Chandrawat & Partners



BILATERAL RELATIO

INDIA - NEPAL

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INTRODUCTION

India and Nepal share a unique relationship anchored in centuries-old civilizational, cultural, linguistic, and family ties—often referred to as Roti-Beti ka Rishta. While formal diplomatic ties were established in June 1947, the modern bilateral framework was cemented by the 1950 Indo-Nepal Treaty of Peace and Friendship and its accompanying letters. Signed between the Government of India and the then Rana rulers of Nepal, the treaty established close security coordination, obligating both nations to respect each other's sovereignty and consult on external security threats or friction with neighboring states.

A defining feature of this partnership is the 1,751-kilometer open border, which allows Indian and Nepali citizens to travel, live, and work freely in either country without passports or visas. Under reciprocal arrangements, Nepali nationals enjoy economic and educational opportunities in India on par with Indian citizens and are eligible for most public sector jobs, excluding the premier civil services (IAS, IPS, and IFS) and certain state-level posts. Conversely, while Indian citizens and businesses receive preferential treatment in Nepal over other foreign nationals, they are barred from owning property or holding government jobs there.

This open-border regime supports massive cross-border mobility. Roughly 600,000 to 700,000 Indian citizens reside in Nepal, while an estimated one million Nepali citizens live and work across India. Historically, tens of thousands of Nepali Gorkhas have also served in the Indian Army under the 1947 Tripartite Agreement, though fresh recruitment has remained on hold since 2022 pending bilateral consensus on India’s Agnipath military recruitment scheme.

Despite deep people-to-people goodwill, bilateral ties have experienced periodic friction since 2015, primarily over constitutional debates, calls in Nepal to review the 1950 Treaty, and unresolved boundary disputes in the Kalapani–Limpiyadhura and Susta regions. However, both governments have maintained steady diplomatic engagement to balance these sensitivities with practical cooperation—most notably in cross-border hydropower trade, physical and digital connectivity, and development partnerships.



INDEPENDENT POLITICAL HISTORY

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.

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

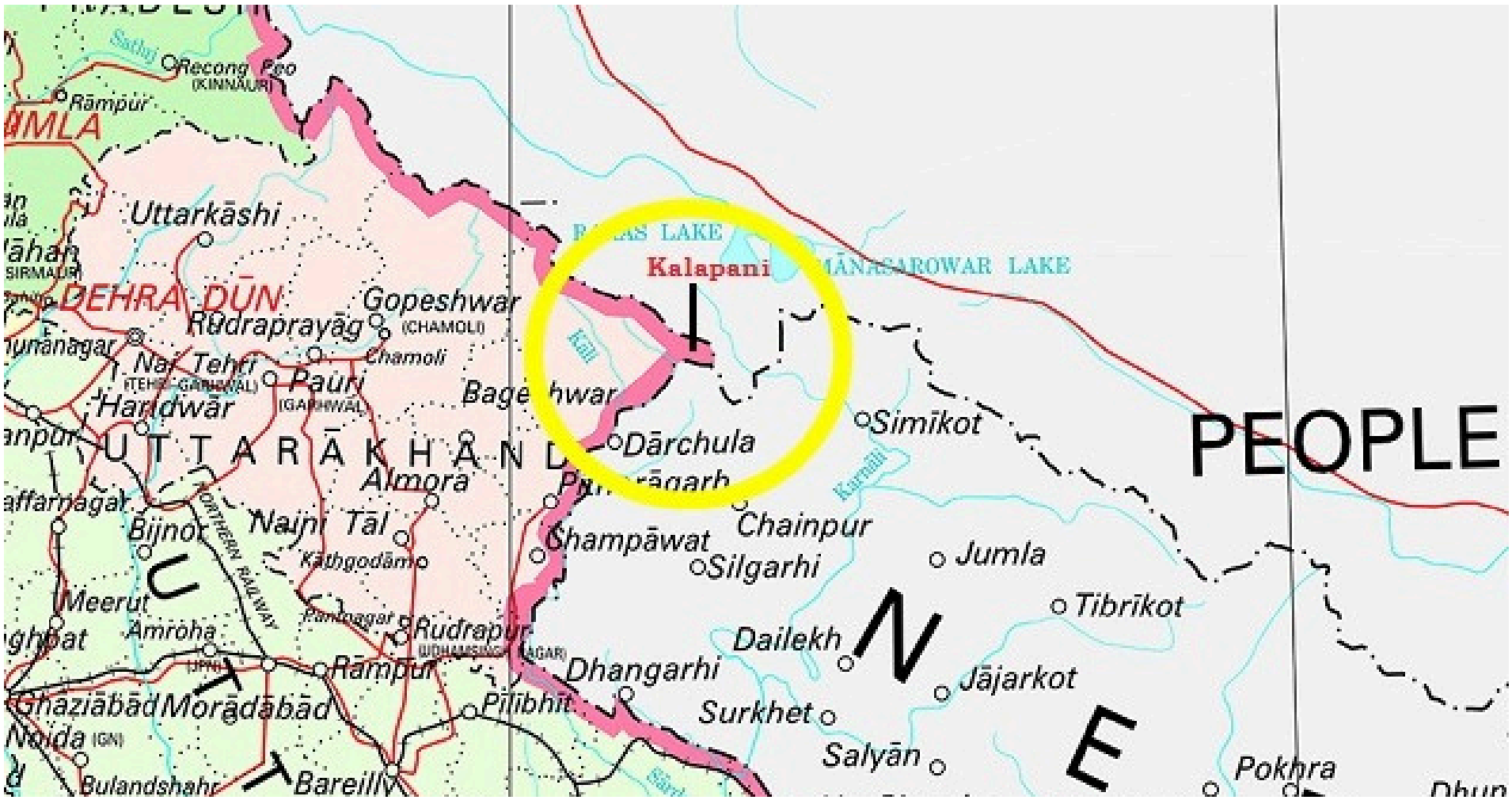
While India and Nepal have mutually delineated roughly 98 percent of their shared boundary, two primary territorial disputes remain unresolved: the Kalapani–Lipulekh–Limpiyadhura sector (covering roughly 370 to 400 sq. km) at the India–Nepal–China tri-junction in the west, and the Susta area (approximately 140 sq. km) along the southern Terai plains.

