

The National Newsmagazine

SPOTLIGHT

10-16 August, 2001



Cancellation of European Flights HOW FAR JUSTIFIED?

- NEPAL INDIA TRADE TALKS
- UML MEET: FUTILE DEBATE
- LDCs IN WTO

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“लक्स भन्दा उत्कृष्ट कुन?”



बदाम, दुधमलाई र महयुक्त, नेपालमा बनेको अन्तर्राष्ट्रिय स्तरको नयाँ लक्स। अपूर्व सौन्दर्यको नयाँ राज।

“नयाँ लक्स, कुनै शंका!”

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COVER STORY : TOURISM : Flight To Destruction
By stepping into the ring the Public Accounts Committee and the Commission for Investigation of Abuse of Authority have completed the process of destroying the national flag carrier.

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NEPAL-INDIA TRADE TALKS : INCONCLUSIVE ROUND
The bilateral talks fail to resolve key issues raised by both the sides.

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INTERVIEW :
Shovan Dev Pant

Pant highlights the importance of scientific management system in the banking sector.

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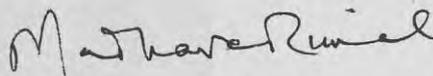
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EDITOR'S NOTE

The just concluded four day Nepal-India inter-governmental official level trade talks have, once again, exposed India's masked mien. It is quite gratifying to see that Nepalese officials have been able to offer some kind of resistance to the overweening demands of the Indian delegation. It is reliably learnt that the Indians have threatened to terminate the treaty when it expires on 5 December 2001. As a matter of fact, such attitude on the part of the Indians is nothing new as far Nepal and other smaller nations of South Asia are concerned. Nepal, in particular, because of her geography, has been experiencing unbearable hardships for more than five decades ever since India gained her independence from the British. In 1950 the most unequal treaty was clamped on her. The last Rana prime minister was cornered to sign the treaty on a false promise of *quid pro quo*. In the late sixties the trade agreement had to be deferred for two years due to the unrelenting stance of the Indians. And about twelve years back a virtual economic blockade, unthinkable between friendly nations, was imposed on Nepal for more than a year. Since the rulers of independent India have treated Nepal as a captive market, they always find various excuses to retard her economic growth, by restraining her commercial expansion and industrial development. This becomes a big irony when Indian statesmen never tire extolling age old friendship and their unparalleled economic aid to Nepal. Nothing could be more hypocritical. The Indian contention that certain Nepalese exports have started hurting Indian industries and thus the Indian economy, is nothing but ludicrous. Even an insane man would think twice to believe such a figment of imagination. According to available statistics Nepalese exports of those items to India are almost negligible in comparison to India's imports from other countries — hardly coming to a meager one percent. Nepal has been suffering hundreds of millions of dollars adverse trade balance in her trade with India. And when she started to narrow the gap even to an insignificant degree, the Indians are making a big hue and cry. The Indians are definite to press the issue and force the Nepalese to come to their terms in the next meeting whenever that happens. People here are quite apprehensive that the Nepali Congress government might willingly capitulate. It could be a big testing issue for Prime Minister Sher Bahadur Deuba. It might provide him a good opportunity to prove that he is not antinational as his senior colleagues and predecessors. He must acquire enough guts to thwart the unreasonable pressures from his bigger neighbor in the South. If he behaves like a Nepali patriot, he can rest assure the whole nation will back him. The Nepalese are ready to tighten their belts, once again, and face another economic blockade if they have to. But, we do believe such a situation will not come to pass. Time cannot be reverted twelve years back and the world has moved forward. Let us hope wisdom will prevail and the talks will have a happy ending, safeguarding Nepal's right to economic development.

* * *

Sher Bahadur Deuba led Nepali Congress government seems to be losing the grip over the negotiated settlement with the Maoists. Since the issue demands urgent attention, Deuba has to accord utmost priority in forming a national consensus for the talks without delay. We had emphasized earlier that the members of the lower house only do not constitute the whole nation's public opinion. As a matter of fact they should have done that. But their insensitive behavior towards the poor of the country and their blatant selfishness in nursing their personal interests have deprived them of that inherent responsibility. Moreover, an overwhelming public opinion has not been represented in the parliament. If Deuba fails to embrace the whole nation to resolve this national issue he will be digging his own grave. He can never overlook the fact that he also is personally responsible for creating this problem and thus shares the onus of bringing it to a peaceful conclusion. The Maoists, he must understand, might not be alone. They too must have the support of elements inimical to Nepal's interests. Consequently, it will be a tough job for Deuba to wean them away from such alien influence. And he will need the support of all sections of Nepalese populace for a fruitful dialogue. If he adopts an intransigent attitude of belonging to the biggest ruling party, he will be only inviting sad days for himself. He must also realize that as the Prime Minister, it is his job to maintain law and order and bring peace to the troubled nation. He must learn to be his own master and work sincerely in the interest of the country. ■



Madhav Kumar Rimal
Chief Editor & Publisher



Biased View

I agree that the NEA had no alternative to raising the power tariff ("Consumers Paying For Inefficiency", SPOTLIGHT, August 3). How long can 85 percent of the population share the burden of the 15 percent of Nepalis who enjoy electricity facilities? There is no reason to give subsidies in a commodity like electricity, which is used by the well-to-do class of the population. I don't understand why a party like CPN-UML, which claims to be the messiah of the poor, opposed a move to tax the rich class. The NEA needs to focus attention on properly using the additional revenue. Your story has not done justice to the NEA's decision.

Dharmaman Shakya
Ason

No Justification

The NEA is pushing the country towards stagnation in

power-sector development ("Consumers Paying For Inefficiency", SPOTLIGHT, August 3). If the monopoly of the NEA continues, Nepalese consumers will have to brace for further scarcity of power. Who knows when the NEA will raise the tariff again? At a time when the prices of most commodities are going down, is there any rationale in increasing the electricity tariff?

Surendra Nepal
Baudha

Control Leakage

Had the NEA formulated a plan to reduce electricity leakage, it would not have had to go on increasing the tariff ("Consumers Paying For Inefficiency", SPOTLIGHT, August 3). The NEA must go in vigorously to reduce leakage. As long as ministers, their relatives and supporters continue to misuse the resources of the NEA, the financial situation of the organization will not improve.

Withdraw Tariff Hike

Nepal Electricity Authority (NEA) has again raised the electricity tariff, taking it out of the reach of the common people ("Consumers Paying For Inefficiency", SPOTLIGHT, August 3). How long will the poor consumers have to pay the price of the inefficiency and mismanagement of the NEA and the misuse of resources by politicians? The people are losing faith in the NEA and the government. If the government is serious about public welfare, it must immediately withdraw the price increase. As you mention in your story, the NEA can raise resources in so many other ways. Why does it always have to squeeze the consumers?

Nirmala Sharma
Kalankasthan

Eventually, the NEA will again increase the tariff, citing same old reasons. The organization may get \$50 million in loan from the Asian Development Bank after this price hike, but how long it can it avoid checking the misuse of funds.

Ratna Awale
Mangalazar

Don't Blame Donors

I agree with the argument that it is not donors' pressure but mismanagement within the government that is responsible for the power tariff increase ("Consumers Paying For Inefficiency", SPOTLIGHT, August 3). Leaders of all major political parties have been misusing the property of the NEA. The recent report of State Affairs Committee of the House of Representatives pointed to how politicians have been taking away dozens of vehicles from the NEA. Nepalese politicians must look at their own face before

blaming donors for the tariff increase.

Shekhar Gupta
Jawalakhel, Ekantakuna

Deuba's Second Innings

At a time when the main opposition party is dictating the terms and condition the majority party should work under, I don't think anyone can predict the longevity of the Nepal Congress government led by second-generation leader Sher Bahadur Deuba ("Deuba's Second Coming", SPOTLIGHT, July 27). Had Deuba backed Girija Prasad Koirala when he was under attack from all opposition parties, the minority would not have prevailed. Whether Deuba likes it or not, his tenure will last as long as he enjoys the support of the main opposition party.

Pradeep Belbase
Butwal

Neighborhood Bully

As a neighbor, India has never done any favor to Nepal ("Marchabar Controversy," SPOTLIGHT, July 27). In the last 50 years, India has only promoted politics of confrontation in the kingdom. Instead of helping to bring economic prosperity to Nepal, India is forcing Nepalis in border areas to flee their homes by triggering floods. Every year, India creates havoc among Nepalis living in the border areas. Whether it is in Gaur, Laxmanpur, Siraha or now in Lumbini, India seems to be making calculated efforts to harm the Nepalese people. If India really wishes the Nepalese people well, it must not repeat such actions. The Nepalese government is also responsible for this situation. Instead of going through diplomatic channels, Nepalese officials are using the media. I don't think such activities will help Nepal find an amicable solution. Our officials must tell their Indian counterparts about the situation faced by the Nepalese people.

Gagan Shakya
Pokhara

NC Gives Free Hand To Deuba

The central working committee of the ruling Nepali Congress has given a "free hand" to Prime Minister Sher Bahadur Deuba to hold talks with the underground Maoist rebels. The meeting held in Kathmandu Friday morning "granted permission to Premier Deuba to move ahead with the process for peace talks by supporting his initiative and attempt for a peaceful resolution to the Maoist problem." Upon assuming office last month, Deuba called upon the rebels to stop all their violent activities to which the latter responded positively. Since then, both the government and rebels have been freeing people under their custody. Reports said the Congress high command even dropped the condition of talks to be held within the sphere of the constitution "in order to create a conducive environment for talks." The Maoist party had launched its violent 'people's war' in early 1996 with a view to overthrowing the country's constitutional monarchy and multiparty democracy and turning Nepal into a 'people's republic'. *Compiled from reports.*

Left Students Burn Effigy

Student activists affiliated to the main opposition CPN-UML carried out a protest rally in the capital Friday and burnt an effigy of Indian Prime Minister Atal Behari Vajpayee in protest against the construction of Rasiyawal-Khurda-Lautan bund on Indian territory close to the border with Nepal in the western terai. The activists said the construction of the barrage, if completed, could result in inundation of a number of villages in the Nepalese side, including Lumbini, the birthplace of Lord Buddha. The protest rally concluded peacefully. *Nepal Samacharpatra Aug. 3.*

Joint Team To Inspect Rasiyawal Bund

Experts from Nepal and India will jointly carry out inspection of the construction of the controversial Rasiyawal-Khurdlautan bund being constructed by

India in its territory only 500 meters away from the Indo-Nepal border, reports said. Minister for Water Resources Bijaya Gachhadar confirmed that officials from both the sides will make an on the site visit and discuss the issue within the next few days. He said that Nepal has already requested the Indian government to make arrangements so that there would be no blockage in the natural flow of the river. A Nepalese technical team has already been dispatched to visit the site and report to the Ministry. Reports say up to 18 Village Development Committees on the Nepalese side face inundation, affecting more than 100,000 people, once the construction of the barrage is completed. *Compiled from reports Aug. 2.*

Campaign To Attract Indian Tourists Extended

Amid a downturn in Indian tourists visiting Nepal, the Nepal Tourism Board (NTB) has announced an extension of the Nepal Festival of Life, a promotional campaign targeted at Indian tourists, for another two months. Pradip Raj Pandey, Chief Executive Officer of the board hoped that the program would send the message to Indian visitors that Nepal always welcomes them. The hijacking of Indian Airlines plane on Christmas eve in 1999, the Hirithik Roshan episode last year and the royal palace tragedy on June 1 are said to have contributed to the

decline in arrivals of Indian tourists, who make up nearly one third of total tourist arrivals in Nepal by air. *Compiled from reports Aug. 3.*

Nepal-Bhutan Talks Later This Month

The 11th ministerial level meeting



Bhutanese refugees

between Nepal and Bhutan is to take place in Thimpu between August 20 and 22, a newspaper report said Saturday, quoting official sources. According to Nepal Samacharpatra daily, the meeting will discuss the issue of expedition of verification process of the Bhutanese refugees residing in eastern Nepal for more than a decade. A joint team is conducting verification of the refugees — to determine their nationality — the last few months. Refugee leaders say it will take several years to determine the nationality of nearly 100,000 refugees in the camps if the verification is carried out at the current pace. As Premier Deuba holds the foreign portfolio at present,

Finance Minister Dr. Ram Sharan Mahat — who has already headed Shital Niwas briefly — will lead the Nepalese delegation to Thimpu later this month, the report said. Meanwhile, human rights activists, government officials, and refugee representatives have called for speedy verification of the Bhutanese refugees. They have called for a speedy, transparent and time-bound



Indian tourists

verification to solve the decade-long refugee stalemate. The participants were speaking at a seminar on the theme "Bhutanese refugee problems and verification process" organized by GRINSO-Nepal, a Nepalese human rights group. *Compiled from reports.*

Prof. Subedi Nepali Candidate For UNLC

The Nepalese government has nominated Dr. Surya Subedi, professor of international law at the Middlesex University of the United Kingdom for the post of member of the United Nations Law Commission. The 56th United Nations General Assembly will elect the members to the prestigious commission later this year. Expressing his gratitude toward Nepal and Nepalese people for his nomination,



Mr. Subedi

Prof. Subedi said his victory would be a victory for Nepal. The 43-year-old lawyer said if elected, he would work toward ensuring international support in protecting the interests of landlocked countries like Nepal in international law. *Kantipur, August 2.*

Bridge Starts Crumbling

A bridge over Kawasoti River along the East-West highway in Nawalparasi district has started to crumble less than two months after it was opened to traffic.

Constructed at a cost of nearly Rs 30 million under grant assistance from DFID, the overseas assistance arm of the British government, the 103 m x 10 m long bridge was completed within the stipulated period of 20 months. But the slabs on the upper part of the bridge have crumbled. Chairman of Kawasoti VDC, Narayan Timilsina, has demanded that the quality of the bridge be checked and the contractor, Sharma and Company, be taken to task. Chief of Western-4 No. Division Road Office at Butwal, Guru Prasad Dhakal, however, said his office could not comment on the issue as the bridge was constructed under foreign

grant and design. *Kantipur July 29.*

Nepal Self-Reliant In Poultry

Nepal has become self-reliant in the production of chicken and eggs, experts said. The annual production of chicken in Nepal is nearly 35,000 metric tons. According to Nepal Poultry Farmers Association, more than Rs 25 billion has been invested in poultry business in 42 out of 75 districts in the country. About 55,000 families depend on poultry farming as their main source of income, studies said. *RSS news agency reports July 29.* ■

FNCCI

The New Team

The apex chamber now has an impressive new team

Along with the change in political landscape, the business leadership in the country has also undergone a sea change. Look at the present leadership of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI). Under the presidency of Ravi Bhakta Shrestha, who was elected unanimously by the 35th AGM of the FNCCI last month, the new executive committee has chosen four vice presidents through elections. First Vice President, Binod Bahadur Shrestha, held the position of third vice president in the earlier executive committee led by Pradip K. Shrestha. He runs his businesses from his office at New Road and is also known for his efforts for the development of backward Karnali zone. Second VP, Rajendra Khetan, was the fourth VP and chairman of the employers' council in the earlier executive committee. The media savvy young industrialist is also the Vice President of the Khetan Group. Former President of the Garment Association of Nepal, Chandi Raj Dhakal has been



(From Left) Binod, Rajendra, Chandi and Suraj: Young and energetic

elected third VP of the FNCCI. He brings with him the expertise of successfully running Jhapa-based Momento Apparels, the top garment exporting company. Vice chairman of the Vaidya's Organization, Suraj Vaidya has been

elected fourth vice president and chairman of the employers' council of the FNCCI. The soft spoken Vaidya earlier led the Agriculture Enterprises Center at the FNCCI.

