



BILATERAL RELATIONS  
**INDIA - NEPAL**

# INTRODUCTION

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India–Nepal relations are the bilateral relations between India and Nepal. Both countries initiated their relationship with the 1950 Indo-Nepal Treaty of Peace and Friendship and accompanying secret letters that defined security relations between the two countries, and an agreement governing both bilateral trade and trade transiting Indian Territory. The 1950 treaty and letters exchanged between the then Indian government and Rana rulers of Nepal, stated that "neither government shall tolerate any threat to the security of the other by a foreign aggressor" and obligated both sides "to inform each other of any serious friction or misunderstanding with any neighboring state likely to cause any breach in the friendly relations subsisting between the two governments." These accords cemented a "special relationship" between India and Nepal.

The treaty also granted Nepalese the same economic and educational opportunities as Indian citizens in India, while accounting for preferential treatment to Indian citizens and businesses compared to other nationalities in Nepal. The Indo-Nepal border is open; Nepalese and Indian nationals may move freely across the border without passports or visas and may live and work in either country. However, Indians are not allowed to own land-properties or work in government institutions in Nepal, while Nepalese nationals in India are allowed to work in some Indian government institutions (except in some states and some civil services (the IFS, IAS, and IPS) notably the Indian military.

An estimated 32,000 Nepalese citizens are employed as active duty soldiers in the Indian army and further 1 million Nepali-migrant (720,892 in 2011) workers are believed to be spread throughout India while Indian embassy in Nepal has reported that 600,000 Indian citizens in Nepal have registered their paperwork with the Indian embassy in Kathmandu as of 2021. The number of Indian immigrants who haven't registered their paperwork with the Indian embassy in Kathmandu isn't known as of 2021, however, Government of Nepal has announced that all people living within the boundaries of Nepal will be counted in the upcoming census of 2021.

Despite the close linguistic, marital, religious and cultural ties at people-to-people level between Indians and Nepalese, since late 2015 political issues and Kalapani dispute have led to semi-strained relations between the two countries with resentment growing amongst the government and people of Nepal.



# INDEPENDENT POLITICAL HISTORY

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The foundation of relations between India and Nepal was laid with Indo-Nepalese friendship Treaty in 1950. In the 1950s, the Rana rulers of Nepal welcomed close relations with the newly independent India, fearing a China-backed communist overthrow of their (Rana) autocratic regime. Rana rule in Nepal however collapsed within 3 months of signing the 1950 Indo-Nepal Treaty of Peace and Friendship, only to be replaced by the only pro-Indian party of the time – Nepali Congress. As the number of Indians living and working in Nepal's Terai region increased and the involvement of India in Nepal's politics deepened in the 1960s and after, so too did Nepal's discomfort with the special relationship.

The special security relationship between New Delhi and Kathmandu was re-established during the June 1990 New Delhi meeting of Nepal's prime minister Krishna Prasad Bhatarai and Indian prime minister V.P. Singh, after India ended its 13-month-long economic blockade of Nepal. During the December 1991 visit to India by Nepalese Prime Minister Girija Prasad Koirala, the two countries signed new, separate trade and transit treaties and other economic agreements designed to accord Nepal additional economic benefits.

In June 1990, a joint Kathmandu-New Delhi communique was issued pending the finalization of a comprehensive arrangement covering all aspects of bilateral relations, restoring trade relations, reopening transit routes for Nepal's imports, and formalising respect of each other's security concerns. Essentially, the communiqué announced the restoration of the status quo ante and the reopening of all border points, and Nepal agreed to various concessions regarding India's commercial privileges. Kathmandu also announced that lower cost was the decisive factor in its purchasing arms and personnel carriers from China and that Nepal was advising China to withhold delivery of the last shipment.

