



SOUTH ASIA

The Indo-Pacific is rapidly evolving and becoming the most important geo-strategic region, being home to more than 50% of the global population. Two-thirds of the world's container trade passes through the Indo-Pacific and its sea lanes are the main routes for trade and energy supplies. The [EU strategy for cooperation in the Indo-Pacific](#) was adopted in September 2021 to increase the EU's presence in the region, to build partnerships, reinforce the rules-based international order and address global challenges. The EU is adapting its current instruments as part of its [strategic autonomy](#). The [EU's Strategic Compass for Security and Defence](#), formally approved by the Council in March 2022, promotes an open and rules-based regional security architecture, including secure sea lines of communication, capacity-building and enhanced naval presence in the Indo-Pacific. The EU is forging closer ties with countries in South Asia, as a strong economic player and a major development and aid donor. The EU is working to foster institution-building, democracy, good governance and human rights, while it also has security concerns, such as the Kashmir conflict and Afghanistan. The European Parliament has supported the EU's assistance for addressing the COVID-19 crisis and its impact in the region, with targeted support for the most vulnerable population groups.

This Fact Sheet describes the South Asia region. See also the Fact Sheets on East Asia ([5.6.8](#)) and Southeast Asia ([5.6.9](#)).

LEGAL BASIS

- Title V (EU external action) of the Treaty on European Union;
- Articles 206-207 (trade) and 216-219 (international agreements) of the Treaty on the Functioning of the European Union;
- Partnership and Cooperation Agreements (bilateral relations).

SOUTH ASIAN ASSOCIATION FOR REGIONAL COOPERATION (SAARC)

The EU encourages regional integration and supports the South Asian Association for Regional Cooperation (SAARC). The member countries of the SAARC are Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka. The EU, China, Iran, Japan, South Korea, Mauritius, Myanmar and the US have observer status.



Due to internal disagreements, in particular between India and Pakistan, the work of SAARC has stalled.

Development cooperation between the EU and the countries of South Asia covers financial and technical aid as well as economic cooperation. Priorities include regional stability, poverty alleviation, human rights, sustainable development, good governance and labour rights. EU-SAARC cooperation seeks to promote the harmonisation of standards and the facilitation of trade, and to raise awareness of the benefits of regional cooperation.

INDIA

The EU-India strategic partnership, established in 2004, promotes political dialogue and cooperation, the development of economic relations, trade and investment, as well as the strengthening of people-to-people exchanges. The Council of the EU adopted [conclusions on 10 December 2018](#) seeking a deeper and broader engagement with India through the promotion of peace and security over the coming years.

The EU is India's third-largest trading partner, accounting for EUR 88 billion worth of trade in goods in 2021 (10.8% of total Indian trade), with a trade balance of around EUR 4.3 billion in India's favour. The EU is the biggest foreign investor in India, with foreign investment flows into the country rising from 8% to 18% over the past decade. EU foreign direct investment stocks in India amounted to around EUR 80 billion in 2021. Some 6 000 European companies are present in India, providing 1.7 million jobs directly and 5 million jobs indirectly in a broad range of sectors. India currently benefits from unilateral preferential tariffs under the EU Generalised Scheme of Preferences (GSP), which links unilateral trade preferences to respect for human and labour rights.

In recent years, [India has become increasingly active on the international stage](#). It has a growing interest in improving its trade relationship with the EU, which currently mainly follows World Trade Organization rules. For the EU the improvement of India-EU bilateral trade and investment relations is strategically important, as is strengthening economic and geopolitical ties in the context of the growing importance of the Indo-Pacific region. The areas currently relevant for the EU-India trade relations are agriculture, services, digital trade, patent protection, environment and labour rights.

The [16th EU-India summit was held in May 2021](#). The key outcome was the commitment to resuming talks on a previously stalled free trade agreement (FTA) and launching negotiations on an investment protection agreement and an agreement on geographical indications. A first meeting took place between chief negotiators on 16 March 2022. Both sides agreed to aim beyond their current WTO commitments on trade in goods and services. The Commission has also indicated that the overall aim on trade in goods should be to achieve liberalisation beyond 94% within seven years from the FTA entering into force.

The EU-India Connectivity Partnership was also launched in May 2021 with a view to supporting resilient and sustainable connectivity. These steps are significant against the backdrop of tensions with China. India is also in the process of overhauling its data protection legislation after a Supreme Court ruling, in order to bring it closer to EU regulation. The EU and India published their Indo-Pacific strategy days ahead of the



16th EU-India summit, emphasising a multilateral rules-based international order in the region, notably as a show of strength to China. India has committed to ensuring a safe cyberspace and enhancing maritime security to protect vital sea lanes.

As part of efforts to align on strategic aspects, in May 2021 the EU and India [released a joint statement](#) reaffirming their joint commitments. In September 2021, the EU announced its strategy for cooperation in the Indo-Pacific, in which India would play a key role, including advancing the implementation of the connectivity partnership and assisting India in establishing an appropriate regulatory environment and facilitating the mobilisation of the necessary funding to improve connectivity on the ground between Europe and the Indo-Pacific.

