

Nepal-Sri Lanka Relations: Challenges and Prospects

Gulbin Sultana

Abstract

As small countries, Nepal and Sri Lanka share almost similar views on the regional and global issues. As a result, the two countries are free from any diplomatic tensions. Moreover, Buddhism invigorates a sense of goodwill towards each other. Yet the relations between the two countries are growing at a slow pace. There is scope to improve the political, economic, cultural, and security cooperation between the two countries, but the lack of connectivity, lack of political will, and existing political stalemate in Nepal are standing as impediments.

Geographically, Nepal and Sri Lanka are two different entities in South Asia. Nepal is a land locked Himalayan country surrounded by India and China. Sri Lanka, on the other hand, is an Island in the Indian Ocean. As a land-locked country Nepal, in its history, had very limited interactions with the outside world. Most of its interactions were with India and China. Sri Lanka, on the other hand, because of its strategic location in the Indian Ocean and a source of immense natural resources has attracted the foreign traders, mercenaries, and maritime powers for centuries. It was ruled by the Western colonial powers for almost 200 years until it became independent in 1948. Even though Nepal does not share colonial past with Sri Lanka,

the two countries perceive common challenges. After the withdrawal of the British from the Indian sub-continent, India emerged as a predominant power in the region. Because of its dealings with its smaller neighbours, particularly during the Cold War period, India acquired the image of a big brother. Both Nepal and Sri Lanka perceive India as an interfering giant neighbour. To address their resentment both the countries often play China card against India. Both were the victims of home grown terrorism, and both face severe challenges of climate change, human trafficking, and so on. As small countries, the two members of the South Asian Association for Regional Cooperation (SAARC) share almost similar views on the regional and global issues. As a result, the two countries are free from any diplomatic tensions. Moreover, Buddhism invigorates a sense of goodwill towards each other. However, despite the tension-free diplomatic relations, and Buddhist links, the two countries lack effective people-to-people contact and economic ties. Even under the South Asia Free Trade Agreement (SAFTA) framework, trade relations between Nepal and Sri Lanka have not improved much.

In this context the chapter evaluates the bilateral relations between Nepal and Sri Lanka and also analyzes the impediments in the growth of bilateral relations. The chapter also explores future scope in the Nepal-Sri Lanka bilateral relations.

Diplomatic and Political Relations

As mentioned earlier, Sri Lanka was under the British rule until 1948. After its independence, Sri Lanka established diplomatic relations with several countries of the world as an independent country. However, the focus of the foreign policy of the Island nation was on a few important countries such as the United Kingdom, the United States, Russia, the European Union, China, India, and Pakistan. Traditionally, Nepal followed an isolationist policy, but later diversified its diplomatic relations, particularly under King Mahendra. Yet, its foreign policy, like Sri Lanka, focussed on the bigger powers of the world and the region. Therefore, even though Nepal and Sri Lanka entered into a diplomatic relations in 1957 under King Mahendra and Prime Minister S W R D Bandaranaike, the bilateral relations are progressing at a slow pace. Nepal opened an honorary consulate general in Sri Lanka to oversee all the diplomatic issues under King Birendra in

1975, after 18 years of entering into the diplomatic relations. Residential embassies in both the countries were established much later. Sri Lanka established its residential embassy in Kathmandu in 1993, and Nepalese residential embassy in Colombo was established in 1995.

In addition to their attention towards the bigger countries, internal disturbances in both the countries acted as impediment in the Sri Lanka-Nepal relations. Sri Lanka was entangled with armed ethnic conflict from the 1980s. There were wars in the country between the security forces and the Liberation Tigers of Tamil Eelam (LTTE) till May 2009. Similarly Nepal experienced violent Maoist movement from 1996 to 2006. As both the governments were busy tackling their respective domestic problems, not much attention was given to further the bilateral relations. The two countries gave serious thought to expand the bilateral relations during the Golden Jubilee Celebration in 2007 to mark the 50 years of diplomatic relations between Nepal and Sri Lanka.