In 2008, Indo-Nepal ties got a further boost with an agreement to resume water talks after a 4-year hiatus. The Nepalese Water Resources Secretary Shanker Prasad Koirala said the Nepal-India Joint Committee on Water Resources meet decided to start the reconstruction of the breached Koshi embankment after the water level went down. During the Nepal PM's visit to New Delhi in September the two Prime Ministers expressed satisfaction at the age-old close, cordial and extensive relationships between their states and expressed their support and co-operation to further consolidate the relationship.

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In 2010 India extended a line of credit worth US\$50 million & 80,000 tonnes of foodgrains. Furthermore, a three-tier mechanism at the level of ministerial, secretary and technical levels will be built to push forward discussions on the development of water resources between the two sides. Politically, India acknowledged a willingness to promote efforts towards peace in Nepal. Indian External affairs minister Pranab Mukherjee promised the Nepali Prime Minister Prachanda that he would "extend all possible help for peace and development."

Prime Minister of India Narendra Modi visited Nepal in August 2014, marking the first official visit by an Indian prime minister in 17 years. During his visit, the Indian government agreed to provide Nepal with US\$1 billion as concessional line of credit for various development purposes and a HIT formula, but he insisted that Indian immigrants in Nepal don't pose a threat to Nepal's sovereignty and therefore open border between Nepal and India should be a bridge and not a barrier. Nepal and India signed an important deal on 25 November 2014 as per which India will build a 900 MW hydropower plant at a cost of another US\$1 billion. An amount of US\$250 million has been granted to Nepal as a part of the agreements signed on 22 February 2016 for post-earthquake reconstruction.



# BORDER DISPUTES

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The territorial disputes of India and Nepal include Kalapani 400 km<sup>2</sup> at India-Nepal-China tri-junction in Western Nepal and Susta 140 km<sup>2</sup> in Southern Nepal. Nepal claims that the river to the west of Kalapani is the main Kali river; hence the area should belong to Nepal. But India claims that the river to the west of Kalapani is not the main Kali river, and, therefore the border there should be based on the ridge lines of the mountains Om Parvat to the east of the river.

The river borders the Nepalese province of Sudurpashchim and the Indian state of Uttarakhand. The Sugauli Treaty signed by Nepal and British India on 4 March 1816 locates the Kali River as Nepal's western boundary with India. Subsequent maps drawn by British surveyors show the source of the boundary river at different places. This discrepancy in locating the source of the river led to boundary disputes between India and Nepal, with each country producing maps supporting their own claims.

Indian government, however, from 1962 onward, forwarded the argument that border should be based on the ridge lines of the mountain Om Parvat. The Kali River runs through an area that includes a disputed area of about 400 km<sup>2</sup> around the source of the river although the exact size of the disputed area varies from source to source. The dispute intensified in 1997 as the Nepali parliament considered a treaty on hydro-electric development of the river. India and Nepal differ as to which stream constitutes the source of the river.