President of the European Commission Ursula von der Leyen and Prime Minister of India Narendra Modi [launched the EU-India Trade and Technology Council at their meeting in April 2022](#). This is a strategic coordination mechanism aimed at facilitating cooperation in trade, trusted technology and security.

A delegation of Parliament's Committee on International Trade travelled to India in April 2022 to take stock of the FTA negotiations.

[In June 2022, the European Parliament adopted a resolution on the EU and the security challenges in the Indo-Pacific](#) welcoming the commitments for increased cooperation between EU and India in security and defence and underlining that India is a key partner for maritime security in the Indo-Pacific. In the same resolution, Parliament regretted the fact that India had not openly condemned Russia for its invasion of Ukraine.

[In July 2022, the European Parliament adopted a resolution on future EU-India trade and investment cooperation](#), welcoming the commitment to work towards concluding an ambitious, values-based, balanced, comprehensive and mutually beneficial EU-India trade agreement.

India-EU cooperation in science, technology and innovation is also being strengthened as part of Horizon Europe (2021-2027). The current Indian education policy aims at developing more international partnerships with European universities to work together on Horizon programmes.

The EU has expressed solidarity with India's COVID-19 health crisis and has disbursed EUR 100 billion, together with essential drugs and medical equipment under its civil protection mechanism.

Over 900 million people were eligible to vote in India's seven-phase general election in May 2019. Narendra Modi's Hindu nationalist Bharatiya Janata Party (BJP) won 303 of the 545 seats in the Lok Sabha with the best result in its history, defeating the Indian National Congress Party and its allies. In July 2022, Droupadi Murmu, a BJP candidate, was elected President of India through an indirect election. The next general elections are scheduled for 2024. The BJP has expanded its appeal beyond its traditional north Indian core of support, making gains in the northeast states and taking seats in West Bengal. The BJP's gains in the historically less supportive territories in the south have been less spectacular. In Uttar Pradesh, the BJP-led government was re-elected with a reduced majority.



India is carrying out political and economic reforms focused on modernising the administration, good governance, fighting corruption with demonetisation and transparency programmes, tackling social problems, developing the economy with the 'Make in India' and 'Invest India' initiatives, and imposing a nationwide goods and services tax.

India is a nuclear power, like its neighbours Pakistan and China, and is faced with security problems, terrorism and armed border clashes, particularly with Pakistan in the autonomous state of Jammu and Kashmir and, to a lesser extent, with China. In August 2019, the Indian Government revoked the special status of Jammu and Kashmir. This decision resulted in violent protests and jeopardised political stability in the region. India's caste system is one of the world's oldest forms of social class organisation, which raises concerns about continued discrimination on grounds of caste. The country is also an ethnic and linguistic mosaic, with tensions in a number of states and reports of human rights abuses and violations of women's and children's rights.

Human rights issues in India remain a matter of concern. On 29 April 2021, the European Parliament adopted a [recommendation](#) on EU-India relations, which referred to the right to freedom of assembly in the light of vehement protests by farmers that have been ongoing since late 2020.

According to the [International Labor Organization \(ILO\)](#), [child labour](#) is widespread in India, despite PM Modi approving a series of measures prohibiting children under the age of 14 from performing hazardous tasks, with tough penalties for employers who break the law. The estimated number in 2020 of child labourers in India is 33 million, and 56% of working teenagers are no longer in education.

In 2020, the northern Indian province of Uttar Pradesh adopted an anti-conversion law against forced and fraudulent religious conversions, carrying prison sentences. Critics have denounced it as a conspiracy by hard-line Hindu groups to clamp down on religious minorities. There have already been arrests made under the law.

PAKISTAN

EU-Pakistan relations date back to 1962 and are currently based on the 2004 Cooperation Agreement. The EU, as a major development and aid donor, supports the promotion of democracy and institution-building in Pakistan.

Pakistan is a major beneficiary of the EU's unilateral trade preferences under the GSP + scheme, reinstated in 2014. As part of the process, Parliament's Committee on International Trade monitors compliance with the GSP+ requirements. Pakistan's GSP + status could be reviewed as it comes with obligations such as guaranteeing human rights and religious freedom.

The EU is Pakistan's second most important trading partner after China, accounting for 14.3% of Pakistan's total trade in 2020 and raking in 28% of Pakistan's total exports. In 2020, Pakistan was the EU's 42nd-largest trading partner in goods, accounting for 0.3% of EU trade. In 2020, two-way trade in goods between the partners amounted to EUR 9.3 billion. Pakistan enjoyed a EUR 1.7 billion trade surplus with the EU.



