

India-Nepal Relations

Why in news?

The Nepal Prime Minister, Sher Bahadur Deuba, paid a long-awaited visit to India, his first bilateral visit abroad, in keeping with tradition.

What are the developments of India-Nepal relations over the years?

- **Diplomatic relations**- India-Nepal relations were founded on the age-old connection of history, culture, tradition and religion.
- The two countries established diplomatic relations on 17 June 1947.
- India's neighbourhood first policy signifies the importance of Indo-Nepal relations.
- **Political relations**- The frequent high level visits by the leaders of the two countries at different points of time and the interactions constitute the hallmark of the ties between the two countries.
- The recent visit of Nepal's PM to India reiterates the need for strengthening the existing bilateral mechanisms.
- **Economic relations**- India is Nepal's largest trading partner.
- Following the massive earthquakes in Nepal in 2015, India promptly offered helping hands.
- Nepal has escalating trade deficit with India. Nepal and India have concluded bilateral Treaty of Transit, Treaty of Trade and the Agreement of Cooperation to Control Unauthorized Trade.
- In the International Conference on Nepal's Reconstruction (2015), the Government of India pledged grants and soft loans.
- **Connectivity**- The 1950 Treaty of Peace and Friendship was sought by the Nepali authorities in 1949 to provide for an open border and for Nepali nationals to have the right to work in India.
- The BBIN Motor Vehicles Agreement (MVA) in which Nepal is a partner will permit the member states to ply their vehicles in each other's territory for transportation of cargo and passengers.
- **Multilateral and Regional Fora**- Both Nepal and India work in tandem in the United Nations, Non-aligned Movement and other international fora on most of the important international issues.
- Both the countries have been deeply engaged in the regional and sub-regional frameworks of SAARC, BIMSTEC and BBIN for enhancing cooperation for greater economic integration.

What are the positive outcomes of the Deuba regime?

- **Cross-border rail link**- The Rs 787 crore project of cross-border rail link (35km) from Jayanagar (Bihar) to Kurtha (Nepal) has been operationalised recently.
- The Konkan Railway Corporation will provide the necessary technical support initially.
- **Circuit transmission line**- The 90 km long 132 kV double circuit transmission line connecting Tila (Solukhumbu) to Mirchaiya (Siraha) has been inaugurated.

- It was constructed with an Exim Bank concessional loan of Rs 200 crore where a dozen hydroelectric projects were planned in the Solu corridor.
- Technical cooperation agreements providing technical cooperation were also signed such as the
 - In the railway sector
 - Nepal's induction into the International Solar Alliance
 - Between Indian Oil Corporation and Nepal Oil Corporation on ensuring regular supplies of petroleum products
- **Mahakali Treaty-** The Mahakali Treaty, signed in 1996 covers the Sarada and Tanakpur barrages as well as the Pancheshwar Multipurpose project.
- The ambitious \$7 billion project needs political will to move it forward.
- The current joint vision statement on power sector cooperation recognises the opportunities for joint development power generation projects together with cross border transmission linkages and coordination between the national grids.
- **U.S. Millennium Challenge Corporation (MCC)-** The agreement provides a grant of 500 million dollars for building 318 km of high voltage transmission lines along with sub-stations and the maintenance of 300 km of the East-West highway.
- Recently, Mr. Deuba pushed through the ratification of the agreement with the (MCC), despite the reservations of his coalition partners and China.

Why is China's role in Nepal a matter of concern?

- **During monarchy-** China maintained a link with the Palace and its concerns were primarily related to keeping tabs on the Tibetan refugee community.
- **After monarchy-** China has shifted attention to the political parties and to institutions such as the Army and Armed Police Force and considers Nepal an important element in its growing South Asian footprint.
- **Recent years-** In 2016, the then PM, Mr. Oli visited Beijing to negotiate an Agreement on Transit Transportation.
- Later, a Protocol was concluded with China providing access to four sea ports and three land ports.
- China has overtaken India as the largest source of foreign direct investment.
- China is also engaged with airport expansion projects at Pokhara and Lumbini.

How to manage the growing differences?

- **The 1950 Treaty of Peace and Friendship-** This treaty is viewed as a sign of an unequal relationship, and an Indian imposition.
- The two Foreign Ministers should possibly acknowledge the report of the groups on the 1950 treaty publicly to kickstart Track 2 conversations.
- Many Nepali nationals who were legally entitled to hold Rs 25,000 of Indian currency (given that the Nepali rupee is pegged to the Indian rupee) were left high and dry due to demonetisation.
- **Boundary issue-** The boundaries had been fixed in 1816 by the British, and India inherited the areas over which the British had exercised territorial control in 1947.
- While 98% of the India-Nepal boundary was demarcated, two areas, Susta and Kalapani remain disturbing.
- In 2019, when India issued new maps following the division of the State of Jammu and Kashmir as Union Territories, Mr. Oli expanded the Kalapani area dispute by endorsing a new map of Nepal.

- To build upon the positive mood, it is necessary these issues be discussed, behind closed doors and at Track 2 and Track 1.5 channels.
- India needs to be a sensitive and generous partner for the “neighbourhood first” policy to take root.

References

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