The Journal of the Association for Nepal and Himalayan Studies
HIMALAYA

Himalaya, the Journal of the Association for Nepal and Himalayan Studies

Volume 28
Number 1 *Ethnicity, Inequality and Politics in Nepal*
No. 1 & 2

Article 4

6-1-2010

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Recommended Citation
Shakya, Mallika (2008) "Capitalism and Ethnicity facing a Rising Wave of Communism in Nepal," *Himalaya, the Journal of the Association for Nepal and Himalayan Studies*: Vol. 28: No. 1, Article 4.
Available at: http://digitalcommons.macalester.edu/himalaya/vol28/iss1/4

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Capitalism and Ethnicity facing a Rising Wave of Communism in Nepal

The difference of vocations among various cultural groups and its implications for economic differentials have grave imprints on political and social movements, yet these have been largely ignored by economists, anthropologists and political scientists. While their strategic social positioning is evident, entrepreneurial and business groups have been especially elusive groups for ethnographers to access. On the one hand, business elites are the biggest beneficiaries of economic and social change; and on the other hand, they are known for their cold adherence to monetary calculations, which makes them one of the biggest obstacles when it comes to ushering in any form of social change. Although the pragmatic forces defining this class group speaks for the way they tend to willingly cooperate with political regimes of any credentials and ideologies that hold power, their engagements with the state are not always culture-neutral. A brief account of Nepal's business history shows that there have been deep cultural overtones to the way entrepreneurs are treated by the state. This paper reconstructs Nepal's modern history spanning half a century to highlight how business elites from certain caste and ethnic groups have flourished in Nepal during the rules of the caste-based muluki ain and monarchy-based panchayat. It examines the nature of multi-party democracy which claimed to adopt an ethnically neutral polity but did little about the already existing ethnic marginalization and discontent. It then examines the way in which the rise of the Maoists added a new dimension to the continuity of the rules of the game. While the Maoists seem to take some credit for finally unpacking the old baggage of caste and ethnicity in the way Nepali state politics is run, it has to be said that the nature of the struggle has been implicit within Nepali history long before they came to dominate Nepali politics.

INTRODUCTION

In her discussion of the rise of new corporatism in India, Barbara Harriss-White (2005) argued that market forces alone are inadequate to guarantee livelihood and life; hence it draws on non-market forms of exchange such as reciprocity, redistribution and patronage to sustain itself. Such forms of exchange may be embedded in the broader social, cultural and political trajectories followed by the state and civil society institutions that get reworked to be instruments of business regulation. I present a complementary case on Nepal following this framework. Ethnic factors have regulated the Nepali economy and resisted state influence for the past several centuries. The study of the embeddedness of ethnically based factors into business organization can inform studies of contemporary politics and society in Nepal. Yet there is little conversation among the disciplines of economics, sociology and political science about Nepal that explores capitalism's link with the broader social and political order. How has the current political transition affected modern business organization in Nepal, and is it materially different from the past? Does the natural pragmatism that characterizes businessmen preclude their being proselytized into ethnicity-charged politics? More importantly, to what extent is ethnicity a new variable that has come to dominate Nepali politics and to what extent is it a new manifestation of an old phenomenon? These will be the key questions this article will try to address in its two parts. The first part of the article is a historiography of entrepreneurship-related policies and practices; the second, an ethnography of the modern entrepreneurship-related organizations that dominate contemporary policy-making. The

paper begins however with a discussion of the conceptual frameworks examining this complex problem.

CULTURE, POLITICS AND BUSINESS PRAGMATISM: A CONCEPTUAL FRAMEWORK

Far from being remote from political processes, or rooted solely in the linear modeling of classical economics, the nesting of individual actions of businessmen and others within the broader norms of social class and politics were argued famously by North (1990) and Bourdieu (1984). They take 'habitus' or 'institutions' as their starting point which consists of a whole range of values, ethical orientation and preferences that take shape through an individual's early life experiences involving socialization in family, peer and social groups. It is further argued that broader organizations – business, political and social – evolve from the collective culture of people through a process that is negotiated, revised and reinstated time and again giving the society a certain distinction.

The idea of social distinction is pursued further in the empirical work of Clegg et al (1990) who argue that capitalisms have taken distinct shapes across societies, countries and regions. A particular case they discuss is that of the two contrasting models of capitalism that have developed in the East and the West owing to broader political and social systems surrounding the immediate ways of doing business in enterprises. It was argued that the enmeshing that takes place between the strategies of businessmen, the vision of politicians and the realities of the social and legal orders gives rise to the overall institutional framework for the organiaation of economic action, which may lie somewhere in the range between the authoritarian democratic type (as in East Asia) and the liberal democratic type (as in Europe, the United States and Australia).

Within society-economy embeddedness, Whitley (1999) has conceptualized a new framework, a 'comparative-business-systems approach' (CBS) to anatomize business organizations and their interconnectedness with political, labor and cultural systems. The core of the CBS approach is the comparison of business systems across societies on the three important fronts of capital generation, employment structure and business alliance-building. Whitley then places business systems into the broader institutional structuring which includes state-entrepreneur relationships, business associations and labor unions. His account of the capitalisms of Korea, Taiwan and Japan highlights the extent to which contemporary capitalisms in these countries, as distinct from each other as they may be, draw on similar social institutions of individual and collective loyalties as much as on their political histories of war and the bureaucratic arrangements for power sharing between the state and industrial groups.

