Structural Adjustment and Economic Restructuring in Nepal: Trade Unions Response and Demands

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1. In The Beginning

Structural Adjustment and economic restructuring policies in Nepal had been adopted after 1985 when macro- economic imbalances in the form of growing fiscal deficits and dwindling international reserves had become serious. Liberalization and privatization, thus, came into existence but were pursued more forcefully during the period of Nepali congress government in 1991-94.

While examining the period 1985-90, it is found that the policies adopted were extremely based on WB/IMF conditionalities included in the SAP, but the sine qua non of success was absent and a massive increase in poverty took place during the period. The rise in prices was doubled from 5 to 6 per cent during 1980-85 to more than 12% during 1985-90 on an average. The debt outstanding jumped up to as high as 53 per cent of GDP in 1990 as compared to 22per cent of GDP in 1985. The annual growth rate had been below 4% in spite of good performance of agricultural sector because of good monsoon conditions. The poverty level abruptly went up to as high as 71 % in 1990 from a low 42.55per cent in 1985. So it was a period which further marginalized the workers and disadvantaged people.

2. Early years of Nineties

In 1990, the country underwent a fundamental change in political system from particles Panchayat to Multiparty Democracy. And after the general election of 1991, Nepali congress government implemented economic liberalization programmes more forcefully with predominant emphasis on privatization and price dictated market policies as suggested by the world Bank and the IMF. First of all, partial convertibility in the exchange rate system was introduced and was immediately followed within the year by the adaptation of full convertibility in the current

account. For the promotion of export-oriented industries, new industrial policy was formulated. High reduction in tariff rates were introduced without paper analysis of the adverse effects on import substitution and small scale industries. Subsidies on fertilizer, essential goods and services were drastically reduced so as to strengthen price- dictated market-oriented system. Prices of numerous public utility services and petroleum products were increased many times as the prices of both inputs and consumer goods rose sharply.

Some of the public enterprises were sold to the individual capitalists including foreigners in spite of the fact that most of these enterprises were operating in profits. With the provision of a new monopoly power to these sold enterprises, some of them raised the prices of their products many times putting heavy burden on consumers but without any increases in wages and salaries of the workers. Similarly in the name of raising efficiency and productivity of the labourers, they adopted labour retrenchment policy without minimum adequate facilities to the workers who were forcibly ousted from the job. As a result, open unemployment deepened seriously, Nepalese experience, of course, clearly shows that additional products and profitability of the privatized enterprises is not because of increased efficiency or internal and external economies but due mainly to the curtailment of the facilities of workers and sharp increases in product-prices.

Despite too much propaganda that the adverse effect of the new market oriented system is only a temporary and short period phenomenon, no positive impact on the development of productive forces has been witnessed in almost all least developed countries. Nepal has not been an exception to this and we have experienced more pervasive negative impact on the Nepalese Economy and labour class.

Curtailment of the facilities of workers and decline in real wages together with sharp rise in relative prices in commodity market seriously uplifted unemployment and poverty problem and the overall effect have become extremely painful. With the prices being sticky in the hands of monopoly capitalist in both the factor and product market, the economic hardship faced by the workers and common people have become intolerable. The rate of inflation reached as high as 21% in 1991/92, perhaps the highest in Nepal's history and the pressure on prices continued in the following years. Thus Nepalese experience shows that such policies pursued under foreign aid conditionalities will not only be painful for the majority of

the people but also harmful for overall macro economic management if they are implemented without considering the socio-economic structure and market conditions.

Marginal farmers, general labourers, production workers other low paid workers of both organized and non-organized sectors constitute the predominant share in the total population of Nepal. The available quantitative information shows a trend that the manifestation of poverty and income concentration process started in Nepal especially after the implementation of privatization and economic liberalization policies and is against the vast majority of population.

Moreover, there is an additional danger of small scale and cottage industries collapsing every year due to their inability to survive in the competition. The encouragement given to the capital intensive techniques, disappearance of import substituting industries in competition with multi-national companies and policies of labour retrenchment will have more adverse impact on employment conditions unless such policies are properly checked. Likewise, new Labour Act permitted equal employment facilities to the foreign labourers and thus it accentuated a replacement process displacing Nepalese by foreign labourers. Negative effects have emerged not only on poverty and unemployment conditions but also on political stability and social harmony. It has become clear that the model of SAP imposed on least developed countries like Nepal creates new economic colonies for the capitalist interest and ensures heavy exploitation of working class through various direct and indirect means.

In conclusion, whatever improvements, seemed in some macro economic indicators in early phase of implementation have not been sustainable. The improvements in agriculture have been associated with relatively large farmers of Kathmandu Valley and Terai. Similarly in non - agricultural sector, the improvements couldn't be translated into salary and wage increases because of on- going inflation. Increased expenditures in health and education in real terms have been concentrated in Kathmandu and other urban centres not easily accessible to rural poor and marginalised sections of the society. Therefore, very little achievements in efficiency, resource-management, productivity-enhancement, foreign-aid utilizing capacity, channelling of investment towards productive sectors and attracting foreign investments could not face the high population growth and ongoing inflation. Dependency of

exports on a very few items and being turned from net food grain exporter to net importer of larger quantities of food grain has resulted into a long term declining trend of the ratio of exports to imports making high trade deficits as much as 18% of GDP.