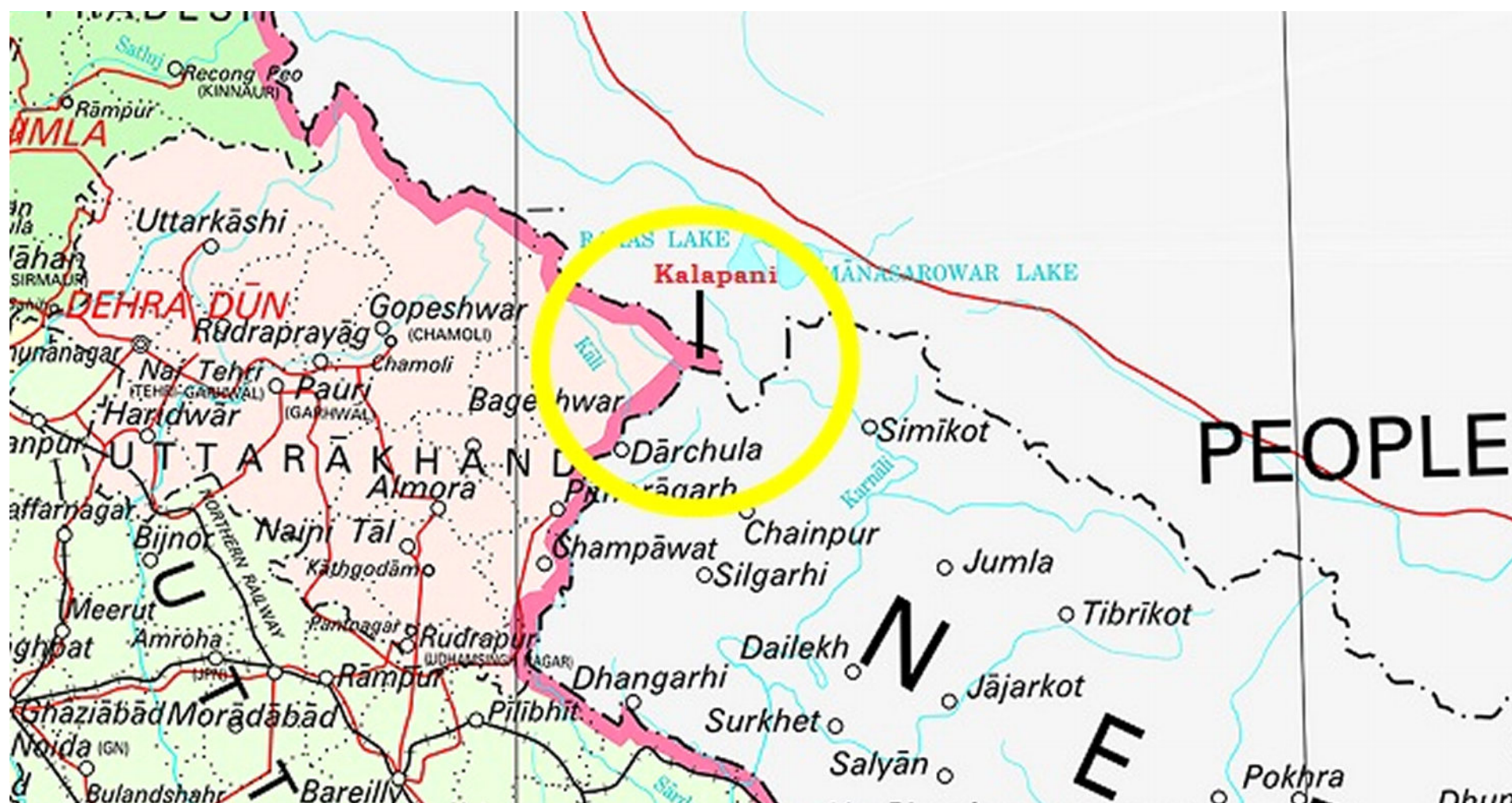
Nepal has reportedly tabled an 1856 map from the British India Office to support its position. Kalapani has been controlled by India's Indo-Tibetan border security forces since the Sino-Indian War with China in 1962. In 2015, the Nepalese parliament objected an agreement between India and China to trade through Lipulekh Pass, a mountainous pass in the disputed Kalapani area, stating that the agreement between India and China to trade through Kalapani violates Nepal's sovereign rights over the territory. Nepal has called for the withdrawal of the Indian border forces from Kalapani area.

As the first step for demarcating Indo-Nepal border, survey teams from both countries located and identified missing pillars along the border, and, an agreement was reached to construct new pillars in some places. According to the Nepalese government estimates, of the 8000 boundary pillars along the border, 1,240 pillars are missing, 2,500 require restoration, and, 400 more need to be constructed. The survey teams conducted survey of the border pillars based on the strip maps prepared by the Joint Technical Level Nepal-India Boundary Committee (JTLNIBC).