Harriss-White (2005) connects the discussion of society-enterprise embeddedness with civil society discourse. Her framework of the social structure of accumulation (SSA) further focuses on the role of civil society institutions – in the case of India she focuses wholly on caste – in capitalistic transformations. Civil society, in the Gramscian view, consists of economic and social movements which may work to develop a counter-narrative that may eventually undermine bourgeois hegemony that usually evolves from interest groups protected by an undemocratic or semi-democratic state. In the case of India of the twenty-first century, where the parameters of accumulation are changing fast, dominant social institutions like caste are being reworked rapidly into a corporatist order or collective organization of economic interests. Harriss-White argues that caste has provided an 'ideological backcloth' or a whole institutional structure on which the corporatist project can function. Modern institutions such as business associations, labor unions and even political parties follow capitalistic norms but are shaped in their actions by primordial caste hierarchies. Her ethnographic account of a small South Indian town, Arni, shows how caste continues to supply the broader entrepreneurial order necessary for corporatism in modern India, which is entrusted either to the state or the pure capitalist forces in other countries. This assertion holds true for Nepal with regards to its ethnic order.

All three approaches share the idea that economic actions are embedded in the norms and networks of the social order. They point out the inadequacies of neoclassical economics and question the claims of political theorists that state politics arise from the power of guns, votes and street protests alone. They make the case that modern orders are continuously negotiated on factory shopfloors, boardrooms and through class connections. Old cultural histories construct the narrative necessary for positioning of various social groups (caste or ethnic) for negotiations; ongoing political and economic developments both revise and reproduce histories; and eventually old institutions are reshaped by the forces of modernity and pragmatism. Collectively, the three strands of this literature indicate some opportunities for greater crossover between the boundaries of the disciplines of economics, sociology and politics. This indeed will be the aim of the following section which provides a historical account that may explain how today's ethnic order in Nepal is the work of the past.

CULTURAL POLITICS AND MARKETS

Based both on secondary historical sources and by my ethnography of businessmen, I reconstruct below a comprehensive history of the Nepali politico-economy. My aim is to counter the popular claim that the Maoists brought ethnicity into Nepali politics (Bhattarai, 1998), and to propose that ethnicity is not a new element in the way Nepali state and society has functioned over the past five centuries. It will be fair to say however that Maoist politics which gave rise to the politicization of the ethnic movements have added new dimensions to state-society relations.

From Medieval Times to the Rana regime

Caste and ethnicity have been central to both industrial

and foreign policy making in Nepal. Medieval Nepal's comparative business advantages lay solely in trade with Tibet in which the Buddhist Newars established a monopoly for a long time. The lowest two of the dozen passes that went into Tibet from the southern plains – Kuti and Kyirong – passed via the Kathmandu Valley while marriage of the Nepali princess Bhrikuti with the legendary Tibetan king Srong Btsan Sgam Po opened the way for Nepali acculturation of Tibet along the lines of Buddhist spiritual and material arts. Although the Nepal-Tibet trade was regulated by the treaties sealed by Newar rulers dating back as early as 1650, the Shah and Rana rulers could never penetrate the lucrative Nepal-Tibet trade even after they defeated the Newars in war.

Three violent wars between Nepal and Tibet mark the transition as the Shah dynasty took charge of Nepali foreign affairs. The first war of 1786 was waged to settle disputes over the purity of Tibetan coins minted in Nepal. The second war of 1791 stemmed from disputes arising from the fact that Nepal had given protection to Syamarpa Lama, a high profile Tibetan political refugee. A third war was fought in 1855 in the aftermath of Tibet's (and China's) refusal to support Nepal in its resistance to an assault from the British East India Company in the south. Tibet's response to Nepal's plea for help clearly showed that it retained a grudge against the Shahs for displacing the Newar rulers from the Kathmandu Valley.

Although the Buddhist Newars remained the ethnic group that dominated trade with Tibet, they were increasingly regulated by the Shah regime, as seen in the new taxes and order of ritual purification imposed on them. It should also be noted that the Ranas ruled under a strictly caste/ethnicity-based common law (muluki ain) which took its roots from the ancient Hindu doctrine Manusmriti.[1] This law forbade non-trader castes to engage in entrepreneurial activities.

Eventually, Nepal's comparative advantage over the Tibet trade began to dwindle in the late nineteenth century. Geographically, the British opened a new route via Sikkim in 1877 and subsequently linked it with a railroad between Darjeeling and Kolkata in 1881. Politically, Sir Francis Younghusband's Tibet expedition of 1904 – ironically assisted by the contemporary Rana regime of Nepal – imposed a new treaty on Tibet to end Nepal's legal monopoly over Tibet's foreign trade and initiated direct trade links with the East India Company via Darjeeling (Acharya, 1999: 233 and Whelpton, 2005: 77). Further, after the Chinese invaded Tibet in 1950 and closed the border with Nepal in 1959, the Nepal-Tibet trade came to a standstill (Rankin, 2004). With it came the demise of the glory of the Buddhist Newar traders.

