



India Nepal Relations: Issues and Challenges

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ABSTRACT

India and Nepal have enjoyed close and friendly relations since Indian independence movement. The bilateral development of co-operation has seen remarkable and progressive expansion in the recent years between two countries. Both the countries historically share close relationship shaped by cultural, economic, and geographical ties, but their relationship has been challenged by various issues. Border disputes over the Kalapani-Limpiadhura-Lipulekh and Susta regions, political interference as Nepal perceives India's involvement in its internal matters, such as the Madhesi issue and the 2015 constitutional crisis, as a threat to its sovereignty., and shared water resources have strained diplomatic ties. China's growing influence in Nepal through economic investments and the Belt and Road Initiative has shifted power balances. Issues like trade imbalance, security, and cultural tensions also pose challenges. Economic discrepancy, with Nepal facing a significant trade deficit and dependency on Indian transit routes, emphasizes the need for trade diversification and equitable economic policies. Security issues, including cross-border smuggling and extremist activities, are also ongoing concerns due to the open border policy, which, while facilitating strong people-to-people connections, raises security challenges. India leverages soft power and cultural diplomacy through shared religious and cultural links, yet perceived dominance and political tensions occasionally strain these cultural bonds. Despite participation in multilateral platforms like



SAARC and BIMSTEC, regional cooperation remains hindered by these challenges. This paper mainly explores these issues in detail, analyzing the convoluted situation and offering insight into potential pathways for a more stable, respectful partnership between India and Nepal

Introduction

India and Nepal share a very unique and deep-rooted relationship, influenced by a shared history, culture, religion, and geography. Both countries have a significant Hindu and Buddhist heritage, with sites like Pashupatinath Temple in Nepal and Varanasi in India serving as religious and cultural connections for people across the border. Geographically, the two countries are connected by the open border policy, allowing free movement and fostering close people-to-people ties. Historical treaties, such as the 1950 Treaty of Peace and Friendship, underscore this bond, enabling Nepalese citizens to work and study in India and vice versa. The historical connections between the nations have cultivated an interwoven identity, where cultural and familial bonds have long strengthened their partnership. The India-Nepal relationship is central to South Asian regional stability and development. As a landlocked country, Nepal relies on India for access to ports, trade, and critical infrastructure. Meanwhile, India views Nepal as strategically important for its own security, as the two countries share a long border that requires cooperation on issues like border security, migration, and resource management. Nepal's geographical position between India and China also makes it a crucial partner for India in maintaining regional influence and countering China's growing presence in South Asia. Cooperation between India and Nepal holds the potential for significant economic development, regional security, and diplomatic collaboration within South Asia, particularly through multilateral platforms like SAARC and BIMSTEC.

This analysis aims to examine the primary issues and challenges impacting India-Nepal relations. Despite shared cultural and historical ties, the relationship is often challenged by border disputes, political differences, water resource management, and economic dependency. Furthermore, Nepal's increasing engagement with China introduces a competitive dynamic to its foreign relations, adding to India's security concerns. By exploring these challenges, this analysis seeks to highlight areas of tension while proposing potential pathways for diplomatic engagement and mutual cooperation. The goal is to understand how India and Nepal can navigate these challenges to foster a stable, respectful, and beneficial partnership in the years to come. India and Nepal have a long history of close cultural, religious, and economic ties, with the Himalayas acting as a bridge between the two regions. The 1950 Treaty of Peace and Friendship formalized the strategic partnership between the two countries, allowing



free movement of people and goods across the open border. The treaty also included security clauses, ensuring India's commitment to Nepal's sovereignty and defense. However, there has been growing call for revising or replacing the treaty to better reflect contemporary dynamics. Hinduism and Buddhism are significant cultural and spiritual connections, with pilgrimage routes linking revered sites and festivals. The open border policy has enabled extensive people-to-people interaction, with many Nepalese citizens studying, working, and living in India. The popularity of Bollywood in Nepal further strengthens cultural ties.