The EU is a significant donor of development assistance and humanitarian aid to Pakistan. Funding under the Development Cooperation Instrument for 2014-2020 amounted to EUR 653 million. Pakistan has been strongly hit by the COVID-19 pandemic and the EU has granted EUR 150 million to address the health emergency. EUR 265 million has been earmarked under the [Multi-annual Indicative Programme 2021-2027](#) for Pakistan with three priority areas: green inclusive growth, human capital and governance/rule of law. Although this amounts to less than during the previous period, it remains a significant contribution. The funding will probably be granted in the form of budget support. The EU has acknowledged the challenges Pakistan faces in hosting over three million refugees and is ready to consider providing additional support, including for the voluntary repatriation of refugees to Afghanistan.

The [16th EU-Pakistan Joint Commission was held on 16 June 2021](#). They discussed the full and effective implementation of the 2019 EU-Pakistan Strategic Engagement Plan, the socio-economic impact of the COVID-19 pandemic and Pakistan's efforts towards achieving sustainable economic recovery. They also exchanged views on climate change, connectivity and digitalisation, and cooperation in education, culture, science and technology. The EU appreciated Pakistan's hosting of millions of Afghan refugees over the past two decades. The EU assured Pakistan of its cooperation and ongoing work towards a durable solution, including through assisting and promoting the safe and dignified return of Afghan refugees to their homeland.

In its resolution of 27 April 2021, Parliament called on the Commission to reassess Pakistan's eligibility for the GSP+ programme given the deteriorating human rights situation. Parliament is monitoring the steps taken by the Commission and the European External Action Service (EEAS) to put pressure on PM Shehbaz Sharif's government to address the human rights issues, including the blasphemy laws, which carry harsh sentences including the death penalty. The Pakistani authorities have undertaken reforms to improve good governance and freedoms, and they have put forward proposals to strengthen the country's criminal justice system, with military courts in Pakistan no longer having jurisdiction over civilians since March 2019.

The [13th EU-Pakistan inter-parliamentary meeting \(IPM\)](#) took place in March 2022. Discussions focused on political developments in Pakistan, Russia's aggression against Ukraine, trade, GSP+ and human rights. The IPM considered it essential that parliamentarians on both sides assess progress and provide parliamentary scrutiny and guidance in bilateral relations.

[In June 2022 the EU monitoring mission assessed the effective implementation of 27 international conventions](#), a mandatory requirement for maintaining the GSP+ status, which has been very beneficial for Pakistan. Businesses have increased exports to the EU market by 65% since the country joined GSP+ in 2014. The European Single Market, with over 440 million consumers, is Pakistan's most important market. The findings of the mission will be part of the next GSP report, which is to be presented to Parliament and the Council at the end of 2022.

Pakistan's role in the Afghan peace process was critical in helping to secure the February 2020 US-Taliban deal, under which Washington agreed to recall all US and NATO troops from Afghanistan. Pakistan's geo-strategic role in the Indo-Pacific region



is set to grow, especially after the Taliban takeover in Afghanistan in August 2021. A stable, democratic and prosperous Pakistan is crucial for the EU and, as a major interlocutor with the Taliban and the main destination for Afghan refugees, the country is rebranding its image internationally. Pakistani politics are in constant turmoil. The army is still involved in internal and foreign politics, with a broad mandate for security and counter-terrorism issues. A new government was formed in April 2022, following a vote of no confidence in March 2022, which led to the ousting of Prime Minister Imran Khan. The leader of the Pakistan Muslim League (Nawaz) – PML-N, Shahbaz Sharif, brother of the longest-serving former Prime Minister Nawaz Sharif, was elected as the new Prime Minister. The next general elections are due to be held by mid-2023.

The Islamabad High Court indicted the outgoing PM Imran Khan in September 2022 on corruption charges after judges rejected his explanations. Khan is also due in the separate Anti-Terrorism Court as the charges against him are related to what police said was a threat to the Islamabad police chief and a female judge. Khan also faces sedition charges for allegedly inciting mutiny in the military. Since being ousted from power, Khan has been a vocal critic of the government and the country's army and continues to count on the support of many Pakistani voters.

AFGHANISTAN

The EU-Afghanistan Cooperation Agreement on Partnership and Development was signed on 18 February 2017 and approved by the European Parliament on 13 March 2019. Relations with the EU were adapted to the war and post-war situation. Thanks to substantial input from the European Parliament, Afghanistan was partially and gradually being involved in the EU Strategy for Central Asia. Afghanistan has been the largest recipient of EU development funding in Asia and has also benefited from the EU's most favourable trading regime, the Everything But Arms (EBA) scheme. The EU allocated EUR 1.4 billion to Afghanistan for the 2014-2020 period. At the Afghanistan Conference on Peace, Prosperity and Self-Reliance, held in Geneva in November 2020, the EU pledged EUR 1.2 billion in long-term and emergency assistance for 2021-2025.

The latest presidential elections took place in September 2019, with Ashraf Ghani securing the majority of votes (50.64%) to beat Abdullah Abdullah (39.52%). On 29 February 2020, the US and the Taliban signed in Doha the Afghanistan-US Joint Statement for Peace, a bilateral [peace agreement](#) that did not involve the Afghan government. The US and NATO committed to a phased withdrawal of their troops and to the release of prisoners. The US also committed to starting diplomatic engagement with other members of the UN Security Council and Afghanistan to remove members of the Taliban from the UN sanctions list.