The then Sri Lankan Foreign Minister Rohitha Bogolagama visited Nepal on the invitation of his Nepali counterpart Shahana Pradhan to mark the 50 years celebration in July 2007. His visit was reciprocated by his Nepali counterpart in September same year. During Bogollagama's visit to Nepal both the foreign ministers held bilateral consultation where they agreed to expand the existing trade agreement that was signed in 1979 to include trade in services. In this regard the two countries agreed to work on finalizing a comprehensive economic partnership agreement. They also discussed several other issues such as air connectivity, construction work of the Sri Lanka monastery and the pilgrims' rest in Lumbini, assistance to Nepal in the field of heritage management and archaeology, cooperation in the area of tourism, training assistance to Nepal in the fields of inland fisheries, tea research and city cleaning systems, and grant annual undergraduate scholarships to Nepali students.¹

Even though, both the foreign ministers discussed modalities to strengthen the bilateral relations in 2007, actual momentum was built up to strengthen the relations after Nepal became republic in 2008 and after the war ended in Sri Lanka in 2009.

Since 2009, the then Sri Lankan President Mahinda Rajapaksa took special interests to improve relations with Nepal. It is noteworthy to

mention here that the high level visits started between the two countries with the visit of late King Mahendra to Sri Lanka in 1957.² But after that till 2009, no standalone bilateral visits took place at the very high level. All the high level visits were for the SAARC meetings. Sri Lanka President Jayawardene visited Nepal in 1987 to attend the SAARC summit in Kathmandu. Prime Minister Girija Prasad Koirala visited Sri Lanka thrice in 1991, 1998, and 2008 to attend the SAARC summit in Colombo.

President Mahinda Rajapaksa made a bilateral visit to Nepal on the invitation of the Nepalese President Dr Ram Baran Yadav in March 2009. Rajapaksa again visited Nepal on 29 October 2009 on 3-day official visit.³ President Mahinda Rajapaksa went to Nepal again in 2014, but to attend the 18th SAARC Summit that took place in Kathmandu from 25 to 27 November 2014.⁴ From Nepal, President Bidya Devi Bhandari made her maiden visit to Sri Lanka in May 2017 to attend the closing session of the Vesak Day celebration.

It should be noted that political crisis continued to loom large in Nepal even after the abolition of monarchy in 2008. The Constituent Assembly (CA) that was formed through election to formulate constitution in 2008 was dissolved as it could not formulate constitution during the stipulated time. From 2009 to 2011 three governments were toppled. Because of the continuous power sharing battle in the country, Nepali Prime Minister and President have made limited foreign visits which include India and China and some other foreign countries particularly to attend international conferences and summits. The Nepali leaders, however, use the opportunity to interact with Sri Lankan leaders on the sidelines of the international conferences and summit meetings. Nepal President Ram Baran Yadav and President Mahinda Rajapaksa held the bilateral discussions in Shanghai on 31 October 2010.⁵ Nepalese Prime Minister Dr Baburam Bhattarai held bilateral talks with President Rajapaksa on 21 September 2011 at the UN Headquarters in New York on the sidelines of the United Nations General Assembly (UNGA).⁶

In the year 2015, significant development took place in both Nepal and Sri Lanka. In January 2015, Maithripala Sirisena became the President of Sri Lanka and formed the National Unity Government (NUG) to rectify the policy mistakes of the previous government. The entire focus of the

NUG is to improve the relations with all the important countries those were sidelined by the Rajapaksa regime. Nepal, on the other hand, was hit by a devastating earthquake in April 2015 and the violent protest that broke out after the promulgation of new constitution by the second CA in September 2015. India shutting the border crossing points with Nepal during the violent protest caused further crisis in the country. The anti-Constitution protest simmered down after the amendment of the Constitution, but the resentment continues.

The Nepal-Sri Lanka relations, thus, once again got sidelined due to the political developments in both the countries. Bilateral exchanges between the two countries declined. The former Sri Lankan Foreign Minister Mangala Samaraweera visit to Nepal in March 2016 was basically to participate at the thirty-seventh Session of the SAARC Council of Ministers meeting in Pokhara.⁷ A H M Fowzie, Minister of Disaster Management of Sri Lanka visited Nepal immediately after the earthquake in April and again in June 2015 to attend the International Conference on Nepal's Reconstruction 2015 'Towards a Resilient Nepal'.⁸ The Deputy Prime Minister and Minister for Federal Affairs and Local Development Prakash Man Singh called on the President of Sri Lanka Maithripala Sirisena on the sidelines of the 70th Session of the UNGA in New York on 2 October 2015.⁹ During the meeting, President Sirisena expressed happiness over the promulgation of the new Constitution and expressed his willingness to visit Nepal.

