

# NEPAL'S NATIONAL INTERESTS PROJECT - Part III

## "Nepal's Foreign Policy: The Way Ahead"



Centre for South Asian Studies (CSAS) in cooperation with Konrad Adenauer Stiftung (KAS) organised a conference on "Nepal's Foreign Policy: The Way Ahead" as part three of CSAS-KAS Project on Nepal's National Interests in Kathmandu on Nov. 22, 2010. The seminar was conceived keeping in mind the dire need to have a scholarly debate on the nation's foreign policy during the current transitional period of the country. It was also deemed necessary as the Constitution drafting process currently being undertaken by the Constituent Assembly demands a national consensus across the political spectrum on the main determinants of the nation's foreign policy. This would prove pivotal to protect our interests, strengthen our leverages, and enhance our effectiveness in the conduct of diplomacy.

All together five presentations were made in the conference by ex-foreign ministers of Nepal participated by senior bureaucrats, strategic analysts, senior army and police officials, leaders of the various political parties, academics and former ambassadors among others. There was a lot of media interest in the conference as this was perhaps the first time that five former foreign ministers were speaking on major thrust areas of Nepal's international relations exercise from a single platform.

All five speakers agreed on the observation that a holistic review of our foreign policy priorities was needed along with an effective and strong leadership, developing professional capability of our

diplomats and constantly reviewing regional and international developments in order to protect and promote vital national interests. They also underlined the importance to regularly define and redefine our national vision under which foreign policy priorities of the country were to be determined.

During the one day conference divided into two sessions, there were presentations by former **Foreign Minister and Vice Chairman of Rastriya Janashakti Party (RJP) Hon'ble Dr. Prakash Chandra Lohani** on 'Nepal-U.S. Relations', former **Foreign Minister and President of Madhesi Janadhikar Forum party (MJF) Hon'ble Upendra Yadav** on 'Indo-Nepal Relations', former Foreign Minister Ramesh Nath Pandey on 'Nepal's Relations with China and Japan', former Foreign Minister and the NC leader **Hon'ble Dr. Ram Sharan Mahat**, on 'Nepal and the European Union' and former



Foreign Minister and former Permanent Representative to the United Nations in New York **Mr. Shailendra Kumar Upadhaya** on 'Nepal and the United Nations'. The fact that most of the speakers were not only foreign ministers but had also looked after other important portfolios under the Nepal government in the past such as Finance, Information and Communications, Tourism and Industry brought first hand knowledge and understanding of the bilateral issues on the fore.

At the outset, CSAS Director Nishchal N. Pandey in his welcome address said that the correct handling of foreign affairs is an essential instrument of promoting the national interest of any country and that Nepal was working to deepen our historic ties, build new partnerships, and work with existing multilateral organisations to pursue shared interests and deepen engagement with our neighbouring countries.

However, the ongoing period of extended political instability without a Constitution, and without a functioning government are obstacles, said Pandey referring to the protracted political transition. The integration and rehabilitation of former Maoist combatants, post conflict reconstruction of our ravaged economy, asserting control over the entire territory of the country and keeping a lead on widely felt discontent over the lack of governance are some of the challenges to overcome, he said.

At this time of major international and regional developments, Nepal's internal political drivers are pointing towards a phase of uncertainty, lamented Pandey. The state focus has been restricted purely on domestic affairs but the recalibration of our conduct of international relations by preserving our inherent interests needs to get the priority.

Throwing light on the objectives of the conference, KAS Director for Regional Program (SAARC) Mr. Tomislav Delinic stated that KAS



has been working in 120 countries all over the world and KAS by its name has a long tradition in the field of democratic values and support for democratic thinking.

Reminiscing the works and endeavours of the Director of KAS for India Dr. Beatrice Gorawantschy in the last two rounds of Nepal's National Interest Project on Federalism and Energy-Economy, Delinic said that the foundation will continue to contribute to the positive development of the emerging of South Asia region.

Delivering her Keynote Address on the occasion, Ambassador of the Federal Republic of Germany to Nepal, H.E. Verena Gräfin von Roedern said that the history of Germany-Nepal bilateral ties is that of mutual trust, respect and support and that we have come a long way, with increased knowledge about one another, deepened friendship and a strong commitment to strengthen these relations. She informed that the number of Nepalese students studying in Germany has reached its highest level this year and the number of German tourists too has been steadily increasing. From 2000-2008, the Official Development Aid (ODA) to Nepal from Germany has mounted to US\$ 417 million at an annual average of US \$ 46.3 million. The Ambassador was confident that German ODA will continue uninterrupted in the future also. "We have agreed to offer a credit line of 8.5 million Euros for companies working in the field of renewable energy development, 8

million Euros for the health sector program and 4 million Euros for Nepal peace trust fund," stated Ambassador Roedern.

