

India–Nepal Relations

A. Overview

As close neighbours, India and Nepal share a unique relationship of friendship and cooperation characterized by open borders and deep-rooted people-to-people contacts. There has been a long tradition of free movement of people across the borders sharing family ties and culture. Nepal shares a border of over 1850 kms in the east, south and west with five Indian States – Sikkim, West Bengal, Bihar, Uttar Pradesh and Uttarakhand.

The India-Nepal Treaty of Peace and Friendship of 1950 forms the bedrock of the special relations that exist between India and Nepal. Under the provisions of this Treaty, the Nepali citizens have enjoyed certain advantages in India, availing facilities and opportunities at par with Indian citizens. Nearly 6 million Nepali citizens live and work in India.

B. Recent high level exchanges

There are regular exchanges of high level visits and official interactions between India and Nepal. In 2014, Prime Minister Shri Narendra Modi visited Nepal twice – in August for a bilateral visit and in November for the SAARC Summit. The Nepali Prime Minister, Mr. K.P. Sharma Oli, was on a State visit to India from 19 to 24 February 2016. The Nepali Prime Minister, Mr. Pushpa Kamal Dahal 'Prachanda' paid a state visit to India from 15-18 September 2016. Again, the Prime Minister of Nepal, Mr. Pushpa Kamal Dahal 'Prachanda' visited India from 15-17 October 2016 to participate in the BRICS-BIMSTEC leaders' Summit in Goa.

Shri Pranab Mukherjee, Hon'ble President of India paid a State visit to Nepal from 2-4 November, 2016 accompanied by a high-level delegation included MoS Defence Dr. Subhash Bhamre and four Members of Parliament. The President of Nepal, Mrs. Bidya Devi Bhandari paid a five day State visit to India from 17-21 April 2017. Shri Krishna Bahadur Mahara, Deputy Prime Minister and Foreign Minister of Nepal visited India on 4-5 July 2017. External Affairs Minister Smt. Sushma Swaraj paid a visit to Kathmandu on 10-11 August, 2017 for BIMSTEC Foreign Minister Meeting. Prime Minister of Nepal Mr. Sher Bahadur Deuba was on a State visit to India from 23-27 August 2017.

India and Nepal have several bilateral institutional dialogue mechanisms, including the India-Nepal Joint Commission co-chaired by External Affairs Minister of India and Foreign Minister of Nepal. The Fourth Joint Commission Meeting was held on 26-27 October 2016 in New Delhi.

C. Earthquake 2015

When a devastating 7.8 magnitude earthquake struck Nepal on 25 April 2015 (followed by a powerful aftershock of 7.4 magnitude on 12 May 2015), the Government of India swiftly dispatched National Disaster Response Force (NDRF) teams and special aircrafts with rescue and relief materials to Nepal. India's assistance, which reached Nepal within six hours of the earthquake, included 16 NDRF teams, 39 IAF aircraft sorties with 571 tons of relief material including rescue equipment, medical supplies, food, water, tents, blankets and tarpaulin. Medical teams from India were deployed in various parts of Nepal. India helped in restoring 3 power sub-stations in Kathmandu valley. The total Indian relief assistance to Nepal amounted to approx. US\$ 67 million.

After the initial rescue and relief phase, India committed US\$ 1 billion (which comprises US\$ 250 million grant and US\$ 750 million concessional Line of Credit) for post-earthquake reconstruction of Nepal during the International Conference on Nepal's Reconstruction (ICNR) held in Kathmandu on 25 June 2015.

In February 2016, an MoU on Utilization of the Grant of US\$250 million was signed. Government of India is supporting 50,000 housing beneficiaries in Nuwakot and Gorkha districts, and will reconstruct/retrofit 70 higher secondary schools, 2 libraries over 150 health facilities and 28 cultural heritage sector projects. MoUs for implementation of projects in these sectors were signed during PM Deuba's visit to India in August 2017. Similarly, in September 2016, a Line of Credit (LoC) Agreement for post-earthquake reconstruction projects for US\$ 750 million was signed. The Line of Credit was operationalized in February 2017.

D. Trade and Economic

Since 1996, Nepal's exports to India have grown substantially. India is Nepal's largest trade partner and the largest source of foreign investments, besides providing transit for almost the entire third country trade of Nepal.

