

## **Building stronger Ties: Recent Developments in India Nepal relations**

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### **Abstract:**

India and Nepal shared a unique and multifaceted relationship throughout their existence that is deeply rooted in their history, culture and geography. This article explores the intricate and evolving nature of their relationship. Historical ties of both nations have formed the basis of a close friendship while contemporary challenges and opportunities have shaped the dynamics of India-Nepal relations. This study examines the historical context, highlighting the importance of cultural, economic and political ties between the two nations. It then examines their issues of conflicts, recent developments and challenges, such as border disputes and economic cooperation and their impact on the relationship. This article also discusses the potential areas of cooperation like trade, energy and connectivity which can strengthen their relation stronger. Ultimately, it demonstrates that both nations working together to overcome challenges and build a stronger and more prosperous future.

**Key Words: Relationship, Agreements, Conflicts, Development, Cultural, Challenges, Political, Regional**

### **Introduction**

Nepal is a landlocked country that is surrounded by India on the south, east, and west and the north side by the autonomous region of China and comprising an area of 147,181 square kilometers. India and Nepal share a border of over 1850 Kms with five Indian States - Bihar, Uttar Pradesh, Uttarakhand, Bihar, and Uttarakhand in the east, south, and west and in the north with the Tibet Autonomous Region of China. Nepal is a significant neighbor of India and occupies an important place in its foreign policy because of its geographic, historical, cultural, and economic linkages/ties with India. Both nations, India and Nepal share similar ties regarding Hinduism and Buddhism. It is said that when the princely states of British India were integrated, Nepal was willing to join the Indian Union, however, their proposal was not accepted as our leaders recognized the value of a buffer state on its northern border. So Nepal remained an independent state but was the only country whose nationals did not require any passports to cross into India. Both countries share a unique relationship of friendship and cooperation underpinned by linguistic, cultural, and civilizational links, wide-ranging commercial and economic ties, and extensive people-to-people contacts. More than 6 lakh Indians are living/domiciled in Nepal, which includes business people, doctors, engineers, IT professionals, laborers (seasonal/migratory in the construction sector) and traders who have been living in Nepal for a long time. Both countries not only share an open border and unrestricted movement of people, however they also have close relationships through marriages and familial ties. The close relations between the armed forces of both countries have made India the ultimate guarantor of law and order in Nepal.

### **Importance of Nepal**

India and Nepal Treaty of Peace and Friendship of 1950 makes the bedrock of the special relations that exist between India and Nepal. This treaty gives equal treatment of Indian and Nepali citizens in the two countries, in the matter of residence, property, movement of people and business. It also establishes equal treatment in all spheres of businesses between Indian and Nepalese. It also gives Nepal access to weaponry from India. Nepal shares border with five Indian states- Uttarakhand, Uttar Pradesh, West

Bengal, Sikkim and Bihar which makes it an important point of cultural and economic exchange. Nepal is situated right in the middle of India's 'Himalayan frontiers', and near to Bhutan, and acts as a buffer state against from china. Some of the Himalayan perennial Rivers originating in Nepal feed the river systems of India in terms of ecology, Irrigation purpose and hydropower potential. Many Hindu and Buddhist religious sites are located in Nepal, making it an important heritage site for a large number of Indians. The significance of Nepal can be studied from various reasons for the India.

### **Treaties & Partnership**

India and Nepal are the members of multiple multilateral international organizations such as BBIN (Bangladesh, Bhutan, India, and Nepal), Non Aligned Movement, BIMSTEC (Bay of Bengal Initiative for Multi Sectoral Technical and Economic Cooperation) and SAARC (South Asian Association for Regional Cooperation) etc. The India–Nepal Treaty of Peace and Friendship of 1950 makes the bedrock of the special relations that exist between India and Nepal from their existence. According to the provisions of this Treaty, the Nepalese citizens enjoyed significance advantages in India, opportunities and availing facilities at par with the Indian citizens. The Treaty has allowed Nepal to overcome the disadvantages of being a landlocked country. Over the years, this treaty was challenged by the people of Nepal. In spite of all, India and Nepal had maintained their relation smoothly.

