

## Interview with Dr. Bhattarai: Facing the Challenges of Government

*Aditya Adhikari, Kathmandu Post, January 12, 2009*

*After a tumultuous decade as one of the main leaders of the Maoist People's War, Dr Baburam Bhattarai now finds himself in the position of Nepal's Finance Minister. Aditya Adhikari visited his office at the Ministry of Finance to learn how he is facing the challenges of government.*

**Q: It has been four months since the budget was released. To what extent have the goals that you set been met?**

**Bhattarai:** As we are passing through a very historical transition, our objective was to lay a solid foundation for economic development. With that objective in mind I put forward a budget that people termed "very ambitious." But I remain unapologetic on that. We have to be ambitious if we are to transform this backward economy into a developed and vibrant one. I put forward a target of very high growth with social equity. So far the progress has been quite satisfactory. On the revenue collection front we have achieved the target we had fixed. We had aimed at a 31% growth rate, but it has been more than that so far. Some months we've had a 35% growth rate, some months 33%. On an average we have met the target.

But on the expenditure front we are lagging behind. The budget was presented two months behind schedule, so we had to go through certain formalities. The regular expenditure is ok, but the development expenditure is lagging behind. We hope it will pick up in coming months. In general, I am quite satisfied with the economy.

**Q: How do reconcile the need to achieve high growth with promoting social equity? Aren't these incompatible in the short run? The business community's confidence in the government seems low.**

**Bhattarai:** We are transitioning from a feudal era to an industrial-capitalist era. Our policy is focused on doing away with all the remnants of feudalism in the political, economic and cultural spheres. Politically we have uprooted the monarchy and laid the foundation for a democratic system. But economically if we don't do away with the feudal productive relations, especially in the agricultural sector, then we cannot achieve a very high growth rate. Two thirds of the labour force is in agriculture and more than a third of GDP is contributed to by the agricultural sector. This sort of subsistence based agricultural economy cannot lead to very high growth. So we want to attract more investment in the industrial sector so that jobs are created within the country and the productivity of labour becomes high. That will lead to double digit growth within the next three years -- that is our goal. For that the private sector has to play a leading role.

We have tried to assure the private sector that there is enough security for them to feel confidence in the economy. But, as you said, the private sector is not very enthusiastic. Perhaps people had very high expectations from this government. But they should recognise that it will take some time. The political change we've had in this country is not some normal, governmental change. It is a systemic change, an epochal change. That will take some time to stabilise. People may be slightly frustrated because they had

very high expectations and in the past few months they haven't been able to see the expected results. But we shouldn't be that impatient. We have to be optimistic. The government is moving in the right direction.

I am slightly worried. We had some labour disputes and there is a power shortage. So there is reason for the private sector to get worried. But soon we will get rid of that.

**Q: The business community's concerns are exactly what you stated. One, they say, the government's attitude to labour issues leaves a lot to be desired and that labour problems are getting worse. Second, there cannot be high growth until there is an adequate supply of power.**

**Bhattarai:** I wouldn't say the situation is getting worse. Things were much worse in the past. But the people wanted very fast recovery; that hasn't happened. Things are improving but not to the desired level. Both the management and workers have a common interest now, for the development of the economy. They both fought against the feudalism, autocracy and monarchy. Now, to create a vibrant industrial economy, is in the interest of both the management and the workers. But this reality is not sinking in their minds. This government is playing its role in creating a healthy relationship between the two. There were some disputes, especially regarding the minimum wage issue. This has been solved. So what I appeal to the management is that they should provide the minimum wage. The workers shouldn't resort to bandas and strikes. If this understanding is honoured we'll have a healthy environment in the days to come.

**Q: So the party wants to ensure that whenever there is a labour dispute, legal recourse should be taken?**

**Bhattarai:** Yes. At least for some time, there should be no bandas and strikes in the industrial, health, education sectors, on the major highways, in the public utility sectors. The government is trying to build political consensus on this issue.

The problem of power shortage was not created by the Maoist government -- everybody knows that. In the last tenth five year plan, the goal was to produce 300 MW of electricity. But only 30 MW were produced. Because of that we have run short of the demand. But the government has formulated a 35-point plan of action and will solve this problem as soon as possible. By next year we want to do away with loadshedding in Nepal.