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The JTLNIBC was set up in 1981 to demarcate the India-Nepal border and after years of surveying, deliberations and extensions, the committee had delineated 98 per cent of the India-Nepal boundary, excluding Kalapani and Susta, on 182 strip maps which was finally submitted in 2007 for ratification by both the countries. Unfortunately neither country ratified the maps. Nepal maintained that it cannot ratify the maps without the resolution of outstanding boundary disputes, i.e. Kalapani and Susta. India, on the other hand, awaited Nepal's ratification while at the same time urging it to endorse the maps as a confidence building measure for solving the Kalapani and Susta disputes. In absence of a ratification, the process of completely demarcating the India-Nepal boundary could not be undertaken.



# BORDER CROSSINGS

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Integrated check posts with immigration and customs facilities are:

- Jogbani, Bihar
- Bhitthamore, Bihar
- Sunauli, Uttar Pradesh
- Rupaidiha, Uttar Pradesh
- Taulihawa-Siddharthnagar (only for India and Nepalese citizens)
- Jathi, Bihar

Since 2014 to enhance the collaborative relations between the two nations, Nepal and India started Trans-border bus services from New Delhi to Kathmandu connecting the nation's capital of both countries. The service is in operation by Delhi Bus Corporation (DTC) India and several other private Travel companies. At present (2019), Kathmandu to Delhi bus service, Kathmandu to Siliguri Bus service, Kathmandu to Varanasi, Delhi to Janakpur bus service are in operation.





# TRADE RELATION

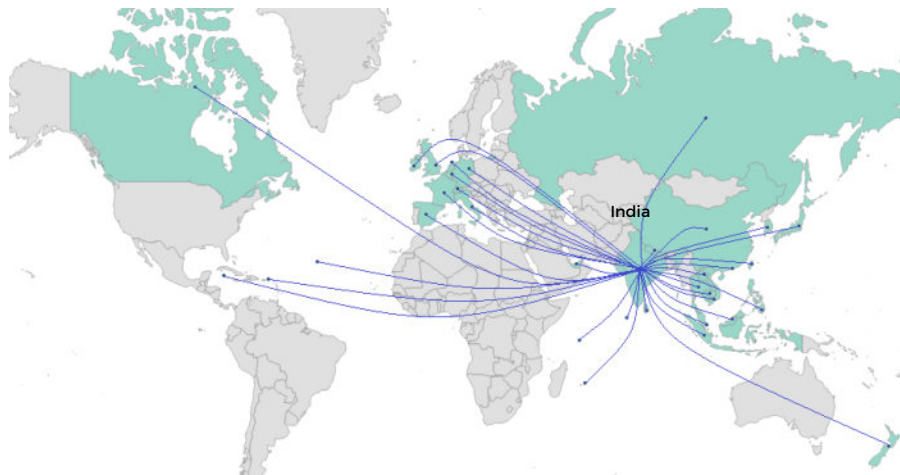
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India is Nepal's largest trade partner and the largest source of foreign investments, besides providing transit for almost entire third country trade of Nepal. India accounts for over two-thirds of Nepal's merchandise trade, about one-third of trade in services, one-third of foreign direct investments, almost 100% of petroleum supplies, and a significant share of inward remittances on account of pensioners, professionals and workers working in India. In the year 2017–2018, Nepal's total trade with India was about US\$8.2 billion; Nepal's exports to India were about US\$446.5 million; and imports from India were about US\$7.7 billion.

Nepal's main imports from India are petroleum products (28.6%), motor vehicles and spare parts (7.8%), M. S. billet (7%), medicines (3.7%), other machinery and spares (3.4%), coldrolled sheet in coil (3.1%), electrical equipment (2.7%), hotrolled sheet in coil (2%), M. S. wires, rods, coils and bars (1.9%), cement (1.5%), agriculture equipment and parts (1.2%), chemical fertilizer (1.1%), chemicals (1.1%) and thread (1%). Nepal's export basket to India mainly comprises jute goods (9.2%), zinc sheet (8.9%), textiles (8.6%), threads (7.7%), polyester yarn (6%), juice (5.4%), catechue (4.4%), Cardamom (4.4%), wire (3.7%), tooth paste (2.2%) and M. S. Pipe (2.1%).



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