3. The Current year

The present government of UML has announced correction of economic policies implemented by the Nepali Congress Government. Both the Budget and economic policies recently announced have indicated that the economic reform and privatization policies will be implemented in a selective and balanced way. Government has shown symptoms of proceeding on towards the minimization of the negative impact of restructuring and adjustment policies on prices, employment, external dependency and living conditions of workers and poor people. It has given priorities on the promotion of domestic industries, tax rebates on essential commodities, increase in real wages of workers and on canalizing resources and opportunities among deprived people of backward rural areas so as to ensure equitable distribution of income in the society. The government has introduced the programme ' let us build our village ourselves and nine 'sa' campaign for overall rural development and for income and employment generation.

The present government has made efforts to change the unified tax structure by differentiating the rates among consumer, intermediate and capital goods to safeguard the interest of the domestic entrepreneur and national capitalist class. A selective approach preserving the interest of the national economy has been followed to attract foreign investor regarding the foreign investment policy.

It has been announced that the distribution of essential goods and services to the workers and low-income groups at a reasonable prices will be made available through public distribution system. At the same time, the government has constituted a land reform commission in order to formulate long-term agrarian policy not only to abolish the feudal exploitation of rural working class but also to induce production and create inventible surplus from agricultural sector. It will ultimately result in high inducement to production in non- agricultural sector with more and more income and employment opportunities to the growing labour force.

The present government has stopped the haphazard privatization of public enterprises and has started reviewing the whole privatization policy. It has announced that only those enterprises will be privatized which are not justified on social, economic and equitable grounds and that workers' interest will be preferred to the best possible extent.

Although the government has not completely revised the liberalization and privatization policies of the former government, intention has been shown to safeguard and enhance the interest of the working class. Nonetheless, the policy pronouncement so far are less than adequate and insufficient to safeguard and enhance the interest of the Nepalese labour class, GEFONT expects and demands more specific policies and programmes in future for preventing the exploitation of working class by the monopoly capitalists, both internal and external and for raising the living standard of workers.

4. Our Response

Responses by GEFONT can be summarized as:

- After 1991-92, as government accelerated privatization of public enterprises and large scale labour retrenchment, considering it against socio-economic realities of Nepal GEFONT demanded white paper for the clarity, the statement issued by GEFONT in July 1993 in this context was, perhaps, the first formal and collective response of Nepalese trade unions. The initial question is why privatization and how? A primarily agricultural country, where more than 85 per cent of the economy is in private sector, why privatization is thought essential in Nepal? This was the initial response and it raised suspicions on:

  1. Whether privatisation is partial or full-fledged
  2. Only management is to be privatised or the whole enterprise
  3. Purchasers would be foreigners or national capitalists
  4. What plans and programmes are set aside for the labour welfare of the industrial enterprises to be privatised
  5. Where to invest the funds acquired after privatisation of the enterprises?

  Neither white paper appeared nor the questions were answered by the govt. in course of time.

- The then government continued privatization and Pro-government union advocated the govt. action as if economic liberalization is solely privatization. So a publicity campaign was started by GEFONT in order to build national and international opinion in this connection. Sale of enterprises to internal and external monopoly capitalists and adversities created in such enterprises were our main concern. Besides, out protest was cantered to the adverse effects on workers because of so-called liberalization and restructuring of the entire economy, focusing on the policies like- no work no pay, free trade zone, labour in only contract, labour-mobility, labour retrenchment, no union no strike etc.

In the course, a south Asian workshop seminar (12-15 March, 1993) on 'Structural Adjustment programme and its effects on labour movement' was conducted by GEFONT in collaboration with Asian south pacific Bureau of Adult Education (ASPBAE). The seminar decided to prepare manual for the workers' education on effects of SAP in labour movement and on negative roles of IMF and World Bank. In addition, it decided to study and exchange the views on the experiences of Chily, Nigeria, Latin America and Philippines in the context of South Asia.

- Similarly, leaders of GEFONT have participated actively as trade union representatives of Nepal in several national, regional and international programmes and have forwarded the responses in this regard. Among them are ' Euro-Asia Seminar on SAP and privatisation' in March 1993 in Hong-Kong, Second open international conference in Paris, ICEF/FES seminar on 'SAP in allied and chemical industries in 1995 in Sri Lanka, FES/NEFAS seminar on SAP and its impact on workers' in May 1995 in Kathmandu, ISA programme of KMU in Philippines etc.

- GEFONT organized an International Trade union conference on December 10-14 in Kathmandu which was participated by 63 delegates of 38 organization of 15 countries. Thirty-two papers were presented and discussed. The Kathmandu declaration of ITUC stood firmly against the negative tendencies created by economic liberalization and the conference prepared an action plan too. It requested GEFONT to play a role of Net-work Co-coordinator for the functions of Co-ordination on the basis of

> the experiences of different nations including Nepal. It realized the fact that trade union movement may be pro-workers and opposing to it. It declared 'Anti worker' to the tendency when a trade union advocates defective economic policies of a party because of its affiliation to the party and doesn't utter any word against the impact of workers resulting form the policy. On the other hand, it defined pro-worker unionism as that which defends the interest of the working class and is independent, mass-based, democratic and militant.

Thus GEFONT strives to strengthen pro-workers unionism to build a strong labour class opinion against defective economic restructuring and adjustment.

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