**Q: Your party says that it supports national capitalists but is against bureaucratic or comprador capitalists. What is the difference between? The industrialists in our country -- what category do they fall under?**

**Bhattarai:** Industrial capitalism or productive national capitalism caters to the market within the country and utilises the labour and resources of the country. We are in favour of that sort of capitalism. Bureaucratic capitalism involves very unproductive capital and is parasitic. It takes advantage of state power and tries to make an easy, quick profit. But it doesn't produce goods and it doesn't provide employment. Comprador capitalism involves trading in goods and producing a profit in between. It doesn't produce goods or create jobs within the country. Historically in Nepal, we've had comprador and bureaucratic capitalism. We may also call it crony capitalism. Instead of that we want to have national or industrial capitalism which has roots within the country, will produce goods required by the people, and provide employment in the country.

**Q: Have there been efforts by your government to distinguish between the two categories among capitalists in Nepal, and formulate policies that will help industrial capitalists but not bureaucratic or comprador capitalists?**

**Bhattarai:** The same person or a same group often has a double character in Nepal. Class differentiation is very low. The same person may be doing an agricultural job and a service job. It is very difficult to categorise which class a particular person or group falls into. Among industrialists also, they may be doing some good work, making investment within the country, and they may also be playing a comprador capitalist role, trading in foreign goods and making profits. There is this dual character. This is the character of a transitional society, so we should be patient and transform this situation.

**Q: One of the objectives of the Maoist government when it came into power was to reform the bureaucracy, to remove its inertia and make it more responsive to the people. How is that process going? Have significant changes been made?**

**Bhattarai:** Historically, the bureaucracy has had its inertia, it hasn't been very dynamic. But I wouldn't blame the bureaucracy as such. The bureaucracy follows the political leadership. If the political leadership is correct, if it follows the correct policy, the bureaucracy will obey it. The bureaucracy is basically an implementing mechanism. If the correct policies and the right political leadership exist, the bureaucracy is bound to follow that. In the past, due to wrong political leadership, the bureaucracy developed inertia and was not very efficient or effective. But after this government took over, at least within the Finance Ministry, I tried to take certain measures to improve the bureaucracy.

**Q: Can you give examples?**

**Bhattarai:** For one, we formulated a 92-point plan of action to reduce wasteful expenditure. This was circulated in all government departments. This has led to a decline in wasteful expenditure. Another example is regarding changes made to reduce corruption in the custom and revenue departments. We made changes in the leadership. The director-generals of the custom department, the internal revenue department and the revenue investigative department were changed. The result is improved efficiency and reduction in corruption. This is proved by the increase in the revenue collection in the past three months.

**Q: The Finance Ministry alone cannot achieve its targets by itself. It has to be supported by other ministries and the broader political context. Do you feel that such externalities are hampering your ability to deliver?**

**Bhattarai:** The ministry cannot function in isolation; we have to work in close collaboration with other ministries. Factors such as the law and order situation are very important for economic development. That part is lacking. Also, because this is a coalition government, decision making is very slow. The policies I formulated and revealed in the budget speech are taking time to implement. We have to seek political consensus, and the other parties are not that cooperative on that front. They may fear that if the budget is implemented, the benefits will go to the Maoist party. That's why it seems they are following dilly-dallying tactics. That has also had some impact on the implementation front. However, I am still optimistic that we will soon be able to reach consensus. At least, the local bodies will soon be formed and they will implement the policies and programmes of the budget speech.

**Q: Your party's affiliate organisations are seen to be largely responsible for the poor law and order situation.**

**Bhattarai:** People tend to blame the YCL and others, but their activities have been reduced. They haven't interfered in matters of law and order enforcement. In recent months, it is criminal gangs that are creating problems in the Tarai-Madhesh area. In urban groups, gangster groups have been responsible. For that, the government should take effective measures. The law should take its course, and if necessary, we should take harsh measures. Our people are ready to cooperate. We have given strong instructions. They should cooperate with the government machinery and shouldn't take the law in their hands.