A large number of small and large rivers flow from Nepal to India and constitute an important part of the Ganges river basins in India. These rivers have the potential to become major sources of irrigation and power for Nepal and India. The Kosi, Gandak, Karnali and Mahakali rivers originate in the Himalayas in Nepal and carry snow-fed flows with significant discharge even in the dry season. In 1954, the Kosi Agreement (amended in December 1966) and in 1959, the Gandak Agreement, (amended in April 1964) were signed between India and Nepal for the construction of the Kosi Project and the Gandak Project for sharing water and the Hydro Power project for cooperation, respectively. India and Nepal had signed a Treaty known as Mahakali Treaty in February'1996 which is a part of Pancheshwar Multipurpose Project. Implementation of Pancheshwar Multipurpose Project is the centerpiece of the Mahakali Treaty. It concerns the integrated development of the Mahakali River, which included the Sarada Barrage, Tanakpur Barrage, and Pancheshwar Dam Project. A three-tier bilateral mechanism established in 2008 has been working well for discussing issues related to cooperation in water resources, innundation, flood management, and hydropower between both the countries

### **History of relation**

The international relations of a country in the international arena are based on the paradigm of continuity and change. It is generally based on a realistic appreciation of the contemporary problems as well as the historical background. India and Nepal have a long history of political relations. The political relations had been regularized, in the form of a Peace Treaty as early as 1815 defined by Sugauli Treaty (1816) When India was still a British colony and almost a century and a half later, on July 31, 1950, through a new Treaty and Friendship between Nepal and newly independent India. The 1950 Treaty of Peace and Friendship was a side letter that formed an integral part of the treaty. In April 1962, the King went to China and endorsed the previously rejected road construction proposal to connect Kathmandu with Lhasa. India reacted adversely to his decision to allow the road, but the king justified it on the grounds of its economic importance. Indian policymakers thought the King had opened a crack in India's traditional security system. In October 1962, the India-China war changed the political power equation in South Asia. Nepal officially

remained neutral throughout the conflict and offered to mediate. The Nepalese experts feel that the event benefited Nepal as it increased the bargaining power of the kingdom. The war created a new urgency on the part of India in the political sphere. The revised Gandak and Kosi agreement bears the testimony of Nepal's enhanced negotiating power because of the linkage Nepal made between India's support of the Nepali Congress insurgency and Indo-China relations.

In 1963, Indian Home Minister Lal Bahadur Shastri arrived in Kathmandu to redefine the relationship. In a Joint Communique, the visiting Indian minister emphasized the need of renewed economic and political cooperation. From 1969 to 1990, the relation between both the countries were stressful. In 1993, the relationship between New Delhi and Kathmandu was re-established during the meeting of Nepal's prime minister Krishna Prasad Bhatarai and Indian prime minister V.P. Singh which ended its 13-month-long economic blockade of Nepal. In 2005, King Gyanendra took over, the Nepalese relation with India became soured. However, even after the restoration of democracy in 2008 and visiting the Pushpa Kamal Dahal also called Prachanda, the Prime Minister of Nepal, the relation between both countries improved. In June 2023, Mr Prachanda not only chose India to be his first destination but also expressed its four-day visit an "astounding success" for both the countries. During this visit, both countries prioritized convergences over divergences and signed five projects and six MoUs on areas such as hydropower electricity, connectivity, and people-to-people relations remained the center of this fruitful engagement. Both countries signed MoUs for a cross-border petroleum pipeline, cross-border payments, infrastructure development for check posts, and cooperation between foreign service institutes.

### **Issues of Conflict:**

India and Nepal have had a complex and sometimes contentious relationship due to a variety of historical, political, economic and territorial factors. Here are some of the key conflictual issues are given under:-

**Territorial Disputes:** The primary challenge in Indo-Nepal relations revolves around the Kalapani boundary dispute. The origins of this issue date back to 1816 when the British established the boundaries, and India inherited these territorial demarcations in 1947. While 98% of the India-Nepal border has been clearly defined, there are two areas, Susta and Kalapani, that remain unresolved. In 2019, Nepal published a new political map, asserting its claim over Kalapani, Limpiyadhura, and Lipulekh in Uttarakhand, as well as the Susta area in the West Champaran district of Bihar, as part of Nepal's territory.

**Issues with Peace and Friendship Treaty:** In 1949, Nepali authorities actively pursued the 1950 Treaty of Peace and Friendship with the aim of maintaining the unique ties they had with British India, which allowed for an open border and the right to work in India. However, the treaty is now widely regarded as emblematic of an unequal partnership and an imposition by India. The notion of revising and modernizing this treaty has been occasionally mentioned in Joint Statements since the mid-1990s, although such discussions have been irregular and lacking in enthusiasm

**The Demonetization Irritant:** In November 2016, India withdrew high-value currency notes worth Rs 15.44 trillion, including Rs 1,000 and Rs 500 notes. As of today, over Rs 15.3 trillion of these notes have been returned in the form of fresh currency. However, this move left many Nepali nationals, who were legally entitled to hold up to Rs 25,000 of Indian currency due to the pegged exchange rate between the Nepali and Indian rupees, in a difficult situation. The Nepal Rashtra Bank, which serves as the Central Bank of Nepal, currently holds Rs 7 crore in demonetized Indian currency, and estimates suggest that the public in Nepal holds approximately Rs 500 crore in such notes. India's reluctance to accept demonetized bills

through the Nepal Rashtra Bank and the uncertainty surrounding the report submitted by the Eminent Persons Group (EPG) have not contributed positively to India's image in Nepal