India accounts for over two-third of Nepal's merchandise trade, about one-third of trade in services, 46% of foreign direct investments, almost 100% of petroleum supplies and a significant share of inward remittance on account of pensioners and workers. Main items of exports from India to Nepal are petroleum products, motor vehicles and spare parts, M.S. billets, machinery and spares, medicines, hot rolled sheets, wires, coal, cement, threads and chemicals. The main items of exports from Nepal to India are polyester yarn, textiles, jute goods, threads, zinc sheet, packaged juice, cardamom, G.I. pipe, copper wire, shoes and sandals, stones and sand.

Indian Investment in Nepal:

Indian firms are the leading investors in Nepal, accounting for about 40% of the total approved foreign direct investments. As on 31 May 2017, Indian ventures lead foreign investment with FDI commitments of INR. 5159.86 crores whereas the total proposed FDI commitments to Nepal from all countries amounts to INR. 13178.15 crores. An additional investment of US\$ 2.5 billion would come to Nepal from the Indian private sector and PSUs for development of two important hydro-electric projects viz. Upper Karnali and Arun III, each 900 MWs. There are about 150 operating Indian ventures in Nepal. They are engaged in manufacturing, services (banking, insurance, dry port, education and telecom), power sector and tourism industries. Some large Indian investors include ITC, Dabur India, Hindustan Unilever, VSNL, TCIL, MTNL, State Bank of India, Punjab National Bank, Life Insurance Corporation of India, Asian Paints, CONCOR, GMR India, IL&FS, Manipal Group, MIT Group Holding, Nupur International, Transworld Group, Patel Engineering, Bhilwara Energy, Bhushan Group, Feedback Ventures, RJ Corp, KSK Energy, Berger Paints, Essel Infra Projects Ltd. and Tata Power etc.

E. Water Resources and Energy Cooperation

A three-tier mechanism established in 2008, to discuss all bilateral issues relating to cooperation in water resources and hydropower has been working well. Regular meetings are being conducted on and off site. In the area of river training and embankment construction, Government of India has been providing assistance to Nepal for strengthening and extension of embankments along Lalbakeya, Bagmati and

Kamala rivers. Started in 2008, with the present assistance, the total grant assistance already disbursed for embankments construction along these rivers amounts to over NR 4.5 billion.

A Development Authority was set up in September 2014 to carry out the Pancheshwar Multipurpose project. A Power Development Agreement (PDA) for the 900 MW Arun-3 hydroelectric project between India's Satluj Jal Vidyut Nigam Limited and the Investment Board of Nepal (IBN) was concluded in November 2014. Also, a PDA for the 900 MW Upper Karnali hydroelectric project was concluded between IBN and M/s GMR in September 2014. In February 2017, Cabinet Committee on Economic Affairs approved the investment for generation component of Arun-3 HEP for an estimated cost of Rs. 5723.72 crore at 2015 price level.

There are more than twenty 132 KV, 33KV and 11KV transmission interconnections which are used both for power exchange in the bordering areas and power trade. This first high capacity Dhalkebar (Nepal)-Muzaffarpur (India) cross-border power transmission line charged at 132 KV was jointly inaugurated by Prime Minister Shri Narendra Modi and Nepali Prime Minister Mr. K.P. Sharma Oli, during the latter's visit to India in February 2016, through which 80 MW of electricity is being supplied to Nepal. The line is expected to be ready for operation at 400 KV by August 2019. The two 132 KVA lines between Kataiya-Kushaha and Raxaul-Parwanipur built with Indian grant assistance were inaugurated during PM Deuba's visit to India in August 2017, enabling import of an additional 100 MW of power. At the request of Nepal, in order to alleviate power shortages during winters, an additional 220/132k V, 100 MVA transformer was installed to supply additional 80 MW of power to Nepal from 1 January 2017 onwards from Muzaffarpur-Dhalkebar transmission line. A total of about 350-370 MW of power is currently being supplied to Nepal through different transmission lines, majority of the power import is done through Dhalkebar-Muzaffarpur, Kataiya-Kusaha, Tanakpur-Mahendranagar and Ramnagar-Gandak Transmission Lines. Nepal Electricity Authority and NTPC Vidyut Vyapar Nigam (NVTN) signed a supplementary Power Purchase Agreement in May 2017 for importing 160 MW of electricity through the Muzaffarpur-Dhalkebar Transmission Line, extended till December 31, 2017.

