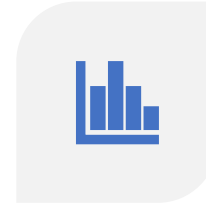
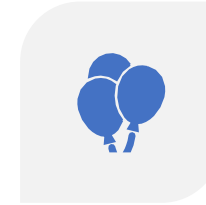




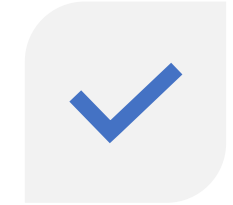
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3. FROM ROOTS TO ROUTES (THE SUNDAY GUARDIAN)
4. THE BIG, LIST PSU ASSETS IN \$, BUILD FOREX FORTRESS (THE NEW SUNDAY EXPRESS)



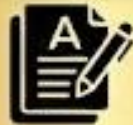
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India's Bangladesh Conundrum: Demographic pressures and geopolitical risks

India's 'Bangladesh Conundrum' is surely a border management problem, but now it intersects with regime change in Dhaka, political shift in West Bengal and Pakistan's constant attempts to exploit the situation for asymmetric leverage against India.



AMIT KOTHARI
LONDON

India's eastern frontier with Bangladesh has been a complex strategic challenge not just since 1947 but even after and despite 1971. A 4,000-kilometer border that is among the world's longest and, in many stretches, notoriously porous.

What began as a post-Partition refugee movement followed by the 1971 humanitarian crisis has evolved into a persistent issue of illegal infiltration for India.

Demographic shifts, illegal trade and extreme security vulnerabilities, India's 'Bangladesh Conundrum' is surely a border management problem, but now it intersects with regime change in Dhaka, a decisive political shift in West Bengal and Pakistan's constant attempts since the uprising of 2024 in Bangladesh, to exploit the situation for asymmetric leverage against India.

The terms of the threat are multi-layered.

1. Demographic engineering: Rapid changes in religious and linguistic composition in border towns

and districts, altering local power dynamics and cultural identity.

2. Porous border vulnerabilities: While fencing has progressed, riverine and marshy stretches remain most difficult to seal. Incomplete fencing has historically facilitated not just people movement but cattle smuggling, narcotics, arms and even terror transit routes.

Successive Indian governments and security agencies have described the post-1971 phase as predominantly undocumented economic infiltration, with estimates of the undocumented migrant stock ranging from 10-20 million. Census data and state-level analyses show disproportionate population growth in border districts of Assam and West Bengal, where Muslim-majority pockets have expanded rapidly in areas like Dhubri, Barpeta, Goalpara, Malda and Murshidabad.

Towns such as Dhubri, which happens to be a direct border entry point and parts of Barpeta have witnessed indigenous Assamese and Hindu communities reporting local minority status, land pressures and shifts in voting patterns. These trends repeatedly flagged in official reports, Governor analyses, and political discourse as linked to infiltration rather than solely natural growth differentials.

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2. Porous border vulnerabilities: While fencing has progressed, riverine and marshy stretches remain most difficult to seal. Incomplete fencing has historically facilitated not just people movement but cattle smuggling, narcotics, arms and even terror transit routes.

3. Illegal trade and hybrid risks: Smuggling networks thrive in unbordered or weakly monitored zones, funding cross-border criminal syndicates.

4. Proxy potential: The leader's porosity, combined with demographic footholds, creates conditions for "a thousand cuts". This is the low-intensity destabilization that Pakistan could exploit without committing resources and forces given their inability to engage with India in conventional warfare.

These pressures have strained resources, jobs, and social cohesion in affected towns, fueling movements like Assam's NRC exercise and long-standing political mobilization.

BENGAL'S GOVERNMENT CHANGE: A TURNING POINT FOR BORDER SECURITY?

The 2026 West Bengal Assembly elections delivered a historic BJP majority, with Suresh Chandra Adhikari taking oath as the state's first BJP

Chief Minister on May 9, 2026. Border security was a central campaign plank. The incoming administration has prioritised handing over nearly 600 acres of land to the Border Security Force (BSF) for accelerated fencing in sensitive stretches, alongside cracking down on infiltration and cattle smuggling. Union Home Minister Amit Shah had repeatedly promised that a BJP government in Kolkata would make infiltration and smuggling "an impossibility."

This marks a sharp contrast with the previous Trinamool Congress (TMC) government under Mamata Banerjee, which faced Centre-State friction over land allocation for fencing, BSF jurisdiction expansion (from 15 km to 50 km in some areas), and perceived leniency on push-ins/push-backs. The new focus is expected to yield tangible impacts such as faster completion of border fencing and outposts, strengthened coordination between state police, BSF/central agencies and reduced illegal trade corridors that have long plagued districts like Malda, Murshidabad and North 24 Parganas.

Bangladesh's Foreign Minister Khalidur Rahman has already expressed concern about potential increased "push-ins" under the new dispensation, signalling Dhaka's sensitivity

to tighter Indian enforcement. For India, a secure West Bengal border is not just a state issue but it plays a critical national-security gap along the entire eastern flank.

PAKISTAN'S RISING INFLUENCE IN BANGLADESH: A DANGEROUS TREND

The fall of Sheikh Hasina's Awami League government in 2024, the interim phase under Muhammad Yunus and the February 2026 landslide victory of the Bangladesh Nationalist Party (BNP) under Prime Minister Tarique Rahman have opened space for Pakistan to recalibrate ties with Dhaka.

Multiple high-profile visits, eased visas, resumed direct flights, civilian and military delegations, and MoUs (including on counter-narcotics) reflect a warming relationship untested for decades. Pakistan views the BNP era as an opportunity to rebuild "brotherly" links, with outreach from Islamabad's top leadership and invitations for Rahman to visit.

This realignment carries clear risks for India. Lashkar-e-Taiba (LeT) commander Saifullah Saif, publicly claimed in late 2025 that Hafiz Saeed's network was operating from Bangladesh, to "push jihad into India." Pakistan's Defence Minister Khuram

Ahif went further in April 2026, warning that any Indian "false-flag operation" or misadventure would be met with retaliation "in Kolkata." Such statements underscore Pakistan's explicit pivot toward asymmetric warfare via India's eastern border, a theatre where Islamabad's conventional military options are limited but proxy avenues (infiltration, terror transit, leveraging demographic pockets) are more feasible.