It should be noted that Sri Lankan President Mahinda Rajapaksa took some initiative to give a boost to the bilateral relations mainly for two reasons. As a Sinhala Buddhist nationalist Mahinda Rajapaksa emphasized on enhancing the Buddhist linkages. Second, he emphasized on enhancing relations with the smaller countries in the world to get their support in the international fora on the alleged war crime and human rights issue. Nonetheless, there is not much progress in the implementation of the decision taken during those interactions.

During all the interactions mentioned earlier, the leaders discussed the matters of mutual interest and the ways as well as means to further promote bilateral cooperation. During Mahinda Rajapaksa's first visit to Nepal in March 2009, the two sides signed the revised version of the Air

Service Agreement which was originally signed on 19 February 1977 to revive the connectivity. An agreement was also signed to establish a Joint Commission at the Foreign Minister's level to enhance cooperation in trade, direct air links, tourism, education, health, global warming, and climate change issues. Mahinda Rajapaksa's visit was followed by Dr Palitha T B Kohona, Secretary, Ministry of Foreign Affairs of Sri Lanka in July 2009 to discuss the modalities to operationalize the Joint Commission with Gyan Chandra Acharya, his counterpart in Nepal. They also discussed the revival of cooperation between the Business Councils of the two countries.¹⁰ It was agreed that the Joint Commission will be meeting annually for exchanging political and financial support, besides boosting exchange of cooperation in all these mentioned areas. Nonetheless, both the countries failed to organize the joint commission annually.¹¹ However, limited progress has been made in some of the areas of cooperation which are discussed in the following sections.

Economic Relations

Nepal- Sri Lanka economic relations go back to 1979 when the two countries signed bilateral Trade Agreement on 3 April 1979. In last 37 years however, Nepal-Sri Lanka economic relations have not gone far. In 2012, total trade between Nepal and Sri Lanka was US\$ 1.2 million. In 2013, Sri Lanka's exports to Nepal stood at US\$ 5.07 million, a 296 per cent jump from 2012's US\$ 1.2 million (Table 1).¹² Yet the share of the bilateral trade to their total trade with world is much less. Sri Lanka's total export in 2013 was approximately US\$ 10.2 billion.¹³

Table 1: Sri Lanka Exports and Imports to/from Nepal

Sri Lanka Export to Nepal (million US\$)											
2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
0.3347	0.8824	1.6594	0.2750	0.2950	3.5645	0.1828	0.1866	0.2710	1.1517	0.6422	1.1049

Source: SAARC Group on Statistics, available at www.saarcstat.org, accessed on 28 July 2016.

Sri Lanka Imports from Nepal (million US\$)											
2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
0.0092	0.1883	0.0086	0.0780	0.1106	0.0717	0.0746	3.5679	5.6632	0.1381	0.3090	0.1327

Source: SAARC Group on Statistics, available at www.saarcstat.org, accessed on 28 July 2016.

Total Trade Between Sri Lanka Nepal (million US\$)											
2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
0.3439	1.0707	1.668	0.353	0.4056	3.6362	0.2574	3.7545	5.9342	1.2898	0.9512	1.2376

Source: SAARC Group on Statistics, available at www.saarcstat.org, accessed on 28 July 2016.