By the mid-1880s, British India was exerting an overwhelming influence on Nepal and under its blessing, the Ranas emerged as formidable rulers powerful enough to dictate to the legitimate Shah monarchs and intermarry into their families. In return for their military support in quelling the first Indian Sepoy uprising in 1857, the British returned Nepal four bordering districts in the far west, Banke, Bardia, Kailali and Kanchanpur which later came to be known as the naya muluk (new territories). There was a great deal of ambiguity as to whether this land was given as personal gifts or birta to the Ranas or returned to the state of Nepal (Regmi, 1999). There was equally a great deal of ambiguity as to whether the Shahs or the Ranas were the real kings of Nepal. Amidst such vagueness, the Ranas launched an ambitious project that established the first tier of modern manufacturing in Nepal, which decisively favored Indian businessmen over indigenous Newar businessmen in developing trade and industrial links with British India.

Still under the overwhelming Indian (British) influence, the Ranas issued pragyapan patra (state letter) to invite Marwari businessmen from North India to establish various commercial manufacturing and processing plants as well as to develop distribution of networks in Nepal for Indian consumer goods.[2] The first modern industry in Nepal – a jute mill – was established in 1936 by Radha Kissen Chamaria, a Kolkata businessman, in joint partnership with Juddha Shamsher Rana, Prime Minister at the time. In 1942 two paper mills were established in joint partnership with the Ranas and the Marwaris (Gaige, 1975). Processing plants for matches, cigarettes, rice and vegetable oil were established in the same area soon afterwards, mostly to fill in the shortages caused by World War II, and were again jointly owned by the Marwaris and the Ranas. The Marwaris remained in Nepal as a minority group, comprising a mere 0.2 per cent of Nepal's population (Whelpton, 2005: 9), but importantly, because of the proximity to the infrastructure developed in the Tarai after deforestation removed the natural border of the charkose jhadi forests, the overall access to the so-called 'open-border' between Nepal and India remained in the hands of the Marwaris along with other local residents of the Tarai, i.e., the Madhesis.

The *Panchayati* era: State protection of business and politics

The Rana regime was overthrown in 1951 by a popular

1. In fact, upon his return from a legendary tour to the United Kingdom, the first Rana prime minister Jung Bahadur Rana had it codified in 1854 in his attempt to give Nepal its magna carta or the first codified legal document. It should be clarified however that this was never meant to be a document about protection of the rights of the people as the *magna carta* was.

2. The Ranas were not the first to develop caste-based decrees for economic vocations. Similar caste-based formal policies have been seen in Nepal as early as the seventeenth century. Siddhi Narsingha Malla had invited a priest clan from South India to serve as the designated priests in Pashupatinath temple. The arrival of the Rajkarnikars as confetionary producers and Rjopadhyayas and Kayasthas as Hindu priests further supported caste-based policies prevalent in medieval Nepal.

uprising led by King Tribhuvan and an alliance of democratic political parties. This change of regime initially gave Nepal a new democratic constitution and a new civil code that eventually replaced the caste/ethnicity-based common law (muluki ain). However, this movement did nothing to change the fact that all political powers remained in the grip of the Bahun-Chhetri rulers. Although the Ranas had reacted to the popular movement by brutally suppressing it at all levels, the muluki ain had been so powerful an institution that they could not do away with caste-based treatment even when responding to such serious charges as treason. For example, when the existence of the first Nepali political party Praja Parishad was discovered by the regime and all its leaders captured, , four were either publicly hanged or shot to death, but Tanka Prasad Acharya, a Bahun, had to be spared. The common law had categorically defined bramha-hatya, a murder of a Bahun, to be a sin more heinous than even a proven case of treason. As James Fisher (1997) has argued in his seminal book Living Martyrs, the principles of caste/ethnicity-based purity and pollution widely dictated the contemporary common law that prevailed under the Rana regime. Not surprisingly, the first generation of political leaders who survived the brutal oppression of the Rana regime was almost exclusively Bahuns, a legacy that continues to haunt Nepal after half a century.

In the national election that followed the promulgation of the new constitution, the Bahun-Chhetris who were numerically a minority were overwhelmingly represented in the new parliament, while the indigenous nationalities and low caste people were grossly underrepresented. This paved the way for the passage of the controversial economic and governance policies that established the Bahuns as the primary beneficiaries of economic protection by the state. A good example is the controversial Civil Service Act of 1956, which was widely criticized by the representatives of the Janajatis for being pro-Hindu and pro-Sanskrit (Seddon, 2001: 87-91). On entrepreneurship, the Business Companies Act of 1951 was of key importance. In theory, it encouraged all castes and ethnicities to engage in business enterprises, but in practice failed to correct unequal distribution of wealth among cultural groups. As a result, no longer forbidden from seeking profit-making ventures, the Bahun-Chhetri elites quickly tapped into the business opportunities opened up by the new policy. The marginalized ethnic groups with little wealth of their own had no means to generate capital to set up in business.

