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India-Nepal Think Tank Summit: Bridging Ideas

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The one-day seminar on India-Nepal Think Tank Summit contributed the understanding of bilateral engagements and partnerships between the countries in diverse sectors. The event was the product of continued dialogue and collaboration between the Vivekananda International Foundation (VIF) and the Asian Institute of Diplomacy and International Affairs (AIDIA). We would sincerely extend our gratitude to the organizing team as well as the panelists and moderators, who curated focused thematic panels and contributed to stimulating discussions on matters of security, energy, tourism and soft power diplomacy, while further exploring avenues of strategic cooperation.

The participants provided their expertise allowing for a comprehensive and contextual analysis of the bilateral associations, driving insights from stalwarts like Mr. Gaurav Ahluwalia (Joint Secretary, National Security Council Secretariat), Dr. Arvind Gupta (Director, VIF), Mr. Kuber Chalise (Senior Fellow, AIDIA), Lt General R K Sawhney (Senior Fellow, VIF), Amb. Ranjit Rae (Former Ambassador to Nepal), Amb Jayant Prasad (Former Ambassador to Nepal), Dr. Nihar R. Nayak (Research Fellow, MP-IDS), Mr. Sunil Poudel (Joint Secretary, Ministry of Energy, Water Resources and Irrigation, Nepal), Mr. Sanjay Chadha (Former Additional Secretary, Ministry of Commerce, India), Mr. Atul K. Thakur (Nodal Coordinator, India-Nepal Center, PHDCCI), Mr. Satyajit Ganguly (MD and CEO, Power Exchange India), Amb. Pankaj Saran (Former Deputy National Security Advisor, GoI), Brig. Rahul Bhonsle (Director, Security Risk Asia), Amb. K V Rajan (Former Ambassador to Nepal) and Dr. Smruti S. Pattanaik (Research Fellow, MP-IDS).

The VIF team who led their immeasurable support were pivotal for the success of the event and included Ms. Heena Samant and Mr. Umang Bhansali.

Additionally, the delegation led by Mr. Kuber Chalise (Senior Fellow) from AIDIA comprised of Ms. Sajina Rai (Program Director), Mr. Sunil Poudel (Joint Secretary, Ministry of Energy, Water Resources and Irrigation), Mr. Uttam Bhlon Lama (Convenor, Banking and Insurance Committee, Nepal-India Chamber of Commerce and Industry-NICCI), Mr. Marshal Rathour (Deputy Director General-NICCI), and Ms. Shweta Karki (Research Associate, AIDIA).

Executive Summary

Nepal-India bilateral relations have been understood through the carefully woven tapestry of historical and cultural associations, enriched by people-to-people relations. The open border further provides the countries with a unique paradigm both in the regional and global purview. The dynamic shifts in the interest structures as the neighbors engage with each other in a strategic space that has invited the attention of extra-regional powers requires a reassessment of the age-old linkages. Interdependent economic relations have been a defining facet and formed the core of the panel discussions of the India-Nepal Think Tank Summit.

The India-Nepal Think Tank Summit brought together scholars, policy experts and industry leaders from Nepal and India for a day long dialogue. The event was held on April 03, 2025, as a collaborative endeavor by the VIF and AIDIA, with the spirit of harnessing a platform where thought leaders, industry experts and government representatives could ascertain the pathways for a more sustainable and inclusive economic integration between Nepal and India. The event emphasized the need for more bilateral cooperation, bolstering networks to delve deeper into emerging needs and persistent challenges.

Progressing across three thematic panels, focused discussions were curated to identify the existing and emerging potentials in the bilateral and sub-regional relations. The moderated panel discussions were made up of three-four speakers, with representation from both countries. The dialogues commenced by highlighting the defining facets of Nepal-India bilateral relations, followed by jointly exploring the prospects of energy cooperation both in bilateral terms and in the South Asian region, and concluded with the assessments of strengthening economic, cultural and security ties between Nepal and India. The discourse particularly placed emphasis on the evolving geopolitical and geoeconomic landscape, the opportunities presented through hydropower investments, pertinent challenges in security and economic cooperation as well as the ways forward.