Sri Lanka's major exports to Nepal are cocoa and cocoa preparations, coffee, tea, spices, electrical machinery and equipments including sound recorders and reproducers, television, preparations of cereals, flour, starch or milk pastry cook products, sugar and sugar confectionery, miscellaneous edible preparations, articles of apparel and clothing accessories, or knitted or crocheted, edible vegetables, and certain roots and tubers. Sri Lanka's major imports from Nepal are grains (lentils), plastics and articles, wood and articles of wood charcoal, carpets and other floor coverings, works of art, collectors' pieces and antiques, electrical machinery and equipment, sound recorders and reproducers, television, printed books, newspapers, pictures and other products of the printing industry, manuscripts, raw hides and skins (other than fur skins) and leather, and so on.¹⁴

Nepal has a potential to export more items to Sri Lanka.¹⁵ But the issue of sensitive lists stands as barrier. Under the SAFTA, Sri Lanka as a non-least developed country (NLDC) was required to reduce tariff on items outside the sensitive list for least developed country (LDC) members to 0.5 per cent by July 2009. But there are many products which Nepal can potentially increase its export supply are in the sensitive lists of Sri Lanka. In 2009, 54 of such items were on Sri Lanka's sensitive list (which had 1,065 items in total). These items represent a market in Sri Lanka worth US\$ 431 million. But the items outside the sensitive list, represent a market of US\$ 164 million.¹⁶ In 2012, Sri Lanka revised its sensitive lists for the LDC which includes 925 items.¹⁷ Yet the list is huge. As a result Nepal, a LDC, is not getting as much benefit as it should have while doing trade with Sri Lanka under the SAFTA. Sri Lanka needs to reduce the sensitive list for the LDCs further to encourage more Nepali traders.¹⁸

Investment cooperation between the two countries is negligible. Nepal's only billionaire Binod Chaudhary's CG Group has invested in the hotel sector in Sri Lanka. The Group has launched the ambitious Zinc Journey brand in Sri Lanka by investing around SLRs 1 billion. Binod Chaudhary

also has a 30 per cent stake in Taj Samudra Colombo and a 50 per cent stakes in Jetwing Sea and Jetwing Vil Uyana.¹⁹ The CG Group is also planning to invest US\$ 200 million for cement factory in Sri Lanka.²⁰

Together, in a bid to promote business collaborations between the two countries, Nepal and Sri Lanka agreed to establish a joint business council in 2002. A Memorandum of Understanding (MoU) was signed between the Ceylon Chamber of Commerce of Sri Lanka and the Confederation of Nepalese Industries to formalize the partnership between the two organizations on 31 March 2003.²¹ The Nepali-Sri Lanka Business Council has mandate to conduct its trade promotional activities in close association with the Nepal Embassy. Several promotional visits were conducted.²² For example, Chaudhary Group, Nimbus, Youth Entrepreneurs, and Sagarmatha Insurance have visited Sri Lanka and taken part in business forums to extend their business. Similarly, various Sri Lankan companies took part in Nepali trade fairs to expand their business in Nepal.²³ A 12-member business delegation from the Federation of Handicraft Associations of Nepal also visited Sri Lanka on 29 October 2014.²⁴ They exhibit their interests to enter into business deal with Sri Lanka as Sri Lanka has very good processing technology of precious and semi-precious stones.

However, the traders get discouraged because of some technical and practical challenges. One of the main reasons for lack of trade between the two countries is related to transit. As a land locked country Nepal needs transit facility through India to do trade with a third country. In the 1960s, by renewing the Trade and Transit Treaty India allowed the land locked country to use Kolkata port to do trade with third countries. But the Nepali traders face several non-tariff barriers and other problems in Kolkata port.²⁵ Nepali traders complain that the congestion, inadequate storage facilities, inefficient handling, and cumbersome clearance procedure in the port often raises the cost of items in Nepal.²⁶ India has now allowed Nepal to use the Visakhapatnam port. However, given the distance of the Port from Nepal, there is a doubt that trade through Visakhapatnam would be very cost effective. Trade through air is also very expensive. Until May 2016, there was no direct flight from Nepal to Sri Lanka.