Peace negotiations between the Afghan government and the Taliban began in Doha in September 2020 aimed at establishing the conditions for a comprehensive ceasefire and political settlement. Several peace conferences took place in Doha, Moscow and Istanbul in 2021, but with no positive outcomes. The talks reached a stalemate and the situation was exacerbated by internal divisions within the government, the impact of the COVID-19 pandemic and a deteriorating humanitarian situation.



From May 2021, the Taliban quickly seized control over more and more territories. The negligible [resistance](#) from Afghan security forces allowed the Taliban to gain control over the country in less than four months. On 15 August 2021, hours after President Ghani fled the country in exile to Dubai, the Taliban claimed victory over Kabul. On 7 September 2021, the Taliban announced an all-male Taliban caretaker government, contrary to earlier promises that the new government would be inclusive. Since then, the Taliban has been continuously perpetrating severe human rights violations, in particular against women, girls and minorities.

On 30 August 2021, The US and NATO completed their withdrawal from Afghanistan sooner than expected under the principle of 'in together, out together', marking the end of the 2001-2021 War in Afghanistan, but leaving the country in humanitarian chaos. Afghanistan's security concerns deteriorated with the withdrawal of US and NATO troops.

The Taliban's links with Al-Qaida and the so-called Islamic State are ambiguous and the country is divided between urban and rural communities. Afghanistan's young urban population would prefer to continue to live in the relatively open society with which they are familiar and the ethnic minority Tajiks, Uzbeks and Hazaras do not wish to be governed by the Taliban.

Following the Taliban takeover and deeply concerned about reprisals against Afghan security personnel and people working for EU embassies, the EU set up a dedicated crisis cell with more than 100 staff members. In August 2021, the cell provided support for the evacuation of more than 17 500 people from Kabul, including 4 100 EU nationals and 13 400 Afghan nationals. The EU delegation was able to evacuate its entire staff.

As one of the most aid-dependent countries, Afghanistan is facing an unfolding humanitarian catastrophe leaving half of its population without basic needs, such as food, water and medicines. With over three million internally displaced people and more than two million refugees and asylum seekers in Pakistan and Iran, the humanitarian situation has worsened. The UN Conference on Afghanistan, held in Geneva on 13 September 2021, pledged USD 1.2 billion, USD 677 million of which was pledged by the EU and its Member States. At the G20 summit on 12 October 2021, Commission President von der Leyen announced an Afghan support package of EUR 1 billion. The situation remains dramatic and it has been aggravated by the recent earthquakes and floods in 2022, following which the European Commission allocated EUR 1 million in humanitarian funding to address the most urgent needs. The EU engages with the Taliban on practical matters like evacuations and humanitarian operations, coordinating its contacts through a delegation in Kabul managed by the EEAS.

The EU is deeply concerned by the re-establishment of an Islamic emirate with a radical sharia legal system. It raises serious questions about the EU's future engagement with Afghanistan, which depends on how the achievements of the past 20 years can be preserved. Particular attention must be paid to the potential increase in international terrorism and migration and to the increase in drug trafficking.

On 3 September 2021 EU foreign affairs ministers agreed that the EU would not recognise the Taliban but that it would engage with it. The degree of that engagement will depend on the behaviour of the new Afghan government, the commitment that



Afghanistan would not serve as a base for terrorism, respect for human rights, in particular women's rights, the rule of law and freedom of the media. Engagement will also depend on the establishment of an inclusive and transitional government, free access for humanitarian aid workers and the Taliban's commitment to letting foreign nationals and Afghans leave the country.

Since the takeover of power by the Taliban, a series of restrictions were re-imposed at the end of 2021 and in 2022 on women in Afghanistan. Regulations have been enforced on clothing and laws introduced forbidding women access to public areas without a male guardian. Although some public universities re-opened for both men and women in February 2022 and schools re-opened for a new academic year in March 2022, the Taliban reversed an earlier promise to allow girls to attend secondary school. This has affected an estimated 1.1 million pupils. According to the World Bank, women's participation in the labour force has increased from 15% to 22% in the past decade. However, it has dropped since the takeover, with the Taliban imposing more restrictions on women's movements outside the home since their return to power.

Parliament has supported inclusive intra-Afghan negotiations as a precondition for an end to four decades of death and destruction, and insists on involving all political factions and civil society. Since autumn 2020, Parliament has repeatedly condemned the eruptions of violence and, in a [resolution of June 2021 on the situation in Afghanistan](#), it expressed concern over the consequences of the withdrawal of troops and called for the adoption of a comprehensive strategy for future EU cooperation with Afghanistan. In July 2021, one month before the Taliban takeover, the European Parliament Delegation for relations with Afghanistan (D-AF) held the 6th EU-Afghanistan inter-parliamentary meeting with representatives of the National Assembly of Afghanistan. The meeting including two panel debates – one on the peace process and the situation in Afghanistan after the foreign troop withdrawal and the other on the role of women in the peace process and future engagements with the EU.

