



India-Nepal: Recent Developments

For Prelims: India-Nepal Relations, India-Nepal Treaty of Peace and Friendship of 1950, Kalapani Boundary Issue, India's Neighbourhood First Policy.

For Mains: India-Nepal Relations - Significance and Major Challenges, China's interventions in Indo-Nepal Relations.

Why in News?

Recently, the Indian Prime Minister has visited Lumbini, Nepal, the birthplace of Buddha, where he laid a foundation stone along with Nepalese Prime Minister for a **Buddhist Vihara, being built with Indian assistance**.

- The PM celebrated the [2566th Buddha Jayanti](#) celebrations and addressed a gathering of people, including Buddhist scholars and monks, from Nepal and India.
- The PM praised Nepal for **preserving its ancient culture and civilisation**. India-Nepal **relation is as strong and as ancient as the Himalayas**.



What are the Highlights of the Visit?

- **International Centre for Buddhist Culture and Heritage:**
 - He performed the 'shilanyas' ceremony to launch the **construction of the India International Centre for Buddhist Culture and Heritage in the Lumbini Monastic Zone**.
 - The centre will be a **world-class facility welcoming pilgrims and tourists from all**

over the world to enjoy the essence of spiritual aspects of Buddhism.

- The facility is **aimed at catering to scholars and Buddhist pilgrims from all over the world** who visit Lumbini.
- **Hydropower Projects:**
 - The two leaders signed five agreements, including one between the **Satluj Jal Vidyut Nigam (SJVN) Ltd** and the **Nepal Electricity Authority (NEA) for development and implementation of 490.2 megawatts Arun-4 hydropower project.**
 - Nepal also invited **Indian companies to invest in the West Seti hydropower project in Nepal.**
- **Setting up a Satellite Campus:**
 - India has **offered to set up a satellite campus of the Indian Institute of Technology (IIT) in Rupandehi** and has sent some draft memoranda of understanding for signing between Indian and Nepali universities.
- **Pancheshwar Multipurpose Project:**
 - Nepal discussed some pending projects like the **Pancheshwar Multipurpose Project**, an important arm of the **Mahakali Treaty** signed between Nepal and India in 1996, and West Seti Hydropower Project, a reservoir-type project with a projected capacity of 1,200 megawatts.

How have been India's Ties with Nepal?

- The India-Nepal **Treaty of Peace and Friendship of 1950** forms the bedrock of the special relations that exist between India and Nepal.
- Nepal is an important neighbour of India and occupies special significance in its foreign policy because of the geographic, historical, cultural and economic linkages/ties that span centuries.
- India and Nepal share similar ties in terms of **Hinduism** and **Buddhism** with Buddha's birthplace Lumbini located in present day Nepal.
- In recent years, **India's relations with Nepal have witnessed some 'lows'**. The relationship between the two took a nosedive in 2015, with India first getting blamed for interfering in the Constitution drafting process and then for an "unofficial blockade" that generated widespread resentment against India.
- In 2017, Nepal signed up to **China's Belt and Road Initiative (BRI)**, which sought to create highways, airports and other infrastructure in the country. **BRI was rejected by India** and this move of Nepal was seen as an inclination towards China.
- **In 2019, Nepal released a new political map** claiming Kalapani, Limpiyadhura and Lipulekh of Uttarakhand and the area of Susta (West Champaran district, Bihar) as part of Nepal's territory.

What are the Irritants in India-Nepal Ties?

- **Territorial Disputes:** One of the main irritants in the Indo-Nepal ties is the **Kalapani boundary issue**. These 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 remained in limbo.
 - In 2019, Nepal released a new political map claiming Kalapani, Limpiyadhura and Lipulekh of Uttarakhand and the area of Susta (West Champaran district, Bihar) as part of Nepal's territory.
- **Issues with Peace and Friendship Treaty:** The 1950 Treaty of Peace and Friendship was sought by the Nepali authorities in 1949 to continue the special links they had with British India and to provide them an open border and the right to work in India.
 - But today, it is viewed as a sign of an unequal relationship, and an Indian imposition.
 - The idea of revising and updating it has found mention in Joint Statements since the mid-1990s but in a sporadic and desultory manner.
- **The Demonetisation Irritant:** In November 2016, India withdrew Rs 15.44 trillion of high value (Rs 1,000 and Rs 500) currency notes. Today, over Rs 15.3 trillion has been returned in the form of fresh currency.
 - Yet, 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.
 - The Nepal Rashtra Bank (central bank of Nepal) holds Rs 7 crore and estimates of public

holdings are Rs 500 crore.