**Q: Just to point out one particular incident: YCL activists were seen to be beating up priests at Pashupatinath temple.**

**Bhattarai:** I haven't seen that. It's very difficult to go by media reports in Nepal. They are highly exaggerated and, most of the time, are very partisan. So I wouldn't like to comment on this issue.

**Q: In recent months it has appeared that you have been sidelined, and that your political views are no longer central to the direction of your party.**

**Bhattarai:** I am happy that the monarchy has gone and the country has become a federal democratic republic. That is a great victory of the Nepali people, and I am quite proud of whatever I could contribute on that front. History will take note of that. Now, I wouldn't want to worry about whether I've been sidelined or given a proper role or not. That is up to the people to judge, for history to judge. I am there to play my role. Till my last breath I will continue to play my role for strengthening democracy, people's welfare and defending national sovereignty. These are my goals. I am not worried whether I have been given a proper role or not.

**Q: As the architect of the "federal-democratic" line, are you worried by the movement of your party towards the more nationalist "people's republic" line?**

**Bhattarai:** For the Maoist party, and myself, in Nepal's case, the questions of nationalism and democracy are interlinked. That has been our line throughout history. Some people may emphasise the nationalism issue, some may emphasise the democratic issue. The correct policy is to create a proper balance between democracy and nationalism. My attempt has been to create this balance. Some individuals may have their opinions, but the party line is: there has to be a proper balance between democracy and nationalism.

**Q: So you don't think there is an imbalance between the two right now?**

**Bhattarai:** At times there are some people who make noises, and there is some confusion among the public also, whether the party is changing its line. But it is not. In the recent national convention, there was a lot of speculation that the party would change its line, but it didn't change. We will continue with the line we have followed, and that is the correct line. I'd like to assure everybody that the party will follow this line.

**Q: When your party came to power, we thought that as the Maoists were a disciplined party, we would continue to hear a coherent line. We don't anymore. Leaders of your party often have diametrically opposite views. Why has this happened?**

**Bhattarai:** This is a transitional problem. We went through a decade of armed people's struggle and now we are following a peaceful path. So this transition has certain complications. Some people will take some time to adjust to the new reality. So you see different voices emerging from different leaders of the party. But you shouldn't read too much into that. The party's official line is still prevailing within the party. Even if a few leaders make divergent statements, we shouldn't be overly concerned about that.

The party has become too big. Earlier, the party was underground, only a few leaders were known and only a few used to speak. But once all of them came overground, many weren't used to making statements. When they did, they sometimes diverged from the official views of the party. That may have created some confusion.

**Q: Your party has opposed the recruitment of 2000-odd people into the Nepal Army (NA). In recent days there have been conflicting statements from various leaders of your party, indicating that the party hasn't yet decided which direction to go in.**

**Bhattarai:** It is quite unfortunate that such a sensitive issue as military affairs were discussed in public. This shouldn't have happened. If a dispute arises, the relevant people should sit down and sort it out. But unfortunately in our country, public statements are made on even such sensitive issues such as security matters. I don't want to be involved in this controversy. The army integration issue is a question of the peace process. We have to go by the Comprehensive Peace Accord (CPA) and the Interim Constitution and through political consensus. This shouldn't be an issue of public debate. What has happened is quite unfortunate. Everybody should stop making such irresponsible statements in public.

**Q: How has the transition from armed struggle to mainstream politics been for you personally?**

**Bhattarai:** For me, it has been like a dream in life. Though I was born in a poor peasant's family in a backward village, I got the opportunity to get higher education. That was just by chance. If I hadn't done well in school, I would have never gotten the scholarship that enabled me to get this education. After that, when I wanted to do something for this country, I joined this political movement and followed this armed struggle. This was an entirely new experience. And after bringing this armed struggle to a certain level, then we took another course into this new path of political struggle. Now we are in government. So for me it has been a very dramatic change in life. I think I am doing my duty for society and the country. And personally, I am quite satisfied.