Over ninety new private joint stock companies were registered between 1951 and 1964 under the Company Act of 1951, and over 70 per cent of the ownership lay in the hands of the Bahun-Chhetris and the Marwaris (Zivetz, 1992). It is true that several Newars, Thakalis and Lamas also commenced their business ventures during this period, but the Bahun-Chhetris emerged as the group that gained the most by Nepal's economic modernization.

The 1970s and 1980s saw a rapid increase in state discretion with regard to business enterprises. The first three National Economic Plans – of 1956, 1962 and 1965 – explicitly declared state protection for cottage and small industries, and implicitly sought to protect all other industries from foreign competition. The Industrial Act of 1974, on the one hand, standardized the definitions and procedures in various business laws and controlled enterprise proliferation through quotas and licenses; on the other, it dished out generous state subsidies to entrepreneurs in the forms of banking and tax concessions. For example, selected village and cottate industries were given five year tax holiday. The Industrial Act of 1981 announced an even more generous, non-discretionary six-year tax holiday for all cottage industries. This was to be followed by a series of yet other subsidies and incentives, including a discretionary tax exemption for industries producing or distributing essential goods and infrastructure. A Nine-Point Export Promotion Program was introduced in 1984 that allowed exporters access to concessional credit; the Nepal Industrial Development Corporation (NIDC), a government-controlled capital investment entity was directed to compulsorily allocate ten per cent of its investment in export industries. The nature of the state protection of various industrial sectors however did little to correct the caste and ethnic biases that had influenced state allocation of resources for centuries; if anything, it exacerbated this by letting the subsidies be captured by the Bahun-Chhetri elites within the status quo.

Although this was not the intention of economic restructuring, poor attention to ethnic implications led to a situation where the best protected industries went into the hands of the ruling elites and their allies while marginalized caste and ethnic groups proliferated in the least protected industries. For example, the trans-Himalayan trade, which was once a grand cultural trade, had by then shrunk into an insignificant bartering of salt and other basic necessities, and was now dominated by rural Newars and Sherpas. In contrast, the National Salt Trading Corporation, a modern lucrative parastatal that had gained the monopoly over distribution of essential commodities throughout the nation was dominated by the Marwaris and the Bahun-Chhetris (Zivetz, 1992: 67). In manufacturing, only 60 garment factories were deemed eligible to export in 1984. They then collected rent from over 1,000 unregistered factories called 'fabricators' who would do all the work but had no access to export channels. Most of these registered factories were owned by Bahun-Chhetris or Marwaris (Shakya, 2004). The situation changed as soon as the government liberalized international trade and domestic firm registration (see below).

Democratization and economic liberalization

The People's Movement of 1990, which overthrew the pro-monarchy Panchayat system, has to be understood at different levels. At one level, it was the street protests that forced King Birendra to legalize political parties, curtail his own powers and allow a new constitution. At another level, it

was the King's 1989 arms deal with China that had angered India so much that it responded by sealing the Nepal-India border until Nepal virtually ran out of daily necessities such as petrol, oil and sugar for three months. In any case, the new Nepali constitution defined Nepal as a 'multi-ethnic, multi-lingual, democratic, independent, indivisible, sovereign, Hindu and Constitutional Monarchical Kingdom'[3] Indigenous nationalities and minority religious activists were very disappointed that the word Hindu still remained; nonetheless, the addition of the word 'multi-ethnic' was a genuinely new departure.

Soon after, in 1992, the new government issued a new Industrial Act which spelled out a radical program embracing economic liberalization. Although Nepal had signed two important policy lending contracts with the World Bank and the IMF in 1986 and 1989 agreeing to deregulate the domestic market and international trade, it was not until the change in political regime that it truly implemented them. Like elsewhere, Nepalis equated multi-party democracy with market-based capitalism, evidenced in that even the most conservative of the socialists and communists could not dissociate the two. The Communist Party of Nepal (United Marxist-Leninist) dropped its Maoist ideal in 1989, and participated in the movement for the restoration of democracy, thereafter which it consolidated its approval of competitive democracy and free-market capitalism in its People's Multiparty Democracy resolution in 1993. It has also to be noted that the finance minister of the interim cabinet of 1990 that chartered the first outline of economic liberalization in Nepal was a well-known socialist, Devendra Raj Panday.

On the ethnic front, the 1990 movement gave rise to an 'ethnogenesis' similar to what happened in India during the time of independence, and for rather similar reasons (Whelpton, 2005; Gellner, 2003). The formerly marginalized castes and ethnic groups felt that they had been liberated by the demise of the Panchayat ideology that had claimed that all Nepalis were the same, while in practice institutionalizing high caste Bahun-Chhetri supremacy. Symbolic changes were made by the Nepali state in media and communication, including broadcasting in regional languages and revising the definition of the Nepali national costume. However, the new constitution gave little room for much expected ethnic liberation, and Nepal officially remained a Hindu kingdom. Much has been written about how the newly granted rights to freely organize gave a new impetus to already existing ethnic associations of several indigenous nationalities (Hangen, 2007).