Key Issues in India-Nepal Relations

The border disputes between India and Nepal center around two primary areas: the Kalapani-Limpiadhura-Lipulekh region in the northwest and the Susta area in the south. The Kalapani region, located at the foot of the Himalayas, is disputed between India and Nepal due to differing interpretations of the Kali River's origin. India claims it originates from Lipulekh pass, while Nepal claims it originates further west (Bhattarai & Upreti, 2020). The dispute gained prominence in 2019 and 2020. The Susta Dispute, a territorial dispute between Nepal and India, is centered in the Terai plains along the Gandak River. Nepal claims historical land in the region, while India claims natural shifts in the river's course. The dispute has affected residents and led to diplomatic exchanges and dialogues, but lasting resolution remains elusive. The Kalapani dispute escalated after competing maps were released in 2019 and 2020, leading to diplomatic exchanges and heightened tensions.

Border disputes between India and Nepal have sparked nationalist sentiments, strained diplomatic relations and influenced domestic political dialogue. The Kalapani issue in Nepal symbolizes Nepal's sovereignty and independence, while India's focus is on national security and strategic interests. Nationalist rhetoric complicates diplomatic reconciliation, and the impact extends beyond bilateral relations, influencing public opinion, media coverage, and political stances. Nationalist narratives can create enduring perceptions of each other as infringing on territorial rights (Adhikari, 2020). India's historical influence in Nepal's political affairs is a recurring point of controversy in India-Nepal relations. Due to Nepal's geographical propinquity and economic dependence, India has long been involved in Nepalese politics, often seeking to promote stability in a region with implications for its own security. However, many Nepalese citizens and political leaders view India's involvement as overreach, leading to hatred and a sense of infringement on Nepal's sovereignty. Indian influence is perceived in various aspects, from political appointments and leadership shifts to economic assistance and strategic agreements. India has played a significant role during periods of political transition in Nepal, such as



supporting the monarchy in earlier decades and later promoting democracy. This influence continues to shape how Nepal perceives India, sometimes viewing its involvement as undermining Nepal's independent political development and stirring nationalist sentiments in response.

The **Madhesi issue** is a key aspect of India-Nepal relations, affecting the country's political involvement. The Madhesi people, primarily from the Terai region, have long sought political representation and autonomy in Nepal. The 2015 Nepalese Constitution faced protests due to underrepresentation, prompting calls for amendments. India's support for the Madhesi cause aims to counterbalance Chinese influence and maintain stability in a neighboring country with cultural ties. Addressing the Madhesi community's aspirations is crucial for fostering a stable and cooperative India-Nepal relationship. In 2015, Nepal faced a border blockade due to Madhesi protests against the constitution, leading to severe shortages of essential goods and causing public anger. The blockade impacted bilateral relations, leading to resentment towards India. As a result, Nepal sought alternative partnerships to reduce dependence on India, such as increasing engagement with China for trade, infrastructure development, and diplomatic support (Ranjan, 2016, Rayamajhi, & Sharma 2017).

The 2015 Constitution crisis and blockade in India-Nepal relations highlighted the tension between Nepal's sovereignty and India's strategic interests. The Madhesi community protested against India's support for the Madhesi, leading to mistrust and a blockade (Ranjan, 2016). This crisis led Nepal to seek alternative alliances, particularly with China, and in 2017, Nepal joined China's Belt and Road Initiative (BRI) to enhance infrastructure development and reduce dependency on India. However, this increased Chinese presence raises concerns about Nepal's sovereignty and potential threats to its territorial integrity (Rayamajhi, & Sharma 2017). India perceives China's influence in Nepal as a potential security risk, given Nepal's proximity to sensitive border areas. India worries that increased Chinese presence, particularly in infrastructure and communications, could affect its northern security interests. Furthermore, Nepal's pivot toward China is often viewed in India as a strategic maneuver that could challenge its traditional role as Nepal's main ally and economic partner. This concern has prompted India to increase its diplomatic engagement and development assistance to ensure that Nepal remains within its sphere of influence while fostering greater economic interdependence.