The experts noted that the changing tides in the global and regional geopolitical as well as geoeconomic waters would impact the bilateral relations, and this would require a reassessment of the contours that frame the engagements. Impediments when coming to bilateral cooperation in the different sectors as such were observed in the politicized narratives, overdependence of Nepal on hydro, media distortions and trends of disinformation.

Energy was recognized as an area with tremendous potential, which necessitates a more focused dialogue between state and private actors. Likewise, attention was pulled towards the tourism sector and the cultural linkages that draws upon the opportunities presented by religious circuits, which in turn necessitated the discussion on infrastructural development. Beyond the discussion on the two major sectors, the scope of developing and scaling digital payment interoperability between Nepal and India, when looking at the ongoing developments in digital

connectivity, was also highlighted. Similarly with Nepal now adopting a federal structure, state-level engagements were also encouraged.

The panels also deliberated on the role of non-state actors and expounded on the role of media in formulating and pushing narratives of the bilateral associations – framing agendas for public discourses. The event concluded with the understanding of the importance of continuation such thematic dialogues – particularly in energy, tourism and media sectors – in order to continue a clear development of scholarly conversations and policy analysis on the identified themes and issues.

Introduction

Owing to the close proximity, the symbiotic nature of Nepal-India relations is vested in the strategic partnerships arising from aligned perceptions of economic growth, security and development both in bilateral and regional associations. The overarching and intertwined spheres of geopolitics and geoeconomics has produced an environment, where post the global pandemic experts have adopted a more cautious stance moving ahead. As the general scope of challenges and opportunities have evolved and continue to transform partnerships, Nepal and India have been exploring the contours of their economic trajectories, while reimagining the potentials of their current engagements. Think tanks take a pivotal spot in analyzing such trends as research hubs and thought engines when identifying, structuring and projecting narratives to posit succinct information and policy recommendations. As policymaking is devised almost exclusively as a governmental duty, think tanks often generate valuable data and ideas as reference points for public and private actors to design their approach when meeting their diverse interests.

Economic interdependence has been a defining trait of Nepal-India relations. As immediate neighbors, the much touted cultural, economic and religious ties are taken as foundations for a common historical graph to be formed and explored. In modern history, following the treaties signed in the 1950s, Nepal and India have engaged in matters of trade and commerce, primarily resting on the frameworks developed within the 1950 Treaty of Peace and Friendship and the 1954 Treaty of Trade and Transit. As noted by the bilateral brief issued on June 2024, over forty institutional mechanisms anchor the overall relations between the countries. An open border that has been discussed within such arrangements has further guaranteed a unique dimension, promoting freedom of movement.

In recent times, the countries have updated and reviewed past agreements, while inking pivotal documents, laying the groundwork for future partnerships, particularly looking into sectors that carry tremendous potential. These incorporate the long-term power agreement signed in early 2024, followed by a tripartite agreement between Nepal-India-Bangladesh in November- events that served as highlights in the interstate relations. They signify aligned interests in areas including trade and connectivity, energy, allowing for prospects of shared development.

Technology has, moreover, been a defining variable in interstate as well as institutional transactions as the digital narrative has gained prominence in the geoeconomic discourse, with interests being harnessed in development of digital public infrastructure and digital connectivity in the case of Nepal and India, amongst others. As such, Nepal and India can aspire to leverage expertise in the Information Technology (IT) sector to foster innovation and entrepreneurship. The countries have long been trading and cooperating in a regional space that remains fragmented, providing an example of continued aspirations of securing the aspect of mutuality in the relations. A conducive environment for cross-border investments, entrepreneurial growth and knowledge sharing can stimulate job creation, skill development, and economic diversification. Additionally,

joint initiatives in education and skill development can empower their human resources, fueling innovation and competitiveness in the global market.