In any future India-Pakistan kinetic conflict, the porous Indo-Bangladesh border and pre-existing demographic changes could enable Pakistan to inflict "a thousand cuts" through hybrid means which may feature sporadic attacks, smuggling of militants or materiel and exploitation of cross-border networks. The trend is dangerous precisely because it transposes a bilateral migration issue into a multi-front security challenge.

INDIA'S STRATEGIC PLAY: DIPLOMACY, DEVELOPMENT, AND DETERRENCE

The message is clear—India wants a prosperous, stable Bangladesh as a partner, but not at the cost of compromising its eastern frontier or allowing Pakistan to gain a strategic foothold.

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CONCLUSION: BALANCING THE CONUNDRUM

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- **Key Terms and Explanations**

- **Demographic Engineering:** This refers to deliberate or structural alterations in the population composition of a specific geographic region based on ethnicity, religion, or language. In border states like Assam and West Bengal, it manifests as long-term shifts in voting patterns and localized population balances due to historical and ongoing migration corridors.
- **Asymmetric Warfare:** A strategic scenario where a weaker state or non-state actor exploits the systemic vulnerabilities of a conventionally superior adversary using non-traditional means. Rather than engaging in direct military conflict, it utilizes proxy elements, hybrid threats, and localized disruptions to achieve strategic leverage.
- **Hybrid Threats:** Security challenges that blend conventional military tactics with unconventional methods. This includes cyberattacks, state-backed economic coercion, disinformation campaigns, and the exploitation of illegal immigration channels or cross-border criminal networks to destabilize a nation from within.
- **Integrated Statecraft:** A comprehensive approach to national security and foreign policy where a nation synchronizes all elements of state power. It blends hard security measures—such as border fencing, intelligence-driven counter-infiltration, and military deterrence—with soft power assets like economic cooperation, infrastructure development, and diplomatic engagement.
- **"A Thousand Cuts" Strategy:** A doctrine traditionally associated with hostile neighbors aiming to destabilize a nation by inflicting continuous, localized vulnerabilities rather than waging a full-scale war. In this context, it involves exploiting porous borders to facilitate the smuggling of narcotics, counterfeit currency, and weapons, while fostering internal radicalization.
- **Push-ins / Push-backs:** Terms used in border management to describe actions taken by neighboring states regarding migration. *Push-ins* refer to the state-sponsored or facilitated movement of undocumented individuals across an international border into a neighbor's territory. *Push-backs* are reciprocal border enforcement actions aimed at returning undocumented migrants to their country of origin.

- **Main Arguments and Substantive Parts**

- The geopolitical dynamic along India's eastern frontier has reached a critical juncture, driven by regime changes in the neighborhood and shifts in regional governance. The core arguments outlining this complex security environment include:

- **The Vulnerability of the Porous Frontier**

- India shares a 4,096-kilometer border with Bangladesh, a significant portion of which consists of riverine terrains, dense forests, and marshy stretches. This geography makes complete physical sealing difficult. The porous nature of this border acts as a primary vector for undocumented migration, cross-border cattle smuggling, and narcotics trafficking, which funds local criminal syndicates.

- **Political Alignments and Border Security**

- Changes in provincial leadership within India's border states directly influence national security strategies. Recent political transitions have created a stronger alignment between central security directives and state-level enforcement. This shift has accelerated land acquisition for border fencing, expanded the operational jurisdiction of central border forces, and minimized previous administrative friction over land allocation.

- **The Impact of External Regime Shifts**

- Political instability and leadership changes in Dhaka introduce strategic uncertainties. The transition from a traditionally cooperative government to a different political coalition can open avenues for external adversaries—such as Pakistan's intelligence apparatus—to re-establish proxy networks along India's eastern flank. High-profile diplomatic visits, relaxed visa regimes, and renewed bilateral military exchanges between neighboring states serve as indicators of these shifting alignments.

- **The Threat of Multi-Front Coordination**

- A major security concern is the potential synchronization of hostile activities across both the western and eastern frontiers. If a neighbor's soil is used by transnational terror outfits, India risks facing a coordinated, multi-front security challenge. This elevates a localized migration issue into a broader, interconnected national security concern.

- **Historical Evolution of the Issue**

- The modern challenges of the eastern frontier are rooted in historical boundaries, post-colonial conflicts, and shifting political landscapes:

- **1947 (The Genesis of Partition):** The partitioning of British India established the Radcliffe Line, which divided Bengal based on demographic majorities. This boundary overlooked topographical realities, cutting through villages, rivers, and agricultural fields, leaving an inherently porous border.

- **1951–1970 (Post-Partition Displacements):** Regular waves of migration occurred during this period, initially driven by communal riots, socio-political instability, and targeted persecution in what was then East Pakistan. This laid the groundwork for established migration corridors.

- **1971 (The Bangladesh Liberation War):** The liberation conflict caused a major humanitarian crisis, sending over 10 million refugees into India's border states, particularly Assam and West Bengal. While many returned after the creation of Bangladesh, a significant population remained integrated within local communities.

- **Post-1971 to 1980s (The Shift to Economic Migration):** Over the subsequent decades, the drivers of migration shifted from acute political conflict to chronic economic disparities. Undocumented movement continued, leading to demographic anxieties in India's Northeast and triggering the historic Assam Movement.

- **1985 (The Assam Accord):** Signed to address fears of demographic change, the Accord established March 24, 1971, as the strict cutoff date for detecting and deporting undocumented migrants. This remains a cornerstone of legal and political discourse in the region.