[In September 2021, Parliament passed a resolution on the situation in Afghanistan](#), in which it deplored the violent takeover by the Taliban. Parliament expressed strong concerns for the future and endorsed the EU's decision not to recognise the Taliban government. It also acknowledged that operational engagement with the Taliban government would be necessary for logistical, operational and humanitarian purposes, and called for the facilitation of the further evacuation of EU citizens and Afghans at risk and for a further increase in humanitarian aid. Parliament, in particular its Delegation for relations with Afghanistan, has voiced concerns about the humanitarian, economic and refugee crisis, which requires humanitarian corridors and a strategic approach for the whole region, including Pakistan, Iran and Central Asia.

Parliament organised a series of events as part of the high-level 'Afghan Women Days' conference in February 2022. On 10 March 2022, the Afghan Women Leaders Forum was launched through a virtual meeting with almost 50 Afghan women leaders joining from Afghanistan and other parts of the world.

The EU has issued many declarations in favour of women rights, such as one by the Vice-President of the Commission / High Representative of the Union for Foreign Affairs and Security Policy, Josep Borrell, in March 2022 calling for the immediate



reopening of secondary schools for girls. This call was echoed in the G7 Foreign Ministers' Statement. In [April 2022, Parliament adopted a resolution on the situation on the rights of Afghan women](#). It condemned the Taliban's decision to extend the ban on girls' schooling from year seven and deplored its persistent desire to erase women from public life and remove their most fundamental rights, including access to education, work, freedom of movement and health care.

The EU continues to engage with the Taliban, as underlined by the [EEAS statement in August 2022](#) on the situation one year after the Taliban takeover, which emphasises the EU's commitment to Afghan people.

BANGLADESH

EU-Bangladesh relations date back to 1973. The 2001 Cooperation Agreement covers trade, economic development, human rights, good governance and the environment. As a Least Developed Country (LDC), Bangladesh benefits from the EU's EBA scheme, the most favourable trading regime available under the EU's GSP. Bangladesh is expected to graduate from LDC status by 2026. After a transitional period, the country would then cease to have access to the EBA scheme.

The EU has committed up to EUR 690 million under the 2014-2020 Multiannual Indicative Programme. It has stressed Bangladesh's need for policy reforms in order to improve its business environment and attract more trade and investment. In July 2019, the EU launched two programmes in Bangladesh targeting public financial management and national social security reforms. As part of the Team Europe response to COVID-19, the EU allocated EUR 113 million to protect the livelihoods of workers in the garment and leather export-oriented industries in Bangladesh. The EU programming for the 2021-2027 period is aligned with the 8th Five Year Plan (FYP) covering 2020-2025.

Bangladesh is a parliamentary democracy in which power alternates between two parties, the Awami League (AL) and the Bangladesh Nationalist Party. The AL prevailed in the elections in December 2018. Bangladesh is among the few countries to have achieved the Millennium Development Goals. However, labour rights and working conditions continue to be a serious issue, especially in industrial garment factory areas around Dhaka. The COVID-19 outbreak has had a considerable impact on economic and political stability. The AL won a third consecutive term of office, which will expire in 2023. Bangladesh's gross domestic product (GDP) is expected to fall in 2022 due to the crisis following Russia's invasion of Ukraine, the rise in price of commodities and inflation. The country has therefore requested financial assistance from the International Monetary Fund (IMF). Bangladesh's garment exports have multiplied over recent years. Accidents and fires within factories and other workplaces are common in Bangladesh, killing as many as 1 310 workers and injuring 3 883 in the last decade.

Since August 2017, over 800 000 Rohingya refugees have fled from persecution in Myanmar to Bangladesh. The EU has been closely monitoring the Rohingya refugee crisis, disbursing more than half of the EUR 280 million raised after the UN Pledging Conference in October 2017. The EU initially allocated over EUR 150 million in



humanitarian aid, followed by EUR 41 million in 2018, EUR 35 million in 2019 and EUR 31 million in 2020, mainly to support Rohingya refugees in Cox's Bazar. The EU announced a further [allocation of EUR 39 million in humanitarian aid](#) to Bangladesh and Myanmar on 23 February 2021. The funds are aimed at addressing the needs of conflict-affected and displaced communities, especially the Rohingya, whose situation has worsened during the COVID-19 pandemic. In view of developments in Myanmar, it looks unlikely that Rohingya refugees will be willing to return of their own accord. The Rohingya crisis is an important domestic issue in the run-up to the 2023 elections in Bangladesh. The Bangladeshi government is making an effort to repatriate the Rohingya, but their return is still being hampered by conditions in Myanmar.

SRI LANKA

EU-Sri Lanka relations date back to the 1975 Cooperation Agreement, upgraded in 1995 by a Cooperation Agreement on Partnership and Development. Sri Lanka was granted access to the EU for its exports under GSP+ in May 2017 as an incentive for political reforms and compliance with international conventions on human rights, labour rights, environmental protection and good governance.