A series of important legal and policy measures followed the liberal industrial policy of 1992. Most of the public subsidies were discontinued and entry/exit barriers in the forms of lengthy bureaucratic procedures and licensing restrictions were removed so that access to entrepreneurial opportunities was no longer confined to selected population groups. Tariff and non-tariff barriers were reduced significantly, making Nepal the first South Asian country to have trade policies comparable to East Asia in the early 1990s (Acharya et al, 1998). Further, the Foreign Investment and Technology Transfer Act of 1996 not only allowed one hundred per cent foreign investments in business ventures without having to find a Nepali business partner, but also eased controls on capital repatriation. Further, an Industrial Promotion Board was set up in 1997 to ensure effective monitoring of the implementation of the policies that were adopted. A series of business membership organizations evolved in time to facilitate further dialogue between the public and private sectors on issues affecting business operations. These directly attacked the interests of the state protected business elites who were now forced to compete both with domestic and foreign rivals, and on both fronts in local and global markets.

Economic liberalization was never going to be the panacea. The caste- and ethnicity-based grievances relating to both business and politics were not fully addressed by either democracy or liberalization. One of the reasons some business houses remained more privileged than others within the so-called market-based competitive capitalism is the way issues of caste and ethnicity remain indispensable to the way societies and bureaucracies function in Nepal. In Nepal, capitalism and democracy are practiced by businessmen, politicians and bureaucrats through caste- and ethnicity-based cognition, networks and orders. Among 33 business partnerships within the garment manufacturing industry that I surveyed in 2002, I found only one factory that was a business partnership between indigenous nationalities and a Bahun-Chhetri/Indian. All others were business partnerships among two or more groups of Bahun-Chhetris, Marwaris, Madheshis and Indian nationals. When asked why businessmen do not build partnerships with people of other cultural groups, several businessmen emphasized the importance of culture-derived trust while operating in a business environment characterized by extremely weak legal measures on protection of intellectual property rights and other property rights, as well as protection against sheer fraudulent transactions (Shakya, 2007).

At any rate, it will be fair to say that Nepal's new economic policies at best aim to 'tolerate' the marginalized cultural groups and call for harmony among caste and ethnic groups than proactively ensure that diverse identities among the population are truly empowered. The state has turned a blind eye to deeply rooted hierarchy between the ruling and non-ruling caste/ethnic elites and further on to the lower castes and marginalized ethnic groups. The privileged signifier of equal treatment was actually nothing of the sort – it stimulated unequal responses. In fact, competitive patronage has had profound implications for the business enterprises as well as for state politics. Nepali liberalization and democracy has produced such a political

3. Nepali Constitution 1991: 4 (1).

outcome because of the operation of the very institutions which should have been designed to eliminate the influence of elite discrimination in both business operations and social representation systems.

ETHNIC NUANCES IN NEW CIVIL SOCIETY ORGANIZATIONS

As discussed above, modernization and democratization have not necessarily led to an ethnicity-neutral socio-entrepreneurial order in Nepal. Modern organizations continue to be characterized by the same ethnic divides as the old ones. This section will focus on the extent to which ethnicity adds a dimension to the implicit power struggle intrinsic among the various associations representing contesting interests within an entrepreneurial order.

Labor unionism

Labor unionism has been a consistent feature of almost all political grievances in Nepal for a long time. As early as 1975, the labor cadre of the Nepali Congress party had led a historic labor 'slow-down' at Biratnagar Jute Mills (the country's oldest), under the leadership of G.P. Koirala who later rose to preside over the ruling Nepali Congress and serve multiple terms as Prime Minister. Various streams of the moderate and radical communist parties that proliferated in Nepal have historically also commanded strong support from factory workers. The tradition of formally registering as labor unions, however, came much later. Although the Nepal Factory Workers' Act 1986 made some provisions for labor rights, the Panchayat regime effectively maintained a ban on overall labor unionism to the effect that the first labor union of Nepal, the General Federation of Nepal Trade Union (GEFONT), was founded underground in 1989. The labor wing of the Nepali Congress was consolidated into the Nepal Trade Union Congress (NTUC) only in 1991. Both these unions underwent cycles of mergers and splits following the trends in their base party politics. Although GEFONT divided into as many as four splinter groups at times, it recombined after the 1990 democratic movement. Within the NTUC, however, a splinter group went on to found the Democratic Confederation of Nepalese Trade Unions (DECONT) in January 2001 as the so-called chattise (thirty-six) dissident parliamentarians from within the Nepali Congress, implicitly led by the former prime minister, K.P. Bhatterai, challenged G.P. Koirala's leadership in parliament. On a different front, the Maoists had also already formed their own All Nepal Labor Union – Revolutionary (ANLUR) in 1996 (Manandhar, 2001: 62).

