electricity.

Assume about six 100-watt light bulbs are in operation for six hours per day and two fans (with similar energy consumption) for 12 hours per day. This gives us a total electricity consumption of about 5 kWh per day or 150 kWh per month. This is a fair description of a low-income household in Dhaka. To make sure we do not leave out too many low-income households (which might vary in terms of size, electricity needs, and capacity), let us set 180 kWh as an upper limit. The lowest rate of electricity should be charged to each household within this range. As long as electricity price per kWh remains at this lowest level minimum, price increases for consumption beyond

the 180 kWh per month threshold will not affect them.

Now let us consider the typical electricity consumption pattern for households at the next income level. Running a refrigerator (75 kWh per month), a television (5-6 kWh per month), an iron (10-15 kWh), and more light bulbs and fans would push the consumption amount up to about 1000 kWh per month. The price of electricity for such families should be higher (e.g., base price times 1.5). This price would apply to electricity consumption between the 181st and the 1000th kWh per month.

Upper-middle income households may also have a microwave, a toaster, a laundry machine, a geyser, an additional refrigerator, and perhaps one or more air-conditioners. These would easily move electricity consumption of these households to 2000 kWh per month. Once again, the electricity price would be substantially higher for such families (e.g. the base price times 2.5) for electricity consumption between the 1001st kWh and the 2000th kWh per month.

Finally, upper income households tend to have multiple air-conditioning units, geysers, and outdoor floodlights. These facilities are also heavily used in these households. Hence, electricity consumption of such households would be much more than 2000 kWh per month (let us assume 4000 kWh per month). Obviously, given the price insensitivity of these households, the electricity price needs to be dramatically raised (e.g., base price times 4).

Even at the currently subsidized price of Taka 2.25 per kWh, the electricity bill per month would be Taka 405 (for the lower income household), Taka 3,172.5 (for the middle income household), Taka 8797.5 (for the upper-middle income household), and Taka 26,797.5 (for the upper income household).

The obvious question that suggests itself to an economist is the likely impact of such a scheme on incentives for producers and consumers. For example, not all low-income families have the same minimum needs for electricity. Can we compare a household consisting of a single bachelor with a family of eight? Is it appropriate to price electricity similarly for both of them? Assuming that the average price of electricity would be fixed at a rate close to the average cost of production, the lowest tier family would be paying a price below cost. Would this not encourage the "single bachelor" household to consume too much electricity?

Consider also the fact that below cost pricing would be tantamount to providing financial assistance to these households. However, it would be in-kind assistance; that is, the authorities would be declaring that the assisted households might use this assistance solely for electricity. Does this make sense? Should the household not decide for itself whether to use this subsidy for electricity or food?

These are all legitimate questions. In a perfect world, we would price electricity close to the average cost and help lower-income families with direct money subsidies, instead of in-kind assistance through price-management. However, given the lack of a national information database in Bangladesh, it would be impossible to conclusively determine which families belong to the lower-income stratum. Thus, we have to make do with what we have. What we have suggested is what economists call a "second-best" solution, which may be the "best" solution in our imperfect world.

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