Themes and Major Insights

Panel 1: Revisiting India-Nepal Bilateral Ties: Opportunities and Challenges

Moderated discussion by Dr. Aravind Gupta, Director, VIF

The domestic churn and the emerging geopolitical trends have impacted Nepal-India relations, as structures of influence are being redefined both in the regional and global spheres. Reflecting on the strategic aspects of the bilateral relations, Amb. Ranjit Rae focused on three major issues: the churn in Nepal's internal affairs, the U.S.-China rivalry, highlighting the shifts in U.S. aid policy, and the overall bilateral connect. Amb. Rae laid particular emphasis on the fragmentation of global trade, the opportunities in developing state-to-state relations between the federal economies within various sectors including hydro and digital, while touching upon the need of addressing climate in bilateral agendas and building engagement amongst the youth. He particularly stressed on the idea that "Hydropower is really the glue that will bring our sub-region together. It's a win-win situation for everyone." Beyond hydro, another major development that Amb. Rae assesses in the bilateral relations was the aspect of digital and financial connectivity between the countries, which he claims will be "a game changer," especially when considering the tourism sector.

Further deliberating on the domestic flux in Nepal, Dr. Nihar Nayak delved into the scope of bilateral cooperation in the conventional and unconventional security dimensions. Underscoring how security cooperation served as a foundation for Nepal-India relations, Dr. Nayak mentioned how established mechanisms framed the discourse on both sides in terms of border security, military, intelligence sharing, and resource (water) management. Stressing on the climate issue, he also mentioned the significance of "expanding cooperation in the non-directional security." The apparent trust deficit between the countries that required immediate intervention and addressal was also an issue raised.

Leading forward from that, Mr. Kuber Chalise built on the post-1990 flux in Nepal's economic growth, underlining the domestic transitions and their impact on investments. Noting India's contribution to Nepal's economic growth, he iterated that the lion's share, amounting to 35 percent of the total FDI in Nepal came from India, while also pointing towards the status of the thriving Indian ventures in the country. He specifically mentioned Nepal's LDC graduation that will contract the scope of grants and raise the importance of remittance and FDI for the country. On the matter of dependency, likewise, he stated that the concept has often been misconstrued in terms of the projected and actual benefits that Nepal receives when accessing the Indian market. He also highlighted that energy cooperation has long been treated as political issue by few Nepali political parties rather than commodity, which has forced Nepal's energy development to hold

back for long. Additionally, He highlighted emerging potential in energy trade, as well as IT and digital collaboration. The need to reignite the post-1990 investment trend in Nepal is key to strengthen Nepal-India bilateral trade and economic relations, which according to Mr. Chalise will help India's security also in long run, as next-door neighbor's economic stability will lead the political stability and thus stable bilateral relations will lead to better and secured bilateral relations.

The discussion round concluded the major ideas, where the panel in recognizing the civilizational ties that link the countries together also highlighted the persistent challenges in terms of domestic politics, geopolitical rivalries and evolving trends of economic and security challenges. The deliberations led to the identification of opportunities in the deepening sub-regional cooperation, leveraging the demography, and harnessing the much-touted hydropower potential, while working towards strengthening mutual trust.

Panel 2: Prioritization of Energy Cooperation in India-Nepal Relations

Moderated discussion by Amb. Jayant Prasad, the former Indian Ambassador to Nepal

The panel expounded on the hydropower sector and how it stands as a core of bilateral and sub-regional energy relations, following forth from the discussion of the first panel. Noting the bilateral grid potential between Nepal and India, with the countries being identified as sharing an interdependent energy cycle, along with various themes including the regional energy market and avenues for hydropower investment were explored.

Providing details on Nepal-India power sharing relations, Mr. Sunil Poudel relegating Nepal's ambitious hydropower strategy for 2035. Highlighting the strategic position that Nepal finds itself in, he argued that "if you develop a project in Nepal, you can reach the China and India as well." He stated that Nepal had tremendous potential, and theoretically it held the hydropower capacity for 83,000MW. He also mentioned that India is the best option for Nepal in terms of benefits from developers with free energy like Arun III and Upper Karnali is offering to Nepal. Looking into the actual export potential of 15,000 megawatt, with 10,000MW to India and 5,000MW planned export to Bangladesh, he further highlighted the domestic consumption plan of 13,500MW. Mr. Poudel further relayed information on environmental assessments, policy incentives as well as the licensing requirements for hydropower investment, including the institutional roles of government bodies in the process, with Nepal Electricity Authority (NEA) standing as the sole entity for power purchase. Mentioning the separate provision for alternative energy like solar and wind, Mr. Poudel noted that 35 year-long construction period is allocated for the hydro sector. In looking at the evolving scope for wind and solar, Mr. Poudel underscored the government support provided to foreign investors in the energy sector.

