

Nepal's economic crisis feeds unrest

by Ramtanu Maitra

One major motivation for the unrest Nepal's King Birendra and the royal coterie face today, is the devastated economy. There is an array of lies in circulation to cover this up, typified by the *New York Times* report of April 11, 1989, "Nepal's Economy Is Gasping As India, a Huge Neighbor, Squeezes It Hard." The *Times* blamed India's move to close 19 of 21 transit points with Nepal, following the expiry of a trade and transit treaty in 1989, for Nepal's economic hardship. But, as was reflected in a recent report by the World Bank, the fact is that looting and corruption at the highest level has pauperized the Nepalis. A pro-democracy movement is gaining grassroots support because of the absolute corruption that has become a part of absolute monarchy.

Nepal, a landlocked nation sandwiched between India and Tibet, has remained for decades one of the most impoverished nations in the world—just a little less poor than Ethiopia. But, while Ethiopia has been torn apart by incessant civil strife, Nepal has remained peaceful for more than two decades. The "partyless democracy," a concoction invented in 1967 to perpetuate the royal family's tyrannical control, has presided throughout this period without a single interruption.

Backwardness and corruption

Nepal is an agricultural nation where more than 90% of the population depends on agriculture for a livelihood. The country is today producing about the same amount of cereal per hectare as it did almost 30 years ago. It is evident that making Nepal's agriculture productive is the only way to lay the foundation for an industrial economy, yet almost nothing has been done to raise productivity.

The much-ballyhooed five-year plans notwithstanding (the plans are a formality, mostly intended to solicit foreign aid), what has happened to the agricultural sector is an abomination. In 1961-62, almost a half-decade before the advent of the Green Revolution in the subcontinent, Nepal's population was 10 million, and per hectare yield of paddy was 1.94 tons, wheat was 1.23 tons, and corn 1.85 tons—comparable to or better than India's productivity at that time. In 1987-88,

Nepal's per hectare yield of paddy showed 1.96 tons, wheat 1.27 tons, and corn 1.38 tons.

Nepal is mountainous, its arable land area strictly limited. As the population has doubled during this period of three decades, Nepal has turned from a food-surplus nation to a food-shortage nation—just the opposite of what has happened elsewhere on the subcontinent. The percentage of people who depend on agriculture has remained practically unchanged for three decades, at 90%-plus. There is a rampant inflation varying from 20% to 40% annually. As a consequence, there is a large section of the population who have no purchasing power, and therefore no access to food other than what they produce and what they are paid in kind for their labor.

Nepal has practically no industry worth mentioning. Since the country depends on export of such traditional items as jute and jute products, cardamom, and carpets—for which export demand has reached a ceiling—Nepal's trade imbalances are getting larger and foreign exchange reserves dangerously smaller. Every basic essential item—such as petroleum products, fertilizers, water pumps, electrical and other machinery and parts, cement, aircraft, telecommunications equipment—has to be imported. But non-essential items such as consumer goods and the like eat up fully 50% of Nepal's import budget! The trade imbalance is now close to four times Nepal's total exports. Foreign aid from donor countries—of which the United States, India and the United Kingdom are the major ones—are now channeled to cover the trade imbalances.

Hydro power goldmine

The failure of the government to develop the basic infrastructural network nationwide is an even more direct indication of the royal house's unwillingness to build the nation. Nepal sits on a hydroelectric gold mine, with the potential to provide 45,000 MW of electrical power at peak supply—and yet, today the country has an installed capacity of merely 166 MW, all of which has come from hydroelectric projects financially aided and physically assisted by India, the World Bank, and other foreign donors. Similarly, while the People's Republic of China, India, and the World Bank have helped Nepal to build 4,000 kilometers of all-weather roads—most of the villages in the country are still isolated from market centers. This isolation, particularly at a time of agitational politics, will work in favor of the king and his coterie.

This abysmal situation is not due to any lack of planning by the government. Nepal has already exhausted seven five-year plans; all of them failed to meet the physical targets, but ate up much more money than they had budgeted. The principal utility of the five-year plans, it is clear, is to justify the large-scale collection of foreign aid and grants that makes up 70% of the development expenditure.