A key issue that has gone unnoticed among the scholars of labor unionism in Nepal is that of the global changes in business organization that were fast seeping in. Although the labor union movement significantly strengthened in the early and mid-1990s, it never really meaningfully claimed a space in industries with major industrial significance, e.g., garment, handicraft and tourism. In some cases it was extreme seasonality of production and lack of predictability of business which meant that owners could only afford informal and semi-contracted job opportunities. In other cases, workers were controlled through kin and ethnic networks such that they put the family and ethnic loyalty before class loyalty. In any case, businessmen did their best to keep stronger labor unions at bay in several of the manufacturing industries and in their place nurture pro-capitalist labor unions.[4] Labor union movement was to face draconian changes with the arrival of the Maoists (see section 5).

Business associations

Since most of the business associations were remnants of the pre-democracy protectionist regime when only elites could register (more lucrative) businesses, they had small memberships and functioned more like business clubs that maintained loyalty to the royals and other ruling elites. It is an irony that little of this actually changed for several industries even after the democratic movement and economic liberalization in the early 1990s. One should not infer from this that the businessmen had no involvement in the democratic movement. To the contrary, employees, employers and owners of several large business houses had marched the streets arm in arm to call for democracy. What was probably true for several industries was that although the economic regime and the government regulations had changed significantly, the state had only weak relations with businesses when it came to actual business operations. But there were exceptions to these involving business associations that deal with industrial sectors that require closer government support and hence stronger joint action among business members to obtain this. The three business associations – the garment, carpet and handicraft associations – which gained great prominence at various points of time, had worked towards such joint action in order to solve immediate challenges looming over their businesses. Their work exemplifies the pragmatism I have argued to be inherent among businessmen through which they negotiate complex political and cultural power constellations within which they function. To make my point, I will briefly describe the case of the Garment Association of Nepal (GAN).

GAN was established with less than 30 business members in 1987 but its membership had grown to over a thousand by 1995. Before liberalization in 1992, most of the garment factories functioned as informal businesses selling to the elite exporters because the access to the American market, where most of the Nepali garments went, were restricted to

4. In one extreme case, a garment factory in Kathmandu actively mobilized the local Nepali Congress leader to arbitrate with local residents on disputes related to land acquisition and utility consumption, as well as to facilitate matters of local philanthropy. For such services, this factory not only paid the NC leader regular party 'donations' but also recruited some of the Congress' political cadres into the factory workforce for a closer vigilance. (source: fieldwork, 2001-2004)

only few, most of them Bahun-Chhetris and Marwaris. After economic liberalization, the readymade garment industry (RMG) was among the few industries that became subject to draconian reforms largely owing to the pressures of the international RMG heavyweights such as the United States. Once business regulations were simplified and made more transparent, allowing non-elite businessmen to join, GAN soon emerged as a formidable lobbying force in the mid and late 1990s. Even then—or maybe especially because of this —GAN leadership hardly went out of the hands of the ruling elites. Within the GAN executive committee (of 21 people), 50 per cent were Bahun-Chhetris, 29 per cent Marwaris and a further 9 per cent were Newars. There was only one non-Newar indigenous nationalities member of the GAN executive committee. Most of the GAN members noted, without being prompted, that most of the past and present Presidents of GAN were either Bahun-Chhetris or Marwaris with just two exceptions who were Newars. On who would be the most suitable candidate for GAN presidency, members said that they must have access to the 'top level' of government. "He can be anything or anyone, but he should have excellent contacts to ministers and secretaries, and he should be willing and able to use those contacts for the greater good of GAN members," said one GAN member, describing his criteria for a competent GAN President. Although a majority of GAN members were Hindus, they did not require that high caste Bahun-Chhetris should be their leaders, but since members of those castes happened to be the political elites and enjoyed greater access to the government, the pragmatic outcome among the businessmen was that they were elected as the GAN leaders.

In terms of business representation and effective policy advocacy, comparisons have been drawn between GAN and a wider sample of business associations which were less central to policymaking. Zivetz (1992), for example, discusses how the Trans-Himalayan Trade Association, once involved in lucrative Nepal-Tibet trade between the elites of the two countries but now confined to the meager barter of salt and other basic commodities between the bordering Himalayan populations, was dominated by the indigenous nationalities. In contrast, a lucrative and state-controlled National Salt Trading Corporation which controlled distribution channels of goods of daily necessity to the entire population was dominated by the Bahun-Chhetris and Marwaris. However, Newars and other caste or ethnic groups continue to dominate several business associations involved in production or exchange at a lower scale where market forces somewhat offset state regulations.[5] For these various reasons, the Federation of Nepali Chamber of Commerce and Industry (FNCCI) is among few institutions where Bahun-Chhetri dominance is less pronounced.

Cultural dominance is more than reversed in some of the more specialized businesses. For example, the carpet association was one whose leaders had difficulty reaching the ministers despite contributing to as much as a quarter of national exports just because they were not Bahun-Chhetris or Marwaris and did not have close connections with policymakers. A second business association whose leaders were not the ruling elite was the Handicraft Association of Nepal (HAN). Since handicrafts relied on cultural legacies mostly confined to Newar artisans, over 80 per cent of the HAN business members were Newars and so were the HAN executive members. Since they had little access to the key policymakers, they raised their own funds, or liaised with donors and buyers directly, and ran their developmental programs—most of them on skill development and certification of standards—with little government help.