An Agreement on "Electric Power Trade, Cross-border Transmission Interconnection and Grid Connectivity" was signed between GoN and Gol on 21 October 2014. Two mechanisms, Joint Working Group (JWG) and Joint Steering Committee (JSC) envisaged under the Agreement have been established and met in November 2014. A Joint Technical Team (JTT) has been formed for preparation of long-term integrated transmission plan covering projects upto 2035. On 5th December 2016, Ministry of Power, Government of India has issued guidelines on cross-border trade of electricity. The Fourth meeting of JWG/JSC was held in Kathmandu from 13-14 February 2017. The next meeting is scheduled to be held in New Delhi.

F. India's Development Assistance to Nepal

Government of India provides development assistance to Nepal, focusing on creation of infrastructure at the grass-root level, under which various projects have been implemented in the areas of infrastructure, health, water resources, education and rural & community development. In recent years, India has been supporting projects in Nepal for development of infrastructure through upgradation of roads in the Terai areas; development of cross-border rail links at Jogbani-Biratnagar, Jaynagar-Bardibas, Nepalgunj Road-Nepalgunj, Nautanwa-Bhairhawa, and New Jalpaigudi-Kakarbhitta; and establishment of Integrated Check Posts at Raxaul-Birgunj, Sunauli-Bhairhawa, Jogbani-Biratnagar, and Nepalgunj Road-Nepalgunj. More than 551 large, intermediate and small-scale projects at an estimated cost of NRs. 76 Billion have

been implemented across Nepal under Indian financial support since 1951. The total economic assistance earmarked under 'Aid to Nepal' budget for FY 2017-18 amounts to Rs. 375 crore.

During the FY 2017-18, a total of around 18 intermediate and large projects are under various stages of implementation in Nepal. These include creation of a Nepal Bharat Maitri Dharamshala at Pashupati area at Kathmandu; construction of a Polytechnic at Hetauda, providing Indian faculty support to BP Koirala Institute of Health Sciences at Dharan, Installation of 2700 shallow tube wells in various districts across Nepal etc. Till date, India has gifted 602 ambulances and 118 school buses to various institutions and health posts across Nepal's 75 districts. 17 fire tenders were gifted to the Ministry of Federal Affairs and Local Development in August, 2016, for enhancing fire-fighting capacity of municipal administration in different parts of Nepal. Besides this, Government of India supported the Election Commission of Nepal in May 2017 with vehicles and other logistical materials for smooth conduct of local elections in Nepal.

Apart from grant assistance, Government of India has also extended four lines of credit to the Government of Nepal for US\$ 100 million, US\$ 250 mn, US\$ 550 mn and US\$ 750 mn for execution of infrastructure development projects and post-earthquake reconstruction projects as prioritized by GON.

G. Defence Cooperation

The Indian Army and the Nepalese Army (NA) have long standing cooperation. Bilateral defence cooperation includes assistance to NA in its modernization through provision of equipment and training. About 250 training slots are provided every year for training of NA personnel in various Indian Army Training institutions. The 12th Indo-Nepal Army Battalion level Joint Exercise was conducted at Saljhandi (Nepal) from 03 September 2017 to 16 September 2017. The 13th Indo-Nepal Army Battalion level Joint Exercise is proposed to be conducted in India in May 2018.

The two sides are also working to expand cooperation in the area of exchange of information on disaster management.

Gorkha Soldiers in the Indian Army

The Gorkha Regiments of the Indian Army are raised partly by recruitment from hill districts of Nepal. Currently, about 32,000 Gorkha Soldiers from Nepal are serving in the Indian Army. During the year 2016-17, pensions in excess of INRs 2796.5 Crores (NRs 4474.4 Crores) were disbursed by the Indian Army to about 1,25,000 retired Gorkha Soldiers and civilian pensioners, who had served in the Indian Army and other Central & State Services. In addition to Military Pension Branch Kathmandu, Pension Paying Offices Pokhara and Dharan, there are 22 District Soldier Boards in Nepal, all functioning under the Defence Wing, Embassy of India, which arrange the disbursement of pensions and organize welfare programmes for re-training, rehabilitating and assisting ex-Gorkha Soldiers and their families. Foundation stone of new Pension Paying Office at Butwal has been laid on 04 Sep 2017. The new Pension Paying Office will benefit approx 45,000 pensioners in and around Butwal.

Since 1950, India and Nepal have been awarding Army Chiefs of each other with the honorary rank of General in recognition of mutual harmonious relationship between two Armies.