Cultural and Religious Ties

Sri Lanka and Nepal signed the agreement on cultural cooperation in 1999. However, cultural and religious ties between the two countries are age old. According to Rohitha Bogollagama, the former Foreign Minister of Sri Lanka:

[O]ne reason for the strong bond of relationship between the Nepal and Sri Lanka is that both the countries are predominantly Buddhist countries and Gautam Buddha was born in Nepal.²⁷

According to Mahavamsa, Gautam Buddha visited Sri Lanka thrice.²⁸ Subsequently, the Buddhism was introduced to the Island and it became the main religion of Sri Lanka. This is interesting to note that, Theraveda Buddhism in Nepal was inspired by the Sri Lankans. Historical account suggests that in 1936, Nepali monk Lal Kaji Shrestha, who is known as Bhikkhu Amritananda, studied Theraveda Buddhism in Sri Lanka for 4 years. Following Bhikkhu Amritananda, several monks went to Sri Lanka. On their return, they spread Theraveda Buddhism in Nepal. However, the Rana regime in Kathmandu was not very comfortable with the fast spread of Buddhism in the Kathmandu valley. The government decided to expel four monks and four novices including Bhikkhu Amritananda. Amritananda then persuaded the venerable Narada Mahathera of Sri Lanka to intervene with the Rana Government as Sri Lankan envoy. On his intervention the monks were allowed to return home. Narada Mahathera again visited Nepal in 1947 and 1949 to help building Anandakuti as centre of Theraveda Buddhism.²⁹ He also established the first Sima (Uposatha) of Nepal for Bhikkhus at the Vihara. Later the Sri Lankan government gifted three teeth of the Buddha to Anandakuti. During his third visit, Narada Mahathera met the then Prime Minister Mohan Shamsher J Rana and requested him to declare Baisakh Purnima or Buddha Day as a public holiday. The Prime Minister agreed and declared it as a public holiday for the Buddhist government civil officers.³⁰

As the birth place of Gautam Buddha, Nepal has always been the attraction of the Sri Lankan Buddhist pilgrims.³¹ Large numbers of Sri Lankans visit Lumbini every year. More than 60,000 Sri Lankans visited Nepal in 2012 (Table 2).

Table 2: Sri Lankan Tourists Visit Nepal

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
9,844	9,805	13,930	16,124	18,770	27,413	49,947	32,817	36,362	45,531	59,884	69,476	32,736	37,546

Source: Government of Nepal, Ministry of Culture, Tourism and Civil Aviation, available at http://www.tourism.gov.np/en/category/tourism/tourism_statistics, accessed on 28 July 2016.

The Sri Lankan government has made special effort to provide facilities to the Sri Lankan pilgrims in Nepal. In 1992, a pilgrims resting place, Dutugemunu Pilgrim Rest, was established in Lumbini for the Sri Lankan devotees. Later, it was renovated in 2012 under the patronage of Mahinda Rajapaksa. During Mahinda Rajapaksa's visit to Nepal in October 2009, he gifted and dedicated to the Maha Sanga, the 'Sri Lanka Maha Viharaya' in Lumbini, built for the benefit of Buddhist devotees. The construction work was carried out by the Sri Lanka Lumbini Development Trust Fund initiated by President Mahinda Rajapaksa. The first phase of this Temple was built at a cost of SLRs 74 million. Another 195 million has been allocated for the second phase. President Rajapaksa gifted 1.5 million to Sri Lanka Lumbini Development Trust Fund for the future development programmes of the Sri Lanka Maha Viharaya.³² A bridge close to Lanka Ramaya temple at Gate No. 4 of the Maya Devi Temple was also constructed by Sri Lanka.³³

Sri Lanka extends support to the Nepali students to study Theravada Buddhism in Sri Lanka. In 2007, during Rohitha Bogollagama's visit to Nepal, Sri Lanka offered training assistance to Nepal in the fields of inland fisheries, tea research and city cleaning system, and also announced that Sri Lanka would grant annual undergraduate scholarships to Nepali students in the areas of urban planning, humanities, and archaeology.³⁴ Before that on 20 April 2007, both the countries signed an agreement for exemption of visa fees for students studying in Nepal and Sri Lanka.³⁵ All these provisions have encouraged many Nepali students to get trained in Sri Lanka. However, compared to the Sri Lankans, less number of Nepalese visit to Sri Lanka. Table 3 shows the number of Nepalese visited the Island from 2005 to 2014.

Table 3: Nepali Tourists Visit Sri Lanka

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1,077	1,152	885	897	679	602	858	984	2,019	3,296

Source: "Tourism Research and Statistics", Sri Lanka Tourism Development Authority, Government of Sri Lanka, available at <http://www.slttda.lk/statistics>, accessed on 28 July 2016.

