

RESEARCH PAPER

From Historical Bonds to Modern Partnerships: India–Nepal Relations and the Emerging Role of Balen Shah

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Abstract

In this paper, the author has tried to trace the course of the India-Nepal relations from its strong historical and civilizational linkages to the current juncture of generational change in the Nepalese politics. It asserts that, since the day Indian Prime Minister Narendra Modi took office in 2014, the relationship has been marked by alternating highs and lows, partly because of the 'Neighbourhood First' outreach that has often run into problems over sovereignty issues – the most glaring being over Kalapani, Lipulekh, Limpiyadhura during the 2015 constitutional crisis and in 2019-2020 border dispute. The study then moves on to the rupture of 2025-2026, when an uprising by youth swept away the existing order and ushered in a four-year-old party, the Rastriya Swatantra Party (RSP), and its leader, Balendra "Balen" Shah, who is 36 years old. The paper evaluates Shah's adherence to a nationalist and sovereignty-first foreign policy, as well as his evident Third Worldist approach, which is rooted in his non-aligned stance, and their impact on the bilateral relationship, based on press reporting, think-tank analysis and official statements until June 2026, against the backdrop of the structural tensions of the bilateral relationship, including the China factor, the asymmetry and the territory.

KEYWORDS:

India–Nepal relations, Prime Minister Narendra Modi, Balen Shah, 'Neighbourhood First', Gen Z movement, Kalapani, non-alignment, South Asian diplomacy.

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Introduction

India and Nepal have one of the closest, non-equal and an intensely political bilateral relations in South Asia. They have an open border, through which people, goods, marriages and pilgrimages flow, with little formalities; a shared Hindu and Buddhist sacred geography, river systems and a dense web of kinship. But the intimacy which makes the relationship "special" makes it explosive: Nepali politics has always had a fear of the proximity to India, and Indian policy has always had a difficulty in converting this proximity to India into stable strategic trust.

This paper spans the course of that relationship over two periods. The first is the period of Narendra Modi's government in New Delhi from 2014 onwards when the Indian government tried to revitalise its ties, despite some of the poorest periods of modern

India-Nepal relations. The first is the time of New Delhi's Narendra Modi government since 2014, when it attempted to rejuvenate relations under its 'Neighbourhood First' policy while also facing some of the worst India-Nepal relations in recent years. The second is the dramatic political change that took place in Nepal in 2025-2026, where the "Gen Z" uprising and the subsequent landslide election of Balendra "Balen" Shah and his Rastriya Swatantra Party (RSP) brought about a fresh, younger and more assertive interlocutor to Kathmandu.

The central issue is whether the intimacy it inherited can be re-engineered into a partnership of interest, of connectivity, of digital integration and of cooperation in development, whether it will return to periodic crisis with the structural irritants of territory, asymmetry and great-power competition. It is a very significant time to ask that question given the rise of a sovereignty-first nationalist, whose baggage is neither New Delhi nor Beijing.

2. Historical Foundations of the Relationship

2.1 Civilizational and People-to-People Ties

The India–Nepal relationship has been based on the background of ancient civilizations prior to the existence of the modern state. The two societies are bound together by common religious traditions, such as Lumbini, the birthplace of the Buddha, the circuit of pilgrimages to Pashupatinath, and these two religions share overlapping Hindu ritual use. The open border allows citizens of both nations to reside, work and own property in the other country, supporting the "special" and "multifaceted" relationship that officials on both sides routinely describe as one that is built on a foundation of people-to-people contact, not treaty obligations.

2.2 The Treaty Framework: Sugauli and 1950

The modern relationship has two treaties as its foundations and complications. The Treaty of Sugauli (1815-1816) signed after the Anglo-Nepalese War between the British East India Company and the Kingdom of Nepal established the Kali (Mahakali) River as the frontier in the north-west. The Kalapani dispute that continues to fester today is based on different views of what channel is the "true" Kali. Meanwhile, the Treaty of Peace and Friendship (1950) has set out the provisions on open border and mutual security conditions that are considered to be fundamental to Indian policy, but which some Nepali nationalists see as an unequal paternalistic treaty that needs to be amended.