The European Parliament is closely monitoring Sri Lanka's progress in complying effectively with the GSP+ criteria. The perspectives for transitional justice and national reconciliation, two fundamental conditions for the European Parliament as regards Sri Lanka's eligibility for benefitting from GSP+, have been significantly undermined. .

The EU has provided Sri Lanka with EUR 760 million in development assistance over the past decade. The EU is Sri Lanka's second-largest trading partner after China and its second main export destination, with two-way trade in goods worth EUR 3 billion in 2020 and a EUR 1.2 billion trade balance in favour of Sri Lanka.

The EU and Sri Lanka held their [24th meeting of the Joint Commission in February 2022](#) in Brussels. Sri Lanka gave an update on progress in reconciliation and its independent institutions, in particular the Office of Missing Persons, the Office for Reparations, the Office for National Unity and Reconciliation and the Human Rights Commission of Sri Lanka. The EU strongly encouraged Sri Lanka to continue cooperating and engaging with the Human Rights Council and its mechanisms. The Joint Commission took stock of the conclusions of the Working Group on Trade and Economic Cooperation held in January 2022. Sri Lanka appreciated the valued contribution of the GSP+ regime to the country's sustainable development. The two sides reviewed Sri Lanka's compliance with 27 international conventions related to human rights, labour rights, protection of the environment and good governance covered by the GSP+ scheme. The Joint Commission also discussed the conclusions of the Working Group on Development Cooperation, which met on 2 February 2022 to discuss the priorities of the EU Multi-Annual Indicative Programme (MIP) for 2021-2027.

Sri Lanka suffered a civil war from 1983 to 2009 between the Sinhalese-dominated government and the Liberation Tigers of Tamil Eelam. Gotabaya Rajapaksa won the presidential elections in November 2019 and appointed his brother, the former President Mahinda Rajapaksa, as the new prime minister. The president's party alliance, the Sri Lanka People's Freedom Alliance, won a landslide victory at the



parliamentary elections held in August 2020. Mahinda Rajapaksa was sworn in by his brother, Gotabaya Rajapaksa. In September 2020, the controversial 20th amendment bill was introduced, bolstering the executive powers of the president and weakening the roles of the prime minister and the parliament.

The most serious economic crisis the country has ever suffered led to massive demonstrations in 2022. High commodity prices and shortages of basic commodities and energy triggered unprecedented riots. Protests began in April 2022, when hundreds of thousands of people took part in the largely peaceful protests demanding the resignation of President Rajapaksa. In July 2022, thousands of people stormed his official residence, and the president then fled on a military plane first to the Maldives and then to Singapore. President Gotabaya Rajapaksa and Prime Minister Mahinda Rajapaksa both resigned.

Ranil Wickremesinghe was elected as the new president on 20 July 2022. He appointed Dinesh Gunawardena on 22 July 2022 as his new prime minister. Since Wickremesinghe became president, human rights groups have accused the government of cracking down on protesters. Police have detained dozens of protesters in recent weeks and most have since been released on bail.

Sri Lanka defaulted on its debt for the first time in its history and agreed a new programme to support macro-economic stability and debt sustainability with the IMF. Former president, Gotabaya Rajapaksa, returned to the country. Sri Lankans blame his government for the island's worst economic crisis in history. A collapse in foreign currency reserves led to dire shortages of food and fuel. In September 2022, the Sri Lankan government reached a preliminary agreement with the IMF for a USD 2.9 billion loan. This would be dependent on lots of conditions, including fiscal reforms and the restructuring of Sri Lanka's USD 51 billion debt with its creditors. The government also faces challenges in convincing people about privatising key public sector services as part of its efforts to boost revenue.

NEPAL

EU-Nepal relations date back to 1973 and are based on the 1996 Cooperation Agreement. With nearly a quarter of the population living on less than two USD a day, Nepal depends on external aid for 25% of its budget. The EU is one of Nepal's biggest development aid donors and tripled its development assistance to EUR 360 million for 2014-2020. The EU has also reiterated the importance of Nepal taking greater advantage of the trade preferences it is accorded under the EBA scheme.

The [EU-Nepal Joint Commission last met in November 2021](#). At this meeting its Sub-Commission on Development Cooperation, Nepal and the EU their ongoing cooperation. Together with Nepal's [National Development Plan \(NDP\) 2019-2024](#), the EU currently supports Nepal under the new MIP 2021-2027, outlining three priority areas of cooperation: inclusive green growth, human capital development and good governance. These priority areas are also aligned with the EU's global strategies, such as the [strategy for cooperation in the Indo-Pacific](#), the [Global Recovery Initiative](#) and the Action Plan on [Gender Equality and Women's Empowerment in External Action 2021–2025 \(GAP III\)](#). A total amount of EUR 209 million has been allocated for 2021-2024.