Table 3 shows that Sri Lanka is still not in the radar of the Nepali tourists. One of the main reasons is lack of direct flight between the two countries. There was a direct flight between the two countries in the 1980s. However, it was suspended due to the war in Sri Lanka. Sri Lanka was also avoided by the tourists because of the armed ethnic conflicts. After the end of war number of Nepali tourists in Sri Lanka is gradually increasing, yet it is much less compared to the Sri Lankan tourists in Nepal. Large number of Sri Lankans visits Gaya in India every year. As Lumbini is just 30 kilometre away from Gaya, most of the Sri Lankan visitors in Gaya visit Lumbini through the land route. But for the Nepali tourist visiting Sri Lanka via India, becomes lengthy and expensive journey. After several rounds of talks since 2009, direct flight between Kathmandu and Colombo has been inaugurated on 12 April 2016.³⁶ It can be expected that the direct flight will encourage more Nepalese to visit Sri Lanka.

Efforts are being made by both the embassies in Kathmandu and Colombo to promote tourism. The hotel associations of Nepal and Sri Lanka have signed an MoU for the promotion of tourism in both the countries in 2012.³⁷ The Sri Lankan Embassy in Nepal with support of the Sri Lanka Tourism Promotion Bureau arranged familiarization tour to Sri Lanka for Nepal Tour Operator Association in 2014.³⁸ But both the embassies in Kathmandu and Colombo need to be more pro active to promote tourism.

Humanitarian Cooperation

Both Nepal and Sri Lanka extend their solidarity towards each other at the time of need. Nepal faced a major humanitarian crisis in the aftermath of the massive earthquake in April 2015. Sri Lanka provided immediate assistance to Nepal. On 26 April 2015, the Government of

Sri Lanka dispatched four aircrafts to Nepal with 48 member relief and rescue team comprising doctors, engineers, and other personnel from Sri Lankan armed forces; and relief material consisting of medicine, medical equipment, rice, water bottles, tents, blankets and warm clothes, milk powder, canned food, etc. The Sri Lankan contingent conducted relief and rescue work in Dolalghat area in Kavrepalanchok. District as designated by the Government of Nepal. The Sri Lankan contingent was subsequently strengthened to 141 on 29 April 2015 with the arrival of second group. The Sri Lankan medical team treated 2,473 patients including 995 surgical treatments at Dolalghat and Panchkhal. The team also conducted mobile clinics in the remote hilly areas such as Palanchowk, Sipaghat, Sipang, etc. Members of the Engineering Corps of Sri Lanka Armed Forces cleared roads in Dolalghat and six surrounding areas such as Lamidanda, Banepa, etc.; cleared the environs of the Bhagwati Hindu Temple of Palanchowk and the Araniko highway; restored a suspension bridge in Sipaghat; established water distribution points at Dolalghat; repaired Banepa Buddhist temple, Sunkoshi Steel Truss Bridge and the suspension bridge in Dolalghat.³⁹ Sri Lanka further announced US\$ 2.5 million for the reconstruction of two heritage temples 'Rato Machhindranath' and 'Anandakuti Vihar', damaged due to the earthquake.⁴⁰

Nepal also helped Sri Lanka during the devastating flood in May 2016. It provided an assistance of US\$ 1,00,000 to Sri Lanka for the flood and landslides victims.

Security Cooperation

Both Sri Lanka and Nepal were the victims of home grown civil war. The two countries have successfully resolved the problem of civil war. Though at present no cases of attacks are observed, the two countries face transnational security challenges, such as drug trafficking, human trafficking, cyber crime, and are also vulnerable to global terrorism. News report suggests that Sri Lanka has been used as transit by the human traffickers for trafficking Nepali women abroad. As Sri Lanka provides on-arrival visas to Nepalese, it becomes easy for traffickers to send Nepali women to other countries without any risk. Over 1,200 Nepali women have been flown to the Gulf countries through Colombo, according to

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informal estimates by Sri Lanka police and other government agencies. The Government of Nepal is currently working with the Sri Lankan government to crack down on human traffickers.⁴¹