2.3 Economic Interdependence and Asymmetry

Economic asymmetry is the structural basis for all other things. India provides Nepal with about two-thirds of its merchandise trade and constitutes a corridor for Nepal's landlocked neighbours to access the world market. India is the overwhelming economic partner of Nepal as it accounts for about two-thirds of Nepal's merchandise trade and is the main landlocked route for Nepal and its neighbours. During the period 2024-25, Indian exports to Nepal amounted to approximately USD 7.3 billion while Nepali exports to India were estimated to be around USD 1.2 billion, reflecting Nepal's reliance on India and triggering periodic resentment. It is also the main reason why Nepal's economy suffers from leverage anxiety: if traffic is disrupted, as in 2015, this is felt almost immediately throughout the economy.

3. India-Nepal Relations (2014-2024) in Narendra Modi's tenure

3.1 "Neighbourhood First" and the 2014 Reset:

In the beginning, it was perceived as a new beginning with Modi. He took the initiative of inviting the leadership of Nepal to his oath-taking ceremony and made a high profile two-day visit to Kathmandu, addressing the Constituent Assembly of Nepal, in August 2014, the first visit by an Indian prime minister in 17 years and dedicated to Nepal's development under the "Neighbourhood First" concept. Nepal was seen as a priority partner, and early in the Modi days, there was real hope for a new partnership, one that was respectful.

3.2 This is the 2015 Rupture (Constitution and Blockade):

This is the 2015 Rupture (Constitution and Blockade). But that optimism was dashed in a year. The Madhesi and Tharus of Nepal's southern plains protested the country's new federally-distributed constitution, which they felt excluded them from the benefits of the new federal system in September 2015. Over the next few months, cross-border supply was badly disrupted, as widely experienced in Nepal as an "Indian blockade," leaving Nepalis facing acute shortages of fuel, medicine and essential goods. New Delhi had said it did not institute a blockade, but this incident was etched in their memories. It has been quoted around the world as the lowest moment in decades of the relationship and spurred Nepal's strategic shift towards China.

3.3 Connectivity as Diplomacy:

Since 2015, India has moved towards "quiet diplomacy," a style in which political action is minimized and in its place, tangible connectivity programmes and deliverables in the field of development are made to rebuild goodwill. The flagship outcomes were the crossing of the first cross-border petroleum pipeline (from South Asia to Nepal), the introduction of cross-border rail and

freight arrangements, integrated check-posts and a portfolio of High Impact Community Development Projects (HICDPs). It was to be expected that to create interdependence and gain the good will of the people, the logic would be to “hard-wire” interdependence by visible good will instead of through top-down political pressure.

3.4 The Cartographic Crisis of 2019–2020:

The connectivity agenda was overtaken in 2019–2020 by a bitter territorial dispute. After reorganisation of Jammu and Kashmir, India published a new political map in November 2019 which included the disputed Kalapani as a part of Uttarakhand. The dispute flared up in May 2020, when India's defence minister opened a road in the area of Lipulekh pass. In June 2020, Nepal did something in response by enacting by a unanimous vote a new constitutional amendment that incorporated the areas of Kalapani, Lipulekh and Limpiyadhura, which are approximately 335 square kilometres claimed by India, and now plans to showcase the new map on its currency and flag. India branded it a “unilateral” move and rejected the claim on the basis of historical facts, turning the issue into a “permanent and festering problem.” In Nepal, the map was used as a powerful nationalist symbol in the country and was used by the various political players in Nepal.

3.5 Partial Recalibration, 2021–2024:

Both sides wanted to do their best to contain the losses from late 2020 onwards. A high-level visit series followed by phone diplomacy and renewed project cooperation indicated a partial shift of gear with India maintaining “priority partner” status for Nepal under Neighbourhood First. But the question of the boundary, which was not solved but put aside, was effectively put on the back burner: Nepal had complained that the scheduled foreign-secretary-level talks were not arranged, while India had wanted to keep it off the agenda. The relationship heading into 2025 was thus not only functional, but also fraught with tensions and uncertainties, regarding territorial boundaries and complicated by Nepal's growing engagement with Beijing.

4. The 2025–2026 Political Transformation in Nepal

4.1 The Gen Z Uprising of September 2025 (Repeated)

A government ban on major social media platforms in September 2025 sparked a youth-led protest movement, which, in its early days, was called the “Gen Z” movement, and captured the pent-up frustration by the young people over years of corruption, cronyism, unemployment, and a lack of representation by the country's traditional political parties. The repression of demonstrators left a belligerent trail of blood, as about seventy-eight people lost their lives during two days of disturbances, and a thousand prisoners were freed and police armouries were looted. The upheaval led to the resignation of the K.P. Sharma Oli government and led to the discrediting of the traditional party leadership which had held power one way or another for a generation.