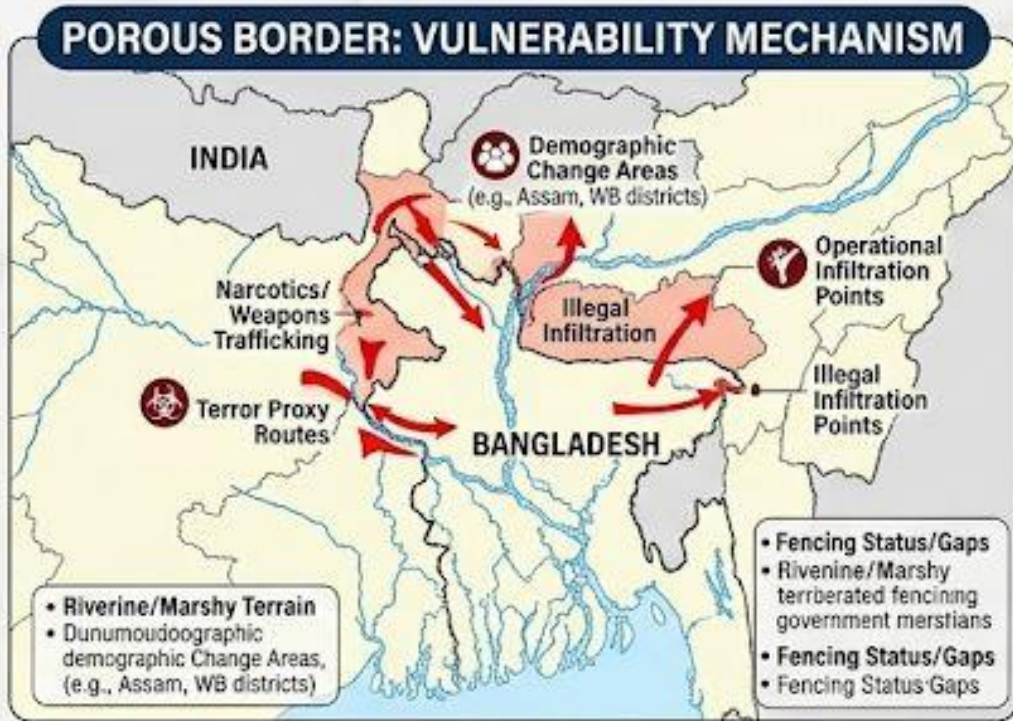
- **2020s to Present (The Modern Geopolitical Crux):** Recent political transitions in both Dhaka and neighboring Indian states have shifted the focus toward a more assertive border management strategy. The issue has evolved from localized border policing into a broader challenge of integrated statecraft, directly tied to counter-terrorism and regional stability.

INDIA'S BANGLADESH CONUNDRUM: A COMPREHENSIVE STRATEGIC ANALYSIS FOR UPSC CSE



THE CHALLENGES (GS-3 Internal Security)

- Demographic Engineering:** Disproportionate population growth in border districts (Dhubri, Malda), affecting local patterns.
- Cross-Border Crime:** Cattle smuggling, narcotics, FICN, funding criminal networks.
- Radicalization & Asymmetric Threats:** Potential for Pakistan's ISI to exploit porous borders (e.g., LeT) in a 'thousand cuts' strategy.
- Social Frictions:** Strain on local resources, social cohesion, and native anxieties.



THE RESPONSES (Integrated Statecraft)

- Border Management Reform:** Expanding BSF jurisdiction, accelerated fencing (WB government cooperation mentioned). CIBMS smart tech.
- Strategic Diplomacy:** Making neighborhood stability a precondition for economic ties. 'Act East' linkage. Conditional statecraft.
- Counter-Infiltration & Intelligence:** Targeted operations against terror networks and proxy groups on both sides of the border.
- Federal Coordination:** Closer Center-State cooperation on public order and national security matters.

WAY FORWARD: A SUSTAINABLE APPROACH



SYLLABUS & PREVIOUS YEAR LINKS (UPSC)

- PYQs:**
- Internal security threats along porous borders (2019)
 - Neighborhood First Policy and internal developments (2021)
- GS-2 (IR/Polity)**
- GS-3 (Internal Security)**

FEDERAL CONTEXT IN WEST BENGAL



INDIA MUST EVOLVE FROM REACTIVE BORDER DEFENCE TO PROACTIVE DETERRENCE & INTEGRATED DEVELOPMENT.



- **Logical and Philosophical Base**

- Understanding this security challenge requires analyzing its underlying philosophical assumptions regarding state sovereignty, borders, and regional stability:

- **The Realist Paradigm of Statehood**

- The core argument is grounded in classical realism, which views international relations through the lens of state sovereignty, territorial integrity, and national security. From this perspective, an unmonitored border represents a fundamental vulnerability. The state's primary duty is to safeguard its borders against both military incursions and unregulated demographic shifts that could alter internal socio-political stability.

- **The Conundrum of Artificial Boundaries vs. Natural Geographies**

- The analysis highlights a tension between Westphalian sovereignty—which demands clearly demarcated, legally enforced borders—and regional geography. Human networks, cultural ties, and riverine landscapes resist these artificial lines. This creates a conceptual disconnect between the legal expectations of a state border and the socio-geographic realities on the ground.

- **Utilitarian Security vs. Humanitarian Duties**

- The ethical framework balances a state's utilitarian duty to protect its citizens' economic resources, social harmony, and political franchise with humanitarian considerations regarding migration. The argument prioritizes long-term national security, viewing unregulated demographic shifts not merely as humanitarian events, but as developments that can impact domestic stability and resources.



- **Multidimensional Analysis**

- A comprehensive understanding of this frontier dynamic requires examining its social, political, legal, ethical, international, and economic dimensions:

- **Social Dimension**

- Unregulated migration can alter local population balances in frontier districts, sometimes creating friction over land ownership, employment, and linguistic identity. This can heighten anxieties among indigenous communities regarding their political representation and cultural preservation, occasionally leading to localized social polarization.

- **Political Dimension**

- Border security and migration remain central topics in both national and regional elections. These issues influence voting alignments, shape party platforms, and affect relations between the central government and border states, making border management a key factor in regional political dynamics.