**Role of China in Nepal:** In recent times, Nepal has been moving away from India's sphere of influence, with China progressively stepping in to provide investments, aid, and loans. China views Nepal as a pivotal partner in its ambitious Belt and Road Initiative (BRI) and is keen on bolstering Nepal's infrastructure as part of its broader strategy to enhance global trade connectivity. This increasing cooperation between Nepal and China has the potential to erode Nepal's historical role as a buffer state positioned between India and China. Simultaneously, China is motivated to prevent the formation of any anti-Chinese sentiment among the Tibetan population residing in Nepal.

**Internal Security:** India is deeply alarmed by the porous and undermanned nature of the Indo-Nepal border, as it has become a significant vulnerability. This vulnerability has been exploited by terrorist organizations and insurgent groups hailing from India's northeastern regions. They have taken advantage of this situation for activities such as infiltrating trained personnel and facilitating the circulation of counterfeit Indian currency.

**Trust & Ethnic Differences:** Over time, the trust gap between India and Nepal has grown due to India's track record of postponing the execution of several projects. This has led to a sense of skepticism and negative sentiment towards India among certain ethnic communities in Nepal. These feelings stem from the belief that India interferes excessively in Nepal's internal affairs and compromises its political independence.

**Political Interference by India:** Nepal had accused India many times of interfering in its domestic politics. This has led to perceptions in Nepal of Indian heavy-handedness in influencing the country's internal affairs, including the drafting of its constitution and supporting specific political groups.

### **Recent Developments:**

The diplomatic relations between India and Nepal have witnessed significant progress in recent years, underlining a shared commitment to foster cultural ties and promote economic cooperation. In 2008, Pushpa Kamal Dahal, also called Prachanda, became the first Prime Minister to break the tradition of Nepalese premiers choosing China as their maiden destination of visit but later visited India same year. In June 2023, Mr Prachanda not only chose India to be his first destination but also expressed contentment with his four-day visit, dubbing it an "astounding success". The recent visit indicates that India and Nepal are moving beyond their fraught phase and taking this "hit" relationship to "Himalayan Heights." During the Nepalese Prime Minister visit to India, both countries prioritized convergences over divergences and signed five projects and six MoUs such as hydropower electricity, connectivity, and people-to-people relations remained the center of this fruitful engagement. In recent years, there have been several developments and issues in their bilateral relations: -

1. **International Centre for Buddhist Culture and Heritage:** During the visit of the Prime Minister of India, a 'shilanyas' ceremony marked the commencement of the construction of the India International Centre for Buddhist Culture and Heritage within the Lumbini Monastic Zone. This world-class facility is envisioned to welcome pilgrims and tourists, providing an opportunity to explore the spiritual essence of Buddhism. The facility primarily targets scholars and Buddhist pilgrims visiting Lumbini, emphasizing the cultural and religious significance of the region
2. **Hydropower Projects:** Five agreements were signed between India and Nepal, including a crucial partnership between the Satluj Jal Vidyut Nigam (SJVN) Ltd and the Nepal Electricity Authority

(NEA) for the development of the 490.2 megawatts Arun-4 hydropower project. Furthermore, Indian companies were invited to invest in the West Seti hydropower project, illustrating the countries' collaborative efforts in the field of sustainable energy generation.