The dispute in the west stems from differing interpretations of the 1816 Treaty of Sugauli between Nepal and British India, which designated the Kali (Mahakali) River as Nepal's western boundary. Subsequent nineteenth-century British survey maps depicted the river's headwaters at different locations. Nepal maintains that the river originates at Limpiyadhura, placing Kalapani and Lipulekh Pass within its Sudurpashchim Province, and cites pre-1857 British maps to support its claim. Conversely, India asserts that the Kali River begins at springs below Lipulekh Pass along the watershed ridge near Om Parvat, citing post-1860 administrative and revenue records that place the area within Uttarakhand's Pithoragarh district.

The Kalapani region holds major strategic significance as a high-altitude Himalayan observation post and a direct route to Kailash Mansarovar. Indian forces have manned the area since the 1962 Sino-Indian War. Tensions resurfaced in 2015 when Nepal objected to an India–China bilateral trade agreement via Lipulekh Pass, and escalated sharply in 2019–2020. Following India's updated political map in late 2019 and its inauguration of a link road to Lipulekh in May 2020, Nepal amended its constitution to adopt a new political map incorporating Kalapani, Lipulekh, and Limpiyadhura—a move India rejected as a unilateral cartographic assertion. In 2026, diplomatic friction briefly flared again over the resumption of border trade and pilgrimage through Lipulekh, though Kathmandu subsequently favored structured dialogue. Meanwhile, the Susta dispute along the Bihar–Lumbini border stems from the Gandak (Narayani) River shifting its course southward over decades, leaving previously Nepali-administered land on the Indian side.

On the technical front, the Joint Technical Level Nepal–India Boundary Committee (1981–2007) prepared strip maps covering the agreed border, and the Boundary Working Group (established in 2014) oversees pillar maintenance. Out of 8,554 planned boundary pillars, joint surveys identified roughly 1,325 missing and 1,956 damaged pillars. In August 2026, both nations agreed on a three-year roadmap using drone-based aerial mapping to resolve cross-border land occupation issues along the delineated stretch, while continuing diplomatic mechanisms to address Kalapani and Susta.

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

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.



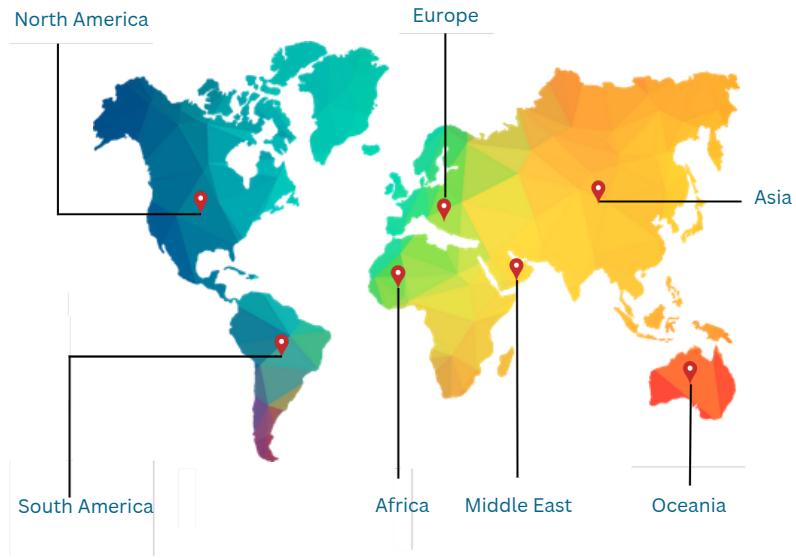
TRADE RELATION

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, roads, 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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