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India - Nepal relations

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Why is in news? After addressing the UNGA, Nepal's Prime Minister heads to China. The momentum in ties between Nepal and China has slowed since the bonhomie and cooperation of the pre-pandemic years. The US and India are important players in the regional game, and New Delhi will be watching Prachanda in Beijing closely.

Nepal's Prime Minister Pushpa Kamal Dahal 'Prachanda' told the United Nations General Assembly that his country was "closer to logically concluding our unique peace process", and that "completing the remaining task of transitional justice is top on his political agenda".

He said there would be "no blanket amnesty for the serious violation of human rights", and sought "goodwill and support" from the international community for the conclusion of the peace process.

Areas of Cooperation:

Unique India-Nepal Ties:

The relationship between India and Nepal has been unique due to factors such as social, religious, and community exchanges, inter-marriages, and peaceful coexistence along their 1,770-kilometer border.

Economic Interdependencies:

India is Nepal's as its largest trade partner, highest source of foreign direct investment (FDI), transit for third-country trade, a major supplier of petroleum, and one of the top sources of inward remittances.

India remains Nepal's **largest trade partner**, with bilateral trade crossing US\$ 7 billion in FY 2019-20.

India provides **transit for almost the entire third country trade of Nepal**.

India's export to Nepal has grown over 8 times in the past 10 years while exports from Nepal have almost doubled.

In FY 2021-22, it constituted 2.34% of India's exports. In fact, exports from India constitute almost 22% of Nepal's GDP.

Indian firms are among the **largest investors in Nepal**, accounting for more than 33% of the total FDI stock in Nepal, worth nearly US\$ 500 million.

India and Nepal have also signed the **Double Taxation Avoidance Agreement (DTAA)** in November 2011. The bilateral remittance flow is estimated at approximately US\$ 3 billion (Nepal to India) and US\$ 1 billion (India to Nepal).

Defence Cooperation:

India **assists in modernizing Nepal Army** through equipment supply and training.

Joint military exercises (e.g., Surya Kiran), disaster assistance, and bilateral visits.

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The Gorkha regiments of the Indian Army are raised partly by recruitment from hill districts of Nepal. Currently, about 32,000 Gorkha Soldiers from Nepal are serving in the Indian Army.

Connectivity:

India's development assistance to Nepal is a broad-based programme focusing on creation of infrastructure at the grass-roots level.

Various projects have been implemented in the areas of infrastructure, health, water resources, education and rural & community development.

Two important **integrated checks** one at Birgunj (Nepal) and another at Biratnagar (Nepal) have been built with Indian assistance.

India has built **several hydroelectric projects** in Nepal like Pokhara (1 MW), Trisuli (21 MW), Western Gandak (15 MW), Devighat (14.1 MW) etc.

Nepal has also extended an invitation to Indian businesses to invest in the **West Seti Hydropower Project**.

Power Cooperation:

India and Nepal have robust cooperation in the power sector.

Three cross-border transmission lines were completed recently with GoI assistance - 400 kV Muzaffarpur-Dhalkebar line (2016); 132 kV Kataiya-Kusaha and Raxaul-Parwanipur lines (2017).

A total of about 600 MW of power is currently being supplied by India to Nepal through different transmission lines, assisting Nepal to overcome power shortage.

The Government of India has granted permission to Nepal Electricity Authority (NEA) in November 2021 to **sell its surplus energy under Cross Border Trade of Electricity (CBTE) guidelines**.

Educational, People-to-People, and Cultural Exchanges:

Visa-free entry for citizens of both countries - Nearly eight (8) million Nepalese citizens live and work in India and around 6,00,000 Indians reside in Nepal.

Nepalese citizens living and working in India.

Promoting people-to-people exchanges through agreements and initiatives.

Cultural centres, sister city agreements, and alumni networks.

Indians account for about **30% of foreign tourists in Nepal**.

With a view to strengthen people to people exchanges, sister city agreements have been signed (Kathmandu-Varanasi, Lumbini-Bodhgaya, Janakpur-Ayodhya) & India-Nepal Ramayana Circuit have been launched.

Multilateral Partnership:

BBIN (Bangladesh, Bhutan, India, and Nepal),

BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation),

Non-Aligned Movement, and

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SAARC (South Asian Association for Regional Cooperation) etc

COVID Assistance:

As part of COVID-19 assistance, India had supplied more than 23 tonnes of medicines and medical equipment to Nepal on Grant basis during the first wave of COVID-19.

The total COVID-19 assistance provided to Nepal is more than US\$ 7 million.

India also ensure uninterrupted supply of Medical Oxygen to Nepal during the peak of the pandemic.

Challenges:

The **ongoing boundary dispute** over areas like Kalapani and Susta and **limited progress** in resolving the dispute. Tensions escalated with the publication of new Indian and Nepali maps.

Nepal's request to **revise the 1950 Friendship treaty** was perceived as unequal. Lack of progress in initiating talks or accepting EPG recommendations.

Nepal's **increased engagement with China**, including infrastructure agreements. Joining the Belt and Road Initiative. Concerns over Chinese interference in Nepali politics.

Nepal **seeking air connectivity**, particularly through specific airports in India. Dependence on Indian permission for international flights. **Infrastructure projects constructed by Chinese companies** but requiring Indian viability.

Transition to formal economy in India **impacting informal trade arrangements**. Difficulty in doing business with India compared to China. The decline in Indian investments was replaced by Chinese investments

Porous and poorly patrolled borders enabled the smuggling of weapons, ammunition, and counterfeit currency. Pose security risks to India from terrorist organizations and insurgent groups operating in India's northeast.

Growing trust gap due to the slow pace of project implementation by India. Perception of India's interference in Nepal's politics. Challenges in maintaining trust and political sovereignty.

Conclusion:

India and Nepal share age old civilisational ties. Nepal is crucial for India's economic and strategic interests. A friendly and favourable Nepal will act as a vital buffer between India and an increasingly aggressive China.

The Government of India should constructively engage with new regime in Nepal and work towards greater cooperation on multiple dimensions. This will be in favour of India's long term interests.