H. Education

Over the years, India's contribution to the development of human resources in Nepal has been one of the major aspects of bilateral cooperation. GOI provides around 3000 scholarships annually to Nepali nationals for various courses at the Ph.D/Masters and Bachelors in India, and Bachelors and plus-two levels in Nepal. These scholarships cover a wide spectrum of subjects including engineering, agriculture, pharmacology, veterinary sciences, computer application, business administration, music, fine arts, etc. There are limited number of seats in Self-finance for MBBS/BDS, PG Medical and Bachelor of Engineer, etc. courses for study in India.

I. Culture

Government of India initiatives to promote people-to-people contacts in the area of art & culture, academics and media include cultural programmes, symposia and events organized in partnership with different local bodies of Nepal, as well as conferences and seminars in Hindi. Familiarization visits to India by Nepali journalists/editors and short term training in India for Nepali editors/journalists/experts/officials in the field of print & electronic media and archaeology are also arranged. An MoU between the Sahitya Kala Akademi (India) and the Nepal Academy is already in operation. Four more MoUs have been signed between Doordarshan and Nepal TV, Press Council of India and Press Council of Nepal, Lalit Kala Akademi, India and Nepal Academy of Fine Arts, and an MoU on Youth Exchange between the Governments of India and Nepal. MoUs between the Sangeet Natak Akademi, India and the Nepal Academy of Music & Drama. A MoU between Akashvani (AIR) India and Radio Nepal are under consideration to promote cultural and information exchanges between the two countries. The Governments of India and Nepal have signed three sister-city agreements for twinning of Kathmandu-Varanasi, Lumbini-Bodhgaya and Janakpur-Ayodhya. India is establishing an E-library system across Nepal. The Archaeological Survey of India (ASI) is involved in the renovation of the Pashupatinath Temple Complex in Kathmandu. Two ASI teams have already visited Kathmandu to assess the work to be done for conservation/restoration of the Pashupatinath shrine, for which a MoU is under consideration. An MoU between ICCR and Kathmandu University, Dhulikhel (Nepal) has been signed for setting up ICCR Chair at the University and efforts are underway to sign an MoU between ICCR and Tribhuvan University for setting up ICCR Chair at the University.

An Indian Cultural Centre was set up in Kathmandu in August 2007 to showcase the best of Indian culture across Nepali cities. The Indian Cultural Centre in Kathmandu has generated considerable goodwill through the various cultural events it has undertaken in the past. The Nepal-Bharat Library was founded in 1951 in Kathmandu. Its objective is to enhance and strengthen cultural relations and information exchange between India and Nepal.

The B.P. Koirala India-Nepal Foundation was set up in 1991 through a MoU signed between the Governments of India and Nepal. The Foundation's objective is to foster educational, cultural, scientific and technical cooperation between India and Nepal and to promote mutual understanding and cooperation through sharing of knowledge and professional talents in academic pursuits and technical specialization.

J. Indian Community

Around 6,00,000 Indians are living/domiciled in Nepal. These include businessmen and traders who have been living in Nepal for a long time, professionals (doctors,

engineers, IT personnel) and labourers (including seasonal/migratory in the construction sector). An Indian Citizens' Association of Nepal (ICAN) was formed on 14 September 1990. ICAN is the only association of resident Indian citizens in Nepal with branches at Pokhara, Damak and Bhairahawa, and provides a platform for discussion on matters pertaining to the legitimate interest of resident Indians in Nepal and works for the protection of such interests.

K. Diplomatic Representation

Besides Embassy of India which is located in Kathmandu, a Consulate General Office is located in Birgunj (South-Central part of Nepal) and a Representative Office is also located in Biratnagar (South Eastern part of Nepal). Government of Nepal has its Embassy in New Delhi and it also has a Consulate General Office in Kolkata.

Useful Resources

Website of the Embassy of India in Kathmandu: <http://www.indianembassy.org.np>

Nepal chapter of MEA website <http://mea.gov.in/indian-mission.htm?162>

Facebook page: <https://www.facebook.com/IndiaInNepal>

Twitter account: www.twitter.com/IndiaInNepal

YouTube channel: www.youtube.com/eoiktmnp

India Global: AIR FM Gold Program featuring India–Nepal Relations:
<https://www.youtube.com/watch?v=KAB65DkNj4Q>

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