Talking of the delay in introducing a full-fledged budget, the Ambassador said, impediments in bringing out the complete budget on time is not without negative impact upon the efficient implementation of our development cooperation programs. Despite consensus on crucial issues, the budget should not have become a bargaining chip between political parties, she said. Updating the audience about the objectives of German foreign policy and Germany's view on Nepal's peace process, the envoy said, German foreign minister has recognised two focal areas for German foreign policy: South Asia and South America. Nepal is situated in a crucial geo-strategic location between two large and important neighbours. Both of them are developing rapidly and Nepal should reap the benefits of this progress in its neighbourhood. Nepal should see its geo-political location as a promising challenge not as a threat.

The Ambassador assured that Germany together with other actors within the international community supported Nepal's peace and the Constitution drafting processes and hoped to see Nepal as a vibrantly democratic and prosperous nation. "That is why we have time and again in the past expressed our concern about the slow progress in the peace process", she said but cautioned that the longer it takes the more disillusioned and frustrated the common people might get."

## Nepal-India Relations

*Hon'ble Upendra Yadav*

The second paper shed light on Nepal - India relations, which Hon'ble Upendra Yadav termed "special relations" bound by religion, culture, trade, history, language, and matrimonial linkages facilitated by open borders and freedom of movement of people from both the countries. Yadav's paper dwelt on the reality that geographical, economic and socio-cultural factors have shaped Nepal-India relations, both formally and informally in such a manner that both countries are bound to maintain close cooperation and understanding at all times.

He quoted King Prithvi Narayan Shah that Nepal is a 'yam between two boulders' and affirmed that Indian influence and support in overthrowing the Rana oligarchy made the relations between two countries more strong and viable in the modern era. India's influence over Nepal increased throughout the fifties. Indian military mission was established in 1952. Referring to what Indian Prime Minister Jawaharlal Nehru said inside Indian parliament in 1954, Yadav said, foreign policy of Nepal government would be coordinated with the foreign policy of India. However, it was King Mahendra who dis-continued this policy by taking advantage of the Sino-Indian border conflict and since the mid-60's, Nepal began voting differently as that of India in the UN.

Exchange of high-level visits has been the hallmark of Indo-Nepal relations during the past five decades, said the Madhesi leader. Indian economic assistance has played a key role in Nepal's development and there is enormous possibility of further enhancing the bilateral relations in all fields. Nepal remains an important place for Indian large skill investment in capital, technology and human



resources. On the issue of security related sensitivities of one another, Yadav suggested that the Home Secretaries of both the countries should meet more frequently to effectively address all issues concerning cross border crime and usage of one another's soil by inimical elements. The former foreign minister asserted that Nepal should not allow its territory to be used against either of its two neighbours.

As regards to the on-going peace process, Hon'ble Yadav emphasized that the role of India will be crucial in driving Nepal's peace process after the departure of the UNMIN. Expressing concern over the prospect of UNMIN leaving Nepal in the midst of an unfinished project on integration and rehabilitation of former Maoist combatants, Yadav said, UNMIN'S departure is going to create a vacuum that will have to be filled by India.

## Nepal and the United States of America

*Hon'ble Dr. Prakash Chandra Lohani*



The first paper acquainted the audience with the presenter's theoretical categorization of the existing global political order into superpower, great powers, regional powers and tiny powers. Labelling the United States the superpower and Nepal a tiny power, Dr. Lohani claimed that whether a superpower or a tiny power, no country can ignore safeguarding and promoting national interest, which is the sole purpose of international relations. The protection and promotion of national interest constitutes the basis of bilateral and multilateral relationships.

Member of the Constituent Assembly Dr. Lohani further explained his belief that whether a superpower or a tiny power, each have three basic elements to pursue in their quest to safeguard their interests: political, economic and security. These form a composite picture in the perception of national interest and provide the basis for defining relationships between nations. The structure of each component could change over time which is why a timely response to the new evolving international situation is most warranted. For instance, the security perception of the U.S saw a dramatic shift post Sep.11, 2001. The economic recession of 2008 furthermore pointed to the imperative of a new financial order. Here again the perception of economic

security witnessed a sea-change, Lohani stated.