The apex private sector chamber now has an excellent team to lead the FNCCI for the next two years. Its success will depend on how much it can mobilize support from within the organization and beyond.



King Gyanendra receiving Rakshya Bandhan (Sacred thread) at Narayanhiti Royal Palace.

PRIME MINISTER SHER BAHADUR DEUBA, WHO ALSO holds the Land Reforms and Management portfolio, presented the bill for the prohibition of kamaiya (bonded laborers) practice in parliament Tuesday. The bill, tabled in the House of Representatives in the last session, could not come up for discussion because of disruption in parliamentary proceedings. The bill will now go to a parliamentary committee for discussion. The government had abolished the kamaiya system through a cabinet decision in mid-July, last year but remained to formulate a law.

SEVEN PEOPLE TRAVELING IN A TRUCK EN ROUTE TO Dipayal in far-western Nepal died when the truck fell nearly 500 meters off the road at Bhasu along the Dhangadhi-Dadeldhura highway on Monday night. Hundreds of people die in road accidents in Nepal every year because of human error, bad roads and lack of monitoring.

LANDSLIDE AND FLOOD DURING THIS MONSOON HAVE already claimed the lives of 174 people, injured 39 others and caused a loss of over Rs. 116 million, a senior cabinet member said. Home Minister Khum Bahadur Khadka informed the National Assembly Wednesday that 1,396 families have been affected by the natural disasters so far. Meanwhile, nine more people were feared dead after they were swept away by the flood in Kamala River in Sindhuli district. Minister Khadka said the government had ordered relief measures with urgency in the affected areas.

THE STATE-OWNED ROYAL NEPAL AIRLINES CORPO-ration has terminated its aircraft lease agreement with China South West Airlines with mutual understanding with effect from Tuesday, Kantipur daily reported Wednesday. The agreement was valid until September 27, 2001. Director of publicity at the RNAC, Mohan P. Khanal, has said some of the international sectors operated by the national flag carrier would be affected due to the termination of the contract. He said the routes that would be affected would be finalized in a week. Meanwhile, Hotel Association Nepal (HAN) has denounced the RNAC's decision to terminate the lease deal with the CSWA. The HAN said hotels in Nepal would be forced to close down

if the flights to Europe were cancelled at the beginning of the tourist season.

A TOTAL OF 5,622 HECTARES OF GOVERNMENT-OWNED forests lying in sub-watershed areas in six districts including Kathmandu have been handed over to 85 community forest user groups at the initiative of the Bagmati Integrated Watershed Management Project during the last fiscal year, RSS news agency reported quoting officials. According to the project, about 7,000 households have benefited from the transfer of government forests to the local communities. The community forestry user groups have sizeable number of women members represented in their executive committees.

A TOTAL OF 127,175 NEPALESE PEOPLE ARE WORKING in 44 different countries individually or through manpower agencies, RSS news agency reported. Minister for Labor and Transport Management Palten Gurung informed the House of Representatives Thursday that over the last one decade, Saudi Arabia had the highest number of Nepalese workers (60,915) followed by UAE (33,998), 5280 in Malaysia, 2988 in South Korea and 2401 in Bahrain, among others. Industry sources, however, said the actual number of Nepalese working abroad could be much higher than that.

THE UNDERGROUND CPN (MAOIST) PARTY CADRES have freed Krishna Prasad Upadhyaya, engineer at the District Irrigation Office, in the mid-western district of Dailekh whom they had kidnapped on July 23, RSS news agency reported Saturday. Upon reaching the district headquarters, Upadhyaya said the Maoists did not mete out any physical or mental torture on him. Meanwhile, the district administration in Kapilvastu has released two members of the underground NCP (Maoist) party, imprisoned under the Public Security Act. Those released include Dinesh Chapagain, 20, Kamal Kumar Shahi, 19.

THE 'REVOLUTIONARY' COMMUNIST PARTIES AROUND the world have advised the Nepalese Maoists not to join for peace talks with the government "at a time when they are making a military victory after other," Kantipur daily reported last Saturday. Revolutionary Communist Parties from the US, Italy, Columbia, Dominican Republic, Tunisia and Iran have sent secret e-mails to the Maoist leadership and have drawn its attention to the long-drawn talks between the Philippines government and Philippines communist party that have failed to yield results. These all outfits are members of RIM (Revolutionary International Movement) including the Nepalese Maoists. The Maoist leadership, in its response, has replied that talks too are part of the battle. "In China, Mao had moved forward by holding talks with Chiang Kai-shek in 1945. So, it's appropriate here too," the reply said.

THE INSURANCE BOARD—A REGULATING BODY—HAS granted permission to American Life and Insurance Company (ALICO) to run life insurance business in the country. ALICO has thus become the first foreign company to run the lucrative life insurance business. Two other companies, the state-owned Rastriya Beema Sansthan and Nepal General and Life Insurance Company are the only two companies operating life insurance business in the country. A total of 16 insurance companies offer different insurance related services in the country. ■

“We have lost our paddy crops, as our fields have been under five feet of water ever since the Indians built a dam near the border.”

Ram Lakhan Chaudhari, describing the flooding in his village, in Kantipur.

* * *

“Emloyees fear being summoned by the Public Account Committee, State Affairs Committee or the Commission of Investigation for Abuse of Authority every time the administrative machinery gears up.”

Sambhusharan Kayastha, explaining the state of the country's administration to the State Affairs Committee of parliament, in Kantipur.

* * *

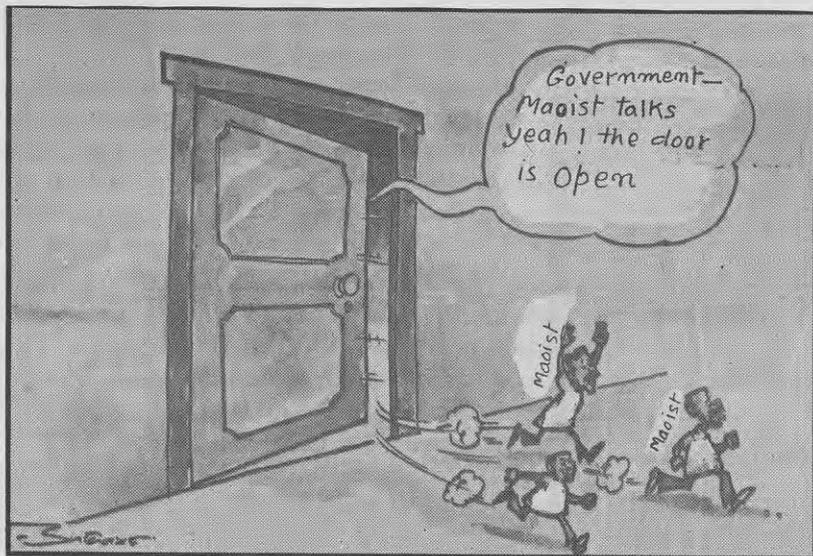
“I did not resign under pressure from the opposition. I resigned of my own will to pave the way for smooth democratic transition in the country.”

Former prime minister Girija Prasad Koirala, explaining the reason behind his resignation, in Space Time.

* * *

“Don't take a confrontational line. If the UML drafts a program for the development and prosperity of Nepal, I will just give it a title.”

Prime Minister Sher Bahadur Deuba, addressing a program to mark the death



HimalayaTimes

anniversary of human right activist Prakash Kafle, in Himalaya Times.

* * *

“Prime Minister Sher Bahadur Deuba should be prepared to resign for the sake of the country.”

Madhav Kumar Nepal, CPN-UML

general secretary, in same program in Nepal Samacharpatra.

* * *

“It is true that so many CPN-UML followers and workers have joined Nepal Communist Party Maoist. In some places, the CPN-UML seems to be weakening.”

Jaganath Khatiwada, MP of CPN-UML, in Jan Astha weekly.

* * *

“There is a possibility of direct negotiations between Prime Minister Sher Bahadur Deuba and Maoist leader Comrade Prachanda.”

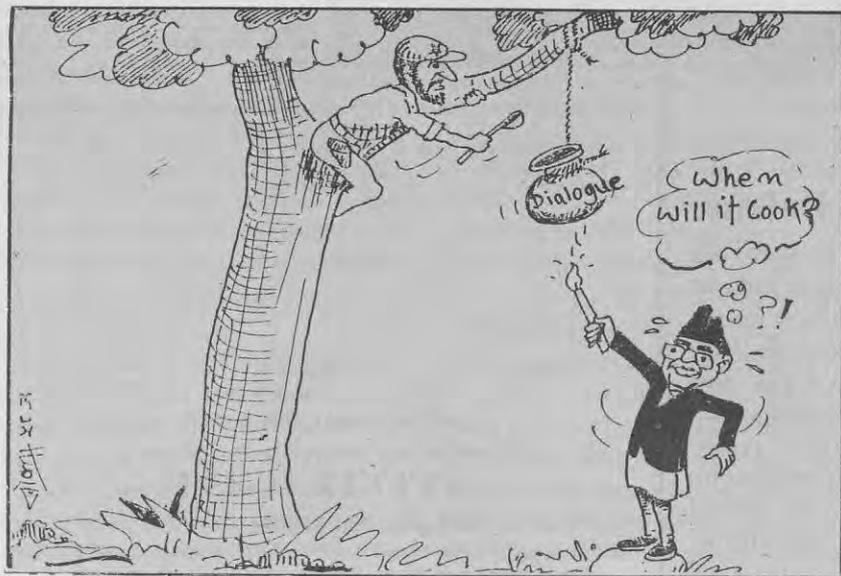
Leftist leader Padma Ratna Tuladhar, explaining how negotiations would be held, in Bimarsha.

* * *

“The communist leaders are divided on grounds of petty interest. We don't have much ideological differences.”

CPN-ML leader C.P. Mainali, talking about the possibility of left unity, in Prakash.

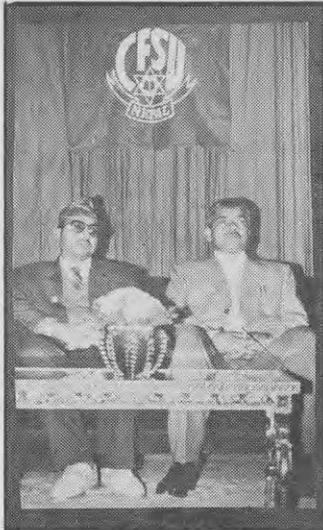
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Janabharvati

Trouble In The Party

When newspapers carried stories on the resignation of CPN-UML leader Pradeep Nepal from the post of party spokesman, leaders in the rival CPN-ML group began distributing sweets. ML leader C.P. Mainali seemed to be particu-



Mainali (left) and Gautam :
Divided we stand

larly happy, as he considers Nepal as one of the key people in the UML who forced him to quit the party. UML workers, meanwhile, were stunned and Nepal himself was reported to be in state of near shock. Nepal had not expected the story to push him toward greater isolation in the party. The sordid saga ended when UML general secretary Madhav Kumar Nepal claimed that he had not received any such letter from Pradeep Nepal. Friends of the Nepal duo have a better theory: the story was a conspiracy hatched by anti-UML forces.

Deuba's Austerity

Prime Minister Sher Bahadur Deuba seems to be on an austerity drive. This may be the reason why journalists in-

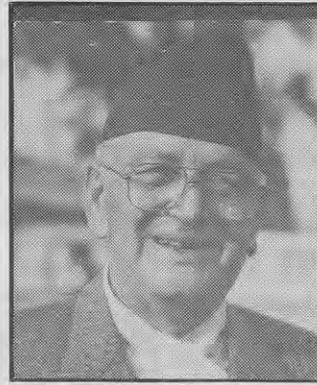
vided to an informal meeting had to wait half an hour to be served their first drink. In his first tenure as head of government, Deuba was so generous that he gave almost everything everyone wanted, from ministerial berths to all-expense-paid trips to Bangkok. What prompted him to become austere this time around? Perhaps the more important question is: in the whirlwind of Nepalese politics, how long will the prime minister be able to maintain his frugal ways?

Nepal's Demand

CPN-UML leader Madhav Kumar Nepal seems to have developed a liking for counting the number of prime ministers he can ruin. The leader of the opposition waited six months before launching his crusade — which included everything between disrupting the entire winter session of parliament and tearing off of street railings — to oust Girija Prasad Koirala. In Prime Minister Sher Bahadur Deuba's case, Nepal did not even wait for six days to ask for his resignation. Nepal has already made it clear that Deuba must be prepared to sacrifice his position in the interest of the country. How many prime ministers does Nepal hope to destroy during the term of this parliament?

Thapa In Defense

Rastriya Prajatantra Party (RPP) leader Surya Bahadur Thapa seems to have learned to accommodate rivals in the party. Although it was organized under his request, a meeting of the RPP's district chairmen surprisingly opposed his recent policies. The shrewd politician he is, Thapa immediately turned to his rival Pashupati Sumsher Rana for



Thapa : New alliance

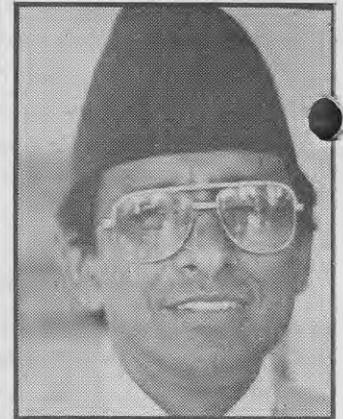
help. Thapa, who had endorsed a party decision to take action against Rana, finally hailed his role in the party. This is how Thapa has thrived in politics.

Daily Gaijatra

When Royal Nepal Academy announced that it would not organize the Gaijatra Parba this year because of the Royal Palace killings, it did not disappoint many people. With politicians, intellectuals and other luminaries of society putting on a daily show of Gaijatra, the academy's program will not be sorely missed.