The abundance of foreign aid flowing into the country is

mainly evident in the capital city of Kathmandu. While the per capita Gross National Product for the nation is stagnating at \$160—an annual growth rate of 0.5% over 22 years—the per capita GNP in Kathmandu is close to \$670, according to one estimate. Kathmandu has long been known as a drug haven for unwashed Western hippies, and has an advanced telecommunications system and fancy hotels to cater to the tourists, fun-lovers, and assorted spooks, who also maintain lookouts from the strategic mountain heights.

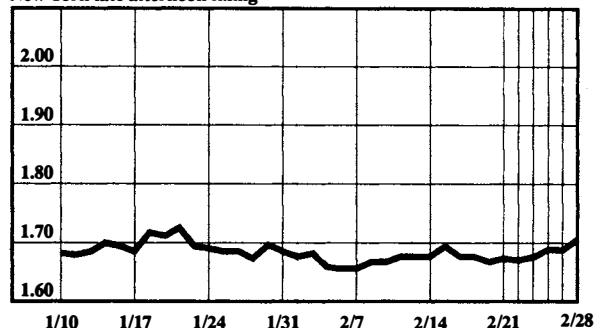
This aspect of the economic distortion of the country gives credence to the growing allegations that the royal household, under the thumb of Queen Aishwarya and a handful of Harvard graduates, is planning to emulate the economies of Hong Kong and Singapore. The aim is to set up Kathmandu as the center for tourism, including drugs, casinos, prostitution, and smuggling, to earn foreign exchange to sustain the conspicuous consumption of a few. In this context, the Chinese and Israeli presence in Kathmandu cannot but be noticed.

The rotten underside of the royal scheme is well documented. As the World Bank points out, the average income of a Nepali (in cash or in kind) is only about 38¢ per day. One-fifth of all Nepali children die before the age of five, and for those who live, malnutrition, chronic illnesses, and disability are the continuing facts of life.

Currency Rates

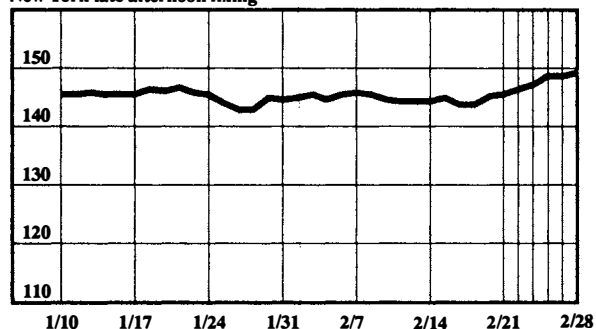
The dollar in deutschmarks

New York late afternoon fixing



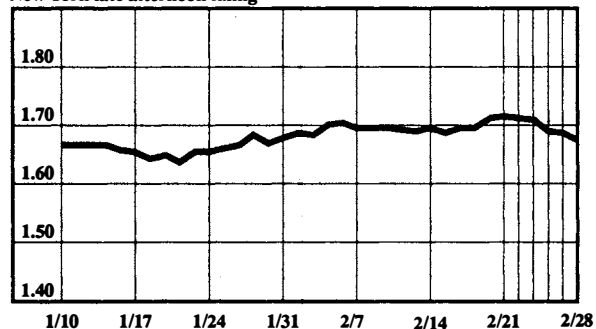
The dollar in yen

New York late afternoon fixing



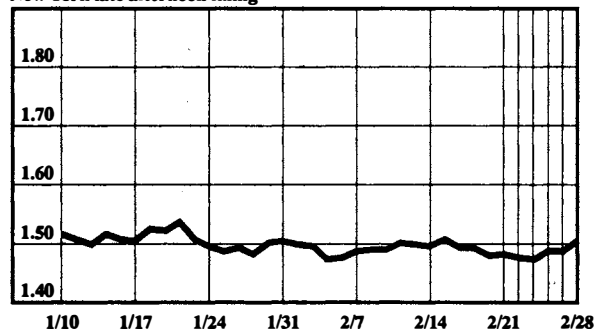
The British pound in dollars

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