4.2 The Karki Interim government and the March 2026 polls

After Oli's resignation, the president dissolved Parliament and appointed former Chief Justice Sushila Karki as interim government to call snap elections. The elections were held on 5 March 2026, which resulted in one of the most dramatic outcomes in Nepal's democratic history. The Rastriya Swatantra Party, which was not established before 2022 by the former television presenter Rabi Lamichhane, secured a near two-third majority (182 of 275) in the House of Representatives and ended up with the best single-party result since the restoration of multiparty democracy in 1990. The old order of the Marxist government of veteran four-time premier K.P. Sharma Oli was decimated to about 25 seats.

4.3 India's Posture during the Transition

India chose not to play a major role in the crisis in Nepal and shewed notable maturity in its relations by abstaining from the turmoil, an abstention remarked on favorably by the Nepalis too. New Delhi has kept its Border Forces, Sashastra Seema Bal, on alert to keep fugitives from crossing the border during the breakouts. While the March outcome, Mr. Modi publicly congratulated the resilience of the youth of Nepal and also extended personal felicitations to the new leadership of the country, indicating a pragmatic approach toward working with anyone Nepal's voters elect.

5. The Rise of Balen Shah

5.1 from Rapper and Engineer to Prime Minister

Balen Shah or “Balendra” as everyone calls him represents the generational break the election brought about. A structural engineer by profession, he is also a rapper, a rap singer who was critical of poverty, unemployment and corruption and who became the Kathmandu mayor in 2022 by winning the election as an independent candidate. He then quit the Mayor's office in January 2026 and ran for the general election, winning about 70,000 votes, which were the largest votes cast by any single person in Nepal's electoral history, and defeating Oli in the Jhapa-5 constituency. On 27 March 2026, he took oath as Nepal's youngest elected prime minister and the first from the Madhes region, and his cabinet had the oldest member age of 51.

A brand-new Anti-Establishment, Nationalist version of the game.

Anti-establishment reformism and assertive nationalism are two legs on which Shah's political identity stands. When he was mayor, he fostered the image of being a strong promoter of national sovereignty, notably when he responded to a mural depicting "Akhand Bharat" (an undivided India) in India's new parliament building by erecting a map of "Greater Nepal" in his office. He was just as comfortable with challenging Beijing over the "standard map" the Chinese released, which excluded Nepal's claimed territory, and canceling a visit to the country. It is this balanced prickliness, both towards the giants on his neighbors' borders, that makes him powerful and unsettling on bilateral planning.

6. Balen Shah's Foreign Policy and the India Equation

6.1 Sovereignty-First Non-Alignment

In office, Shah and his foreign minister, Shisir Khanal, have taken to building a Nepali foreign policy around "pragmatic national interest" and not inherited ritual, of non-alignment. The RSP's manifesto envisioned "balanced and dynamic diplomacy" with the neighbours and its vision of turning Nepal into a bridge between the two Asian giants through trade, connectivity and economic cooperation. Shah's initial move was seen as a deliberate effort to stay agnostic towards New Delhi and Beijing.

6.2 Breaking Diplomatic Protocol

Shah's methods have been unorthodox and, to some, risky. In April 2026, instead of holding individual audiences, he was granted some seventeen heads of diplomatic mission, including those of India, China, the United States, Japan and Pakistan, in one group meeting, a calculated break from precedent which sought to minimise one-on-one external influence. He was quoted as saying that he had no plans to meet separately with either Indian Foreign Secretary Vikram Misri or a high-ranking U.S. official due to "domestic priorities". Even former diplomats are skeptical of the notion of playing it cool with great powers, arguing that to do so could convey a nationalistic message at home while mismanaging geopolitics that underpin Nepal's economy.

6.3 The "Reset" Signalled in June 2026

There was, however, some positive conciliatory indications that emerged from the first half of 2026. Partly via the ruling party circuit, India hosted RSP chairman Rabi Lamichhane in New Delhi where on 3 June 2026, he met Modi for an hour-long conversation that was co-attended by the external affairs minister, national security adviser and foreign secretary, who was an unusually high representation. Both leaders talked about "new course", Lamichhane used the term "development diplomacy" and spoke about digital corridors and seamless connectivity governed by shared civilizational bonds while also emphasizing that the RSP has "no political baggage." The disputed border was not put on the formal agenda, but Indian concerns might have been communicated informally. The trip was interpreted by many as a welcoming of a new beginning.