Silent Speaker

House of Representatives Speaker Taranath Ranabhat seems to have taken the resignation of Girija Prasad Koirala as a personal loss. Since Koirala stepped down, Ranabhat has shown little inclination to speak. Even during House proceedings,



Ranabhat : No more Ryat tyat

Ranabhat spares little time, letting his deputy Chitra Lekha Yadav take charge. When the speaker turns silent, what does that bode for our politics? ■

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NEPAL - UNITED STATES

Super Power Support

The world's most powerful democracy reiterates support to strengthen the struggling democracy and the endangered constitution of Nepal

By KESHAB POUDEL

“We have no intention of looking at Nepal through the prism of any Other nation.”

Thus spoke the first senior official of the world's only superpower to visit South Asia after the Republican administration replaced the Democratic dispensation in the White House. The remarks found place in the very beginning of a one-page statement the Assistant Secretary of State for South Asian Affairs, Christina Rocca, gave at the end of her recent Nepal visits.

At a time when many political pundits were speculating an India-tilt Under the new administration in its relations with South Asian Countries, Ms. Rocca scotched such speculations. She said, “the Bush Administration sees each of the nations of South Asia as important to US Interests.”

Her visit was itself indicative of the American policy towards the Region. That a small land-locked Nepal was put in her first itinerary, which included India and Pakistan, spoke volume of how the Himalayan Kingdom is seen as “important to US interests.” Incidentally, it was only four months ago that another US official in charge of the South Asian affairs, Alan Eastham, who was officiating pending the formal Appointment of Rocca also visited Nepal.

This reflects that despite the much publicized US-Indian axis versus the Sino-Pakistani alliance after the recent perceived shift in the American Policy on South Asia, there has not been major shift in policy towards smaller countries like Nepal. Instead, it appears to have in-

creased, if the choice of the new American envoy is any indication. For the first time after the multi-party democracy was restored in Nepal Twelve years ago, a career diplomat with high credential has been appointed American ambassador.

Mike Malinowski's appointment is important for several reasons. One, he is an old Nepal hand? He served as the deputy head of the mission at Pani Pokhari in the early years of multi party democracy. More important, he is now coming from a country which has for years been a top US



PM Deuba (left) and US Assistant secretary Rocca : New perception

priority in Asia. Incidentally, the Philippines, where Mr. Malinowski is currently number two man in the American embassy, has recently witnessed severe strains on its adolescent democracy, like Nepal today. The Pacific island nation has also been reeling under a long-running insurgency like the Himalayan kingdom.

Despite strains, the Philippines has been able to avoid major setbacks to its democracy. And despite massive outside help, the insurgency has not been able to make a major dent.

The Assistant Secretary of State for

South Asian Affairs, Rocca's remarks on Nepal's democracy and the insurgency may therefore deserve special attention. “A thriving, secure democracy and open markets under The rules of law are essential. As a good friend, the United States looks forward to continuing its efforts to help Nepal reach those goals.”

America's public commitment “to help Nepal” has come at a time when the tiny land-locked nation is under one of the most serious pressures in recent times to safeguard not only the democracy but also the independence and sovereignty as well, due to the on-going armed insurgency by the Maoist communists, who, according to a report prepared by a committee headed by none other than the Prime Minister Sher Bahadur Deuba, “have been training in India and using the Indian territory as a safe haven for trafficking the arms.”

Rocca also called for a peaceful resolution of the Maoist insurgency. As fears continue to rise about possible attempts to derail the Constitutional and democratic process, the senior American official urged the Nepalese to peacefully solve their problems “within a constitutional and democratic process.” Any political change, she said, must take place “within the constitutional framework, thus guaranteeing it is the will of the people.”

Nepal is currently going through one of the serious crises. The cold war may have ended globally. It has not, regionally. Regional rivalry has turned South Asia, to quote former President Bill Clinton, into one of the dangerous spots in the world.

Sandwiched between the two none-too-friendly, if not totally hostile, nuclear powers with a billion-plus people each, the South Asian nation of Nepal faces enormous challenges in its journey ahead as an independent and democratic member of the international community. Having seen this without “the prism of any other nation,” Assistant Secretary of State Christina Rocca left Kathmandu “convinced that Nepal's challenges are great, but so are its prospects.” ■

ROYAL NEPALESE ARMY

Loyalty And Trust

A major participant of the campaign of national unification and consolidation, the army has always been on the frontlines of Nepal's political debate

BY AKSHAY SHARMA

The political discourse over the past year would suggest that the Royal Nepalese Army has emerged at the forefront of the national agenda because of questions surrounding the conduct and performance of the civilian leadership. The fact, however, is that the army has been inextricably linked with Nepalese nationhood ever since it established itself as a major instrument of the national unification and consolidation campaign that began under King Prithvi Narayan Shah the Great.

"Is the democratic system in Nepal compatible with the preponderance of the Nepalese army?" BP Koirala asked in his posthumously published "Jail Journal". During his eight years in prison after his 18-month tenure as Nepal's first elected prime minister came to an abrupt end in December 1960, BP spent a lot of time wondering what sequence of events led King Mahendra to take the drastic step of dismissing the Nepali Congress government.

Eleven years after the restoration of the multiparty democracy that was abolished with the removal of BP Koirala's government, the army still dominates political discussions. For the better part of a year, the country debated every legal nuance concerning who has the authority to deploy the army against the six-year-old Maoist insurgency.

"An army coup is not very far off," wrote political scientist Dr. Pancha Narayan Maharjan in a recent article in Himal Khabarparika. "If the army is not modernized along with the political sys-

tem and is not synchronized easily with the political system, this could result in a coup."

Political analysts agree that the army is currently facing one of its biggest challenges. "But the reassuring factor is that the Nepalese army has always been a patriotic and nationalist force. They will never be stooges for alien powers," one analyst says.

Since Nepal has always been an independent nation and the hallmark of the army has been obedience to the authority of the state, a built-in patriotic tradition has always existed in the force, says one security expert. Matters entered a new phase after the revolution of 1951 when King Tribhuvan, the Ranas and the Nepali Congress agreed on forming a coalition government paving the way for Nepal's transition from isolation to democracy.

However, the external variables that came into play left the army at the forefront of national affairs. In their book "Nepal: Profile of a Himalayan Kingdom", Leo E. Rose and John T. Scholz point to a major variable in the transformation of this pillar of state: "The wholesale adoption of the Indian version of non-alignment as a basic principle without even a serious discussion with its relevance to Nepal."

They add: "Kathmandu accepted a client-state role in India regional security, economic and political systems. The establishment of an Indian military mission in Nepal in 1953 and of Indian posts on Nepal's northerner border in 1954 associated Nepal even more directly in India's security systems. And an informal system of periodic consultations between top officials of both governments assured a continual exchange of views, thus facilitating New Delhi's guidance of Kathmandu on foreign policy."

Some security analysts say the current "cold war" between India and China would cast a dark shadow on Nepalese politics. "The recent problems in the country cannot be attributed to the army. However, one can certainly point a finger to the political leadership," one ana-



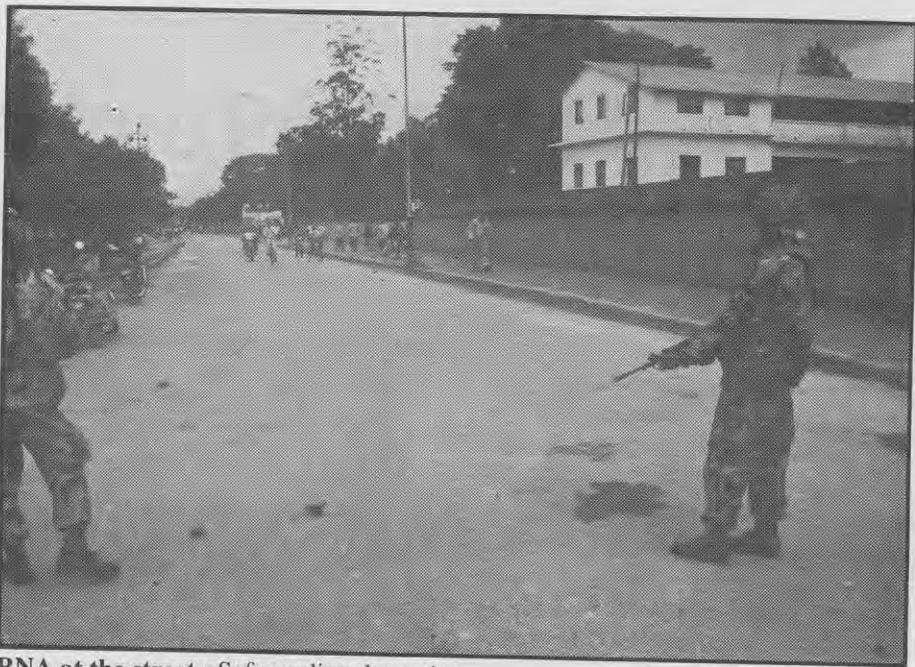
Ready for combat : Dedicated and strong

lyst says. "We have a flexible constitution, but the unruly and anarchist attitude of the political leadership is the root cause of the problem because the de-facto leader cannot afford to be unruly or populist. Governance is the art of mastering and exercising their authority in a balanced manner."

Military matters have inevitably crept into Indo-Nepal relations. India's security concerns on its northern frontiers is a legacy from British colonial rule. "The massive range of the Himalayas in the north, in spite of a few passes, which remains snowbound for the major part of the year, is an effective way into the Kashmir Valley. This was proved by the Chinese unilateral declaration of the cease-fire in the winter of 1962 and the withdrawal of the Chinese forces behind the passage before snow fall," remember Lt. Colonel Sharma and K.S. Nagar, then head of the department of defense studies at the University of Gorakhpur, in their book "India's Northern Security".

"But the unity of Nepal and Bhutan as 'windows' for India on China and Tibet and for China on the sensitive Indian regions in the Gangetic planes and the north-east can never be eliminated. This will continue to make the Himalayankingdoms a center of attention to the outside world," writes Lt. Colonel Sharma. "India's security is tied with Nepal's, whereas China's is not," he adds.

In the 1970s when Bangladesh gained independence from Pakistan, India emerged as the dominant power in the region, observes an expert. This resulted in pressures from India and China in Nepal. The Indian, US and Nepalese armies trained Khampas in hit-and-run tactics against Tibet. When the Chinese exerted pressure on Nepal, Indian army posts on the northern border were shifted to Army Headquarters in Kathmandu, says an expert. As Rose and Scholz recount, "A new treaty was signed in 1971, but with somewhat less dangerous terms than the 1960 treaty. Coincidentally, India was allowed to



RNA at the street : Safeguarding the nation

attach its military mission in Kathmandu. Although it operated out of Nepal's headquarters, its relations with the headquarters staff were and still are reported to be very close."

King Mahendra had full control over the army and after the Sino-Indian border war in 1962, Rose and Scholz write: "In New Delhi, top priority was given to strengthening India's security systems on its northern frontier. The Nepalese opposition forces were pressurized to cease their terrorist activities from bases in India and use peaceful political tactics."

"The balance of military power on the Himalayan border shifted gradually to India's favor, leading to a probable Indian superiority at key points on the frontier," wrote Rose and Scholz, accepting the fact that Nepal ended up vulnerable to Indian pressure in the 1970s as it had before the 1962 Sino-Indian war.

Matters came to such a pass that when Nepal decided to buy anti-aircraft guns from China in the late 1980s, India responded by applying economic pressure against the kingdom. The sequence of events culminated in the

dismantling of the partyless system and the restoration of multiparty democracy.

"As all institutions of the state have weakened against alien forces, the army has managed to survive. Maybe the generals were aware of the pitfalls of supporting the party in power," says a security analyst, referring to the army's hesitation to move against the Maoist rebels in Nuwagaon recently. "Under the current political set-up, today's opposition parties could come into power tomorrow. Maybe the generals made the correct move by not appearing to side with one section of the majority party."

The fact that the army in Nepal is still a force to be reckoned with was evident in the circumstances surrounding Girija Prasad Koirala's decision to step down as prime minister last month. A iron-willed politician who weathered sustained pressure from the combined opposition in parliament and on the streets, from the Maoist rebels in the rural hinterland and from a string of corruption allegations, Koirala found himself at a virtual dead end when he realised he couldn't deploy the army in the way he wanted to. ■

CPN-UML MEET

Futile Debate

Setting aside vital national issues, the central committee meeting of the UML wastes time discussing the issue of succession to the throne

By KESHAB POUDEL

What is the major national issue today? If you ask the CPN-UML, it is succession to the throne. The recent central committee meeting of the main opposition party discussed various aspects of succession to the throne. At a time when political parties are unable to resolve their own institutional problems and to ensure transparency in their functioning, their tendency to raise questions on an issue that is neither in controversy nor a source of complication defies logic.

As a traditional institution, the monarchy is governed by its own system and procedures that have evolved over the centuries. Even after the unification of Nepal by King Prithvi Narayan Shah the Great, the country has kept succession to throne out of controversy. There has not been a single instance where the succession has faced complications. Nepal's two traditional institutions, the monarchy and the Royal Nepalese Army, have traversed various phases of history together, overcoming all odds.

Unlike political parties such as the communists who have made a habit out of frequent splits in the name of leadership, the monarchy remains intact and united because of the procedural sturdiness of succession. In the last 50 years, the communist parties have split into more than two dozen groups. The Nepali Congress, too, has seen many splits, including the last one led by its supreme leader Ganesh Man Singh.

The Succession to the Throne Act of Nepal has proved successful in ensuring the stability of the institution of monarchy. The demand by the CPN-UML, which split

three years ago over differences rooted in leadership succession, was particularly strange. It seems the CPN-UML wants to ensure its survival and relevance by raising non-issues.

Every monarchical country has its own system of succession that is determined by its traditions and political developments. In Japan, the parliament has the right to decide on succession but the monarchy is



UML leader with other parties : No stand is our stand

so influential that the Japanese people see the monarch as symbol of unity and parliament defers to the traditions of the institution. In the United Kingdom, too, the monarchy has its own system of succession and parliament has nothing to do with the matter.

In South Asia's context, the national assembly of Bhutan can replace the King by a two-thirds majority. The CPN-UML and other communists had made efforts in 1990 to introduce the Bhutanese model but were forced to abandon them.

"By rocking the country's two most stable traditional institutions, the monarchy and the Royal Nepalese Army, the CPN-UML and other political leaders are trying to prolong instability in the country," says a political analyst. "How can CPN-UML leader Madhav Kumar Nepal,

who is himself uncertain whether his party can remain united until the next convention, raise questions about who should become monarch?"

"The CPN-UML has a history of raising non-issues to drag the country into fresh rounds of political uncertainty and turmoil," says senior advocate Mukund Regmi. "Whether it is in Tanakpur case, Dasdhunga accident, Lauda Air or the issue of free and fair elections, the CPN-UML has pushed the country into anarchy and turmoil," he said.