**Q: Do you feel that the challenges in government are more severe than those of armed struggle?**

**Bhattarai:** There are both challenges and opportunities. They are interlinked. If you properly handle the challenges they become opportunities. If you mishandle opportunities they become challenges. So it depends on the situation and your own capabilities. I wouldn't say that one is easier than the other. Both have their challenges, and, as political leaders, we have to face the challenges. We faced the challenge of armed struggle quite successfully. I'm quite optimistic we will be able to face the challenge of running government as well.

**Q: You've been underground for 10 years. You've had to use one set of rhetoric, jargon and theory to mobilise people for the movement. Now that you're in government you have to use different language. Does that explain the kind of double-speak we hear from your party leaders?**

**Bhattarai:** I will say this is again a problem of transitional period. To carry your cadres along you had to use certain kinds of rhetoric, you have to pander to their passions at times. But as the leader of the government you have to be more responsible and guard your words, especially on the diplomatic front. This is the contradiction of the situation.

**Q: Because you have to use revolutionary rhetoric to pander to your base, do you fear that you could alienate a large non-partisan section of the population that is otherwise looking to your party for leadership?**

**Bhattarai:** No. People have very high expectations of us. That's why they voted for us in the Constituent Assembly (CA) elections. So we have a lot of responsibilities. We may be inexperienced and have to learn a lot of things but we're trying our best to learn to run this government. We wouldn't like to alienate anybody; we have to carry everyone along with us. We first have to institutionalise democracy. Then we have to bring about structural changes in society, both in the state and the economy. Without the cooperation of all sections of society and the political spectrum, we will not be able to fulfil this.

We are concerned as the way at times people have misconceptions about us. But through your media I'd like to appeal to all. We feel the burden of responsibility bestowed on us and we are fully committed to fulfil that.

**Q: Immediately after the elections the intelligentsia was positive towards the Maoists. But there seems to have been a souring of relations. To give an example: Pitambar Sharma, the prominent intellectual who you nominated for the position of vice-chairman of the National Planning Commission recently resigned his post.**

**Bhattarai:** We shouldn't forget that we have to manage a coalition government and that has its own limitations. That's why it is taking some time to deliver. People may be frustrated because of that. But I wouldn't say that we have failed, though the pace has been slow. I'd like to tell the intelligentsia and the middle-class that they should be patient. The Maoist party would like to fulfil its responsibilities.

Dr. Pitambar Sharma is a respected intellectual. That is why we had nominated him to the planning commission. Because of problems managing the coalition government, it took some time to take decisions. He got slightly impatient with the pace of development but we're still trying to persuade him to continue as head of the planning commission.

**Q: What are your views on India, China, the US, and the UK?**

**Bhattarai:** We want to follow a foreign policy that is very balanced and to our national interest. Historically, we've had certain problems in relation to certain countries. But in the changed situation, we'd like to review all our past relations for the mutual benefit of both sides.

With India, we've had certain problems historically. But in recent times we have been developing good relations with it. The historical legacy that has existed since the days of the British should be solved

through dialogue, including the 1950 treaty, border disputes and others. India is our closest neighbour, we have open borders with India. Two thirds of our trade takes place with India. So we need to work in close cooperation with them.

China is a very big and powerful neighbour. We've had good relations with it historically. We'd like to continue and preserve that relation. In the past the ruling classes and governments tried to play India and China against each other. That sort of policy may have given them certain benefits in the short term but this government and I personally feel that this mentality needs to be changed. India and China are both our neighbours. We don't want to play one against the other. We want to have good relations with both.

The traditional view was that Nepal existed as a buffer state, or a wall between the two countries. In the new context of the 21st century we should discard that notion of buffer state. Rather, we should view Nepal as a bridge between the two countries. We will benefit only if this happens. This change of perception in foreign policy should have a big impact in the days to come in our diplomatic relations.

We'd also like to have good diplomatic relations with the US, the UK and others. We have no bias against any country. In the past there were some misunderstandings with the US. In recent months, however, we are on talking terms with them and have regular exchanges of views through both official and unofficial channels.

**Q: How do you see the United Nations' role in Nepal?**

**Bhattarai:** The UN, especially UNMIN (United Nations Mission in Nepal), has played a positive role in Nepal's peace process. We appreciate this and think UNMIN has a continued role to play in Nepal until the peace process is completed.