- **Legal Dimension**

- This issue involves navigating complex legal frameworks, including the Citizenship Act of 1955, the Foreigners Act of 1946, and international conventions on refugees and state sovereignty. Implementing measures like the National Register of Citizens (NRC) requires balancing domestic legal mandates with constitutional guarantees, such as Article 21, which applies to all persons within India's jurisdiction.

- **Ethical Dimension**

- The ethical challenge lies in balancing a nation's sovereign right to protect its borders and resources with humanitarian responsibilities toward individuals fleeing economic hardship or political instability. It requires maintaining border security while upholding human rights standards during interdiction and deportation processes.

- **International Dimension**

- India's approach to its eastern border directly affects its "Neighbourhood First" policy and its broader Act East agenda. Managing these security concerns requires careful diplomacy to ensure that domestic border enforcement does not strain relations with essential regional partners or drive them toward strategic alignments with geopolitical competitors.

- **Economic Dimension**

- Porous borders support a shadow economy driven by the smuggling of cattle, narcotics, consumer goods, and fake currency, which deprives the state of revenue and funds criminal networks. Conversely, transitioning to a regulated border with modern Integrated Check Posts (ICPs) can boost legal trade, improve regional supply chains, and foster economic development across East and South Asia.

- **Linkages with NCERTs**
- Grounding this contemporary geopolitical issue in foundational NCERT concepts helps contextualize the structural dynamics at play:
- **Class XII – Contemporary World Politics (Chapter on Security in the Contemporary World):** This chapter provides important context on non-traditional security threats, identifying unregulated migration, transnational crime, and human trafficking as key modern security challenges that complement traditional military risks.
- **Class XII – Politics in India Since Independence (Chapter on Regional Aspirations):** Discusses the socio-political movements in India's Northeast during the 1980s, including the Assam Movement. This history is essential for understanding current demographic concerns and the origins of major policy frameworks like the Assam Accord.
- **Class XI – Indian Constitution at Work (Chapter on Federalism):** This text helps clarify the division of powers between the Union and the States under the Seventh Schedule. It explains how managing national borders can sometimes interact with state-level responsibilities for public order, which is key to understanding center-state cooperation on border issues.



- **General Studies Paper II (GS-2)**
- **Governance and Polity:** Federal structures, center-state relations, and the operational friction between central law enforcement agencies and state police forces.
- **International Relations:** India and its neighborhood relations, the impact of domestic political shifts on bilateral foreign policy, and regional security frameworks.
- **General Studies Paper III (GS-3)**
- **Internal Security:** Security challenges along comprehensive international borders, the nexus between transnational organized crime and terrorism, and effective border management strategies.
- **Technology in Security:** Deploying smart borders, advanced surveillance systems, and intelligence-driven counter-infiltration measures.
- **Essay Paper & Optional Subjects**
- **Strategic Essays:** Geopolitical essays focused on territorial sovereignty, hybrid warfare, and managing complex neighbor relationships.
- **Political Science & International Relations (PSIR):** Realist concepts of national security, regional stability in South Asia, and the strategic dynamics of trans-border migration.
- **Geography Optional:** Political geography, border dispute analyses, demographic shifts in frontier regions, and the security implications of riverine and marshy terrains.

- **Way Forward**

- A comprehensive, long-term strategy for India's eastern border should integrate modern security technology, institutional reform, and proactive diplomacy:

- **Comprehensive Technological Modernization**

- India should accelerate the deployment of the **Comprehensive Integrated Border Management System (CIBMS)** along the entire eastern frontier. In riverine and marshy areas where physical fencing is impractical, security forces should rely on a multi-layered digital barrier featuring thermal imagers, infrared sensors, underground acoustic sensors, and low-light cameras, backed by real-time drone surveillance.

- **Strengthening Institutional Cooperation**

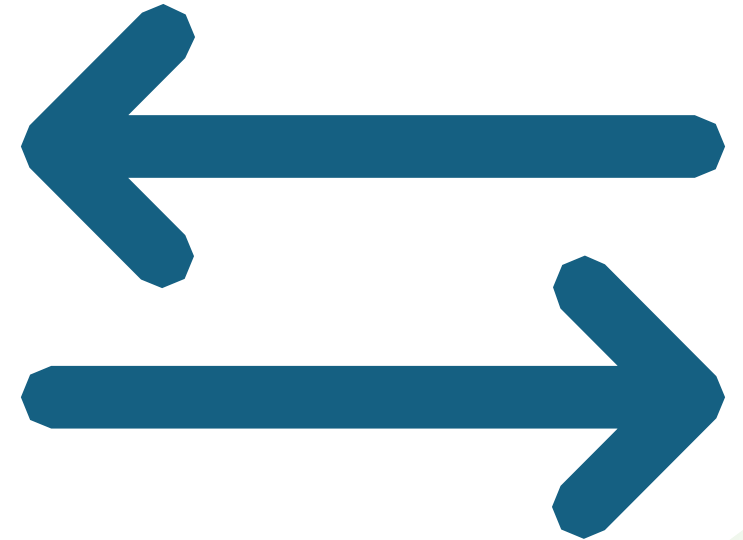
- To reduce friction over jurisdiction, the government should establish **Joint Border Coordination Councils** that include the Border Security Force, state police forces, and central intelligence agencies. This framework would improve intelligence sharing, streamline local law enforcement, and ensure a more coordinated response to cross-border crimes.

- **Community-Centric Border Development**

- Long-term border security relies on the cooperation of local populations. Expanding initiatives like the **Vibrant Villages Programme** to eastern border districts can improve local infrastructure, healthcare, and job opportunities. Providing viable alternative livelihoods reduces the economic incentives for participating in cross-border smuggling networks and helps build trust between residents and security forces.

- **Implementing Reciprocal Diplomacy**

- India's regional diplomacy should link economic partnerships, development assistance, and cross-border infrastructure projects with clear security commitments. Maintaining open communication channels with all major political factions in neighboring countries helps ensure that bilateral security agreements remain stable, even during sudden domestic regime changes.