"In the Tanakpur case, the CPN-UML obstructed the house for a month and finally paved the way for the ratification of the Integrated Mahakali Treaty. In Dasdhunga movement, the CPN-UML actions led to the deaths of 19 people. While raising the Lauda Air issue the party obstructed the winter session of parliament for 64 days and called a three-day Nepal bandh. Finally, RNAC is virtually on the brink of collapse," Regmi said.

Whatever ideological underpinnings that guide CPN-UML leaders, they seem to be more concerned on a single-point agenda: to create anarchy and disrupt the democratic process by raising issues that do not need to be debated.

The country is today facing several problems, including employment, illiteracy, trade

imbalance with India, health worries, water inundation and, most importantly, growth of political institutions and the transparent functioning of parties. However, the CPN-UML found succession to the throne as the major agenda in its 128-member central committee meeting. Although some influential members of the Nepali Congress like former spokesman Narahari Acharya and some CPN-UML leaders have raised the succession issue in parliament, the CPN-UML's latest decision is another bid to drag the monarchy and the Royal Nepalese Army into needless controversy.

It remains to be seen whether the CPN-UML's latest adventure would strengthen or weaken the monarchy. However, the history of the CPN-UML shows that its steps have often brought the opposite results. ■

PM DEUBA

Operation Restore Peace

Prime Minister Sher Bahadur Deuba gets much-needed support from all political parties in his effort to restore law and order

By A CORRESPONDENT

The achievements by newly appointed Prime Minister Sher Bahadur Deuba in bringing various political forces together to restore law and order in the Maoist affected areas have been remarkable. Even before taking the oath of office, Prime Minister Deuba called a truce with the Maoist insurgents, drawing a reciprocal announcement from the rebels.

In the last two weeks, except for sporadic incidents of extorting donations and forcing elected local representatives to resign, the Maoist insurgents have honored the truce announced by its leaders by not attacking police posts. The government has released several Maoist prisoners from jail to pave the way for peaceful dialogue. The Maoists, too, have released people under their captivity.

Although two weeks have passed since the truce was announced, it seems that it will still take at least a week to start formal negotiations with Maoist leadership. Many hope that Prime Minister Deuba will bring lasting peace to a country that has been gripped by nearly six years of escalating violence.

Although many express doubts over Deuba's ability to make the peace talks successful, the prime minister has already gained some mileage by drawing support from leaders of major political parties, including his own, for the talks.

Deuba has held talks with leader of main opposition party Madhav Kumar Nepal, Rastriya Prajatantra Party leader Surya Bahadur Thapa, CPN-ML leader Bam Dev Gautam, Nepal Sadbhavana Party president Gajendra Narayan Singh and other leaders, including former speaker Damannath Dhungana.

After receiving the backing of his own Nepali Congress party, Deuba is now on a mission to convince other national and small political parties to develop a consensus on setting the agenda for the talks.

"The prime minister will hold a conference of national political

ORDINANCES Building Consensus

It took nearly five months to regularize two ordinance tabled in parliament. The Armed Police Ordinance and Local Administration Amendment Ordinance have finally entered in the official process of parliament.

According to the constitution, an ordinance must be ratified by parliament within 60 days of its introduction. Although the government does not have a majority in the upper house, the majority of the Nepali Congress in the lower house is adequate to ratify it. Although all opposition parties have registered a motion against it, they seem to have decided to pave the way for ratification by organizing a tactical boycott of the house.

"We are not opposing the establishment of the Armed Police Force. Our opposition is to the way the government tried to bypass parliament in announcing the ordinance," says a senior UML leader on condition of anonymity. "We will not vote in favor of the ordinances."

The House of Representatives endorsed the ordinance after Home Minister Khum Bahadur Khadka tabled it. ■

parties after completing his consultations with various political leaders," says a close aide to Deuba, on condition of anonymity. "The prime minister has received a very positive response from all political parties."

As pressure is mounting on the government and the Maoists to find a peaceful solution, negotiations seems to be inevitable. "I think all the parties will support Prime Minister Deuba in his quest to restore law and order in the country," says Sudip Pathak, president of the Human Rights Organization Nepal. ■



PM Deuba : Rush to consensus

NEPAL-INDIA TRADE TALKS

Inconclusive Round

Nepal withstands Indian pressure on 'export surge'. Will it be able to hold its ground as the treaty comes up for renewal in a few months?

By BHAGIRATH YOGI

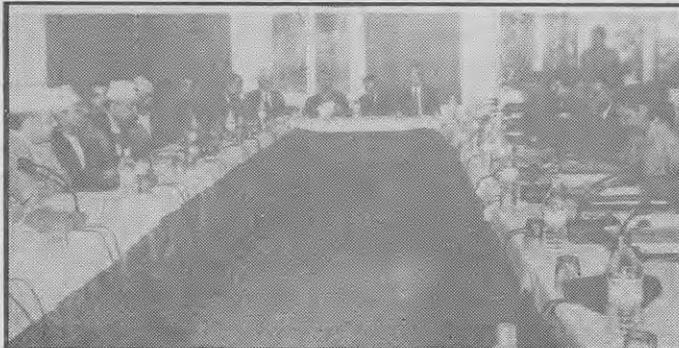
The environment may not have been perfect for crucial trade talks between the two close neighbors. As there was nobody to look after the Industry and Commerce portfolio independently (Prime Minister Sher Bahadur Deuba still holds the portfolio) and Nepalese press remaining 'hostile' on the issue of inundation of Nepalese territory by the under-construction Rasiyawal-Khurda Lautan bund by India close to the border, it needed diplomatic skills and patience to steer the talks to a positive conclusion.

For the Nepalese side, the acceptance by Nepalese business community, in principle, during a recent meeting with their Indian counterparts in New Delhi on the introduction of value addition on some items exported from Nepal did not help matters. However, the Nepalese team, which had done adequate homework, did not relent, leading the crucial issue to be postponed until the next meeting.

The five-day talks (including preparatory meeting led by joint secretaries) between Nepal and India concluded here Sunday postponing crucial decisions on some contentious issues until the next meeting. The date and venue of the next official-level meeting are yet to be fixed. The next round of talks—that will be held on the eve of the expiry of the five-year-old Nepal-

India Trade Treaty—are, hence, considered crucial.

According to the Ministry of Industry, Commerce and Supplies (MoICS), the two sides agreed to further strengthen the implementation of provisions of the 1996 Treaty by resolving some operational issues, specifically waiving the premium in the leased properties at Kolkata port, setting up lab testing facilities at Raxaul and



Nepalese and Indian officials : Searching for common ground

Gorakhpur for exports of food items from Nepal, concern of Indian joint-venture industries in Nepal, and improvement of

physical facilities and infrastructure at major border points between Nepal and India.

Both sides also agreed to make greater efforts to finalize the railway agreement for operationalizing the Birgunj Inland Container Depot and the agreement on regulation of vehicular traffic. Similarly, understanding has been reached for enhancing the process of agreement between Bureau of Indian Standard (BIS) and Nepal Bureau of Standards and Metrology (NBSM), the ministry said. The Indian side agreed to look into the request to waive excise duty imposed on fuel supplied to Nepalese aircraft in India.

On the crucial issue of 'export surge' on some crucial items from Nepal to India, both sides agreed to further continue bilateral consultation. For sometime now,

India has had reservations toward the surge in export of five items, namely polyester yarn, vegetable ghee, copper wire, zinc oxide and GI pipes from Nepal to India. Reports said India wanted up to 30 percent local value addition in these items before they were exported to India. Nepali officials, however, maintained that the said provision would be against the spirit of the 1996 Treaty of Trade between Nepal and India that allows duty free access to Nepalese manufactured goods into the Indian market.

"Both sides have agreed to meet some time later to discuss the contentious issue of 'export surge,'" said Purushottam Ojha, joint secretary at the MoICS. India has been claiming that five of the most exported Nepalese items to India fall under the surge net. Nepal maintains that its exports is meager (only 2 to 2.5 percent of the total imports of the said items by India) in the huge Indian market. The new provision would further curtail Nepalese exports thereby further widening the already imbalanced Nepal-India trade.

In the year 1999/00, Nepal exported goods worth Rs 22.62 billion to India. Imports from India stood at Rs 40.92 billion with the trade deficit of more than Rs 18 billion. "Its not appropriate to check

The Growth Chart

Item	Growth*	Amount in NRs
Polyster yarn	38 %	1460 million
Vegetable ghee	27 %	3070 million
Copper Wire rod	382 %	1930 million
Zinc Oxide	17 %	245 million
G. I. Pipe	400 %	280 million

Source: NRB

(Note: These figures indicate Nepalese exports to India in the first 11 months of the fiscal year 2000-01, compared to the same period the previous year.)

the growth of Nepalese exports to India in the name of export surge. In the wake of the huge trade deficit, we need to increase our exports to India further," said Ravi Bhakta Shrestha, newly elected President of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI).

Thanks to the 1996 Treaty, Nepal's exports to India rose by up to 80.5 percent in the year 1999/00. The growth in import from India, however, was relatively moderate. It increased at an annual rate of 13.2 percent in the five-year period between 1994/95 to 1998/99. As a result, trade deficit with India has continued to decline at an annual rate of more than 5 percent after 1995/96 except a brief increase in the year 1998/99. India accounted for 43.8 percent of Nepal's exports in 1999/00 compared to 12.5 percent in 1993/94.

Nepal's trade with India was fairly open even before the onset of the liberalization process. Even at present, more than 44 percent of Nepal's total export is consumed by India whereas little more than 35 percent of total Nepalese imports comes from India. Three joint venture companies, Dabur Nepal (Pvt.) Ltd., Nepal Lever Limited and Colgate-Palmolive Nepal Pvt. Ltd. together represent up to 40 percent of Nepal's total exports to India. Direct foreign investment from India stood at Rs 0.21 billion in 1996/97 which declined to Rs 0.08 billion in 1997/98.

Nepal continues to honor the spirit of the 1996 Treaty by offering 20 percent concession on the prevailing tariff to the products of India, the only country to enjoy such a privilege. But things have not been the same on the part of India. Nepalese exporters faced difficulties due to the Indian provision of Duty Refundable Process (DRP) and later due to CENVAT (Central Value Added Tax). Last year, India imposed 4 percent Special Additional Duty (SAD) on all imports from Nepal, which was withdrawn in October last year after tremendous pressure from the Nepalese government and the business community. The imposition of quarantine fees on the imports of agricultural products from Nepal and allegations that Nepal is flooding Indian market with the goods smuggled from China are some more examples. Analysts say smuggling

across the open border is a two-way business and has equally hurt both the Indian and Nepalese economy.

Experts say the treaty can be implemented only in an environment of mutual trust and confidence. Said Dr. Puskar Bajracharya, professor of management at Tribhuvan University, "The Indian proposal to introduce value addition in the name of 'export surge' is not rationale. But Nepal, too, should take steps to avoid deflection of third country imports to India and should immediately put in place a mechanism to correct such deflections. The Indian side, too, should not treat Nepal, that now enjoys preferential treatment, at par or worse than the countries (with which it has) the MFN (Most Favored Nations) arrangement."

Sources said leader of the Indian delegation, Commerce Secretary Prabir Sen Gupta, was quite flexible during the talks compared to the relatively hard stance of the South Block mandarins. Officials from the Indian Foreign Ministry insisted that controversial issues needed to be sorted out at the political level.

"The talks were held in a very cordial manner," said Secretary at the MoICS Bhanu P. Acharya, who led the Nepalese delegation.

Former Industry Secretary Dr. Bhola Nath Chalise, in his article published in Himal Khabarpatrika, recalls that the 1996 Trade Treaty was made possible due to the effective leadership of the private sector in both the countries when I. K. Gujral was the prime minister of India. The "Gujral doctrine" pleads for non-reciprocal treatment by India toward her smaller neighbors. "While dealing with Nepal, Indian bureaucracy is too conservative," said Dr. Chalise. "If there are any shortcomings in the implementation of the 1996 Treaty they should be corrected as per the spirit of the Treaty. But there should be no attempt to return to the 1991 Treaty for the comfort and benefit of one of the parties." The 1991 treaty made it mandatory that Nepal should value add at least 50 percent in its export items to enjoy duty free access in the Indian market.

The 1996 treaty is also considered a milestone for attracting Indian and for-

eign investment in Nepal thus helping industrialization in Nepal. But the rigid attitude on part of India, as manifested in the case of Kodak, has raised suspicion about the implementation of the treaty. "Due to lack of clarity in the 1996 Treaty (such as the provision of 'export surge'), problems have been cropping up in setting up industries in Nepal," said T. K. Gupta, general manager of Dabur Nepal Pvt. Ltd. "It is very interesting to note that the behavioral pattern of the Nepalese investors has not yet changed even though the treaty has given an opportunity for more industrialization. The preference toward trading is still greater than toward manufacturing."

According to Gupta, Nepal has not used the benefits of the trade treaty to the fullest extent. "If the benefit of the treaty is not materialized soon, there would be hardly any time left before the imposition of WTO accord, which may become suicidal for the economic development of this region," he said.

It is time both Nepal and India moved forward to translate the treaty into a win-win situation, respecting each other's sensitivities. ■

Nepal-India Trade Treaty, 1996

Article V-Government of India will extend parity in the level of additional duty on such Nepalese goods equal to the treatment imposed in the level of effective duty on similar Indian products under the Indian customs and Central Excise Tariff.

ii) In the event of ... a surge in the imports generally or in the import of any particular article, the two governments shall enter into consultation with a view to taking appropriate measures.

Article XII- The Treaty shall remain in force up to December 5, 2001 and shall be automatically extended for further periods of five years at a time, unless either of the parties gives to the other a written notice, three months in advance, of its intention to terminate the Treaty.

TOURISM Flight To Destruction

Nepal's tourism industry suffers a major setback as Royal Nepal Airlines Corporation (RNAC) decides to suspend flights on its European and other sectors. After it cancelled an agreement with China South-West Airlines, RNAC is in no position to continue serving its regular routes with its two ageing Boeing 757 aircraft. Over the past decade, RNAC has been the victim of continual attacks by politicians. By stepping into the ring, the Public Accounts Committee and the Commission of Abuse of Authority have completed the process of destroying the national flag carrier.

By KESHAB POUDEL

Nepal's tourism industry has survived on hope for a long time. Even hope has become a luxury these days. The tourism sector is on the verge of collapse after the Royal Nepal Airlines Corporation (RNAC) sus-

pending its regular schedules on the European sector. Having survived even the fiercest assaults over the last two years, RNAC's decision has come as the proverbial last straw on the back of the tourism industry.