Following this, Mr. Sanjay Chadha argued for a shift from financial returns to economic returns, when looking at downstream benefits. He claimed that there was "good scope for

renewable energy investment in Nepal,” and that “multi-purpose projects will be a win-win situation for everybody.” On the subject of existing impediments, he pointed towards political volatility as well as financial and investment challenges, further deliberating upon the overall transmission challenges in terms of necessity of a grid connectivity. Moreover, Mr. Chadha also discussed the idea of a South Asian energy corridor, that could ensure alternate buyers, providing relief to power project operators “that we will be adding an alternate to sell our power. We are not dependent on anybody.” Regional stability, as he ascertains would also prove vital to the energy security of both Nepal and India.

The “dichotomy” in Nepal-India energy cooperation was brought on the discussion table by Mr. Atul K. Thakur. He referred to inconsistencies in the project financing and implementation. When coming to Nepal’s significance for India with regards to energy cooperation, Mr. Thakur argued that the former stood as the most credible partner, especially with India’s ambition of achieving its net zero goal. Mr. Thakur laid emphasis that demand still remains southward of Nepal, when compared to its associations with the northern neighbor. The challenges in the energy sector he notes are threefold, stemming from – the lack of confidence amongst the investors, climate change and geoeconomics. Mr. Thakur commented that India is on the pathway to become the third largest economy in the world, and it will keep a transactional view of the bilateral relations, with a focus on hydro and tourism.

Mr. Satyajit Ganguly discussed the potential and achievements of the diversified Indian power market, where he listed the three power exchanges, each carrying enough liquidity. He also shifted his attention to the hydropower situation in Nepal, illustrating the dependence of the country on it when referencing energy security, questioned the issue of energy storage as well as the fluctuating/seasonal hydro availability, and claimed that the investment cost was high, further advocating for exploring the solar potential. When reviewing Nepal’s participation solely in the day-ahead market, which carries inherent limitations, Mr. Ganguly underscored the importance of looking at the advantages that a term ahead market provides, and creating “a well-balanced portfolio.”

Concluding the session, India’s proposed One Sun, One World, One Grid (OSOWOG) initiative was emphasized within the context of building and strengthening regional integration. The session identified the major transmission and regulatory bottlenecks in energy cooperation between the states, while touching upon the infrastructural requirements for any such endeavors moving forward. As such, hydropower was defined as the core of Nepal-India energy relations.

Panel 3: Consolidating India-Nepal Relations: Future Prospects

Moderated discussion by Amb. Pankaj Saran, Former Deputy National Security Advisor, GoI

The concluding panel had a focus on the reevaluation and reset of Nepal-India relations.

Brig. Rahul Bhonsle, while discussing the *roti-beti* concept that has long been a much-utilized terminology to describe the people-to-people relations between Nepal and India, put particular emphasis on the military linkages between the states – which he claimed was an institutional relationship that required nurturing, and progress can yet be realized. He, however, also advised that with the geopolitical changes, it would not be prudent to assume that the relations would remain the same, stating that there “can be dynamics of change and we should be able to adjust to that.” Within the context, he also stressed upon the democratic values of the two countries. On the bilateral front, Brig. Bhonsle made a note of the disruptive voices on both sides of the border, as he pushed for “higher level communication” for stability. On the China matter, and the regional sphere, he spoke about Beijing’s growing footprints in South Asia, and remarked upon the necessity of fair terms within engagements. He ended by stating that while the bilateral relations between Nepal and India were in no way in poor terms, there remains scope for improvement.

Amb. K.V. Rajan addressed the issues lining the consolidation of relations over the past seven decades, as “every trick in the diplomatic book that has been tried, relations have not managed to maintain a steady trajectory.” Amb. Rajan advocated for the idea of “enlightened bilateralism,” further elaborating on the idea that “if we can ensure that the politicization of bilateral cooperation is kept aside and is not allowed to be a roadblock or a street breaker in progress a lot of remarkable things can be done.” He noted the progress in Nepal-India relations in terms of growing cooperation in various sectors, including hydro, education, health and climate. With regards to the existing issues in Nepal-India relations, Amb. Rajan mentioned the importance of a “consensus-based understanding,” between the state and non-state actors can “have a sober kind of approach for the future, for the future of our children and our grandchildren.”