- **UPSC CSE Mains (General Studies Paper III)**
- "Analyze internal security threats and transborder crimes along India's borders. Suggest major reforms to improve border management." **(2024, GS-3)**
- "Cross-border movement of insurgents is only one of the several security challenges facing the policing of the border in North-East India. Examine the various challenges currently emanated by the porous borders with Myanmar and Bangladesh." **(2019, GS-3)**
- "Analyze the multidimensional challenges faced by India's border management forces along the western and eastern frontiers, and discuss how technology can serve as a force multiplier." **(2016, GS-3)**
- "How does illegal trans-border migration pose a threat to India's internal security? Discuss the strategic and legal frameworks available to counter this challenge." **(2014, GS-3)**
- **UPSC CSE Mains (General Studies Paper II)**
- "With respect to the 'Neighbourhood First' policy, India's relations with its immediate neighbors are heavily influenced by their internal political developments. Discuss with suitable examples." **(2021, GS-2)**



India-Nepal relations need to be handled with sensitivity

A weakened alliance with Nepal may impact India's security interests, trade routes, and influence in the Himalayan region. For Nepal, it could be detrimental in multiple spheres as the world turns increasingly transactional.



ANURAG ANANDHI
NEW DELHI

India and Nepal share a 1751 km long border across the five Indian states of Sikkim, West Bengal, Bihar, Uttar Pradesh and Uttarakhand. Bilateral relations are defined by deep-rooted cultural links as well as commonalities in religion, language and culture.

There have been 14 Prime Ministers after the end of the monarchy in Nepal in 2008, which signifies a rather turbulent political landscape. The incumbent, Balendra Shah was sworn in as Prime Minister on March 27, 2026, after an uprising, which somehow, does not seem entirely organic in origin.

Nestled strategically in the ecologically fragile Himalayan region between China and India, Nepal is an important buffer state. In terms of national strength, Nepal's relations with China and India are asymmetrical. The primary interest of China's intervention is to apparently prevent Tibetans from using Nepal's territory as a base for their movement for autonomy. There are seven provinces and 77 districts in Nepal. 26 districts of Nepal share borders with India,

and two districts, Taplejung and Dharchula, are adjacent to both India and China.

The landmark 1950 India-Nepal Treaty of Peace and Friendship forges close ties based on culture and demography. This is a foundational document which envisages respecting the sovereignty, territorial integrity and independence of both nations. The enabling Articles 6 and 7 empower both sides to grant various provisions to the nationals of one country in the territories of the other, the same privileges in the matter of residence, ownership of property which requires RBI permission, participation in trade and commerce and movement on a reciprocal basis. This is a unique treaty which has stood the test of time through several upheavals.

Both countries have long-standing military ties and have an enduring custom to confer the honorary rank of General to each other's Army Chiefs. India has been deeply involved in training and providing equipment to aid the Nepal Army in modernisation. India's co-operation with Nepal also includes assistance during disasters, joint military exercises, adventure activities, climate change aspects, tourism and education.

The bilateral framework for trade is anchored in the 2009 India-Nepal Treaty of Trade and Agreement of Co-operation. The Treaty allows Nepal unilateral duty-free access to the Indian market. India and Nepal

also have a Treaty of Transit, which confers transit rights through each other's territory through mutually agreed routes and modalities. Its revised version was signed in June 2023 for a period of 7 years. It will be auto renewed for a period of 7 years, thereafter.

Nepal is a landlocked nation and there is a huge impetus on rail connectivity. India-Nepal Rail Services Agreement, signed in 2004 governs the rail-freight transport between the two countries. A letter of exchange was signed in 2021 to liberalise India-Nepal rail freight traffic and bring it in line with the latest operational and infrastructure metrics. The cross-border section of the first railway link, connecting Jaynagar in India, to Kurtha in Nepal, became operational in April 2022 and has been further extended to Dajapur. The work on the final segment of the railway link, from Dajapur to Bardibas, is ongoing. Building of Jughani-Biratnagar rail link is in progress, and the new Raxaul-Kathmandu railway link is also being finalised by both countries.

There are numerous power and transmission projects underway with Indian assistance, which includes grid transmission lines. All these projects are aimed at strengthening regional energy security, improving grid resilience, and contributing to sustained economic growth in both nations. This cooperation has been expanded with



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the commissioning of the Motihari-Amleikgarh Petroleum Pipeline (MAPL) in 2019. MAPL became the first cross-border petroleum product pipeline in the region and has yielded immense economic benefits to the people of Nepal. Hishaki/Tera Road project and the East-West fiber optics project are two other important projects undertaken in the realm of connectivity.

The bulk of Nepal's exports are from Indian ports due to geographical aspects, proximity and logistical costs. Nepal's trade with Bhutan and Bangladesh also transits through India. Operationalisation of Vishakhapatnam Port (Amendment in the Treaty of Transit) for traffic-in-transit between Vishakhapatnam Port and Nepal was signed in February 2016. Four Indian Lines of Credit by India are

dedicated towards infrastructure development as prioritised by Nepal. These enabling lines of credit have financed more than 40 road projects, 6 hydropower projects and several others in housing and reconstruction.

Since 1996, Nepal's exports to India have grown more than eleven times and bilateral trade more than seven times. 150 large Indian ventures have a footprint in Nepal and are engaged in manufacturing, services (banking, insurance, dry port, education and telecom), power sector and tourism industries. Indian companies and investments have played a key role in Nepal's national economic journey by contributing to industrialisation, employment generation, government revenue and export earnings. Nepal is India's 14th largest export desti-

nation in 2024-25, up from 26th position in 2004.

There have been significant fiscal reforms in the recent past. RBI's permission to Indian banks to lend in INR to Nepalese entities in 2025 aims to enhance cross-border investment and reduce currency volatility, strengthening Nepal's financial stability. However, political instability, trade imbalances, infrastructure gaps, and geopolitical competition continue to challenge bilateral growth.

Several water sharing agreements have also taken place through the years. Water cooperation between Nepal and India has resulted in agreements signed on major rivers like the Kosi, signed in 1964 and Gandaki, signed in 1959 with amendments in 1964. Karnali and Mahakali agreements were signed in 1996 and came

into force in 1997. These agreements are essentially for large hydroelectric and irrigation projects by building dams or barrages. Post the Kosi Agreement and building of the barrage, talks between the two governments reached an impasse, and water issues have not been resolved in entirety.