The hijacking of an Indian Airlines flight in December 1999, a series of bird-

hits in October 2000, the hotel workers' strike in November 2000 and January 2001, the widespread negative publicity generated by anti-Indian activities triggered by anti-Nepal remarks attributed to Indian film star Hrithik Roshan — which he consistently denied making — successive Nepal bandhs, the royal palace killings and bomb



RA's aircraft : Clipping of the wings

scars all contributed to driving tourist arrivals to unprecedented lows.

Although many other international airlines have proposed to increase the frequency of their flights from European destinations withdrawn by the RNAC, it is not easy to recover the vacuum created by the suspension of the flights by national flag carrier. Qatar, Transavia, Lauda and Aeroflot remain four airlines which fly to Europe from Kathmandu.

We have already received request from some international airlines which want to increase the frequency following the withdrawal of flight by the RNAC," told a senior official of Ministry of Culture, Tourism and Civil Aviation to Spotlight.

The cutback in flights by Indian Airlines from July hampered the recovery efforts made by Nepal Tourism Board. RNAC's latest move will further reduce the number of tourists visiting Nepal. Britain, Germany, France, the Netherlands and Italy occupy 7.31 percent, 5.39 percent, 5.06 percent, 2.85 percent and 2.60 percent of total tourist arrivals respectively. The number of tourists is bound to plummet after flights to the major markets are suspended.

RNAC's move was expected even before the formal announcement was made. After the cases filed against board members in the Lauda Air deal and accusations

of irregularities made by the Public Accounts Committee in the leasing of a China South-West Airlines aircraft, nobody was in a position to retain the leased jets for too long.

Although other international airlines will undoubtedly step in to fill the gap, Nepal's tourism industry can hardly expect to recover by depending on carriers belonging to other countries. Along with Qatar Airways, Lauda and another airlines from Netherlands are operating direct flights from Kathmandu to London and other European destinations. Emirates and Pakistan International Airlines also have direct links to European cities.

But who knows when foreign airlines will start seeing thinning profit margins and eventually decide to pull out? Indian Airlines' decision to cut the number of its flights shows how vulnerable it is to depend on foreign carriers.

"Other airlines may fill the gap created by the cancellation of flights by the RNAC, but these are not as dependable as the national carrier," said Tek Bahadur Dangi, marketing director of Nepal Tourism Board. "We need to have our own strong airlines to provide reliable service."

It doesn't look like the much-hailed truce between the government and Maoist insurgents will help the tourism industry. The sector can just forget about making a

recovery for the time being.

RNAC officials are not alone responsible for the present plight. After the punishment meted out to senior officials involved in the leasing of the Lauda aircraft, no official or minister is willing to take any major decision. The Commission for Investigation of Abuse of Authority's (CIAA) decision to warn the prime minister in the case has multiplied the risk factor involved in files reaching the cabinet room.

"Who will take risks at a time when officials are indicted for causing losses during the course of operating flights? If I continue flights to Europe incurring losses, who can guarantee that the CIAA will not file a case demanding that I compensate for the loss," said a senior executive official of the RNAC, requesting anonymity. "If we continue operations with our own two aircraft, we might not make money. But, at least, we won't have to face any kind of risk."

The CIAA's indictments in the Lauda Air case are based on losses incurred by leasing the aircraft rather than on any acts of corruption or irregularities. This anomaly is responsible for the present situation. "We will operate the aircraft we have. Why should we have to go to the Public Accounts Committee and Commission of Investigation of Abuse of Authority for taking decisions that might benefit the country?" another official said.

Private airlines, too, are feeling the heat. "Fewer flights mean fewer tourists. If the number of visitors goes down drastically, many private airlines will suffer," said Birendra Basnet, managing director of Buddha Air. "Some airlines may just have to close down."

When the government-Maoist truce was announced, tourism entrepreneurs breathed a sigh of relief and had started plotting a tourism promotion strategy. The royal palace massacre and subsequent events sent negative signals in the international market. As a result, tourist arrivals plunged in June and the first week of July.

Encouraged by the upswing in the second week of July, tourism entrepreneurs were becoming cautiously optimistic of a recovery. RNAC's decision ensured that the optimism was short-lived.

"RNAC's move to discontinue flights

on the European will have a major setback in the tourism industry. We will be forced to close down business if the government does not take necessary steps to restore those flights," says president of Trekking Association of Nepal. "As tourist arrivals over the last two months have gone down drastically — the arrival of Indian tourists alone has plunged by 72 percent — it is impossible for us to do business."

Interventions outside

By firing shots in unproven allegations of corruption in the leasing of aircraft, the CIAA has ruined the country's two major tourism components, RNAC and hotels. "Look at the irony. All this damage was done by an anti-graft watchdog headed by someone accused of abuse of authority during his tenure as secretary to the Ministry of Agriculture," says a political analyst. Double standards on questions of morality have exacted a heavy price from the tourism industry.

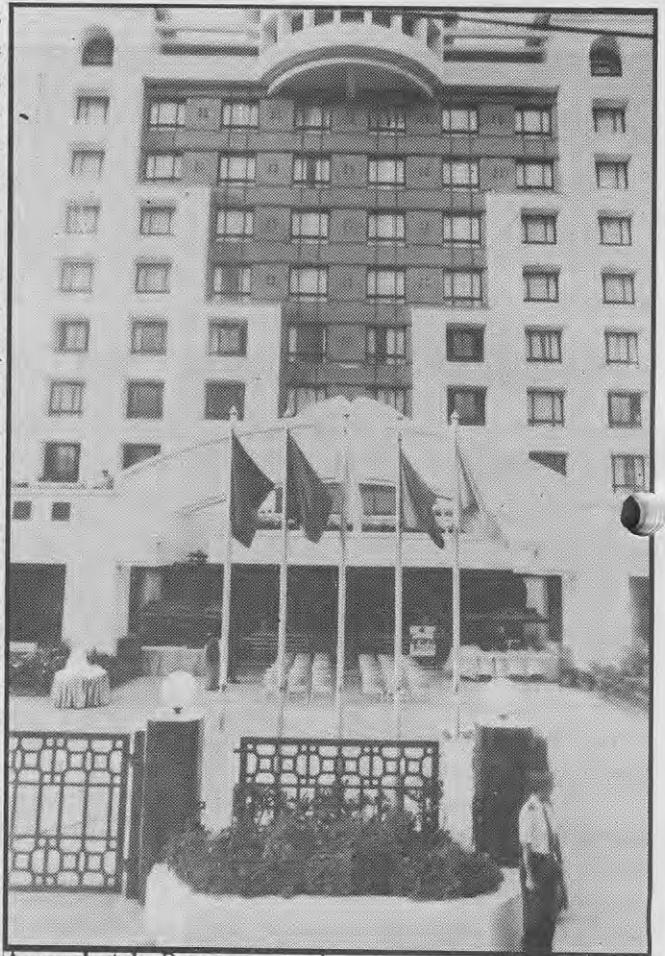
The decline in the number of Indian tourists is understandable, because Indian Airlines has cut its flights to Kathmandu from New Delhi, Calcutta and Benaras by half. Maintaining the share in western markets should ordinarily have been high on RNAC's priority list.

But these are not ordinary times. At a time when available seats are low, one cannot expect high growth in tourism. RNAC's flight cutback comes just a few months before the tourist season, which

has sent shock waves through the industry. The RNAC management has other compulsions to cancel the flight, as it has terminated the lease with China South-West effective August 5, 2001.

"How long we can operate flights on the European sector losing such huge amounts of money? RNAC has lost more than Rs.750 million in the European sector in the last 10 years," a senior RNAC executive told SPOTLIGHT on condition of anonymity.

In its announcement, the national flag carrier has made it clear that it is in no position to operate flights on the European and other sectors with its two Boeing 757 aircraft after the cancellation of the agreement with China South West. It has already suspended flights to Frankfurt, London and Paris in European sector and Dubai and Singapore in the Asian sector.



A new hotel : Return uncertain



Door closed : Please, go out

Although a group of tourism entrepreneurs has met Prime Minister Sher Bahadur Deuba to demand the restoration of European flights, he is yet to take any kind of decision right now. Aware of the plight of his predecessor, Girija Prasad Koirala's, in the Lauda Air deal, Deuba may simply avoid getting involved in a highly controversial matter.

Some RNAC executives say there is a slim chance of improving things, but want the government to make honest commitments. "If we receive strong assurances from the government and written directives, then we may be in a position to rearrange the flight schedule. However, we don't want to put our career on the line. If we take initiatives to normalize the flight schedule, the PAC and CIAA won't lose time in launching a probe," said a senior RNAC official, requesting anonymity.

At a recent meeting, the director of Nepal Administrative Staff College dis-

closed that no secretaries and senior officers in government ministries and departments are in a mood to take decisions because of overreaching approach of the PAC, State Affairs Committee and CIAA. "There is a growing mentality in favor of not working. Whenever a ministry or department takes a decision, officials fear they might be summoned by the PAC, State Affairs Committee and the CIAA at any time," said Sambhu Saran Kayastha, at a meeting organized by the State Affairs Committee.

CIAA's Role

In RNAC's case, this psychosis is at play. In the last decade, whenever RNAC has taken an initiative to lease aircraft, the PAC and CIAA have summoned senior officials. "We will not take any new decision until something concrete finally comes from the minister or the prime min-

ister," said another RNAC official.

According to RNAC's press release, the carrier will continue its flight to Osaka, Shanghai, Hong Kong, Bangkok, New Delhi, Mumbai and Bangalore. However, with just two ageing Boeing 757s on its international fleet, tourism entrepreneurs are questioning whether flights on these sectors will be regular. If one aircraft hits a technical snag, the whole schedule will be hampered.

"I don't think tourism will be a viable industry at a time when the national carrier itself is in the doldrums," said a tourism entrepreneur. Although other international airlines may add flights, no one can predict when they will suspend it."

The fortunes of RNAC began heading downhill soon after Girija Prasad Koirala, during his first tenure as prime minister, approved the sale of the carrier's two Boeing

727s at throwaway prices, paving the way for leasing aircraft. All successive governments used RNAC as a milching cow that brought hefty commissions along with every new lease deal.

Unfortunately, the CIAA this time filed cases against the tourism minister and half a dozen RNAC officials, including a former executive chairman and board member, on the ground of incurring losses, not for committing any offense of corruption and irregularities. The case has had a knock-out effect on the wider administration, virtually ruining the decision-making process of countless institutions like RNAC.

"There are still many ways of improving the performance of RNAC. If

the airline's officials are allowed to work independently, they can manage the airlines efficiently and start bringing in profits soon," says an official. "I think RNAC can still recover from this trauma."

However, that kind of optimism is very hard to come across. After 10 years of endless cases of commission, omission and political intervention, RNAC has completed the circle to destruction — dragging down the tourism industry as well.

No Flight, No Exposure

After the withdrawal of RNAC from the European sector, pilots and other senior officials have lost opportunities to gain exposure. Human resources development in RNAC is set to suffer. Condemning the practice of leasing aircraft, RNAC pilots and other officials appear to have hurt themselves.

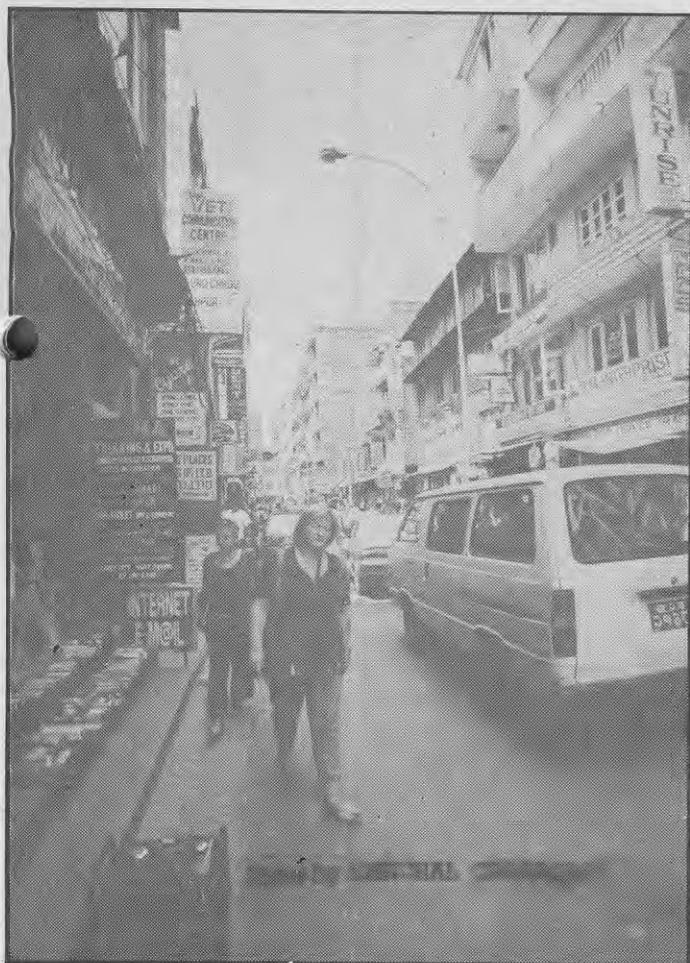
In the airlines business, loss alone cannot be a valid reason to withdraw flights. Until the regular service to Europe, RNAC pilot got opportunities to take off and land at such leading international airports as Frankfurt, Paris and London. Marketing and other administrative staff stationed at these cities also got the opportunity to learn international practices and trends.

Suspension of flights means missed opportunities for junior pilots and staff. It will take many decades to develop professional and technical capability to fly on the European route. Some RNAC pilots seemed to be happy that the airline finally pulled out of the European route, arguing that management and politicians cannot spend time leasing aircraft. After RNAC management's decision to lease wide-body aircraft, Nepalese pilots were barred from going to Europe. "The decision to pull out of the European sector is a good one, since RNAC incurred huge losses annually," says a senior pilot on condition of anonymity.

Other see the decision as major setback for RNAC and the country. "Not only the RNAC, Nepal has lost something it achieved after investing a lot of money," says an aviation expert. "If loss is the only criterion to judge the performance of an organization, then every corporation in Nepal should be closed down."

Bridge To The West

Over the years, RNAC has played a



Tourist at Thamel : Where have other folks gone ?

major role in bringing tourists from Western Europe to the kingdom.

According to the Nepal Tourism Statistics 1999, RNAC shared 43.3 percent of tourist arrivals in 1988, 39.5 in 1989, 42.4 in 1990, 41.2 in 1991, 42.1 in 1992, 40.3 in 1993, 42.5 in 1994, 43.3 in 1995, 39.8 in 1996, 39.8 in 1997, 36.0 in 1998 and 29.3 in 1999.