India and Nepal share several major river systems, including the Ganges, Gandak, and Kosi. These rivers are crucial for irrigation, drinking water, and hydropower in both countries, but they also pose challenges such as annual flooding in the Terai region, affecting populations and infrastructure. Effective flood management requires coordinated infrastructure and information-sharing, but differing priorities and



resource constraints have often limited cooperation. The potential for hydropower generation is high in Nepal due to its mountainous geography, and India has been a significant investor in these projects, aiming to benefit from Nepal's energy potential. However, hydropower projects are complicated by differences in terms, environmental concerns, and profit-sharing. River treaties, such as the Mahakali Treaty, seek to regulate water sharing, but these agreements sometimes lead to disagreements, particularly over implementation and resource allocation. Balancing water usage rights for irrigation, drinking water, and power generation remains a complex issue that requires sustained diplomatic efforts (Pant, & Lama 2019).

India is Nepal's largest trading partner, with bilateral trade dominated by Indian exports. This has led to a significant trade deficit for Nepal, which is reliant on India for essential goods such as fuel, medicines, and food (Khanal, 2020). The economic imbalance is a pressing issue in bilateral relations, as Nepal seeks to reduce this dependency and strengthen its own manufacturing sector. As a landlocked country, Nepal relies heavily on India's ports and transit routes for its international trade. This dependency on Indian routes, while practical, limits Nepal's autonomy in trade policy and increases its vulnerability to border closures or blockades (Thapa, 2021). Efforts to secure alternate trade routes with China are ongoing but face geographic and logistical challenges, highlighting Nepal's complex dependency on India (Bhattarai, 2018). To reduce its dependency on Indian imports, Nepal has undertaken initiatives to diversify its economy, including promoting exports, encouraging foreign investment, and exploring trade partnerships beyond the region. Collaborating with China on infrastructure projects is part of this effort, as is the push for hydropower exports. However, these efforts require substantial investment, strategic planning, and consistent policy support (Poudel, 2022).

The open border policy between India and Nepal allows citizens to live and work without visas, fostering cultural and familial bonds. However, it also presents challenges like labor regulation, taxation, and cross-border security. India uses soft power to strengthen its relationship with Nepal, leveraging shared cultural and religious connections. The Indian government provides scholarships for Nepalese students and sponsors cultural events, promoting mutual goodwill. Nepal, however, seeks to emphasize its own cultural identity and maintain friendly ties with India, aiming for a balanced, self-reliant identity. India and Nepal participate in various regional organizations, such as the South Asian Association for Regional Cooperation (SAARC) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) (Singh, 2020). These platforms provide avenues for collaboration on economic development, security, and regional stability, yet political differences within SAARC, particularly involving India and Pakistan, have sometimes limited progress. Multilateral cooperation offers India and



Nepal opportunities to address shared challenges, from economic development to environmental sustainability (Chaudhary, 2021). However, political tensions, differing national interests, and concerns about dominance complicate efforts to achieve effective regional integration (Kumar, 2019). By working together in these forums, India and Nepal have the potential to contribute to a more cohesive and prosperous South Asia, though it requires sustained commitment and dialogue.

Challenges and complexity in Bilateral Relations

India and Nepal's relationship is shaped by longstanding ties but also by recurring points of tension that stem from border disputes, perceived political interference, economic imbalances, and security issues. Disagreements over border areas like Kalapani and Susta, Nepal's increasing closeness with China, and disputes related to water resource management and trade deficits illustrate the complex dynamics of their partnership. These points of friction often hinder cooperation and lead to periods of diplomatic strain, challenging their shared vision for stability in South Asia. Nepal is often concerned about maintaining its sovereignty and independence, especially regarding India's perceived involvement in its internal politics, such as the Madhesi issue and the 2015 constitution crisis. The 2015 blockade, which many in Nepal believe India tacitly supported, left a lasting impact on Nepalese public sentiment, fostering a perception of India as a coercive influence (Ranjan, 2016).

