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? PCA Ruling on Indus Waters Treaty Deepens India–Pakistan Dispute Over Water, Sovereignty and Treaty Obligations

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Recent Developments:

On **31 August 2026**, the **Court of Arbitration constituted under the Indus Waters Treaty (IWT)** ruled that the **1960 treaty remains fully in force** and that India continues to be bound by its obligations.

The ruling followed India's decision of **23 April 2025** to place the treaty in **abeyance** after the **Pahalgam terrorist attack**, pending Pakistan's credible and irreversible action against cross-border terrorism.

The Court held that the IWT does not permit either party to **unilaterally suspend or terminate** the treaty and rejected India's legal grounds for keeping it in abeyance.

India rejected the ruling, describing the Court as **illegally constituted** and maintaining that it has **no jurisdiction** because parallel proceedings on related issues were already underway before a **Neutral Expert**.

The Court also issued interim directions concerning India's **Ratle Hydroelectric Project on the Chenab River**, thereby intensifying the dispute over India's rights to develop hydropower projects on the Western Rivers.

Indus Waters Treaty: Background and Framework:

Origin and Significance:

The **Indus Waters Treaty** was signed by India and Pakistan in **1960** after nearly nine years of negotiations facilitated by the **World Bank**, which is also a signatory to the treaty.

The treaty is widely regarded as an important example of **institutionalised transboundary water cooperation** because it continued to provide a framework for water management despite wars and prolonged political hostility between India and Pakistan.

Its primary objective is to establish a predictable system for the **allocation, utilisation and management of the waters of the Indus river system**.

Allocation of the Indus Rivers:

Eastern Rivers: The **Ravi, Beas and Sutlej** are allocated primarily for India's unrestricted use.

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Western Rivers: The **Indus, Jhelum and Chenab** are allocated primarily to Pakistan, although India retains specified rights over these rivers.

India's permitted uses on the Western Rivers include **domestic consumption, limited irrigation, non-consumptive uses and run-of-the-river hydroelectric power generation**, subject to technical conditions prescribed under the treaty.

Dispute-Settlement Architecture Under the Treaty:

Permanent Indus Commission:

The treaty established the **Permanent Indus Commission**, consisting of one Commissioner from each country.

The Commission provides an institutional mechanism for **information exchange, consultation, inspection and the resolution of routine questions** concerning treaty implementation.

Neutral Expert and Court of Arbitration:

The treaty provides a differentiated dispute-resolution framework in which issues may be classified as **questions, differences or disputes**, depending upon their nature.

Technical **differences** may be referred to a **Neutral Expert**, whereas more serious treaty disputes may proceed to a **Court of Arbitration**.

The present controversy has emerged partly because India and Pakistan adopted different dispute-resolution routes regarding similar issues concerning the **Kishenganga and Ratle hydroelectric projects**.

In **2022**, the World Bank resumed both processes after efforts to obtain a mutually acceptable solution failed, despite acknowledging that simultaneous proceedings created practical and legal challenges.

What Has the Court of Arbitration Ruled?:

Status of the Indus Waters Treaty:

The Court held that India's decision to place the treaty in **abeyance** did not suspend its legal operation.

According to the ruling, the treaty contains no provision permitting either India or Pakistan to **unilaterally suspend or terminate** its obligations.

The Court further held that the treaty would remain binding unless both countries mutually modify or terminate it through a subsequent agreement.

India's arguments relating to **terrorism, sovereignty, material breach, demographic changes, technological developments, climate change and armed conflict** were held insufficient to legally justify unilateral suspension or termination.

Consequently, the Court concluded that India remains bound by treaty provisions relating to the **Western Rivers, hydroelectric projects and dispute-settlement mechanisms**.

Interim Measures on the Ratle Project:

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The Court also issued interim measures relating to the **Ratle Hydroelectric Project**, a run-of-the-river project located on the **Chenab River**.

India has been directed to temporarily avoid specified construction activities concerning parts of the dam and power-intake structure beyond prescribed levels.

The restrictions are linked to the continuing examination of technical design issues by the **Neutral Expert**.

The Neutral Expert's final decision on relevant technical questions is expected around **July 2027**, although the Neutral Expert and arbitration processes remain institutionally separate.

Why Does India Reject the Court's Jurisdiction?:

India's Position on Parallel Proceedings:

India has consistently refused to participate in the Court of Arbitration proceedings and disputes the legality of the Court's constitution.

New Delhi argues that Pakistan's recourse to arbitration created a **parallel dispute-resolution process** on questions that India considers appropriate for examination by the Neutral Expert.

India maintains that the treaty's dispute-settlement architecture should not permit simultaneous proceedings that could produce overlapping interpretations or inconsistent outcomes.