On the European sector, despite intro-

duction of daily flights by Qatar Air, RNAC carried the largest number of tourists in 1999. According to the report, Qatar Air carried 9,541 tourists from UK compared to 6,676 by RNAC. RNAC brought in 4,087 French, 4,087 German, 3,093 Italian, 1,888 Swiss, 1,537 Spanish, 1,998 Dutch tourists and 336 from other countries in 1999. RNAC carried 28,530 European nationals in 1999. Qatar Air carried

19,865 tourists from Western European nations.

The government still has time to rescue RNAC from total ruin. If the government is sincere about preserve RNAC, it must intervene in the management and make necessary arrangements to add new aircraft. Otherwise, Nepal's national flag carrier might find its wings limited to Indian cities. ■

'If Other Airlines Bring In Tourists, We Won't Have To Worry'

— NARENDRA BAJRACHARYA

President of Hotel Association Nepal (HAN) NARENDRA BAJRACHARYA sees the RNAC's decision to suspend flights on the European sector as a bold step. Bajracharya just want a system put in place under which tourists booked on RNAC should be able to come to Nepal. Bajracharya led a team to Prime Minister Sher Bahadur Deuba and other government officials to demand appropriate measures to control the damage from the flight suspension: Excerpts from an interview with the HAN chief:

As a tourism entrepreneur, how do you see RNAC's decision to withdraw from the European sector?

Despite its negative impact on the tourism industry, the RNAC management's decision to withdraw from the European sector is a bold one. According to the RNAC management, they will save millions of rupees after pulling out from the European route. There is no reason to continue flights incurring loss. As a hotel entrepreneur, what I want is more flights from Europe. The duty of the RNAC management is to make alternative arrangements to transfer its booking to other airlines. If RNAC can accommodate the passengers in other airlines, Nepal's tourism would not have to suffer much. ✦

Don't you think RNAC's withdrawal from such a vital route would have an adverse impact on Nepalese tourism?

The RNAC management has assured us that they will make alternative arrangements to transfer the bookings made with RNAC. If other airlines bring tourists, we don't have to worry. We want more tourists. We don't care which airlines bring them.

Why are you so sympathetic to RNAC?

When the executive chairman briefed us about the situation, we came to realize the huge loss incurred by RNAC on the European sector. If RNAC cannot make money, how can we ask them to continue their flights?

How do you see the role of RNAC in the European sector?

Over the last few months, the number of passengers coming to Nepal via RNAC has drastically declined. RNAC's executive chairman informed us that the carrier would have to transfer 5,000 passengers to other airlines. According to the RNAC management, their aircraft carried 570 tourists a week from the European sector.

If you see RNAC's decision as bold, then why are you calling on the government to make other arrangements?

We are concerned about introducing alternative arrangements and met officials for this purpose. RNAC can support in arranging other carriers, by giving its flight to other airlines. If alternative arrangements can be made, hoteliers won't have to worry.

Do you believe RNAC will make

alternative arrangements?

They have to make alternative arrangements within 10 days of rescheduling their flights. RNAC management should move positively toward an alternative system.

When you met the prime minister, minister and other officials, what was their response?

I saw a very positive response. The new budget has termed hotels as a sick industry. This policy shift will play very a positive role, as the tourism industry will take another two or three years to make a recovery.

What will be the impact of truce between government and Maoist insurgents?

We view the truce very positively. After the cease-fire, we have extended the Festival of Life program to attract more tourists from India. The tourist arrivals will increase.

How do you see the future of tourism in Nepal?

If peace continues to exist, tourism will recover soon. The arrival of tourists will start to increase. I think the talks between the government and Maoists will result in an amicable solution. ■



CRIME AND PUNISHMENT

Lawful Killing

Questions of morality, justice, compassion and fairness straddle the debate on death penalty

By AKSHAY SHARMA

The death penalty has long been a source of intense debate in many societies. Today, the United States' decision to continue capital punishment has left it at odds with its key European allies. Within the United States, the death penalty is deeply divisive political issue.

Questions of morality, justice, compassion and fairness straddle the debate, which serve to both clarify and cloud the core issue: whether it is right for the state to take the life of an individual on any grounds.

Some opponents of capital punishment are straightforward. "If the law cannot give birth to a human being, can it take a person's life?" asks 14-year-old Pramod Uprety. On the other hand, supporters believe the death penalty is a powerful deterrent to crime. "It can go a long way in stopping would-be killers by showing what fate awaits them," says Arun Bikram Rana.

The argument then enters the punishment-versus-correction domain. "Everybody makes mistakes," says Naveen Aryal. "I think people convicted of capital crimes could be taken to a correction facility rather than to the gallows. By allowing them to live, we could at least try to understand the psychological, mental and social factors that made them commit the crime. Such an understanding might eventually help us take measures to ensure that others do not kill."

Ashim Shrestha reflects on how changes that have swept the world in the last 50 years have redefined the terms of the debate. "People like Ganga Lal, Shukra Raj Shastri, Dharma Bhakta and Dasarath Chand were executed because they were troublemakers for the Rana rulers," he says. "But today, we have an annual public holiday in memory of these martyrs."

In one sense, such an involved discussion may be unnecessary in Nepal, because the present constitution has outlawed the death penalty. But, then, there are other indirect ways in which human life is taken under the guise of the law.

One important area is environmental degradation. A clean and safe environment plays a vital role in safeguarding human life. In many cases, however, policy makers are directly responsible for approving programs and projects that are environmentally hazardous. "Refrigerators and airconditioners the West banned long ago as unsafe are being dumped in developing countries," says Madhukar Gurung of Chabhil. "This represents an indirect form of killing sanctioned by the state."

Gunja Lala Hirachand says he believes there are two ways a person can be killed under the law. "The first is directly, through administration of the death penalty. The second is through the use of weapons of mass destruction, which is a legal part of the military arsenals of many countries".

"US President George W. Bush's withdrawal from a key global environmental ac-

cord aimed at cutting greenhouse gas emissions threatens the global environment. On the other hand, the blasting of the hills at Godavari forces the local people to live in unsafe conditions. Can we punish the US president or those who ordered the blasts at Godavari?"

Agrees Ajit Pun. "As the environment plays a crucial role in the lives of human beings, tampering with nature is certainly tantamount to playing with the lives of the people."

That leads us to the unfairness of the system of justice. A former president, like Slobodan Milosevic of Yugoslavia, can be taken to the International War Crimes Tribunal in The Hague to face charges of genocide. But who is responsible for the thousands upon thousands of deaths that UN sanctions against Iraq have caused over the last decade?

Psychologist Krishna KC believes there is always an element of unfairness in the criminal justice system. "The laws are never up to perfection. There is no equality in the real world. Sometimes innocent people are convicted and sent to the execution chamber."

These innocent people can be victims of miscarriage of justice or random targets of nuclear bombs during war. "Maybe the adage that 'if you kill one, you're a murderer, if you kill a hundred you're a hero' has an element of truth," says Sapana Pariyar. ■

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'Credibility And Commitment Are Our Strength'

—SHOVAN DEV PANT

SHOVAN DEV PANT, chief executive officer at Nabil (Nepal Arab Bank Limited), has been associated with the banking sector for the last 17 years. Having joined Nabil in 1984, Pant is the first Nepalese chief executive officer of the bank. Pant, 42, who did his MBA from Tribhuvan University, spoke to KESHAB POUDEL at his office on Friday on various issues relating to Nepal's banking sector. Excerpts:

As the first Nepalese chief executive officer of the bank, how can you prove that you are different than your foreign predecessors?

After my appointment as CEO, we have decided to introduce a scientific management system. One of the aims of the system is to demonstrate that Nepalese can run the bank efficiently under scientific management. We are planning to reorient the management system as a whole. I am promoting teamwork in the bank to activate all internal institutions. It is going to be very rewarding for the institution. We have constituted a high-level management team where we discuss and decide what reforms are required in the bank. Teamwork is important in making a bank an efficient and credible institution. There is no expert and everybody's ideas are used to get results.

Do you believe changing management practices alone would bring better results?

This new method will produce better results. Earlier, one man took all the decisions, but now it is a team that is functioning. We have four senior members who are committed and experienced and who can contribute a lot to bring prosperity to the bank. In the process, we also have redefined business values. We are also trying to define the mission of the organization. All our efforts are dedicated to developing Nabil as a sustainable institution to serve the country with the objective of giving the best return to the investors. It is necessary to have a committed and efficient management to achieve this objective. The other objective is to place this institution as a catalytic institution.

What are your other goals?

We have many banks that are concerned with profits for investors, but they do not take major risk

in distributing loans. Mostly what they do is to invest in government bonds. There is another section involved in unscrupulous lending. A bank is a custodian of public money. If we don't maintain certain norms and values, banks will collapse. Nepal Bank and Rastriya Banijya Bank are facing a difficult situation. We don't want to get into that situation. Nabil is always concerned with the safety of depositors. I am proud to say that the overall health of the bank is quite good. We are formulating a strategy keeping in the mind of overall health of the bank and shareholders. We expect Nabil will remain the leading force in the country's economic activities.

What is the ratio of deposits?

We now have deposits of Rs.17 billion and lending of Rs. 9 billion. We do not see lending and deposits as the focus of growth. We are focusing on the quality of banking system as a whole. Generally, this is a time when the investment is very low and getting a good avenue for lending is hard. Even multinational companies like Kodak have pulled out of the country. The tourism sector, where all the banks have a stake, is in a bad position. Now we need to play a bigger role in supporting tourism. I don't think a conventional banking process will safeguard our industries. We require a change in outlook. At a time when the economy is not functioning properly, a bank cannot invest in risky areas. This is the reason we are trying to introduce a pragmatic and practical outlook. If we do not take risks, it will not help the country. If the banking sector does not invest, the country will face a very difficult situation. As bankers, we also have the responsibility and obligation to invest the people's money in the right places. We cannot lend money without observing and evaluating performance. For Nabil, our motto is "a friend in need and a partner in progress". We are making efforts to overcome a difficult time by harnessing the opportunities available. We are concerned about supporting industries and protecting deposits. Nabil is not just a profit-making institution, it also wants to fulfil social and economic obligations.

At a time when so many private banks are coming up, how competitive is the market?

Teamwork is important in making a bank an efficient and credible institution.



Business is very competitive. It is more important to see how they are working rather than how they are. When there is a level playing field between competitors, then things will be alright. But I mean here, the banking sector does not seem to be performing within established norms. Nabil has maintained its credibility and we have been trying to improve our performance. Today our strength is our credibility and a committed work force. We are going to make them more productive and more efficient. In the present age of competition, only professionally run organizations can be sustainable. The banking sector will face problems experienced by non-professional cooperatives sector unless we change the strategic position. Nabil wants to have a balance sheet where the values of depositors should be protected. Nabil aims to survive in any situation with a strong and efficient management team.

How do you see the future of the banking sector in Nepal?

As I said earlier, sustaining all these institutions is a very difficult task. Again, only those institutions that provide good return to depositors can survive. It is not bad to have many banks, but do all of them protect the interest of depositors? I am very doubtful. As far as running the institution over the long run is concerned, we may face very difficult times.

How do you evaluate the monitoring system of Nepal Rastra Bank?

After the crisis in the two largest public-sector banks, Rastriya Banijya Bank (RBB) and Nepal Bank (NBL), Nepal Rastra Bank has introduced a more effective monitoring system. NRB has now realized the need for monitoring. They are trying to plug loopholes. They are now more concerned with enforcement.

What major contribution has Nabil made in the market?

In terms of manpower, Nabil is again a leading bank. We came in 1984 as a first joint-venture bank in Nepal. Since then, we have produced so many competent workers. You can find many former staffers of Nabil in the new banks. Nabil is very proud to have produced such efficient and qualified manpower. We have produced a huge number of people in various levels. Nabil has played a very important role as far as development of human resources is concerned. The bank will continue to play this role. We will continue to invest in human resources development since this will benefit the entire banking sector. You cannot run a bank without efficient and competitive manpower.

It is said that people unfamiliar with the banking sector are promoting many financial

institutions. How do you see this situation?

I agree with you, but there is nothing wrong to invest in the sector as an investor. Everyone has not necessarily come with bad intentions. One has to understand that banking is totally different than other businesses. Banking is an area where the parties have to deal with public money. A person deposits his or her money only in a credible bank. The person handle public money has to enjoy credibility. Public trust is necessary to run a bank. A bank or financial institution run by inexperienced people is always vulnerable to bankruptcy. If the regulatory authority is weak, the possibility is much higher. The cases of cooperatives have already shown how vulnerable deposits in the hands of inexperienced promoters are. Lapses in monitoring are also creating an alarming situation. If there is a lack of mechanism and credibility in the banking sector, it will hamper the process. It is not just distribution of loans and making returns, there are many other issues involved.

As a pioneer joint-venture bank, what plan do you have to show that Nepalese management is capable of maintaining Nabil's reputation?

The Nabil team has the capability to prove their credibility. What we are going to prove is that Nepalese have the capability to run things professionally. This is the need of the country. We have to develop skills to lead the nation. After all, it is the responsibility of Nepalese to develop their own country, bank and other institutions. Nepalese can manage things very efficiently and Nabil has the manpower to handle all challenges. I am very proud to say we have very competent and honest team.

You have been with the banking sector for such a long time. What are the prospects for banks in Nepal?

There are a lot of challenges ahead in the banking sector. The experiences of RBB and NBL have shown how vulnerable the banking sector can be if it is not managed properly. They have still more than 60 percent of deposits. The new private banks have to see the experiences of these two banks. One has to see the risk factors. If banks don't lend money, the entire industrial sector will suffer. ■

The experiences of RBB and NBL have shown how vulnerable the banking sector can be if it is not managed properly.



Carpet products : Will they compete ?

LDCs

Demanding A Fair Deal

Least Developed Countries call for greater action to become part of the multilateral trading system

By A CORRESPONDENT

Representatives of civil society organizations from SAARC and COMESA regions demanded a better deal from the multilateral trading system, especially for the most marginalized and vulnerable countries of the world. This was the view of the participants attending the South-South Seminar "From Brussels to Doha: Integrating Least Developed Countries into the Multilateral Trading System" in Kathmandu last month.

The two-day seminar (July 14-15) was organized by Kathmandu-based South Asia Watch on Trade, Economics and Environment (SAWTEE), a Kathmandu-based advocacy group, in cooperation with Consumer Unity and Trust Society (CUTS), Jaipur, India. The meeting was organized in preparation for the third Ministerial Meeting of the World Trade Organization (WTO) to be held in Doha in November.

Although most of the Least Developed Countries (LDCs) initiated the process of economic reforms by the end of 1980s, they were not fully prepared at that time to reap the benefits of global race for

liberalization and globalization. Therefore, they remained marginalized. This marginalization has now taken a deeper root. The establishment of the WTO in 1995 and its agreements further exacerbated the problems of the LDCs.