Conversely, India's concerns focus on security and influence, particularly as Nepal's ties with China strengthen through investments and participation in the Belt and Road Initiative (BRI). India views the growing Chinese presence in Nepal as a potential security risk, especially given its sensitive northern borders. Balancing its strategic concerns with respect for Nepal's sovereignty remains a key challenge for India in fostering a mutually respectful partnership. Nationalism significantly shapes the India-Nepal relationship, with each country's public and political actors sometimes using nationalist narratives to frame bilateral tensions (Rayamajhi, & Sharma 2017). In Nepal, nationalism often centers on independence from perceived Indian dominance, with political leaders invoking these sentiments during periods of conflict or tension, such as during the Kalapani dispute. In India, national security narratives occasionally amplify concerns over Nepal's foreign policy decisions, especially regarding China. Domestic politics in both countries can further complicate relations. In Nepal, political parties sometimes rally public opinion against perceived Indian interference as a show of patriotism, while in India, politicians may emphasize Nepal's strategic importance to justify certain policies. Such dynamics underscore how nationalism and domestic political agendas can sometimes exacerbate diplomatic issues, making it harder to achieve sustainable and cooperative solutions.



Potential Pathways for Resolution and Cooperation

Resolving border disputes like those over the Kalapani-Limpiyadhura-Lipulekh and Susta regions requires sustained diplomatic engagement, including regular dialogues, expert-led boundary commissions, and open channels of communication. Joint boundary working groups with clear mandates to address specific areas of contention and third-party mediation, if mutually agreed upon, can be helpful in facilitating compromise (Thapa, 2020). Confidence-building measures, such as local community engagements and border patrolling protocols, can also help to ease tensions on the ground and promote trust. Given their shared river systems, India and Nepal stand to benefit from joint water resource management and disaster preparedness, particularly to address flooding, irrigation, and hydropower development. Collaborative frameworks involving Joint River monitoring, data sharing, and early warning systems are essential for effective flood management and disaster preparedness (Singh, 2018). Enhanced cooperation on hydropower projects, including fair agreements on profit-sharing and environmental safeguards, would benefit both countries economically and strengthen resilience against climate-related risks. To address the significant trade imbalance, both nations can work toward reducing tariffs on certain Nepalese exports to India, facilitating ease of access to Indian markets. Investment incentives for Indian companies in Nepal could help bolster local industries and diversify Nepal's economic base. Improving cross-border infrastructure and ensuring smoother transit routes could lower trade costs, while exploring new areas for economic cooperation such as digital services, tourism, and renewable energy would provide mutual economic benefits and reduce Nepal's dependency on imports (Khanal, 2019).

To navigate Nepal's engagement with both India and China, India can focus on supporting Nepal's autonomy while strengthening their historical and cultural ties. Offering competitive development assistance, infrastructure projects, and technical expertise tailored to Nepal's needs will help India maintain its strategic partnership with Nepal (Poudel, 2021). India and Nepal could also establish guidelines to ensure transparency in third-party investments, thereby addressing security concerns while respecting Nepal's right to engage with other countries (Bhatta, 2020). Joint initiatives in security, such as coordinated border management, anti-smuggling operations, and intelligence sharing, are critical to addressing shared security challenges. Engaging actively in multilateral platforms like SAARC and BIMSTEC offers opportunities for broader regional cooperation, enabling India and Nepal to work on common interests such as trade, disaster response, and public health. By enhancing their cooperation in these forums, both countries can contribute to regional stability and create a supportive environment for addressing shared challenges effectively (Kumar, 2021).



Conclusion

The relationship between India and Nepal is marked by deep historical, cultural, and economic ties, but it also faces persistent issues and challenges. Border disputes, political differences, economic imbalances, water resource management, and the growing influence of China are key factors that continue to shape the bilateral relationship. While these issues can strain relations, they also present opportunities for cooperation if approached with diplomacy and mutual respect. Resolving disputes, particularly in border areas like Kalapani and Susta, through structured dialogue and boundary commissions, can foster trust. Enhancing collaboration in areas like water resource management and disaster preparedness would address shared vulnerabilities, especially in flood-prone areas. Efforts to reduce Nepal's trade deficit through better access to Indian markets and investment incentives can create a more balanced economic relationship, while joint security initiatives and multilateral engagement offer avenues for regional stability.

Ultimately, a sustained commitment to open dialogue, respect for each other's sovereignty, and recognition of shared interests will be essential in addressing these challenges. Through a balanced approach that values both independence and cooperation, India and Nepal can forge a stronger partnership that benefits both nations and contributes positively to South Asian stability and development.

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