Nepal-Sri Lanka in the Multilateral Fora

Nepal and Sri Lanka hold similar views on most of the regional and international issues, be it in the United Nations or any other multilateral forums including SAARC.⁴² The SAARC was formed in 1985 with the vision that all the South Asian countries would find solution to their common problems in a spirit of friendship, trust, and mutual understanding. During the 7th SAARC Summit in Dhaka the SAARC members agreed to have a collective position through consultations on the major issues of common concern.⁴³ However, unfortunately, the South Asian countries over the years have found it difficult to come into consensus on several issues. One of such issues is China's membership into the SAARC. However, Nepal and Sri Lanka have common views on Pakistan's proposal for China as a dialogue partner of the SAARC.⁴⁴

Nepal and Sri Lanka also work together at the United Nations special agencies as well as Colombo Plan for cooperative economic and social development in the Asia and Pacific.

The two countries are also member of the Colombo Process.⁴⁵ As large number of Nepali and Sri Lankan citizens⁴⁶ go abroad for work, these two countries joined several other Asian labour sending countries in the Ministerial Consultation in 2003 in Colombo to discuss the management of overseas employment programmes.⁴⁷ Since 2003, these countries meet regularly and share good practices, data, and information through regular dialogue.

Challenges

The small countries of South Asia, Nepal and Sri Lanka are making efforts to strengthen their relations by engaging and co-operating more, both at the bilateral and multilateral arrangements. Nonetheless, there are several factors challenging the Nepal-Sri Lanka relations.

Lack of Connectivity

Lack of connectivity in terms of trade and transportation is the main impediment in the Nepal-Sri Lanka bilateral relations. As a land-locked

country, Nepal faces tremendous problems in doing trade with countries other than India and China. The 1950 Nepal-India Treaty of Trade and Commerce though talked about Nepal's right of commercial transit of all goods and manufacturers through the territory and ports of India, India allowed Nepal to use the Kolkata port for its trade with third countries only after revising the treaty in the 1960s. However, deteriorated and insufficient storage space, congestion and other inefficiencies in the Kolkata port cause delays. Goods are carried between the points in Nepal and the Indo-Nepal border and the Kolkata port either through rail or trucks.⁴⁸ Shortages of railway wagons, cumbersome procedures, and restrictive labour regulations cause delays which in turn increases the cost of the products. It is argued for long that an alternative transit facility through Bangladesh may give some respite to the Nepali traders. However, India until recently was not very keen to give Nepal transit facility to Bangladesh via its territory.

Even though India has often been blamed by Nepal for not extending adequate transit facilities, there are some other issues which hinder adequate trade flow between Nepal and Sri Lanka. Air transport is being used by the traders. However, large-scale trade through air transport becomes difficult due to insufficient storage space in the Tribhuvan Airport. Lack of direct flight between Nepal and Sri Lanka causes further problems. This is also one of the reasons for lack of people-to-people contact between Nepal and Sri Lanka.

Political Instability

Political instability in both the countries had negative impact. After the end of war, Sri Lanka has taken some initiative, but as the political instability continues in Nepal, it is not able to focus on foreign policy issues. Business and friendship council are proposing several measures to strengthen bilateral relations; however, as the leaders are entangled with domestic issues, Nepal-Sri Lanka bilateral issues are getting ignored. Also frequent protests in the Nepal-border areas hamper smooth flow of trade and tourism. Shutting down of the trading points on the Indo-Nepal border during the anti-constitution protest in 2015 clearly exhibits the vulnerability of the Nepali traders to the political unrest in the country.

Scope for Further Cooperation

At the moment, progress in the Nepal-Sri Lanka relationship is slow, but there are lots of potential to strengthen the relations further. Political stability in both the countries will facilitate strengthening relations in future.