The process of integrating LDCs into the multilateral trading system has so far been limited to rhetoric. On the one hand, the WTO seemingly shows concern over the integration of LDCs into the multilateral trading system, while on the other its agreements stand in the way. No wonder then that LDCs feel not only left out but also disenchanted with the whole process. There is a growing feeling among the LDCs that the developed countries were not honest about implementing whatever little commitment they had made to start with. This is substantiated by the fact that so far none of the commitments made during the inception of the WTO has been set in motion. The Marrakesh Declaration, which provisioned for special and preferential treatment for the LDCs and Integrated Framework for Trade Related Technical Assistance are examples of empty promises that have so far been confined to words.

In 1981, the first UNLDC Conference

had targeted an annual GDP growth of 7.2 percent for the LDCs. After 20 years, the actual average rate of annual GDP growth is just 2.2 percent. The total number of LDCs at that time was 32 and which has now increased to 49. Despite holding two more UN sponsored conferences on LDCs, their problems have remained the same, if not worsened.

Efforts by the developed countries to improve the conditions of the LDCs over the past two decades have not yielded much. Reduction of their share of global exports from 0.7 percent in 1981 to under 0.4 percent in 2001 and the surge in debt from US\$ 65 billion in 1985 to \$120 billion in 1997 speak for themselves about the conditions of the LDCs today.

Lack of financial resources and expertise has hindered LDCs' attempts to prepare them to face today's integrated global trading environment. This has also hindered their attempts at the negotiating table to yield the best outcome for themselves.

Against this backdrop, a two-day South-South seminar discussed issues related to LDCs' attempts at integrating into multilateral trading system. Its objective was to come up with suggestions for the participants of the Zanzibar meeting to be held later in the year on the possible stands that LDCs should take in the upcoming Doha ministerial meeting.

Participated in by over 30 representatives from Bangladesh, India, Sri Lanka, Nepal, Pakistan, United Kingdom, Uganda and Zambia, the seminar came up with recommendations in the areas of market access, implementation issues, participation in the WTO processes, supply-side constraints, efforts at the regional and domestic levels and deliverables for LDCs at the Doha Ministerial Meeting. The recommendations of the seminar will also be fed into the meeting of the LDC trade ministers to be held in Zanzibar, Tanzania.

Dr. Shankar Sharma, member of the National Planning Commission, said LDCs have not been given fair treatment by the developed countries in the WTO system. If this trend continues, he said, they would be further marginalized. Therefore, implementation issues should be discussed as a priority during the Doha Ministerial Meeting, he said.

Secretary-General of SAARC, Nihal Rodrigo, said complexity of issues related to WTO inhibit the equitable participation of the LDCs in multilateral trade negotiations and their full integration eventually in the global trading system.

Pradeep S. Mehta, secretary-general of CUTS, said the developing countries and LDCs should maintain the cohesiveness they exhibited during the Seattle ministerial conference of the WTO during the Doha ministerial meeting as well. Added Ratnakar Adhikari, general secretary of SAWTEE, "WTO membership is a prerequisite for LDCs to better integrate themselves into the multilateral trading system. However, the way developed countries have forced LDCs to accept WTO-plus commitments proves that they are not genuinely interested to make this happen."

International trade, under the auspices of WTO, is supposed to expand the participation of the LDCs in the international market and thereby expand their economies. However, empirical evidence points to the other end: the last decade or so has seen a shrinking of the economies of the LDCs and their participation in the volume of world trade. Obviously, global trade should be inclusive,

exclusive, of LDCs. To that end, it was opined that multilateral agencies, including WTO, should do more to integrate LDCs into the multilateral trade system by assisting them rather than ignoring them.

The major issues confronting integration of Nepalese economy into the multilateral trading system are as follows:

—Dependence on one country for major international trade activities. Trade with India was fairly open even before the onset of the liberalization process. Even at present 44.4 percent of Nepal's exports find markets in India and 35.6 percent of Nepalese import come from India.

—After India, Nepal is dependent on two commodities [Carpet (37.4 percent) and garments (39.5 percent)] and two markets (Germany and the United States). Nepal does not have comparative advantage in any of these products.

—Efforts made so far to diversify into

other sectors have not produced results. Despite the fact that major policy changes have been made and appropriate legal and institutional mechanisms have been put in place, Nepal has not been able to reap the benefits of trade liberalization so far.

—Efforts towards integration of Nepal into the multilateral trading system are underway. Two such examples include: a) initiation of the process for Nepal's Accession to the WTO; and b) preparation of the Trade-Related Needs Assessment.

Nepal's main positions during the Doha Ministerial Conference are likely to be centered on three key issues:

—Speedy and trouble free accession to be provided to the WTO.



South-south seminar : A long way to go

—Quota-free and tariff-free access of all the LDCs' products to all the developed countries' market.

—Continuation of some form of preferential arrangements on textile and clothing to the LDCs even after the phasing out of the quota system.

Participants were of the opinion that creating a trade-enabling environment at the regional and domestic levels can have major impact on LDCs' ability to integrate into the multilateral trading system.

The experiences of LDCs in their attempt to integrate their economies at regional level are not encouraging. LDCs remain least integrated economies both at regional the multilateral level. This is not to say attempts at doing so have not been made by the LDCs. Indeed, many regional cooperation agreements are evidence of their attempt at integrating themselves to such arrangements. It was pointed

out that major factors responsible for this are market structures in the LDCs and political will of their leaders.

Doha Ministerial Conference of the WTO

According to UNCTAD, Least Developed Countries (LDCs), a group of 49 countries, have a combined share of less than 0.5 percent in global trade, and estimates show that this share is declining. Efforts to integrate LDCs into the multilateral trading system have largely failed so far.

The Marrakesh Decision on Measures in Favour of Least-Developed Countries and Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed

and Net Food-Importing Developing Countries have been of no use because of developed countries' indifferent attitude towards them. Integrated Framework for Trade Related Technical Cooperation (IF) have failed to produce any noticeable impact because confusion regarding the objectives of the initiative. The recent initiative of European Union, namely, Everything But Arms (EBA) is not likely to produce much impact unless other members follow suit. LDCs

are also being subjected to WTO-plus commitment during the time of their accession. However, they are to be blamed in part for not being assertive enough. To sum up, LDCs are not able to claim their due share from the multilateral trading system, and at the same time, the developed countries have been conspicuously ignoring them.

WTO has at last acknowledged the marginalization of LDCs from the global trading system. This view was also reflected during the recently concluded Third UN Conference on LDCs (UNLDC III, May 14-20, 2001, Brussels). However, unless and until a follow up is made to ensure that the message from Brussels are carried forward to the Fourth Ministerial Conference of the WTO to be held in Doha, whatever precious little has been achieved during the UNLDC III will lose its momentum. ■

JOURNAL

Ideals And Institutions

Experts come out with in-depth analyses on administration, management and development

By A CORRESPONDENT

Although Nepal has travelled five decades down the road to modernization, including two stints under a democratic setup, it has been struggling in the process of building institutions that sustain development. The bureaucratic setup, which is at the core of state institutions, remains weak. However, a positive aspect of today's administrators and management experts is that they have been making efforts to strengthen these institutions. Published by the Center for Administration Management and Development, this journal is the first of its kind that includes articles by various administrators and experts in the process of implementation of government policies.

The articles highlight not only the theo-

retical perspectives of particular issues but also the experiences administrators and experts faced in the process of executing the decisions, policies and other related matters. As the objective of the organization is to provide a forum for critical and creative discussion of problems, perspectives among academicians and practitioners in the field of administration, management and development, this issue includes articles on a wide range of contemporary topics.

effect they have. Pokharel's article gives insights into how frequent changes in policies have hampered the growth of institutions. At a time when everyone is talking about the need to amend the constitution, Harihar Dahal, a former president of Nepal Bar Association, has helped to initiate a serious debate on substance of areas of amendment. Dahal argues that discussions on amending the 11-year-old basic law should proceed within the framework of the basic principles laid down in the constitution.

Deepak Dhital, who is associated with the Ministry of Foreign Affairs, discusses the challenges of poverty. In his article titled "Poverty in the Age of Globalization", Dhital stresses that the mag-

sociated with National Planning Commission, evaluates Nepal's overall export trends. Bhattarai also discusses policies formulated by Nepal following the implementation of liberalized market-oriented economic policies. He also dwells on the challenges posed to Nepal's export by the lack of port facilities.

Umesh Prasad Mainali stresses the importance of responsibility and transparency in public administration, explaining the major lapses in the present administrative structure. Underlining the need to reform and consolidate an efficient administrative culture, Krishna Gyawali explains how Nepal's administration remains influenced by tradition. Jiv Raj Koirala and Dr. Hiranani Ghimire highlight various aspects of the Nepalese administrative system.

The volume provides a wealth of information and analyses on the challenges of building institutions that support democracy and development, which should prove equally useful to experts and general readers.

Camad A Journal of Administration, Management and Development
 Price: Rs.100 (general readers); Rs.300 (institutions)
 Published by Center for Administration, Management and Development, Pages: 131

From the debate on amending the constitution to the issue of poverty and from Nepal's export trends to the need for administrative reform, the journal tries to bring to the fore vital questions contemporary society is grappling with. Former secretary Bhoj Raj Pokharel discusses the confusions emerging from inconsistency in policies and the

nitide of poverty in the world is still alarming despite the rapid pace of globalization and its potential for economic boom. In his extensive article, Dhital discusses various factors contributing to the rise in the number of people living below the poverty line. The journal also includes papers on recent trends in Nepal's export growth, structure and diversification. Mani Prasad Bhattarai, who is as-

Picturesque and Peaceful a Pilgrimage with Pleasure

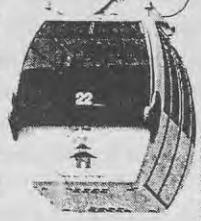


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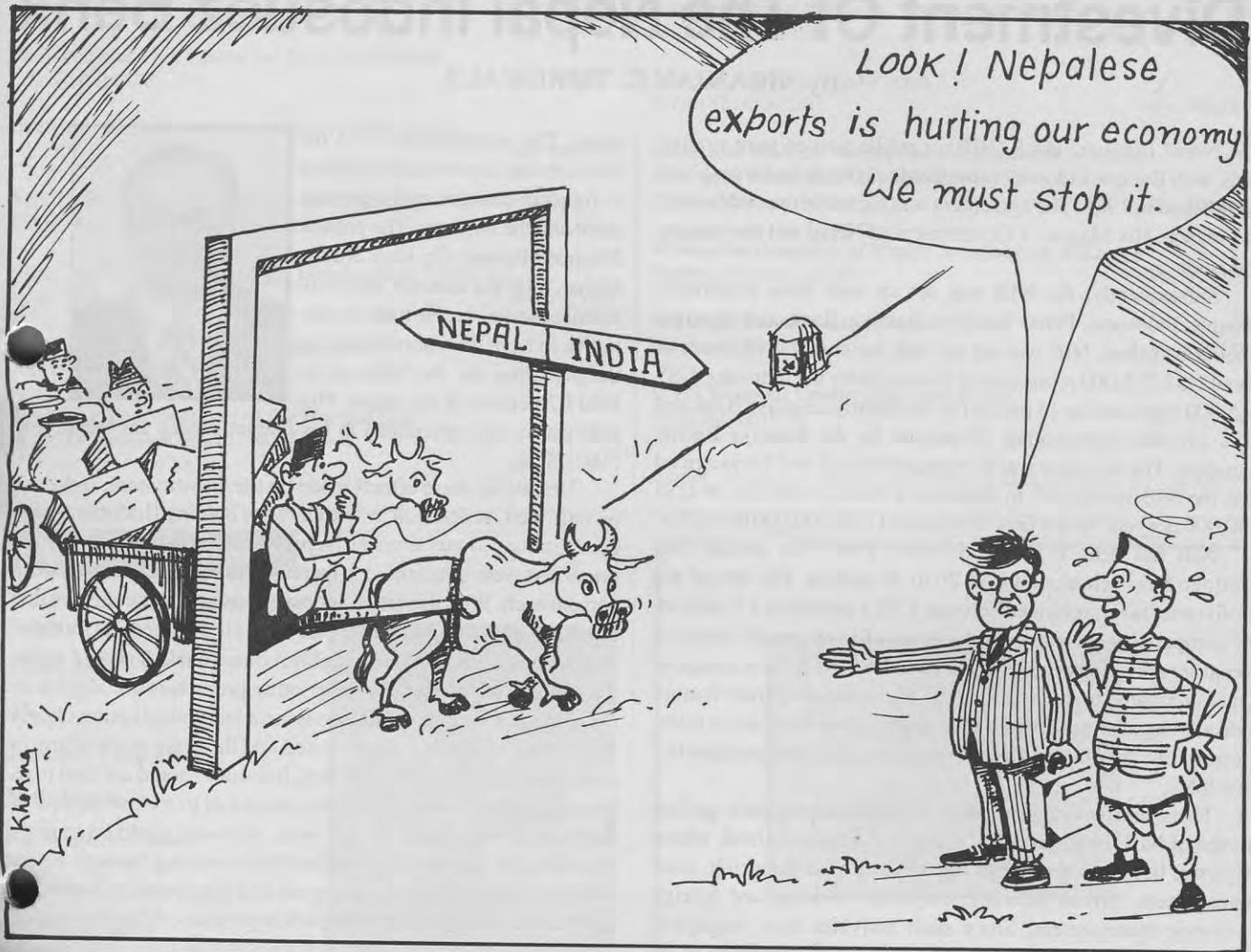
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By M.S.KHOKNA



TRANSITION

RETIRED: Chief Election Commissioner, **Bishnu Pratap Shaha**, upon reaching his age limit. Shaha will be remembered as a strong votary of reforms in the electoral process in Nepal.

ELECTED: **Nir Vikram Shaha** as a president of Directors and Producers Association

ciation

Laxman Upreti as a president of Nepal Fourm for Environmental Journalists by its general convention

NOMINATED: **Dr. Surya Prasad Subedi** as a candidate for the membership of United Nations Law Commission.

SELECTED: **Dr. Dilli Devi**

Shakya and Dr. Ananta Raj Poudyal as the president and vice-president of Fulbright Alumni Association of Nepal (FAAN). **Dr. Prakash S. Mahat** as the general secretary, **Madan Mohan Das**, secretary and **Ram Bhakta Amatya** as the treasurer by the FAAN.

RELEASED: Ten more Maoists from detention as a part of the government's ef-

forts to create a conducive environment for peace talks.

AWARDED: Senior politician **Balchandra Memorial Award** by Balchandra Memorial Trust.

