

The Changing Dynamics in India-Nepal Relations

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Summary

The memories of the economic blockade in 2015-16 which India allegedly carried out against Nepal are still fresh in the minds of the Nepalese. A key consequent of the blockade was that it opened the gates for China to move closer to Nepal. Currently, while India is active in Nepal, its efficacy to win the trust of the Nepalese has to be closely observed.

On 21 August 2019, India's External Affairs Minister Dr S Jaishankar attended the fifth meeting of the Nepal-India Joint Commission in Nepal. During the meeting, the two countries reviewed their bilateral relations with specific focus on the areas of connectivity and economic partnership; trade and transit; power and water resources sectors; and culture, and education. Both countries also exchanged views on the review of the Treaty of Peace and Friendship of 1950 and the submission of the report of the Eminent Persons Group on Nepal-India Relations ([EPG-NIR](#)).

India and Nepal expressed happiness at the progress of bilateral projects, such as the Motihari-Amlekhgunj Petroleum Products Pipeline, four segments of the Hulaki Roads project, and the post-earthquake reconstruction of private housing in Nuwakot and Gorkha districts, which have been [completed](#), as well as in the Jayanagar-Janakpur and Jogbani-Biratnagar sections of cross-border railway projects and the Integrated Check Post in Biratnagar. They also expressed satisfaction over the progress in three new areas that had been agreed upon during the visit of Nepalese Prime Minister K P Sharma Oli to India in April 2018, namely, the Raxaul-Kathmandu Electrified Rail Line, the Inland Waterways and the New Partnership in [Agriculture](#). A Memorandum of Understanding (MoU) on food safety and standards between the Department of Food Technology and Quality Control of Nepal and the Food Safety and Standards Authority of India was also signed.

The India delegation presented a cheque worth Nepalese ₹2.45 billion (S\$30 million) to Nepal as reimbursement for housing reconstruction in the Nuwakot and Gorkha [districts](#). The Indian side also gave a cheque worth Indian ₹80.71 crore (S\$15 million) to Nepal as part of the Indian ₹500 crore (S\$96 million) to strengthen road infrastructure in Nepal's [Terai Region](#).

Although India and Nepal are close, they have political differences on many issues. One of the major developments, which has changed the perceptions of a large section of people from Nepal against India, was the economic blockade carried out by India on the India-Nepal border from September 2015 to February 2016, though the Indian government has never admitted it. The blockade was in support of the ethnic Madhesis who were then protesting in Nepal against the insertion of certain provisions in the new constitution by the Constituent Assembly, which they felt would affect their age-old customary rights. In

addition to about 50 deaths, the protests also affected the transportation of fuel and essential goods across the Indian border from Raxaul into Nepal.

After the blockade was lifted, the Nepalese government appraised its relationship with India and explored alternatives, leading to a larger Chinese presence in Nepal. By the end of 2016, China had invested in Nepal's security forces, particularly in its police and paramilitary [forces](#). It even opened up an academy to train the Armed Police Force and the Nepali paramilitary force deployed to guard the Nepal-Tibet border from the possible infiltration of "Free Tibet" activists into [Nepal](#). China and Nepal also conducted joint military exercises in Kathmandu in 2017 and in Chengdu in [2018](#).

Commercially, instead of depending on India, China expressed a desire to provide alternative trade routes to Nepal. In 2017, Nepal signed a MoU on the Belt and Road Initiative. The press release of the signing of the MoU said that Nepal "seeks to strengthen cooperation in connectivity sectors including in transit transport, logistics systems, transport networks and related infrastructure development such as railways, roads, civil aviation, power grids, information and [communication](#)."

This was followed by a large Chinese investment in the country where, in 2018, Nepal and China signed eight cooperation deals worth US\$2.4 billion (S\$3.3 billion). Then, in April 2019, Nepal and China signed the Transit Transport Agreement during Nepalese President Vidya Bhandari's visit to Beijing. This agreement grants access to the landlocked country to four seaports in Shenzhen, Lianyungang, Zhanjiang and Tianjin and three dry ports in Lanzhou, Lhasa and Shigatse. The agreement also allows Nepal to carry out exports from the six transit points in China. China has also made a commitment to extend the Lahasa-Xigatse railway to the Gyirong Port in China by 2020 and assist in repairing Nepal's Araniko and Syabrubesi-Rasuwegadhi highways.

Presently, China is the second largest trading partner of Nepal and it is the largest source of foreign direct investment into the country. It is estimated that the bilateral trade between them in 2018 was around US\$1.29 billion (S\$1.78 billion).

However, the gains from the China-Nepal relationship are lopsided. Nepal has been unsuccessful in gaining concessions to promote exports to China. The air services agreement between Nepal and China is such that, while almost 70 Chinese flights land in Nepal every week, Nepal Airlines does not have access to Chinese [cities](#). Citing security reasons, China has virtually blocked the Zham-Tatopani border. The opening of the Rasuwagadhi border has increased Nepal's trade deficit while China's exports have increased. In 2017-18, Chinese exports to Nepal from the Rasuwagadhi transit point was Nepalese ₹43.24 billion (S\$861 million) while exports from Nepal to China was only about Nepalese [₹1.16 billion](#) (S\$134 million).

The concerns in its relationship with China has not stopped Nepal from inching closer to Beijing. On the other hand, negative perceptions of India still exist in Nepal and this had led to opposition to some of the India-led development projects in the country. For example, protests have delayed the [construction](#) of the Karnali and Kosi dam projects. India is aiming

to change Nepalese perceptions about it through development projects in the country. Its efficacy in doing so has to be observed.

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