

Analysing India-Nepal Social and Economic Integration: Opportunities & Challenges

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ABSTRACT

This paper explores the social and economic integration between India and Nepal, highlighting the opportunities and challenges inherent in this vital relationship. Both nations share a rich historical and cultural heritage, which facilitates a deep social connection manifested through shared languages, religious practices, and traditions. Economically, India serves as Nepal's largest trading partner, with significant investment opportunities in infrastructure, hydropower, and tourism. The study identifies key opportunities for enhancing collaboration, such as expanding trade agreements, promoting cultural exchanges, and engaging in regional cooperation initiatives. However, challenges such as political sensitivities, economic disparities, and cross-border issues must be addressed to foster a more robust partnership. By navigating these complexities through dialogue and mutual respect, India and Nepal can strengthen their ties, promote sustainable development, and enhance regional stability. This paper underscores the need for a strategic approach to harness the full potential of their integration, ensuring that both nations benefit from a cohesive and cooperative relationship.

Keywords: Trade, Growth, Barriers, Relation, Market

Introduction:

India is the largest and most significant country in the South Asia region. Its land borders include 9 countries Afghanistan, Pakistan, Nepal, China, Bhutan, Myanmar, and Bangladesh, as well as a sea border with Sri Lanka and the Maldives. There is a very well-known quote "You can change friends, but not neighbours". This quote is attributed to former Indian Prime Minister Atal Bihari Vajpayee. There are several policies and schemes formulated by India for establishing strong cooperation and ties with its neighbouring countries. India's foreign policy, known as the "Neighbourhood First" Policy, proactively focuses on establishing links with India's Relations with Its Neighbours. The policy is designed to improve connections with neighbours while promoting global cooperation and peace. Other policies such as: India's Look East Policy, currently known as Act east Policy has developed greater economic and strategic partnerships with South Asian countries such as South Korea, Japan, and Taiwan. India has friendly relations with Persian Gulf countries and African Union members.

However, the purpose of India's Neighbourhood First Policy is to strengthen India's

relationship with its neighbouring countries and to promote regional stability, prosperity, and security in South Asia and beyond. The policy is based on the idea that a stable and prosperous neighbourhood is essential for India's economic and security interests. The Neighbourhood First Policy is also part of India's larger vision of becoming a leading power in the region and the world. India seeks to increase its influence and leverage in regional and global affairs by building strong relationships with its neighbours. It seeks to increase the relationship with neighbouring countries, so that it advances a good connectivity, cooperation in economic and social sphere, cooperation during disaster management, support in Military defence.

Among all its neighbouring countries, Nepal is an important neighbour of India and occupies a 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. The two countries not only share an open border and unhindered movement of people, but they also have close

bonds through marriages and familial ties, popularly known as *Roti-Beti ka Rishta*. The India-Nepal Treaty of Peace and Friendship of 1950 forms the bedrock of the special relations that exist between India and Nepal.

The social and cultural integration between India and Nepal is deeply rooted in shared history, religion, language, and customs. Here's an overview of the key aspects:

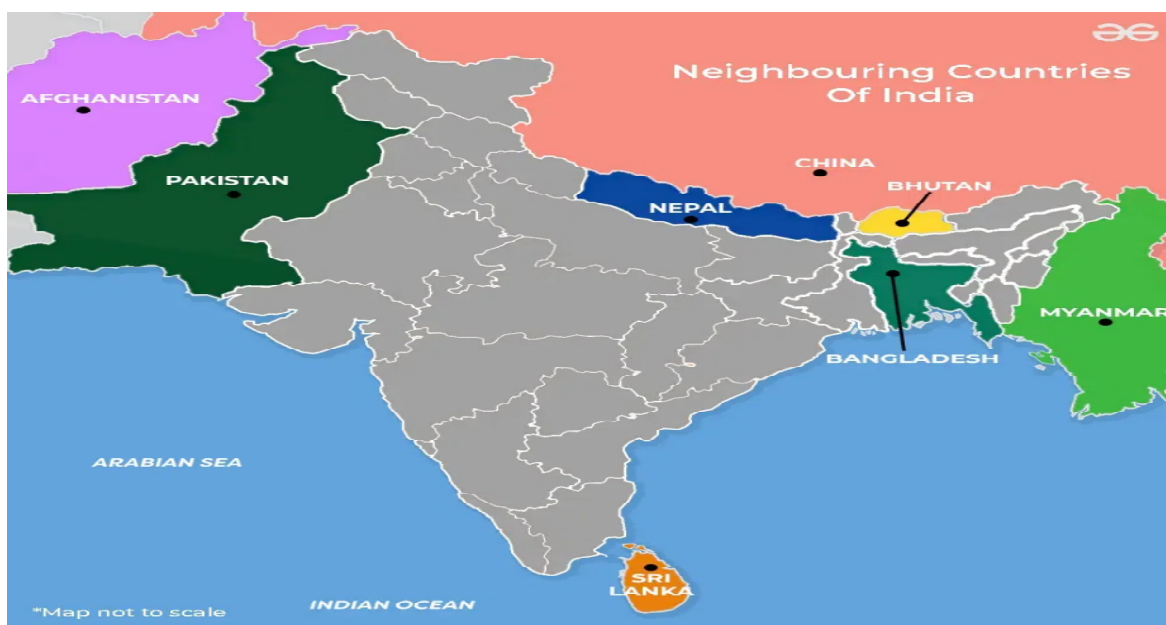


Figure 1: Map showing India and its Neighbouring Countries Social- Cultural Integration between India & Nepal:

Shared Heritage

Historical Connections: Both countries have a long history of interaction, with many royal dynasties, trade routes, and cultural exchanges influencing their societies.

Religion: Hinduism is a major religion in both countries, with numerous sacred sites like Pashupatinath in Kathmandu and Varanasi in India. Shared festivals, rituals, and beliefs foster a sense of unity. Nepal is the birthplace of Gautama Buddha, and Buddhism holds significant importance in both cultures. This shared spiritual heritage contributes to deeper ties.

Language and Communication: Linguistic Similarities:

Many languages spoken in Nepal, such as Maithili, Bhojpuri, and Nepali, share roots with languages spoken in India. This linguistic connection facilitates communication and cultural exchange.

Media and Arts:

Indian films, music, and television have a substantial influence in Nepal, promoting shared cultural experiences and entertainment.

Festivals and Celebrations

Festivals such as Dashain, Tihar, Holi, and Indra Jatra are celebrated in both countries, often with similar customs and practices, reinforcing cultural bonds.

Culinary Exchange:

Both nations share culinary traditions, with similar dishes like dal, bhat, and various types of sweets, reflecting their intertwined cultural identities.

Migration and People-to-People Ties

Labor Migration:

Many Nepalis work in India, particularly in sectors like construction and agriculture. This migration leads to familial ties and cultural exchanges.

Education:

A significant number of Nepali students pursue higher education in India, fostering long-term relationships and cultural exchange.

India & Nepal Economic Relationship

Table 1:
Number of items imported and exported from India

Imports from India			Exports to India			
Year	2009	2019	2021	2009	2019	2021
Number of items	3639	4068	4102	619	436	381
Share of top 12 commodities	41.8	42.2	42.5	50.9	74.5	85.9

Source: Compiled from UN Com trade database

The above table 1 denotes that the number of items imported from India has steadily increased, indicating a growing trade relationship. The share of the top 12 commodities in imports has remained relatively stable, suggesting a consistent diversity in what is imported. The number of items exported to India has decreased significantly from 2009 to 2021. This could indicate a shift in trade dynamics or changing demand in the Indian market. The increasing share of the top 12 commodities in exports suggests that the export market to India has become more concentrated, with fewer commodities making up a larger proportion of total exports. The data reflects a growing dependency on imports from India while exports to India have become more focused on fewer

commodities. This shift could be significant for trade policies and economic strategies moving forward.