Journalist **Suman Adhikary** with the Best Journalist Award 2001 by the Federation of Nepalese Journalists, Butwal Unit. ■

An Assessment Of The Proposed Divestment Of The Nepal Indosuez Bank

By NIRANJAN K. TIBREWALA

The Nepal Indosuez Bank (NIB), a public limited joint venture bank with Banque Indosuez (now Credit Agricole Indosuez), was established in 1985. The agreement was signed between Ministry of Finance, His Majesty's Government of Nepal and the Banque Indosuez.

Subsequently, the NIB was set up with three promoters: Banque Indosuez, Paris, Rastriya Banijya Bank and Rastriya Beema Sansthan. NIB was set up with the equity investment of about US\$ 715,000 representing 50 percent by the Indosuez, US\$ 215,000 representing 15 percent by the Rastriya Banijya Bank and US\$ 215,000 representing 15 percent by the Rastriya Beema Sansthan. The Indosuez was to manage the bank and it was agreed that the NIB would pay to Indosuez a management fee of US\$ 150,000 per year for the first 10 years and US\$ 200,000 thereafter.

NIB has been in operation since 1986. The annual loan portfolio has been around US\$ 20 to 30 million. The annual net profit (after tax) has ranged between US\$ 1 million to 1.5 million. By comparison, the other similar types of joint venture banks in Nepal are operating at a profit of around US\$ 6-7 million annually. Thus, compared to the performance of similar other joint venture banks in Nepal, the profit of NIB is low by about six to seven folds. Despite this, the value of the Indosuez investment has increased by five folds.

There are two main reasons of the relatively poor performance of NIB. First, Indosuez is a global wholesale bank whose expertise lies in project financing, aircraft lease financing, asset management, private banking, corporate banking, and foreign exchange management. Since such activities have negligible scope in Nepal, NIB was not able to take full advantage of its expertise and operate at high profitability. Second, the country's deteriorating economic situation may also be the reason.

Nevertheless, since its operation Indosuez has received about US\$ 2.5 million as its management fee and about US\$ 3 million in the form of dividends. Rumors began floating in June 1999 that Indosuez was selling its holdings to one of the leading banks in Nepal. At that time, the Nepalese members of the bank's Board of Directors were critical of the procedures followed by the Indosuez. The other promoters were entitled to exercise their right to purchase the shares of the Indosuez. Furthermore, Indosuez was requested to continue with its investment out of fear that divestment could have a negative impact in the economy, particularly in trying to seek foreign investment.

Indosuez agreed to continue provided its holding was increased to 67 percent (from the existing 50 percent). Consequently, all the concerned parties and the board members made efforts. The Nepal Rastra Bank also made its decision along this line and requested the Finance Ministry in January 2000 for the

same. The implementation of the decision was, however, delayed due to frequent changes in the government and the ministry. The present Finance Minister, Dr. Ram Sharan Mahat, took the concern and commitment seriously. He took the initiative to have the Cabinet endorse the provision for the Indosuez to hold 67 percent of the share. This policy was also articulated in his budget speech for fiscal year 2001-2002.



Despite all these efforts made by the Government, Indosuez reconfirmed its decision to withdraw its holding. Indosuez managed to obtain a letter from the Nepal Rastra Bank that its two other promoters were not entitled to increase their present holding of 15 percent each. With this letter, Indosuez has in effect indicated that it will sell its holding to a third party. This is a procedural mistake, which is not expected from a highly reputed bank. It should not be the concern of Indosuez whether other promoters are eligible or not. Indosuez simply requires to issue a letter mentioning clearly the number of shares it wants to sell and the price of the share. In case other promoters refuse to buy, Indosuez should ask first to its board members to buy the shares and it has to follow the procedures set by the board. In this way, Indosuez could have got a graceful exit. It is well known that Nepal is going through a very difficult period. It is trying to get out of a long political instability and put the economy on a solid path of progress. A highly reputed bank of the world came in Nepal as a positive gesture of the French government only with an investment of US\$ 715,000. The current book value of its holding is about US\$ 3.3 million. A bank of high repute should not leave the country at a time when it is passing through a difficult phase.

When Indosuez came to Nepal, it should have been fully informed that there was no scope for wholesale bank. The scenario has not changed. Further, the portfolio of the loan has been kept within the range of US\$ 20 million to US\$ 30 million. This limit is most probably set by the Indosuez on the basis of its own country risk analysis. This may be the reason why Indosuez did not expand aggressively in Nepal. At the same time, the Indosuez has pointed out the country's poor economic situation as one of the reasons for its decision to divest. What Indosuez is proposing to do does no good to Nepal at present and there is a lot to be desired in the way the matter is being handled by the Indosuez.

(NK Tibrewala, MBA, financial expert and investor, served as director in the board of the Nepal Indosuez Bank from 1992 to 2000)

Now In Town

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- Tomb Raiders
- Cats and Dogs
- Sword Fish



Hindi

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- Tum Bin
- Gadar
- Lagaan
- Aks
- Love Ke Liya Kuch Bhi Karega
- Pagalpan
- Bas Itnasa Khawaab Hai
- Pyar Tune Kya Kiya
- Albela

(Source : Super Star Video, New Road)



*“The end of
knowledge is love
The end of education
is character.”*

- SATHYA SAI BABA

MARY WORTH



GASOLINE ALLEY



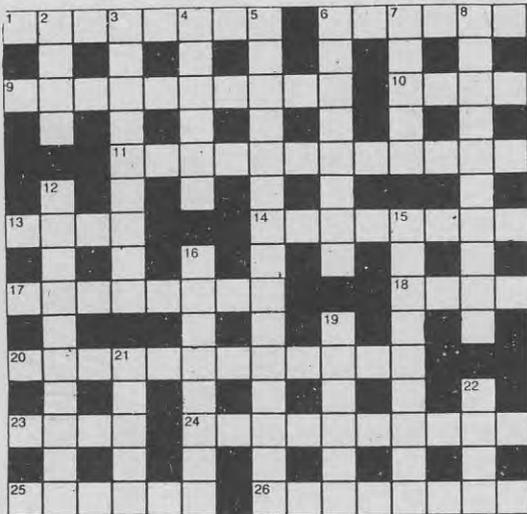
ERNIE



MIXED MEDIA



CROSSWORD



ACROSS

1. High-flyer once hindered by literary dean (8)
6. Politician takes time off to admit blunder about working model (6)
9. Fabric originally worn in church but ultimately at home (10)
10. Philosopher set up for the daily grind? (4)
11. White horses may accompany us during such a journey (12)
13. Venetian merchant supplying game (4)
14. Frantically seek a man, one of the same denomination (8)
17. Frenchman in battlefield that's adjoining ancient city (8)
18. Old writer's material, one hailing from Tamworth? (4)
20. Fellow reportedly navigates vessel without agent's involvement (12)
23. Gain love, being frequently besotted (4)
24. English woman, about 90, recognised engineer's surpassing merit (10)
25. Infuriates obliging people changing sides near the end (6)
26. Rancorous son showing compassion, having change of heart (8)

DOWN

2. It may be served with Roquefort, initially, and wine (4)
3. Comic paper engages wartime hero with evidence of debts (9)
4. Non-professional male song-writer? (6)
5. Play with sacred book at first? The man, I swear, isn't all there! (5,10)
6. Moved clobber (8)
7. Game doctor observed before a dance (5)
8. Dressing down, being highspirited (10)
12. Soldiers in company race to state ceremony (10)
15. Theatre music, an outstanding example (9)
16. Smooth colonel finally entering main eating-lace (8)
19. Pod from higher area in island group (9,6)
21. Wear away surface of Eastern highway, say (5)
22. The colour of piecrust? (4)

Across: 1. Swiflet 6. Orrey 9. Winceyette 10. Mill 11. Transoceanic 13. Polo 14. Namesake 17. Monsieur 18. Oink 20. Salesmanship 23. Wino 24. Excellence 25. Angers 26. Spiteful

Down: 2. Writ 3. Facetious 4. Layman 5. Titus andronicus 6. Overcome 7. Rumba 8. Rollicking 12. Coronation 15. Showpiece 16. Seamless 19. Chilli 21. Erode 22. Ecrû

NOITUTS

BRIDGE

NORTH ♠♠			
♠ A 8			
♥ Q J 10 9			
♦ A J 6 3			
♣ K 7 2			
WEST	EAST		
♠ J 7 4	♠ Q 10 5 3 2		
♥ 6 4 3 2	♥ —		
♦ K Q 10 5	♦ 9 8 7 2		
♣ 8 4	♣ J 10 9 3		
SOUTH			
♠ K 9 6			
♥ A K 8 7 5			
♦ 4			
♣ A Q 6 5			
Vulnerable: Both			
Dealer: South			
The bidding:			
South	West	North	East
1 ♥	Pass	3 ♥	Pass
4 ♣*	Pass	4 ♦*	Pass
4 ♥	Pass	4 ♠*	Pass
5 ♠*	Pass	6 ♣*	Pass
7 ♥	All pass		
*Control-showing bids			
Opening lead: Diamond king			

“To be brave in misfortune is to be worthy of manhood; to be wise in misfortune is to conquer fate.”

AGNES REPPLIER

When adversity strikes, it may not be enough to seek a quick Band-Aid solution. Often, more thought is required to find the surest way to success.

Visualizing an easy road to 13 tricks, South wins dummy's diamond ace and leads a trump. East's discard straightens South's back, and South must reconsider his prospects. How can he overcome the unexpected development?

The quick solution is cash the top spades and ruff a spade with one of dummy's trumps. After drawing all of West's pesky trumps, all South needs is a 3-3 split in clubs to make his slam. Unfortunately, clubs are not friendly, and the slam goes one down. While it's usually correct to ruff losers in the short trump hand, sometimes it's better to ruff in the other hand. If South accurately counts sure winners, he should find the best plan.

After East's discard on dummy's trump queen, South succeeds if he ruffs three of dummy's diamonds (dummy reversal). He ruffs a diamond at trick three and crosses to dummy's club king to ruff another diamond high. Next, he leads his trump eight to dummy to ruff dummy's last diamond with his last trump. Finally he leads a spade to dummy's ace to draw West's remaining trumps. His ace and queen of clubs and spade king provide the 11th, 12th and 13th tricks, and good bidding is rewarded by excellent play.

Our Electricity Tariff— Still Raat-Tatting

By SB Pun

With the recent 11% electricity tariff hike, our average tariff has reached Rs. 6.96 per Kwh or about US Cents 9.4 per unit. There is no denying the fact that this tariff as a ratio of the per capita income is one of the highest in this region. But sadly in typical Nepalese fashion, our tendency has been more to howl and wail about it and do precious little on it. It is about time that we sit down without any inhibitions and discuss what the three key players (Nepal Electricity Authority/NEA, the government/HMGN, multilateral financial institutions/Donors) could and should do to stabilize our tariff in the coming years.

Nepal Electricity Authority :

The immediate major task confronting NEA is its looming Energy Surplus once the 842 Gwh Kali Gandaki A comes on stream this winter. There are three options which if tackled judiciously could have very beneficial impact not only on NEA alone but to the country as well. One is to make NEA's tariff more attractive to the existing consumers so that they change their present psyche of consume less to consume more. NEA already has in place the Time of the Day Metering for large high voltage consumers. The incentive to these industrial and commercial consumers may need further reviewing and NEA should not hesitate to provide them. The domestic consumers which represent about 38% of NEA's total revenue have at present a tariff that discourages consumption over 250 units. With the energy glut there is a need to reverse this kind of tariff. NEA is understandably apprehensive that such incentives to the consumers may result in the fall of their revenues. But the transaction in large volumes may offset this revenue fall. The second option is to export this surplus energy to the two Electricity Boards of Uttar Pradesh and Bihar. Though both these Boards are financially bankrupt, Uttar Pradesh has initiated reforms in its power sector whereas Bihar has still stuck to its status quo guns. Unfortunately, we have two 132 Kv interconnections with Bihar while the one and only 132 Kv interconnection with UP is used merely to import the free 70 million units from the Tanakpur. The other irony is that Bihar is in the Eastern Regional Grid that has surplus power whereas UP's Northern Regional Grid has power shortage. The third option to deal with this energy glut is the creation of power intensive industries like the urea fertilizer plants in Nepal. Also we import about 70% of our cement requirement despite having large, rich deposits of limestone. Tiny Bhutan has three cement factories that churn out export materials.

The other major problem confronting NEA is its 24% LOSSES which instead of going down is unfortunately creeping upward. There is no magic wand to solve this problem which has its social dimensions. NEA simply needs to keep on working hard at it, CONTINUOUSLY, day in and day out without any respite. There is a wrong perception floating around that once our Parliament endorses the proposed Theft of Electricity Bill then our loss will start to zoom down. Basically, this Bill will empower NEA and HMGN to produce before the court those defaulting consumers

who misuse electricity. If proven guilty, then these consumers will have to undergo jail imprisonment like any other proven thieves. Very harsh and though this may look excellent in theory, in practice very impractical in the present social environment. India does have such a "draconian" law. But look at Delhi Biddhyut Nigam that supplies power to India's prestigious capitol and



the officially professed losses there is an unimaginable 48%! It is to tackle this chronic menace that NEA needs to go all out to Lease its distribution system to the community/private operators. Some experience has been gained by leasing out some of the rural areas to the local villages and the districts. NEA should be totally committed to this restructuring process. This process has the inherent beauty that the onus of controlling the losses is on the villagers/consumers' themselves.

If we are to prevent our tariff from rat-tatting further then there are numerous other in-house areas of good governance that NEA can and must implement. The concept of Profit Centres has been on the kettle for quite some time. This is an excellent concept but apparently there are no one around to stoke the fire below the kettle. The heavy arrears to the tune of about Rs. 100/- Crores particularly from the government itself and the municipalities are of great concern. Of greater concern is the "easing out" of the NEA/MD when he "sinned" by disconnecting the electricity supply of the Ministers' Quarters where the Minister of Water Resources cum Chairman of NEA Board resided for non-payment of electric dues. Procurement needs to be streamlined and tightened as the stores inventory is bulging out. It may not be out of place to state here that the many incoming Minister of Water Resources will want his office REFURNISHED. The Minister's personal secretary, in keeping with the new trend, will want to tot a lap-top computer. Of course, these are all met through the NEA cash box for they devote a good amount of their time in the development of NEA! There is no doubt that the 9,000 plus employees to run a tiny 400 Mw system is a bloated figure. We must ask ourselves how we arrived at this figure and where does the final authority to hire new employees reside. In an employment scarce country, the concept of "golden hand shake" prevalent in developed countries was not only tried but this concept was infinitely refined, by demonstrating who the employer and the employees were, by giving the senior NEA executives the "iron shake" instead to rest at their homes. There are a lot of areas for improvement in the administrative and O&M areas. The classic well known example is the use of NEA vehicles by the "power that be". When NEA's project managers and consultants loll around in Pajeros, what harm is there when the "real employer" also utilize this service.

■ *To be Continued*

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