In 2020, Nepal had also released a new political map incorporating Lipulekh, Kalapani, and Limpiyadhura, later reflected on its currency note. There are some areas of concern on border sharing aspects. Nepal claims that the territories of Limpiyadhura, Lipulekh, and Kalapani, located east of the Mahakali River, have been integral parts of Nepal since the Treaty of Sugauli in 1816. It cites the 1816 Treaty of Sugauli, arguing the Kali River originates at Limpiyadhura, while India claims it starts further east.

Nepal has recently expressed "concerns" to both India and China regarding the upcoming Kalush Mansarovar Yatra being routed through the Lipulekh Pass. In terms of staying arrangements for Indian nationals, Nepal has now confirmed that no changes in open border movement are either warranted or modified. There have been reports in the media that Helen Shah reportedly refused to meet Indian Foreign Secretary, instead requesting to meet a representative of Nepal risk for discussions.

India and Nepal are a part of identical cultural fabric

and faith. With a new government in place, a lot needs to be done besides many engagements at myriad levels to include economic interdependence, infrastructure, transit routes and cooperation.

A weakened alliance with Nepal may impact India's security interests, trade routes, and influence in the Himalayan region. For Nepal, it could be detrimental in multiple spheres as the world turns increasingly transactional. India seems to be more willing than ever to abandon its old hesitations and not view Nepal through a prism of China, while also demonstrating a clear political legitimacy for a regional balance of power. Building trust, while deftly balancing trade with geographic power dynamics could carve a great path for both nations.

"Rifts to Resets" throughout history have been a norm and it is a well-known fact that closeness, if not handled with sensitivity can cause trouble in both personal relationships and geopolitics. Shakespeare's enduring lines from "King Lear" have a new meaning in international relations, especially for the politically inexperienced entities "Have more than thou showest, speak less than thou knowest".

*Anurag Anandhi is a veteran, and CEO of Escape Velocity Mediateworks. He is a known policy expert and a columnist who writes extensively on critical technologies, security and geopolitics. anurag@escapevelocity.com

- **Key Terms and Explanations**

- **Asymmetric Bilateralism:** This refers to a relationship between two sovereign nations characterized by a profound disparity in geographic size, economic output, population, and military capability. In this context, India is vastly larger and more resourceful than Nepal, which naturally creates a psychological and political imbalance. It requires the larger nation to act with extra sensitivity to avoid being perceived as a "big brother."

- **Buffer State:** A small, neutral country situated between two larger, potentially hostile powers. Nepal historically serves as a physical buffer state between India and China. Its strategic stability is critical; any political vacuum or hostile alignment in Nepal directly exposes India's heartland (the Indo-Gangetic plains) to external security threats.

- **Open Border Regime:** A unique bilateral arrangement, formalized by the 1950 Treaty, allowing citizens of both India and Nepal to cross their shared $1,751 \text{ km}$ border without passports or visas. It facilitates free movement for work, residency, and commerce.

- **Transit Rights for Landlocked States:** Under international maritime law (such as UNCLOS), landlocked nations have a right of access to and from the sea. Nepal depends overwhelmingly on Indian ports (like Kolkata and Vishakhapatnam) and transit corridors for its third-country global trade.

- **Lines of Credit (LoC):** Development finances extended by India to Nepal at concessional interest rates. These are used to fund critical infrastructure like highways, power transmission lines, and cross-border petroleum pipelines.



- **Main Arguments and Substantive Parts**

- The contemporary relationship between India and Nepal oscillates between deep-rooted interdependence and modern geopolitical friction.

- **The Core Thesis**

- The central argument is that India-Nepal relations cannot be managed through a purely transactional or rigid lens. Because of Nepal's unique geography and domestic political shifts, India must handle the relationship with strategic empathy, balancing its hard security interests with respect for Nepal's sovereignty.

- **Pillars of Interdependence**

- **The 1950 Treaty Foundations:** Articles 6 and 7 of the 1950 Treaty of Peace and Friendship grant national treatment to citizens of both countries on each other's soil regarding property ownership, movement, and trade. This creates a deeply intertwined socio-economic reality.

- **Strategic Military Ties:** The security architectures of both nations are closely linked. The tradition of conferring the honorary rank of General to each other's Army Chiefs symbolizes this trust. Furthermore, India heavily assists in the modernization of the Nepal Army.

- **Economic Connectivity Hubs:** Bilateral trade has grown over eleven times since 1996. Initiatives like the Motihari-Amlekhgunj petroleum pipeline, cross-border rail links (e.g., Jaynagar to Kurtha), and integrated check posts serve as the economic bedrock of the alliance.

- **Primary Counterarguments and Friction Points**

- **The Cartographic Dispute:** The unilateral publication of new political maps by Nepal incorporating the regions of Lipulekh, Kalapani, and Limpiyadhura—based on differing interpretations of the 1816 Treaty of Sugauli—has injected strong nationalist friction into diplomatic talks.

- **The China Factor:** Nepal's domestic political evolution, especially post-monarchy, has seen a growing willingness to leverage its relations with China (through infrastructure projects like the Lipulekh Pass routes) to balance India's dominant influence.

- **Historical Evolution of the Issue**

- The trajectory of Indo-Nepal relations can be divided into four distinct historical phases, moving from absolute reliance to complex strategic autonomy.

- **The Pre-Independence and Colonial Era (1816–1947)**

- The structural boundaries of modern Nepal were defined by the **Treaty of Sugauli (1816)** following the Anglo-Nepalese War. The British East India Company designated the Kali River as Nepal's western boundary. However, the exact source of the Kali River was left ambiguous, leaving a cartographic loophole that fuels the modern Lipulekh and Kalapani territorial disputes.