Trade, Transit and Investment:

The partnership with India in the areas of trade and transit is a matter of utmost importance to Nepal. India is Nepal's largest trading partner. India has provided transit facility to Nepal for the third country trade. Both public and private sectors of India have invested in Nepal. The trade statistics reveals phenomenal increase in the volume of bilateral trade over the years between the two countries. However, Nepal has escalating trade deficit with India. Nepal and India have concluded bilateral Treaty of Transit, Treaty of Trade and the Agreement of Cooperation to Control Unauthorized Trade.

Status of Trade between Nepal and India

Table 2:

Trend of Import and Export in various Financial Year (Value in '000 Rs.)

	2012-13	2013-14	2014-15	2015-16	2016-17
Exports	51,788,460	59,458,375	55,859,253	39,695,134	41,500,844
Imports	397,957,920	482,345,300	500,044,484	487,597,307	646,019,017
Balance	-346,169,460	-422,886,925	-444,185,231	-447,902,172	-604,518,173

Source: TEPC, 2017

Pursuant to the provision of the Treaty, to oversee the matters related to the implementation of treaty, bilateral trade, transit and investment issues, the Inter-Governmental Committee (IGC) and the Inter-Governmental Sub-Committee (IGSC) mechanisms have been set up at the level of Commerce Secretaries and Joint Secretaries of both countries respectively.

Security Cooperation and Boundary Management

Security related issues are of prime concern to both the countries. To deal jointly with each other's security concerns, the two countries have

institutionalized Home Secretary level meetings and established Joint Working Group on Border Management (JWG) and Border District Coordination Committees (BDCCs).

Nepal-India Joint Technical Committee formed in 1981 made important accomplishments in scientifically mapping Nepal India boundary. The Boundary Working Group (BWG) established in 2014 has taken over the technical works related to Nepal-India boundary. BWG has already mobilized joint teams in the field for carrying out works relating to

construction, repair and restoration of boundary pillars, preparation of inventory of encroachment of No Man's land and cross border occupation, and GPS observation of boundary pillars.

Multilateral and Regional Fora:

Both Nepal and India have common approach to regional and multilateral institutions and hence, work in tandem in the United Nations, Non-aligned Movement and other international fora on most of the important international issues. Furthermore, both the countries have been deeply engaged in the regional and sub-regional frameworks of SAARC, BIMSTEC and BBIN for enhancing cooperation for greater economic integration by harnessing collectively the potentials and complementarities available in the region.

Development Partner:

India has been a key development partner of Nepal. The latter received strong support and solidarity from the people and Government of India in advancing its home-grown peace process as well as in the process of writing the Constitution through the elected Constituent Assembly. Following the massive earthquakes in Nepal in April and May 2015, India promptly offered helping hands. The Government of India has also been substantially supporting Nepal's reconstruction efforts. India and Nepal have a strong foundation as development partners, with significant potential for collaboration across various sectors. By addressing challenges and leveraging their unique strengths, both nations can enhance their partnership, ultimately contributing to regional stability and mutual prosperity. Continuous dialogue, respect for sovereignty, and a commitment to mutual benefit will be key to strengthening this vital relationship.

Challenges:

- 1. Political Sensitivities:** Historical grievances, such as border disputes and political interference, can strain relations. Nationalistic sentiments in both countries may complicate cooperation.
- 2. Economic Disparities:** Differences in economic development levels can lead to imbalances in the relationship, with Nepal sometimes feeling overshadowed by India's larger economy.
- 3. Dependency Issues:** Nepal's heavy reliance on India for trade, energy, and investment may raise concerns about sovereignty and economic independence.
- 4. Cross-Border Issues:** Issues such as smuggling,

illegal immigration, and security concerns pose significant challenges to effective integration and cooperation.

5. Infrastructure Gaps: While there are opportunities for investment, inadequate infrastructure in Nepal can hinder economic integration and the movement of goods and people.

6. Environmental Concerns: Development projects, particularly in hydropower and infrastructure, may pose environmental risks, impacting local communities and ecosystems.

Conclusion:

The social and economic integration of India and Nepal holds significant promise, but it requires careful navigation of political, economic, and social landscapes. Building trust, enhancing communication, and fostering mutual respect will be crucial in overcoming challenges and maximizing the opportunities for both nations. Continuous dialogue and cooperation will be essential to achieving sustainable integration that benefits both countries.

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