As the situations change on the ethnic front, the business associations have emerged as among the first of civil society organizations which adapted to political changes pragmatically. In case of the Garment Association of Nepal (GAN), they chose to involve their fellow business members and labor rights activists – many of whom came from indigenous nationalities who had better rapport with the Maoists than the Bahun-Chhetris and Marwaris -- to facilitate collective negotiations with the Maoists on behalf of the entire business association. The business associations of hotel and restaurant owners have followed the suit. It is likely that several other business groups earlier seen to be conservatives and royalists will pragmatically adapt to the new ethno-politics. I discuss below the broader political developments within which such pragmatic decisions were taken by the businessmen.

ARRIVAL OF THE MAOISTS: INSTITUTIONAL CHANGES SEEP INTO BUSINESS ORGANIZATION

Much has been said about the evolution of the Maoist movement in Nepal in its initial phase 1996-2000 (Thapa and Sijapati, 2004; Hutt, 2004), but little has been discussed about the subsequent phase when the Maoists transformed from a purely militaristic force gaining momentum in the rural areas into one that overhauled its ideology and came to exert a formidable presence in the urban areas. Hachhethu (2009) has attributed the Maoists' adoption of the party proposal "Democracy in the Twenty-first Century," as put forth during the negotiations with the government in 2003, to be its endorsement of multiparty democracy. It has to be acknowledged however that several preceding events have set the stage for this proposal, an important one being adoption of the Prachanda Path during its second national convention as early as in February 2001.

Especially regarding business associations and labor unions which I have argued earlier were weak and vacuous, it can be said that the sudden emergence of the Maoist movement in Nepal came to fill the vacuum left by conventional institutions. At least in the new industries,

5. Examples my include the Small Traders' Association, the Retailers' Association and several others.

the Maoists effectively dismantled the status-quo of capital-friendly labor unions. The Prachanda Path called on the Maoist cadres to move their focus from the periphery to the centre and to build mobilizing fronts among the factory workers and students. They did this by raising the flags of patriotism (by voicing an anti-India rhetoric), indigeneity (by setting the 'Indian' Marwaris against the supposedly indigenous Newars and other Janajatis), and communism (by setting the so-called 'feudal' castes of Bahun-Chhetris against the lower castes and by imposing radically anti-capitalist demands on behalf of the workers). On all three counts, labor intensive industries like garments and tourism became the easy victims. On donation-seeking by Maoists for their political campaigns, Bahun-Chhetri and Marwari businessmen received especially hostile treatment from the Maoists while indigenous nationalities were able to negotiate far more effectively with the Maoist cadres. On labor unionism, Maoists covertly infiltrated the factory floors of the Kathmandu Valley, easily weakening the labor bases of NTUC and GEFONT (Shakya, 2008).

Beyond immediate meso-level organizations like labor unions and business associations, the Maoists have successfully cashed in on the post-1990 ethnic upsurge by accumulating political capital and creating a political framework for the key ethnic demands: autonomy and federalism. In the new context of competitive politics since the April 2006 mass uprising and removal of the monarchy, they have further consolidated their claim as an ethnic messiah. It is true that this has been somewhat weakened by the counter movements staged by the Madhesis and later on some of the hill Janajatis. Nevertheless, the Maoists have continued to emphasize ethnicization and regionalization of its internal party structure throughout the major transformation it is seeking from a militaristic party organization into a civic one. The Maoists now have caste, ethnicity and region-based organizations, from district to central levels, which have come to peripheralize three of the four sets of organizational structures it had maintained during the insurgency period.[6] Overshadowing the old radical structures are the evolving network of Janasewa Samiti (public service committees) which are being developed in urban areas to perform civic duties including establishment of public grievance systems on issues related to business, social justice and development, among others.

Especially regarding the business issues, the Maoists seem to be working to accommodate their agenda on state restructuring within which economic agendas are prominent. Businessmen were indeed the first group Prachanda met after winning the national elections in 2008, to whom he assured protection of personal property and a free market regime. Soon after, some of the leading businessmen were nominated by the Maoists to the constituent assembly to express their commitment to capitalism. Other major political parties followed suit. Multinational and bilateral donors were the second group Prachanda met to assure the protection of foreign investors. A few months later, however, the new budget brought forth a two-pillar model of competition and co-operation. Along the lines of the East Asian model of capitalism where the states have picked and backed winners, the Maoists implicitly ushered in notions of 'patriotic capitalism.' On the one hand, this notion called for a shift from the state's role as a neutral referee to that of a benevolent party with interests. On the other hand, this notion formally confirmed the Maoists' intention to pronounce positive discrimination for the marginalized population groups and for employment-generating activities. On both counts, this reaffirmed their commitment to caste and ethnicity as relevant factors in decision making, which they had consistently maintained throughout the 2000s.