- **The Post-Independence Era and Cold War (1950–1990)**

- In the shadow of China's annexation of Tibet, India and Nepal signed the **1950 Treaty of Peace and Friendship**. This treaty established the "special relationship," incorporating Nepal into India's security umbrella. For decades, Nepal's monarchy balanced its domestic survival by alternating between relying on Indian democratic support and asserting its distinct Himalayan identity.

- **The Democratic Transition and Friction (1990–2015)**

- The dismantling of the absolute monarchy and the rise of the Maoist insurgency shifted Nepal's internal politics. India played a key role in facilitating the 2006 Comprehensive Peace Accord. However, relations hit a historic low in 2015 due to the economic blockade along the border, which followed protests by the Madhesi community against Nepal's newly adopted Constitution. This event deepened anti-India sentiment and accelerated Nepal's economic pivot toward Beijing.

- **The Modern Geopolitical Era (2015–Present)**

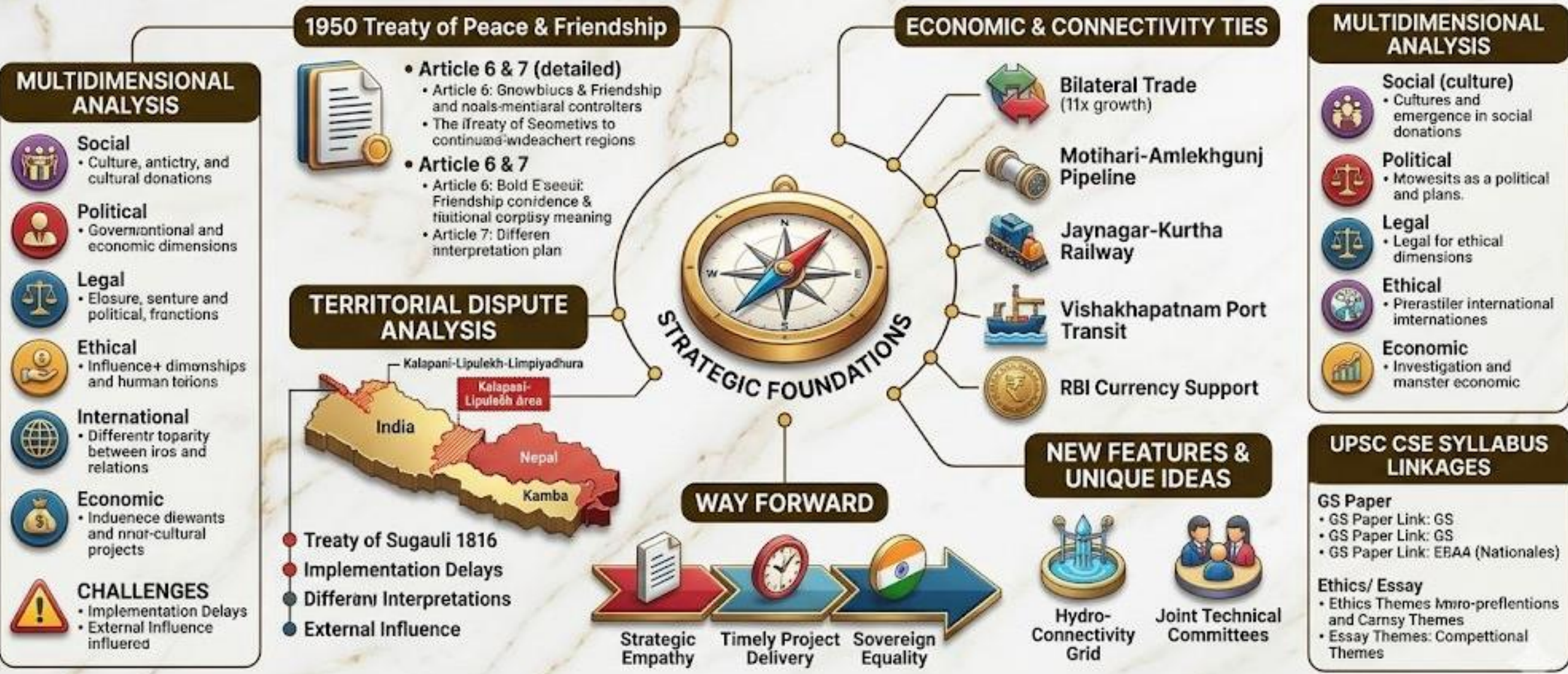
- Today, Nepal actively participates in China's Belt and Road Initiative (BRI) while remaining economically bound to India through new connectivity projects. The relationship has transformed from a paternalistic "special relationship" into a pragmatic, interest-driven partnership where boundary disputes, water-sharing agreements (Kosi, Gandak, Mahakali), and transit treaties are continuously renegotiated.



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INDIA-NEPAL RELATIONS: A MULTIFACETED ANALYSIS FOR UPSC CSE





- **Logical and Philosophical Base**
- Understanding the deeper motivations behind each country's actions helps move past surface-level political rhetoric.
- **The Realist Paradigm vs. Constructivist Identity**
- From a **Realist perspective**, India views the Himalayas as its natural northern security barrier. Any external strategic footprint in Nepal is seen as a direct vulnerability to the Indo-Gangetic plains. Conversely, Nepal's foreign policy is driven by a desire to preserve its autonomy. To avoid being overshadowed by its massive southern neighbor, Nepal uses a strategy of "hedging," balancing India against China to maximize its freedom of action.
- **The "Roti-Beti" Constructivist Bond**
- Philosophically, the relationship is deeply rooted in **Constructivism**—the idea that shared culture, language, and history shape state behavior. The term "Roti-Beti ka Rishta" (ties of food and marriage) reflects the organic, people-to-people connections across the border that exist independently of state policy.
- **The Shift from Paternalism to Sovereign Equality**
- The underlying logical tension stems from a clash of perspectives: India often views its actions through a lens of benevolent paternalism, while Nepal operates on the principle of absolute sovereign equality. This makes any perceived unilateral action by India a sensitive issue for Nepalese national pride.