According to the ex-foreign and finance minister, Nepal's relations with the U.S needs to be viewed at two different levels. Firstly, at the bilateral level, it is the relationship between a tiny power aiming for the consolidation of democracy, peace and prosperity, and a superpower with a prosperous economy seven seas away from our border. Secondly, Nepal

is a member of a conflict zone i.e. South Asia and the United States being a critical component of the strategic environment of this region is certainly going to be concerned with events in Nepal if it sees they were affecting its interests, notably its security. At the bilateral level however, there is a broad convergence between Nepal's national interests and that of the United States.

Dr. Lohani informed that Nepal is one of the first countries in South Asia to establish diplomatic relations with the United States and in that sense Nepal is the oldest friend of America in this region. Since then, America has consistently supported and remained sensitive to Nepal's political interest of strengthening sovereignty, integrity and independence. American policy of goodwill and friendship towards Nepal and respect for Nepal's national interests without being 'influenced' by other nations has always been deeply appreciated within the country. He hoped that the on-going strategic dialogue initiated by President Obama with Nepal's neighbour(s) does not alter this policy.

## China and Japan and Nepal's Core Interests

Ramesh Nath Pandey

The third paper on China and Japan by Mr. Ramesh Nath Pandey pointed out that Nepal's relations with these two countries have remained largely unaffected despite the changes in governments, regimes, and Constitutions inside Nepal or the ups and downs and lingering bilateral problems between these two countries themselves.



While saying that national interest is the prime concern for any country, Pandey who was minister 5 times in his long political career said, China and Japan are the fifth and sixth countries respectively, with which Nepal inked diplomatic ties. According to him, the picture of global governance is slipping away from G20 to G7 to G8 and now G2 is emerging consisting of just the United States and China. The rise of China is thus changing the world. He felt the need to strategize a few critical points in terms of our foreign policy course towards China and asserted that no political system or political party in Nepal would ever venture into changing our long-standing policy of 'One China.'

However, serious thought needs to be given over the fact that cold war between India and China that started some time ago has now reached a phase of 'war of words' with an

inevitable clash of interests in their respective zones of influence. Long-term strategic interests of India and China and their desire to expand influence is compounding regional security dynamic both in South Asia and South East Asia. Such a scenario has provided Nepal the opportunity for increase in standard of living with sustained growth from a low-income economy to a modern high income economy on the one hand but also exposed us to the risk of becoming a hotbed of regional competition. Pandey said that Nepalese often hear from both Indian and Chinese leaders that 'there is enough space for both their countries to rise simultaneously' and such conciliatory stances adopted by these rival powers augers well for small countries such as ours. But we should always be watchful of the tone of Sino-Indian relations which becomes tense during some periods and calm during others.

Pandey's also spoke on the new vista of opportunity that Nepal could seize due of its geo-political location. The increasing trade ties between India and China could mean that Nepal would be the shortest transit route to Tibet and northern India. Pandey explained that expansion of road, railway, and air links between these regions of China and India via Nepal will be beneficial for the country.

Borrowing American President Barack Obama's words, Pandey said, India is not just a rising power but has already risen. Such a powerful India with its dominant position within Nepal will obviously be cautious of any Chinese overtures to minimize its traditional leverages within Nepal. Hence, utmost caution is required from our political leadership.

Speaking on Japan, the ex-foreign minister said, Japan has been supporting Nepal

relentlessly for past 54 years in economic, health and infrastructural development. Lately, they have also supported Nepal's peace process.

Our relations began after a Zen Buddhist scholar Ekai Kawaguchi visited Nepal on January 26, 1899. He spent his two and a half years here. After the conclusion of his visit in 1903, a group of Nepali students visited Japan for the first time for abroad study. "In appreciation of Kawaguchi's contribution to establishing people to people relations, as Minister for Information and Communications, I had the privilege to issue a postage stamp on December 8, 2002", he recalled. For decades, our relations with the Imperial Palace was an important element of the strong bond of closeness with Japan. As a result, the then Crown Prince and present Emperor Akihito and Empress Michiko visited Nepal twice. Crown Prince Naruhito, Prince Akishino also visited. After the declaration of a republican order in Nepal, these highest level visits not only from Japan but from other countries too have stopped completely. To add to our despair, the defeat of the LDP party in the parliamentary elections in 2007 resulted in political downfall of many of our old friends. But we have been slow in building relations with new political leaders from the DPJ party, he lamented.

Pandey concluded by saying that at a time when a new regional and global order is being established, there should a substance in our foreign policy matched with swift action to remove deficit of trust with our friends and most importantly, only our national interest should guide the conduct of international relations.