In April 2020, the EU prepared a EUR 75 million support package for Nepal designed to mitigate the impact of COVID-19 and stimulate the Nepalese economy and labour demand, thereby supporting individual income in a country characterised by substantial inequality between the upper and lower castes, as well as marginalised communities such as the Madhesi.

On 23 January 2020 Nepal held elections to the National Assembly. The ruling Nepal Communist Party secured 16 seats and the Rastriya Janata Party (RJP-N) won two. Nepal has been beset by political volatility since December 2020, when the president, following a recommendation from the prime minister, dissolved parliament to call early elections. The Supreme Court reinstated parliament in February 2021, but the government lost a motion of no confidence in May 2021. The political turmoil continued and a period of high political instability followed in 2022 when parliament was dissolved and then reinstated again by the Supreme Court. General elections were scheduled to take place on 20 November 2022.

The high global oil and commodities prices in 2022 have affected consumer prices in Nepal, posing a risk to political stability, as this could lead to unrest and protests, including demands for the restoration of the Hindu monarchy. This has been called for by the Hindu Prajatantra Party, which might improve its electoral prospects in the November 2022 general elections. Nepal's mixed electoral system combining 'first past the post' and proportional representation makes it difficult to secure a majority mandate. Political parties will therefore probably have to forge a coalition with power-sharing agreements, as is customary in Nepal.

China and India are competing for influence in the country. The main challenges are achieving a peaceful solution to the political deadlock via reform of the constitution, which needs to be amended to accommodate the interests of Dalits and ethnic minorities, notably the Madhesi in Terai, and guaranteeing the rights of migrant Nepali citizens abroad.

The government failed to deliver transitional justice for the victims of human rights abuses during the civil war. In April 2020, the Supreme Court recommended that the mandate of the Nepalese Truth and Reconciliation Commission should be amended in order to prevent impunity. The [Truth and Reconciliation Commission](#), established by a legislative act in 2014, has failed so far, so there is a continuing climate of impunity. Amnesty has been granted for crimes such as torture and acts of sexual violence and ill-treatment. In 2014, the government also established the [Commission of Enforced Disappeared Persons](#) with the objective of investigating the enforced disappearance of people during the armed conflict and informing the public about what occurred in the spirit of the peace agreement. In February 2015, the Supreme Court ordered an amendment to the act, but the government petitioned to overturn this ruling. On 26 April 2020, the Supreme Court rejected this petition, thus reaffirming the importance of fair transitional justice mechanisms. Human rights organisations welcomed Nepal's Supreme Court's decision of April 2020 on the need to amend the transitional justice law. In July 2022 [the government presented a bill to amend existing laws](#), but Amnesty International and Human Rights Watch do not believe that the proposed bill is in line with



the Supreme Court's decision and would still make it difficult or impossible to prosecute offenders.

Parliament's Delegation for Relations with South Asia visited Bhutan in September 2022 to assess Nepalese relations with the EU, which is the main cooperation donor. As Nepal may graduate from LDC status by 2026, Parliament welcomed the fact that Nepal has already ratified most of the 27 core conventions required to apply for GSP+.

BHUTAN

Isolated from the outside world for centuries, Bhutan is adapting to globalisation and strengthening its economy, while at the same time preserving its ancient traditions. It made a peaceful transition to parliamentary democracy under the constitution adopted in 2008, guaranteeing the separation of powers under a constitutional monarchy. The EU supports Bhutan's full autonomy from its powerful neighbours – India and China – and retains the conviction that the country should be able to formulate its own security and foreign policy, recognising ongoing concerns over loss of sovereignty on account of Bhutan's geographical location.

The EU Multiannual Indicative Programme 2014-2020 allocated EUR 49.3 million in assistance for Bhutan. The EU has had a strong presence in Bhutan since 1982, working to reduce poverty, promote democratisation and good governance and support sustainable agriculture and renewable natural resources. A new EU-Bhutan Trade Support Project was launched on 24 May 2018 with the aim of improving value addition, market linkages and the trade and investment regulatory framework.

Between 2017 and 2022, approximately EUR 21.5 million has been set aside to support sustainable agriculture, forestry and climate change. Moreover, in response to the needs that arose during the COVID-19 pandemic, the EU allocated an additional EUR 4.5 million in 2020.

The current MIP 2021-2027 continues to support Bhutan and is aligned with the 12th FYP 2018-2023, focusing on three priority areas: climate change and green growth for a resilient Bhutan; good governance for inclusive socio-economic development; and digital transition, a driver for change in education and public services. A total amount of EUR 31 million has been allocated for the initial period of 2021-2024.