Dr. Smruti S. Pattanaik built on the idea that Nepal-India relations were neither state-driven nor state-controlled, referring to the people-to-people contact, along with religious and cultural relations. Dr. Pattanaik, additionally, claimed that “culture is something which binds you, which helps you, which creates a kind of understanding.” As she stressed on the unique relations, Dr. Pattanaik emphasized that the no “other country in South Asia can be equal to these two countries” in matters of security cooperation and economic integration. Noting that the relations are oftentimes moderated as per the aspirations of the political leaders, Dr. Pattanaik claimed that with such openness in borders and people-to-people relations, “that particular relationship needs to be leveraged to have a way forward as far as bilateral relations are concerned.”

The discussions across three broad sub-topics gathered insight into the evolving dimensions of Nepal-India relations and the persistent need of reassessing the many different facets that form the core of the bilateral associations.

Policy Recommendations

On Alignment of Interests: Accelerate Cooperation in Renewables

The subject of energy has garnered tremendous interest in the bilateral associations and while there have been infrastructural and procedural challenges attached to the matter of cooperation in the sector, it has been noted that power trade could become a potential equalizer when grasping the trade imbalance between the countries. By leveraging the big-ticket hydropower projects and addressing India's growing energy demand, as well as tracking the potential in and promoting the trilateral and sub-regional power trade, major gains could be identified in terms of energy cooperation.

On Strengthening Digital Connectivity

Gauging the development in digital connectivity between the countries, particularly when looking at UPI payment system in Nepal, there is massive opportunity to be exploited in areas of fintech, cybersecurity and scaling the interoperability in digital payments. The scope for further Nepal-India digital integration needs to be a theme undertaken within joint discussions that focus on tourism, trade, health and remittance.

On the Scope of Tourism

When deliberating on the scope of religious circuits like Shiva Circuit or Ramayan Circuit, within the concept of religious tourism, potential was seen in the sector in terms of the cultural links that define the curvatures of the people-to-people relations between Nepal and India, through say, integrated tour packages. The overall concept has been encapsulated within the soft power paradigm and necessitates narrative formation and infrastructural developments by the states towards that end.

On the Federal Structure: State-to-state Engagements

As Nepal has transitioned into a federal state, the opportunity of developing and deepening border state relations has been an identified goal. Identifying pathways of strategic bilateral cooperation in the federal state-level engagements like Biratnagar (Provincial capital of Koshi Province in Nepal) and Patna (State capital of Bihar State in India) would benefit actors in both public and private sectors – particularly as sets of tangible projects are ascertained in the interests of the stakeholders.

On Track II Diplomacy and Strengthening Mutual Trust

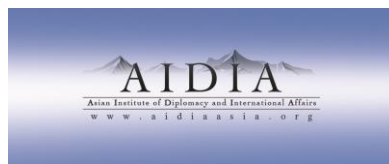
A point raised during the event was the importance of such events in facilitating dialogue amongst key stakeholders in order to identify the underlying tensions and budding opportunities in the bilateral engagements. A more focused and timely approach towards targeted themes/sectors that could bring policy experts and practitioners on a single platform could ascertain coherence in continued communications. The role of think-tanks and such summits in fostering such dialogues

would be vital.

On Strategic Communication and Addressing Disinformation

At the tail end of the panel discussion, the subject of narrative structuring by non-state actors like media in the public domain on critical policy issues pointed towards the notion that there was a need for clarity while both conducting interstate dialogues and conveying the discourse on public platforms. As such two agendas were identified: i) the importance of clear channels of high-level communications between the countries; and ii) the essential inclusion of non-state actors from both countries, especially the media.

At the end of the summit, there was a proposal for a focused seminar on energy, tourism and media – the three elements that have carved the understanding of Nepal-India relations – in the recent past.



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