## Nepal and the European Union

Hon'ble Dr. Ram Sharan Mahat

Dr. Mahat's paper spoke on the need to evaluate Nepal's relations with the EU not only because of the positive role played by EU countries including Germany in Nepal's peace process but also because of the increasing influential role likely to be played by EU in coming years in the world stage.

Dr. Mahat analysed the role of the EU in the global stage and suggested Nepal to learn from political unity and the idea of economic advancement that binds European nations. At a time when small countries like Nepal are facing difficulties in reaching to large markets and compete globally, single tariff and single currency system in European nations provides a lesson and today the EU is competing with a huge market like that of the U.S.

This is important for Nepal because we are now being divided within ourselves along ethnic lines. It is imperative that even in the post federal set-up, it should be a borderless union, or borderless territory. There can be no trade barriers or obstruction in the freedom of movement of people or trade and services.

On Nepal's relations with the EU, the ex-foreign minister said, we need to make a distinction between EU as an union of nation-states and EU as an institution. With the EU institution, our official relations is fairly recent but Nepal has a long-standing relations with the member countries of the EU like Germany.

On trade relations, Hon'ble Dr. Mahat said, Europe is our largest market much bigger than that of the United States. In fact, Germany alone

accounted for bulk of our exports, particularly carpets. It is necessary for Nepalese private sector to see Europe as a source of capital,



technology and knowledge.

According to the NC leader, our tea, coffee and handicraft are already making their presence in Europe but until we can attract Europe's capital, investment, technology and entrepreneurship, our market potential remains limited. Therefore, it is important for us to create business friendly and a market friendly political climate. Unfortunately, the situation has not been favourable in the last few years because of the rise of militancy, frequent strikes and *bandhs*. Yet, the decade of 90s was a bright period in terms of overall investment climate. We attracted investments from multi-national companies. Export sector was doing very well. Our export earnings financed as much as 57 to 67 percent of our import bill. Today it hardly covers 16 to 17 percent. Unfortunately, today we import about six times more than what we export. This is a sad state of affairs because in this modern world either 'you export or you perish'.

Dr. Mahat who has looked after the Finance portfolio several times lamented over Nepal's current trade deficit worth about US \$ 3 billion and the need to buy Indian currency with the hard earned dollars sent by our citizens labouring in Gulf countries.

Responding to participants' queries on Nepal's

fragile peace process, Hon'ble Mahat argued that political actors of Nepal themselves will be able to handle the ongoing peace process and take it to a logical conclusion even in the absence of UNMIN. The Special Committee should be able to do the job that the UNMIN was doing and that the real task now is not to monitor but to start the process of integration and rehabilitation of the former Maoist combatants.

## Nepal and the United Nations

### Shailendra Kumar Upadhaya

Mr. Upadhaya's paper elaborated the contributions of Nepal in the United Nations since 1955 in this international body's noble objective of maintaining global peace and security. Whether on the issues of anti-colonialism, anti-racism, apartheid, middle east situation, disarmament issues or peacekeeping, Nepal's role in the United Nations has been a hallmark of our diplomatic history.

Mr. Upadhaya who was also PR to United Nations said that Nepal was elected twice to the UN Security Council in the past owing to our significant contribution and our international standing but unfortunately Nepal lost the same election in 2006.

In 1958, Nepal contributed by sending a few army officers to the United Nations Observer



mission in Lebanon and later in the India-Pakistan border. In 1974, after the Yom Kappar war, for the first time large number of Nepalese soldiers were deployed in the Sinai to avoid confrontation between Israel and Egypt and other Arab

states. In last 36 years Nepal has participated in almost 29 peace keeping operations and has today built an image of an effective peace keeper.

In the United Nations Law of the Sea Conference III Nepal submitted a resolution to enhance the rights of developing countries which drew the attention of the international community. However, the opposition of countries with long coasts who benefited with exclusive economic zones divided the countries in the Group of 77. However, the Nepalese proposal of Common Heritage Forum should not be considered buried, he said.

Mr. Upadhaya said that the UNMIN has been doing its job but the peace process in order to reach a logical conclusion has to depend on the political parties in the government and the opposition to take the challenge seriously and faithfully. The political parties failed to keep up to their promises to the people. UNMIN's role was only to facilitate the process which solely depended upon the activity and understanding of the political parties. Now who is going to take-up the role of the UNMIN? How will the peace process conclude logically? This question has to be addressed seriously to satisfy the people who are longing for peace. This issue is very much in the national interest, Upadhaya concluded.