India has therefore described the Court's decisions as **null and void** and has maintained that its position regarding the treaty's abeyance remains unchanged.

However, the World Bank has previously stated that both mechanisms were initiated under separate requests made pursuant to treaty procedures and that the institutions concerned could determine their own jurisdictional competence.

The Ratle–Kishenganga Hydroelectric Dispute:

Nature of Pakistan's Objections:

Pakistan has challenged technical features of India's **Kishenganga and Ratle hydroelectric projects**, arguing that certain design parameters violate restrictions applicable to India's projects on the Western Rivers.

The dispute involves technically complex issues such as **reservoir pondage, dead storage, freeboard, spillway design and operational parameters**.

The projects are particularly important for India because the treaty permits hydropower development on the Western Rivers but imposes specific limitations on project design.

Neutral Expert Proceedings:

India sought resolution of relevant technical issues through the **Neutral Expert mechanism**.

In January 2025, the Neutral Expert held that the seven questions raised by India concerning the disputed projects fell within his competence.

India considers this mechanism more consistent with its interpretation of the treaty, while Pakistan has continued to pursue its claims before the Court of Arbitration.

The simultaneous existence of these processes has transformed a technical disagreement over dam design into a broader dispute concerning **jurisdiction, treaty interpretation and international adjudication**.

Strategic and Geopolitical Significance:

Water Security and Pakistan's Dependence:

Pakistan is highly dependent upon the Indus river system for **irrigation, agriculture, food production and broader water security**.

Therefore, changes in India's approach to the treaty or greater utilisation of its permitted water rights could have significant economic and strategic consequences for Pakistan.

India's Strategic Concerns:

India's decision to link the treaty with **cross-border terrorism** reflects a broader reassessment of whether bilateral agreements can remain insulated from persistent security threats.

India has also argued that substantial changes since the 1950s, including **population growth, technological advancement, energy requirements and climate variability**, justify reconsideration of existing arrangements.

For India, the issue is also connected with maximising its lawful developmental and hydropower potential in **Jammand Kashmir**.

Climate Change Dimension:

Climate change is increasing uncertainty in Himalayan river systems through changing precipitation patterns, glacier dynamics and the frequency of extreme weather events.

This creates a growing need for **hydrological data-sharing, climate-resilient infrastructure and cooperative basin management**, even when political relations remain adversarial.

International Law and Sovereignty Issues:

Treaty Obligations versus Unilateral Action:

The dispute raises a fundamental question in international law: **to what extent can a state unilaterally suspend obligations under a bilateral treaty because of major changes in security circumstances?**

The Court's ruling emphasises the principle that treaty obligations cannot ordinarily be set aside without a legally valid basis recognised under the treaty or international law.

India's position, however, is centred on a prior jurisdictional question because it does not recognise the authority of the tribunal that delivered the ruling.

Jurisdiction as the Central Dispute:

The immediate disagreement is therefore not confined to the allocation of river waters.

It concerns the **legitimacy of international adjudicatory mechanisms, interpretation of treaty procedures and the relationship between sovereign consent and international dispute settlement.**

The episode also demonstrates the limitations of international adjudication when a state refuses to recognise the jurisdiction of the forum issuing a decision.

Challenges Before the Indus Waters Treaty:

Changing Regional Context:

The treaty was negotiated in a different geopolitical and technological environment, whereas contemporary South Asia faces greater pressures from **terrorism, strategic rivalry, climate stress and increasing energy demand.**

Hydropower development in the Himalayan region has also become more technically sophisticated, making disputes over dam design and storage parameters increasingly significant.

Institutional Ambiguity:

The current controversy highlights the possibility of conflicting interpretations regarding the relationship between the **Neutral Expert and Court of Arbitration mechanisms.**

Parallel proceedings can increase legal uncertainty and may weaken confidence in the treaty's institutional architecture.

What Lies Ahead?:

The Court's ruling is unlikely to immediately resolve the dispute because India does not recognise the tribunal's jurisdiction.

The future trajectory may involve India's continued position on the treaty's **abeyance**, Pakistan's attempts to secure international legal and diplomatic support, and continuing proceedings before the Neutral Expert.

Technical disputes over the **Ratle and Kishenganga projects** will remain important because they may influence India's future hydropower development on the Western Rivers.

In the longer term, both countries face the challenge of balancing **water security, climate resilience, energy development, national security and treaty obligations.**

A sustainable solution would ultimately require greater institutional clarity, improved technical cooperation and political engagement, because unilateral positions alone cannot permanently resolve a shared river-basin challenge.

Value Addition for UPSC:

Possible Mains Question:

“The Indus Waters Treaty dispute has evolved from a question of water allocation into a broader contest over sovereignty, security and international dispute settlement.” Discuss.