The [EU and Bhutan held their 10th formal consultations in Brussels in February 2022](#), reviewing their ongoing cooperation. Bhutan presented key activities it was pursuing to ensure a smooth and successful graduation from the LDC category, scheduled to take place in 2023. The EU and Bhutan expressed satisfaction with the ratification of the framework agreement between Bhutan and the European Investment Bank (EIB) to pave the way for concessional financing from the EIB for development projects in Bhutan. The EU reiterated its support for Bhutan's development plans and offered to grant Bhutan greater preferential access to EU markets under GSP+ once Bhutan fulfils the necessary conditions. The EU presented the Global Gateway, the new EU plan for major investment in infrastructure development around the world, which was launched in December 2021 and updates the 2018 EU-Asia Connectivity Strategy. This has global geographical coverage and sets a target of EUR 300 billion of investment



by 2027. The EU praised the Himalayan country for its actions towards ensuring sustainable, low-carbon and climate-resilient development. The EU also noted that Bhutan has taken significant steps to protect the rights of children and women and foster gender equality. Most notably, the Bhutanese Parliament decriminalised homosexuality in December 2020.

Bhutan is a new democracy, headed by a royal family, where the democratic process needs to be consolidated. Bhutan's isolation and sense of vulnerability have helped to form a distinctive national identity based on preserving its religion, environment and culture. Protecting the country's culture is perceived as essential. Bhutan's cultural heritage is expressed through Gross National Happiness (GNH), in line with its Buddhist spiritual culture. GNH promotes the values of peace, non-violence, compassion and tolerance. Enshrined in the 2008 Constitution, GNH is a development philosophy that uses an index to measure the country's level of economic development together with the level of wellbeing and happiness of the population. [The GNH was recognised in a UN resolution in 2011](#) and consists of several domains: psychological wellbeing, standard of living, good governance, health, education, community vitality, cultural diversity, time use, ecological diversity and resilience. Parliament supports Bhutan's environmental policy, which seeks to preserve the country's biodiversity, which is highly vulnerable to climate change, and prevent all forms of ecological degradation in line with the concept of GNH.

Parliament's Delegation for Relations with South Asia visited Bhutan in September 2022 to assess the socio-economic development of the country, which will graduate from LDC status by December 2023. This means that Bhutan will no longer be able to benefit from the EU's EBA scheme. Bhutan is considering applying for GSP +, but it appears unlikely that Bhutan will be able to sign and ratify all 27 required core international conventions on time.

THE MALDIVES

Although there is still no formal cooperation agreement with the Maldives, the EU provides cooperation support for rural communities, tourism and climate change mitigation. In July 2018, the EU Foreign Affairs Council adopted a framework for targeted restrictive measures against persons and entities responsible for undermining the rule of law or obstructing an inclusive political solution in the Maldives, as well as for those responsible for serious human rights violations. The EU Council decided in April 2021 to launch negotiations on an EU-Maldives Partnership and Cooperation Agreement, an important milestone in bilateral relations with the Maldives. In September 2021, the second EU-Maldives Senior Officials Meeting was held in Brussels to reinforce their relationship, including cooperating in the Indo-Pacific.

The Maldives is vulnerable to climate change and is exposed to rising sea levels and coastal erosion, which pose a serious threat to the viability of the country. The Maldives' Parliament is planning to establish its first ever Climate Act, which will set limits on pollution, and to adopt measures to protect and help regenerate the environment. Records from the past 20 years have shown an increase in sea levels of nearly four millimetres per year in the capital Malé and a projected increase of some 40-50 centimetres by 2100. This means beach erosion, flooding, increased groundwater



salination and unpredictable weather, which is already causing flooding and droughts. Given that 80% of Maldivians live within 100 metres of the sea, the physical impact of these changes represents an existential threat.

The country also suffers from high youth unemployment, gang violence and drug addiction. There has been increasing political and social unrest since opposition leader Mohamed Solih defeated former President Abdulla Yameen Abdul Gayoom in September 2018. Parliamentary elections were held in the Maldives in April 2019. The result was a landslide victory for Mohamed Solih's Maldivian Democratic Party, which won 65 of the 87 seats in the People's Majlis. In May 2021, the former President Mohammed Nasheed, a close friend of President Solih and speaker of parliament, was severely wounded in a bomb attack. Parliament has been supportive of the Maldivian process of democratic consolidation. President Ibrahim Mohamed Solih will stand for election in 2023 on a platform with two distinct factions in the ruling Maldivian Democratic Party. The government's efforts currently focus on bolstering the economy, especially the tourism sector, and improving relations with India on infrastructure and financial support.

The Maldives graduated from the LDC category in 2011 and attained upper-middle income status in 2013. The economy is based mainly on tourism and fisheries. The EU is the Maldives' fourth largest trading partner, accounting for around 10% of total trade in goods in 2019.

With tourism comprising 70% of GDP, the Maldives' economy has been severely affected by the COVID-19 pandemic. The EU made EUR 3 million available in April 2020 to support measures to mitigate the severe impact of COVID-19 on the tourism sector. The EIB announced a EUR 20 million loan to support recovery measures.

In August 2021, the EU agreed to provide EUR 2 million in free aid to develop the guesthouse and liveaboard industry in the Maldives under the project 'EU Support for a Resilient Recovery of SME (small and medium-sized enterprise) Tourism Industry in the Maldives'. This aid is being provided to help the Maldives' SMEs in the tourism industry to build a resilient economy after the pitfalls it faced due to the COVID-19 pandemic.

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