6.4 The Lipulekh Flashpoint Resurfaces

Almost at once the territorial question complicated the reset. Nepal has raised the diplomatic protest in India and China against India's use of Lipulekh route for Kailash Mansarovar Yatra in 2026 and reiterated the country's claim over Limpiyadhura, Lipulekh and Kalapani. New Delhi, in turn, has, in public, rejected any third party to mediate in the boundary dispute. The footage captured the major focus of the new era: the positive talk of partnership and connectivity is set to shift alongside an unresolved sovereignty issue that Shah's nationalist constituency will not budge on.

7. The opportunities and challenges of a modern partnership

7.1 The Economic Imperative

The primary motivation on either side to cooperate is economic necessity. For Nepal's economy, the figures also were weak, with the Asian Development Bank (ADB) forecasting a modest growth of just around 2.7 percent for fiscal 2026, which is constrained by the post-uprising turmoil and instability in West Asia, where some 2.5 million workers are employed in the country. Remittances, which constitute a very high proportion of the country's GDP, are the largest source of income for Nepal and it is highly vulnerable to events in the Gulf. A government which came to power promising jobs and tangible improvements has little time to deliver, and India, as Nepal's primary trade partner, transportation hub and source of investment and energy is essential to that delivery.

7.2 Avenues for Partnership

A meaningful modernised relationship with its several agendas:

Energy and connectivity: cross border transmission lines, hydropower export to the Indian grid, railways, roads, integrated check posts that increase interdependence.

Digital integration – the "digital corridors" and payment-linkage agenda already called for in the talks held in June 2026 – which

are well aligned with a government that is driven by young people and tech-literate.

Development cooperation: ongoing and further implementation of effective community-driven projects that have a tangible impact on the local community without a political overhang.

Trade facilitation: reducing the structural trade imbalance and transit tensions that cause Nepali resentment.

7.3 Persistent Challenges

There are other long-term barriers to such opportunities. The issue of Kalapani, Lipulekh and Limpiyadhura has not been resolved in the past and has now become a financial burden on the government at home as it is linked to Shah's nationalistic credibility. The profound economic and strategic imbalance remains to generate sensitivity in Kathmandu. The presence of China makes it difficult for India to see any initiative in India through without a competitive frame of mind, while Shah is not about to get turned into a pawn by either of them. But the untested protocol-breaking style of And Shah adds unpredictability: If he flaunts accepted diplomatic etiquette, he will preserve Nepali independence, but he also runs the risk of miscommunication with the larger neighbour who has enjoyed privileged access.

8. Conclusion

India is a land of intimacy combined with irritation with Nepal. Since the turn of the tide with Narendra Modi, the rapport has been oscillating between 'neighbourhood first' and 'trauma of blockade' in 2015 and 'trauma of map' in 2019-2020, but has never seemed to resolve any sovereignty issue. This is a generational and ideological change with the arrival of Balen Shah. He is not reflexively pro-India like some of his immediate predecessors nor ideologically pro-China like others, he is a sovereignty-first nationalist who will treat both neighbours as equals, and will steer foreign policy based on the national interest and not on inherited proclivities.

This can generate a 'modern partnership' or just a more assertive version of the old dynamic – if the two governments can compartmentalise. It's possible to re-invent the ties between New Delhi and a more independent-minded less deferential Kathmandu and a more pragmatic Shah, as long as he manages to use a more managed channel to run the territory dispute and a more pragmatic approach to employing the nationals. The relationship could indeed be re-engineered for the twenty-first century, if New Delhi can accept a more independent-minded, less deferential Kathmandu and if Shah can run the territory dispute in a more managed channel and the job, energy and connectivity cooperation in a more pragmatic manner. The conciliatory signalling of June 2026 indicates both sides recognize that it is worthwhile trying. However strong these historical ties, they remain built on a foundation that has yet to be mended by connectivity or goodwill, however, the Lipulekh dispute has come to the fore once again. What will be the future feature of the India – Nepal relationship will be the maturity with which both the countries handle the differing, un-resolved and unavoidable proximity.

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