There is a hope that tourism will increase with the inauguration of the direct flight, as it will reduce the travelling cost and time. Buddhist circuit initiative by the SAARC can increase people-to-people contact and increase tourism. Mahinda Rajapaksa proposed about a programme to develop a circuit that would promote connectivity among religious and cultural places of interest in the SAARC region during the introductory visit of Arjun Bahadur Thapa, Secretary General of the SAARC to Sri Lanka from 11 to 15 August 2014.⁴⁹ Now Modi government is giving emphasis on the Buddhist circuit project. Pakistan and Afghanistan too expressed interest in promoting their Buddhist sites in collaboration with India.⁵⁰ This kind of multilateral arrangement if implemented properly will increase people-to-people connect.

There is considerable potential in entering into joint ventures, particularly in the areas like tourism, tea plantations, civil construction, information technology, and handicraft. Sri Lanka's handicraft and jewellery exports to Nepal totalled US\$ 0.42 million in 2013. As Sri Lanka has very good processing technology of precious and semi-precious stones, the Handicraft Associations of Nepal believe that for Sri Lankan gem, silver and handicraft exporters, there are huge prospects in the US\$ 420 million Nepali gold, silver, jewellery and handicraft-making industry which already employs 2 million workers which fed in the market of India and Thailand.⁵¹

India has now allowed Nepal to use India's Vishakhapatnam port for its trade with third countries, in addition to the use of Kolkata port. The opening of an alternative transit route is expected to ease trade with third countries. To support the movement of goods between Nepal and the Vishakhapatnam port, the two countries have also signed a separate Letter of Exchange on rail transport. The two sides also signed another Letter of Exchange on rail transit, under which India will offer rail transit facility through Singabud for Nepal's trade with and through Bangladesh.⁵²

These facilities, once implemented properly, would reduce the transit issue faced by the Nepali traders and encourage them to do more trade. Nepal also may consider using the Hambantota Port in future. In 2011, Sri Lanka offered Nepal the possibility of using Hambantota port for trans-shipment.⁵³

There are prospects for more people-to-people contact. A friendship society was formed in 1986 to promote travel between the two countries. In 2012, the Society was reconstituted under the patronage of the then Sri Lankan Ambassador to Nepal Thosapala Hewage to promote bilateral trade and tourism, people-to-people contact, and cultural exchange. The Society was formed by a special gathering of renowned Buddhist scholars, diplomats, tourism entrepreneurs, and media persons.⁵⁴ The Society can play an important role to further the relations.

In the age of social media, the civil society of both the countries can interact more. As both the countries are going through political transition, citizens of both the countries are debating on similar issues such as federalism, human rights, governance, relations with regional powers, and so on. The civil society and pressure groups in both the countries do monitor the issues in each others' country and generate debate in media. The National Business Initiative Nepal and the Business for Peace Alliance Sri Lanka in June 2008, organized a workshop titled 'Business Building Peace in South Asia' with the objective of strengthening the private sector's capacities to contribute to peace and development in both countries.⁵⁵ More of these kinds of interactions between the two countries at the level of civil society and pressure groups can enhance awareness and people-to-people contact and can encourage the two governments to strengthen the relations further.

Conclusion

There is no diplomatic or political tension between the countries. The two countries have never interfered in each others' domestic issues. Without making any comment on the dissatisfaction of the Madhesi groups, Sri Lanka welcomed the promulgations of the new constitution. The Government of Nepal has also avoided making any comment on Sri Lanka's human rights record particularly on the last phase of the Eelam

war. Nepal welcomed the political transition in Sri Lanka in 2015. Yet, due to some practical problems there is not much progress in the economic and cultural relations, even though there are lots of potential to grow the ties between the two countries. The two countries have successfully eliminated terrorism. However, the main issues which caused terrorism are yet to be resolved. Until and unless political stability is achieved in the country, it will be difficult for the countries to give full attentions to improve bilateral relations. However, as the two countries are no longer in war like situations, some efforts are being made to strengthen the bilateral relations particularly in the field of trade and tourism. Nonetheless, as a land locked and an island country, Nepal and Sri Lanka are dependent on third country like India or Bangladesh for transit for their bilateral trade. This requires a trilateral negotiations and understanding. To further the bilateral relations, the two countries need to sort out their domestic issues so that they can give attention to their bilateral relations. Second, they need to find out the problems and prospects in their relationship and work on it. Third, and the most importantly political will is required in both the countries to strengthen the bilateral relations.

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