**Q: There is a perception that the Maoists have used UNMIN brilliantly to sideline the other political parties.**

**Bhattarai:** That is not true. UNMIN is a huge, powerful mechanism. The Maoist party is a small force. It is not objective to say that the Maoist party used UNMIN. Even if we wanted to, it wouldn't have been possible.

**Q: How have your government's relations with donors been?**

**Bhattarai:** We have very good rapport with foreign donor agencies including the World Bank, IMF, the Asian Development Bank and others. The loan and aid commitments have been honoured. They have cooperated with our policies and programmes. Within the last four months, to give you the exact figures, more than Rs. 39 billion has been committed in aid for the coming year. That's quite a good amount. We hope that this cooperation will continue.

**Q: But haven't they been opposed to any of the policies of your party?**

**Bhattarai:** No, they haven't. To many people's surprise, we've had a very good relationship with the donor agencies. In fact, of all groups we've had to deal with, we've had the least problems with them. There have been more problems within our own country: with other political parties, within our own party.

**Q: Relations between your party and the Nepali Congress and your party have been poor for the past few months. Can we expect that consensus between all parties will be regained?**

**Bhattarai:** There has to be consensus between all major political parties especially the CPN (Maoist), the NC, the UML and MJF. Though relations with the NC had soured, they are now improving. We frequently meet and talk and try to sort out various problems. In fact, the prime minister, and myself, have appealed to the NC to join the government till the new constitution is framed. Unfortunately the NC decided to stay out of government -- they shouldn't have done that, at least in the interim period. We could have entered a competitive phase only after the drafting of the constitution.

My own view is that we should develop our own model of democracy in Nepal. The fundamental principles of multi-party competition, periodic elections, rule of law, they have to be adhered to. But the system of democracy should be developed to suit our own country and situation. There has to be a sort of competitive consensus: we will compete politically; we will go to the people and ask for votes. Once the people have elected their representatives, we will work in unity, in cooperation. Cooperative competition or consensual competition. That kind of model of democracy will be more suitable for Nepal.

**Q: What kind of institutions do you envisage to ensure such consensus?**

**Bhattarai:** The British Westminster model of majority government and minority opposition is not suitable for a backward country like ours. We need political stability, we need consensus to concentrate on economic development. We shouldn't waste our energy in constant squabbling. For that, once we go for multi-party elections, once the people elect their representatives, perhaps we could form a joint government. All political parties will participate in government according to the proportion of seats in the legislature. That is the model practiced in Switzerland. Perhaps that sort of model will be more suitable for Nepal.

**Q: You've said before that Nepal should have a combination of the Swiss and French models of government.**

**Bhattarai:** The French model involves the presidential system; otherwise it is not very different from the British model. The President is directly elected; more powers are centralized in the president. There is also a parliament and prime minister who impose some checks and balances. So the French model is slightly different from the British model, but it is not fundamentally different. But the Swiss model is fundamentally different from the British model, and is more suitable for us.

Whether to adopt a presidential or prime ministerial model -- that can be discussed. In my opinion, the presidential model is more suitable. We have a lot of regional, ethnic and linguistic diversity. To have unity among diversity you need strong, centralised leadership. This is what an elected president will help provide. A prime ministerial system invites political instability -- the prime minister can be removed anytime. In the case of the president, once elected, he or she will be in office for five years. That will invite more political stability.

**Q: Opponents of the presidential system say that exactly because Nepal is so diverse, we shouldn't have the strong, centralized leadership that a presidential system provides.**



**Bhattarai:** No, we will have autonomous state governments for the federal autonomous units. They will have division of power and rights. So there will be checks and balances between centre and states.

**Q: Will there be space for a strong judiciary and press in the model you propose?**

**Bhattarai:** Yes, there will be place for judiciary, executive, legislature and press. There will be a separation of powers between them but there has to be coordination also.

**Q: You're known to be a keen reader. What are you currently reading?**

**Bhattarai:** I haven't had that much time to engage in intellectual pursuits recently. But at the moment I'm reading this book by John Perkins called *Confessions of an Economic Hitman*.