3. **Build Own Operate and Transfer (BOOT) Model:** A Memorandum of Understanding (MoU) was established in 2008 between the Government of Nepal and Sutlej Jal Vikas Nigam (SJVN) Limited to execute the project on a Build Own Operate and Transfer (BOOT) basis for a duration of 30 years, which includes a construction period of five years. This framework is aimed at bolstering infrastructure development and energy generation in Nepal.
4. **Setting up a Satellite Campus:** India's proposal to establish a satellite campus of the prestigious Indian Institute of Technology (IIT) in Rupandehi signifies the commitment to educational cooperation. Draft memoranda of understanding have been exchanged between Indian and Nepali universities to facilitate this endeavor, further strengthening educational ties.
5. **Pancheshwar Multipurpose Project:** Ongoing discussions regarding projects such as the Pancheshwar Multipurpose Project, a significant component of the Mahakali Treaty signed between Nepal and India in 1996, and the West Seti Hydropower Project with a projected capacity of 1,200 megawatts underscore the two countries' shared interests in promoting infrastructural development and energy security.
6. **Cross-border Rail Link:** The extension of the operational 35-kilometer cross-border rail link from Jayanagar (Bihar) to Kurtha (Nepal) towards Bijalpura and Bardibas demonstrates a commitment to improving connectivity and trade relations
7. **Double Circuit Transmission Line:** The proposed 90-kilometer 132 kV double circuit transmission line connecting Tila (Solukhumbu) to Mirchaiya (Siraha), situated near the Indian border, is a project designed to enhance energy transmission and connectivity in the region.
8. **Arun-3 Hydro Electric Project:** In 2019, India approved an investment of ₹1236 crore for the 950MW Arun-3 hydro project, which operates on the run-of-river principle and is located on the Arun River in Eastern Nepal, contributing to the region's energy generation.
9. **Multilateral Projects:** In addition to the aforementioned agreements, technical cooperation in the railway sector, Nepal's induction into the International Solar Alliance, and agreements between Indian Oil Corporation and Nepal Oil Corporation to ensure a regular supply of petroleum products highlight the diverse areas of cooperation between the two nations

### Challenges & way forward

The first and foremost thrust of the present government is likely to focus on streamlining its neighborhood policy. This approach of thrust can be seen very much manifest in Vajpayee's government approach towards its neighbors. It is also seen later in BJP's election manifesto categorically stated that India is going to engage proactively towards its neighborhood and beyond. In 2014, after winning the general election, Modi's invitation to leaders of SAARC countries during the swearing-in-ceremony is a manifestation of this new beginning with neighbors. After becoming Modi's Prime minister of India, India and Nepal experienced both improvements and challenges in their relation. Modi's government focused on strengthening diplomatic ties with Nepal. For achieve this, high level visits between the two countries became more frequent. Several bilateral agreements were signed, promoting cooperation in various sectors, including trade, Bilateral Agreements: Several bilateral agreements were signed, promoting cooperation in various sectors, including trade, transit, and energy. In the aftermath of the devastating 2015 earthquake in

Nepal, India provided significant humanitarian and financial aid, strengthening the people-to-people ties between the two nations. In conclusion, while the Modi era saw improvements in India-Nepal relations in terms of diplomatic engagement and agreements, it also faced challenges related to border disputes, nationalism, Confidence building measures, regional cooperation, Track-II diplomacy and political instability in Nepal. The relationship remains dynamic, with both countries working to balance their interests and foster cooperation. Improving India Nepal relations is in the interest of both nations, and it requires patience, mutual respect and a commitment to resolving difference through peaceful means. It is essential to work together to strengthen the historical ties and shared interest that bind the two countries. Here are some suggestions which needs to be sort out for going forward to improve the relations

1. **Territorial Dispute Resolution through Diplomacy:** Addressing territorial disputes necessitates avoiding jingoistic nationalism and cultivating an environment for constructive dialogue. This paper advocates for both parties to exhibit sensitivity as they explore feasible solutions. The resolution of boundary disputes, such as that between India and Bangladesh, serves as a valuable model to guide these negotiations. Emphasizing the use of international law in trans-boundary water disputes is pivotal to a peaceful resolution.
2. **Proactive Engagement with Nepal:** India's approach to Nepal should be multifaceted, encompassing people-to-people interactions, bureaucratic cooperation, and political diplomacy. While respecting Nepal's sovereignty and refraining from intervening in its internal affairs, India should actively guide Nepal towards fostering an inclusive and harmonious political environment, thereby strengthening the bilateral relationship.
3. **Strengthening Economic Ties through Power Trade:** To enhance trust with Nepal, India must reevaluate its power trade agreement to benefit both nations. Hydropower is a crucial source for managing peak electricity demand in India, and purchasing power from Nepal offers a viable solution, reducing the need for additional investments in polluting power plants. India and Nepal should collaboratively work towards a mutually beneficial power trade agreement that aligns with their energy needs.
4. **Promoting Indian Investments:** The Bilateral Investment Promotion and Protection Agreement (BIPPA) between India and Nepal should receive increased attention from Nepal. Overcoming opposition from private sector interests, including trade associations with monopolistic tendencies, is vital to attracting foreign investments. Encouraging bilateral trade and Indian investments in Nepal holds the potential to bolster economic development, ultimately fostering prosperity for both nations. Nepal should convey its openness and welcoming stance toward Indian investments to promote economic growth

The collaborative efforts and agreements between India and Nepal represent a promising trajectory in their bilateral relations. These initiatives encompass a wide range of sectors, including culture, infrastructure, energy, education, and more, and reflect a shared commitment to mutual development and regional stability.

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