



P.L.RAJ IAS & IPS ACADEMY

Building Bureaucrats Since 2006

4. A New Phase in India-Nepal Relations

Recent high-level diplomatic exchanges between India and Nepal have signalled a renewed determination on both sides to strengthen bilateral ties and navigate longstanding differences — particularly over unresolved boundary disputes — through dialogue rather than confrontation. The relationship, while deep-rooted in history, culture, and economics, has periodically been strained by territorial disagreements, perceptions of asymmetry, and competing geopolitical influences in the region.

1. India-Nepal Border Disputes – The Core Flashpoints

India and Nepal share a border of approximately 1,751 kilometres across five Indian states — Sikkim, West Bengal, Bihar, Uttar Pradesh, and Uttarakhand. While the overwhelming majority of this boundary is undisputed and open, two specific territorial disputes continue to cast a shadow over bilateral relations.

1. **Kalapani–Lipulekh–Limpiyadhura Dispute** – This is the most politically sensitive territorial disagreement between the two countries. Nepal bases its claim on the Sugauli Treaty of 1816, signed between the East India Company and Nepal's representatives. The treaty designated the Kali River as Nepal's western boundary with India. Nepal's interpretation is that the Kali River originates at Limpiyadhura, and therefore the Lipulekh Pass and the Kalapani region — which lie between Limpiyadhura and the point India considers the river's source — fall within Nepali territory. India's position is that the Kali River originates near Kalapani at a lower elevation, which places the strategically vital Lipulekh Pass — a critical tri-junction between India, Nepal, and China — within Uttarakhand. The Kali River's course has shifted over the centuries, complicating the cartographic basis for any definitive resolution. The dispute became politically acute in 2020 when India inaugurated a road through the Lipulekh Pass and Nepal released a new political map showing all three regions as Nepali territory.
2. **Susta Border Dispute** – Susta is a smaller but symbolically significant territorial dispute in the Terai region. India administers it as part of West Champaran district of Bihar, while Nepal claims it as part of West Nawalparasi district under Susta rural municipality. Nepal alleges that over 14,860 hectares of its territory in Susta have been encroached upon by India — primarily through river course changes in the Gandak River, which marks the boundary in this area.

2. Overview of India-Nepal Relations – The Multidimensional Framework

Despite the boundary disputes, India-Nepal relations are characterised by extraordinary depth across every dimension of bilateral engagement.

1. **Treaty framework** – The India-Nepal Treaty of Peace and Friendship (1950) forms the bedrock of the bilateral relationship, establishing special provisions including open borders, freedom of movement, and equal treatment of each other's citizens in employment and business. Nepalese citizens enjoy facilities and opportunities in India largely on par with Indian citizens, and vice versa.
2. **Defence ties** – India has been a longstanding partner in Nepal Army modernisation, providing equipment, training, and technical support. Both countries conduct the Joint Military Exercise SURYA KIRAN alternately in India and Nepal. Since 1950, the two armies have honoured each other's Chiefs

with the honorary rank of General. The Gorkha regiments of the Indian Army are partly recruited from the hill districts of Nepal — a unique and deeply symbolic feature of the bilateral relationship.

3. **Trade and economic partnership** – India is Nepal's largest trade partner and the largest source of foreign direct investment, accounting for 33.5% of total FDI stock in Nepal. Nepal has risen from India's 28th to its 17th largest export destination since 2014. Major Indian exports to Nepal include petroleum products, iron and steel, automobiles, machinery, and cereals — reflecting Nepal's deep economic interdependence with India.
4. **Connectivity and development** – India is Nepal's largest developmental donor in priority sectors such as health, education, and connectivity. Major Indian-funded projects include the expansion of Tribhuvan International Airport, the East-West Highway, cross-border rail links, and the establishment of Integrated Check Posts along the border. India's energy cooperation with Nepal — particularly cross-border electricity trade and hydropower development — is an area of growing strategic and economic importance.
5. **Operation Maitri** – India's rapid response to the 2015 Nepal earthquake — the largest disaster relief operation India has ever conducted abroad — remains a powerful symbol of the depth of the human bond between the two countries.
6. **Cultural ties** – The "Roti-Beti" relationship — referring to the long tradition of cross-border marriages and shared culinary culture — captures the civilisational intimacy that underlies formal diplomatic relations.

3.Areas of Concern

1. **China's growing footprint** – Beijing has significantly expanded its economic, infrastructural, and diplomatic engagement with Nepal through BRI investments, road and rail connectivity projects, and energy cooperation. This provides Nepal with an alternative to India-dependence but also introduces strategic competition that complicates India's neighbourhood diplomacy.
2. **"Big Brother" perception** – A persistent asymmetry in the relationship — stemming from India's far greater economic and geopolitical weight — occasionally generates resentment and nationalist pushback in Nepal's domestic politics. Indian actions perceived as coercive or insensitive to Nepali sovereignty amplify this sentiment.
3. **Implementation delays** – Several connectivity and infrastructure projects funded by India have experienced significant delays in execution, generating frustration in Nepal and enabling Chinese competitors to present their projects as more reliable alternatives.
4. **Water resource management** – Shared rivers — the Kosi, Gandak, Mahakali, and others — are sources of both cooperation and tension. Flood control, hydropower royalties, and irrigation-related agreements require constant diplomatic maintenance.

4.Way Forward

1. **Sustained diplomatic engagement** through the existing bilateral boundary mechanism — the Joint Technical Level Boundary Committee — is the appropriate forum for resolving territorial disputes through cartographic evidence and historical treaty interpretation rather than public political pressure.
2. **Energy cooperation** represents the most promising near-term opportunity – Nepal's vast hydropower potential and India's growing electricity demand can create deep economic interdependence that transcends political differences.

3. **Accelerating project implementation** — particularly cross-border rail and road connectivity — would demonstrate India's reliability as a development partner and reduce the space for Chinese influence.
4. **Cultural and people-to-people exchanges** should be systematically expanded through educational scholarships, youth programmes, and tourism facilitation to reinforce the civilisational bonds that remain the most durable foundation of the relationship.

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