- India's refusal to accept demonetised bills with the Nepal Rastra Bank and the unknown fate of the report submitted by the Eminent Persons Group (EPG) have not helped in securing it a better image in Nepal.

Way Forward

- The need today is **to avoid rhetoric on territorial nationalism and lay the groundwork for quiet dialogue where both sides display sensitivity** as they explore what is feasible. India needs to be a sensitive and generous partner for the neighbourhood first policy to take root.
- **India should engage more proactively with Nepal in terms of people-to-people engagement**, bureaucratic engagement as well as political interactions.
- The **power trade agreement needs to be such that India can build trust in Nepal**. Despite more renewable energy projects (solar) coming up in India, hydropower is the only source that can manage peak demand in India.
- The **[Bilateral Investment Promotion and Protection Agreement \(BIPPA\)](#)** signed between India and Nepal **needs more attention from Nepal's side**.
 - The private sector in Nepal, especially the cartels in the garb of trade associations, are fighting tooth and nail against foreign investments.
 - It is important that Nepal conveys this message that it welcomes Indian investments.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Q. Consider the following statements: (2020)

1. The value of Indo-Sri Lanka trade has consistently increased in the last decade.
2. "Textile and textile articles" constitute an important item of trade between India and Bangladesh.
3. In the last five years, Nepal has been the largest trading partner of India in South Asia.

Which of the statements given above is/are correct?

- (a) 1 and 2 only
- (b) 2 only
- (c) 3 only
- (d) 1, 2 and 3

Ans: (b)

- As per data from the Department of Commerce, Indo Sri Lanka bilateral trade value for a decade (2007 to 2016) was 3.0, 3.4, 2.1, 3.8, 5.2, 4.5, 5.3, 7.0, 6.3, 4.8 (in billion USD). It reflects continuous fluctuation in the trend of trade value. There has been an overall increase but the same cannot be said as consistent rise in trade value. Hence statement 1 is not correct.
- Bangladesh has been a major textile trading partner for India, with a share of more than 5% in exports and over 7% in imports. While annual textile exports to Bangladesh averages \$2,000 million, imports are worth \$400 (Year: 2016-17).
- The major items of exports are fibre and yarn of cotton, man-made staple fibres and man-made filaments while major import items include apparel and clothing, fabric and other made up textile articles. **Hence, statement 2 is correct.**
- According to the data, in 2016-17, Bangladesh is India's largest trading partner in South Asia, followed by Nepal, Sri Lanka, Pakistan, Bhutan, Afghanistan and Maldives. The level of Indian exports also follows the same order. **Hence, statement 3 is not correct.**

Q. Consider the following pairs: (2016)

Community sometimes In the affairs of mentioned in the news

1. Kurd — Bangladesh
2. Madhesi — Nepal
3. Rohingya — Myanmar

Which of the pairs given above is/are correctly, matched?

- (a) 1 and 2
(c) 2 and 3
(b) 2 only
(d) 3 only

Ans: C

- **Kurd:** They are one of the indigenous peoples of the Mesopotamian plains and the highlands in what are now South-eastern Turkey, North-eastern Syria, northern Iraq, North-western Iran and South-western Armenia. They also adhere to a number of different religions and creeds, although the majority is Sunni Muslims. **Hence, pair 1 is not correctly matched.**
- **Madhesi:** It is an ethnic group living mainly in the southern plains of Nepal, close to the border with India. Madhesis are predominantly Hindus with some Muslims and Christians. **Hence, pair 2 is correctly matched.**
- **Rohingya:** They are an ethnic group, largely comprising Muslims, who predominantly live in the Western Myanmar province of Rakhine. They speak a dialect of Bengali, as opposed to the commonly spoken Burmese language. According to Myanmar authorities, they are not the authorized citizens of the country. **Hence, pair 3 is correctly matched.**

[Source: TH](#)

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