It should be noted that the Madhesi countermovement that followed the April 2006 uprising has forced the Maoists to take up a more politically pragmatic position than what they had earlier promised to the marginalized caste and ethnic activists. Three Madhesi factions – the armed Jwala Singh and Goit groups as well as the Matrika Yadav group – have already splintered off from the Maoist party over disputes that the Maoists had reduced their commitment to the Madhesi people. On the other hand, the indigenous nationalities in the eastern and central hills are being more vocal about the autonomous ethnic states the Maoists had earlier announced. Very little has been said or done about how these competing and conflicting demands for autonomy from various ethnic and regional groups are to be accommodated. Even less has been said about the economic and industrial implications of such demands.

CONSOLIDATING THE ETHNICIZATION OF CLASS IDEOLOGY INTO POLITICAL AND MARKET LIBERALISM

Following the distinct waves of conquest, of trade, and culture-nuanced business evolution in Nepal, it is only to be expected that both markets and hierarchies would be multidimensional. While cultural ideas deal with experiences that far transcend both economic and political lives, there is nonetheless a relationship between a plurality of cultures and businesses, contrary to what the neoclassical economic literature might lead one to believe. The economy would not take the form it does were it not for the civil society organizations that set the stage for the market, even though the effects are complicated and counter-intuitive at times. What the civil society organizations are today, on the other hand are the complex makings of the historical negotiations of the past.

Yet there has been virtually no research into the cultural implications for economic activity or the fact that a business

6. The four organizational structures of the Maoists during the insurgency period included: (i) party organization top down including headquarters, central committees, regional, area and village committees; (ii) the nine Jana Sarkars or the parallel governments; (iii) military chain of command; and (iv) Jan Adalat or the people's courts. (Hachhethu, 2009: 65).

structure is embedded within a plurality of orders. Nepali policymakers and political scientists had been in denial of cultural politics altogether until the Nepali Maoists opened a Pandora's box. Even though the study of the Maoist movement has now taken centre stage, culture scholars have hardly looked into the plurality of orders that are influencing the Nepali market. Harriss-White (2005), whose framework on the culture-economy nexus informs this paper substantially, laments that this has received little attention despite being so central to people's lives and the politics of the state. She points out that this may have to do with the fact that one part of this question relates to formalist neoclassical economics while the other part relates to anthropology – the two disciplines that have rarely worked together.

The politics of the Nepali Maoists have in some way forced both policymakers and politicians to acknowledge the direct interlinkages between culture and economics on the one hand and culture and politics on the other. In this paper, I have articulated the key question that can no longer be avoided after this acknowledgement: Why have issues of ethnicity not faded away as a force in modern business and politics? What is going to be different in the coming years as Nepal embraces the former rebels into mainstream politics and compels them to revise their basic ideological premises in favor of political, economic and cultural pluralism?

The social order has proven to be anything but static. It is the ongoing struggles within the traditional social order (ethnic in case of Nepal) which has fed both politics and business. Ethnic struggles have taken on new dimensions through the uprising of the 1990 movement and the eruption of the Maoist insurgency. The everyday ethnic order continues to be underpinned by both tacit acceptance and contestation of the hierarchy among multiple ethnic groups. The outcome is a reconsolidation of the social order which neither permits an authentic-false dichotomy nor a one-time event but a 'mimesis' of the original order which undergoes a continuous process of change.

Ethno-politics persisted and lately became exacerbated out of the contradiction where the state allowed the disproportionate representation of a few ethnic groups in various state mechanisms but denied ethnic discontent in policy discourses. Nepal's ethnic movements have become a way to resist this contradiction. With one ethnic group ruling the country along with a few others allied with them, cultural identities continue to inform the way businessmen and citizens interpret and respond to the situations around them. As long as communities embody caste and ethnic identities, ethnic overtones will continue to inform the production and exchange behavior of businessmen. Political relationships between cultural groups vary from loyalty, to alliance, rivalry, and attempts at domination. Consequently, while the great bulk of state economic policy is framed in a universalist language entirely indifferent to the local power structures, its implementation is hardly ever indifferent to such power struggles. Even when not asserting itself through positive or negative discrimination, policy will always etch itself out differentially across population groups according to the specific contexts, in this case cultural.

Cultural nuances of policies and politics crystallize better in interactions between individuals as well as in the dealings of business and labor associations. I have argued that during the era of multi-party democracy, the role of the latter has been minimal in catering to civic needs of their own constituencies, and they have continued to function to fulfill loyalties to the political rulers. Thanks to the disruptive pressures businesses have undergone since the democratic movement of 1990 and rise of the Maoist movement, some of them have begun to use these associations for class actions. Labor unions have begun to call strikes on labor issues such as wages and job securities; business associations called for collective negotiations with the Maoists to determine appropriate 'donations.' As the Maoists strengthen their grip both on state power and urban civic grassroots movements, they are substantially restructuring the internal party structure to cover as much grounds on these fronts. The Maoists' Janasewa Samitis, which were formed to perform civic duties in urban areas, have now gained a new prominence to almost stand at par with most of their older organizational structures from the era of the People's War. This suggests that political competitions are no longer going to be confined to parliament and street politics in Nepal in the coming days, but the much neglected buffer zones of business and workers' associations—now influenced by Maoist civic organizations—are likely to play stronger roles in both articulating state politics and permeating it into cultural and class associations.

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