- **Multidimensional Analysis**

- A comprehensive view of the relationship across six key dimensions highlights its complex nature:

- **Social:** Deep cultural bonds through shared religious heritage (Hinduism and Buddhism) and cross-border marriages run parallel to growing friction between border communities over resources and migration status.

- **Political:** Nepal's transition to a federal democratic republic has altered traditional power dynamics, making political coalitions highly sensitive to perceived foreign influence.

- **Legal:** Divergent legal interpretations of historical treaties (such as the 1816 Sugauli Treaty and the 1950 Treaty) complicate efforts to permanently resolve border disputes and trade terms.

- **Ethical:** As the larger nation, India faces the ethical challenge of ensuring its policies do not infringe upon the sovereignty or economic independence of a smaller neighbor.

- **International:** Nepal is a key arena for geopolitical competition, where India's traditional influence is increasingly challenged by China's Belt and Road Initiative and Western developmental aid.

- **Economic:** Nepal relies heavily on India for transit, fuel, and essential commodities, creating an economic dependence that can trigger sudden inflation or supply shortages during political disagreements.

Linkages with NCERTs

Class XII – Political Science (Contemporary World Politics): *Chapter: South Asia and the Contemporary World.* This chapter explains the geopolitical dynamics of the Indian subcontinent and clarifies the structural reasons behind the anxieties smaller neighbors feel toward India.

Class XII – Political Science (Politics in India Since Independence): *Chapter: India's External Relations.* Provides the historical background of India's foreign policy principles, Panchsheel, and early engagements with Himalayan kingdoms.

Class XI – Physical Geography: *Chapter: Drainage System.* Essential for understanding the transboundary river systems (Kosi, Gandak, Ghaghara/Karnali) that form the core of bilateral water diplomacy and disaster management discussions.

Linkages with UPSC CSE Syllabus

GS Paper II (International Relations): India and its neighborhood-relations; Bilateral, regional and global groupings and agreements involving India and/or affecting India's interests.

GS Paper III (Internal Security): Security challenges and their management in border areas; linkages of organized crime with terrorism.

GS Paper IV (Ethics): International ethics; moral obligations of a regional power toward smaller neighbors.

UPSC Essay Paper: Themes related to "Geopolitics vs. Cultural Diplomacy," "The Changing Dynamics of Neighborhood First Policy," or "Sovereignty in an Interdependent World."

Optional Subjects: Highly relevant for Political Science & International Relations (PSIR) Paper II, Geography Optional Paper II (Contemporary Issues), and Public Administration (Inter-governmental relations and border management).



- **Way Forward**

- To build a resilient, future-proof partnership, India should consider the following strategic steps:

- **Shift from Paternalism to Sovereign Equality**

- India should engage with Nepal strictly on the basis of sovereign equality. Diplomatic communication must avoid any appearance of interfering in Nepal's internal political processes, allowing its democratic institutions to mature on their own terms.

- **Address the Delivery Deficit**

- India needs to ensure the timely completion of its infrastructure and development projects. Successfully delivering high-profile initiatives on time is the most effective way to counter the appeal of alternative external investments.

- **Institutionalize Border and Water Management**

- Rather than relying on ad-hoc political discussions, border and water-sharing issues should be managed through permanent, empowered technical committees. Joint mechanisms can quietly handle cartographic disputes and river management based on data and shared technical expertise, away from domestic political debates.

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- **UPSC CSE Prelims**
- Which of the following Links India and Nepal via a direct cross-border petroleum pipeline? (2020)
- Consider the following pairs: *River : Border/Region*. Which of the following is associated with the Treaty of Sugauli? (2022)
- **UPSC CSE Mains (GS Paper II)**
- "India's Neighborhood First policy faces significant structural challenges in the wake of China's growing footprints in South Asia." Discuss with special reference to India-Nepal relations. (2022, 15 Marks)
- Analyze the internal and external factors that have influenced India-Nepal relations over the past decade. To what extent has the 'China factor' altered the traditional calculus? (2020, 15 Marks)
- The concept of an open border between India and Nepal has been both a boon and a bane for both nations. Evaluate this statement from the perspective of economic integration and internal security. (2016, 10 Marks)

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- **Key Terms and Explanations**

- **Buddhist Diplomacy:** A form of cultural diplomacy and soft power where a nation leverages shared Buddhist heritage, philosophy, and historical links to build deeper bilateral and multilateral relations with other countries. *Example:* India hosting international Buddhist conclaves to strengthen ties with Southeast Asian nations like Thailand, Cambodia, and Vietnam.
- **Soft Power:** The ability of a country to influence the actions and preferences of other nations through appeal and attraction rather than coercion, military force, or economic incentives (hard power). *Example:* The global proliferation of Indian yoga, cinema, and ancient philosophical systems.
- **Act East Policy:** A diplomatic initiative launched in 2014 as an evolution of the "Look East Policy." It focuses on proactive, extended economic and strategic engagement with Southeast and East Asian nations, placing India's Northeast region at the center of this connectivity network.
- **Civilisational Gateway:** A geographic or cultural region that acts as a bridge connecting distinct civilisations, facilitating the seamless flow of people, ideas, trade, and cultural practices. *Example:* India's Northeast region serving as the historic and modern bridge between mainland India and Southeast Asia.
- **Dhamma Padayatra:** A spiritual foot pilgrimage undertaken by monks, devotees, and cultural ambassadors to retrace the historical steps of the Buddha or early Buddhist missionaries, aimed at fostering cross-border people-to-people ties.
- **Sinicization of Religion:** A political and cultural policy aimed at bringing religious practices and institutions into alignment with official Chinese state ideology, socialist values, and Han cultural norms. *Example:* The state-directed management of Tibetan Buddhist institutions, including official oversight regarding the recognition and training of reincarnate lamas.

- **Main Arguments and Substantive Parts**

- The core discourse shifts focus away from traditional hard-power dynamics toward a civilisational blueprint where faith, heritage, and geography converge.

- **The Strategic Centrality of the Northeast**

- The Northeast region is no longer viewed merely as a remote geographic frontier, but rather as the foundational anchor of India's cultural diplomacy. This territory bridges the domestic heartland with the broader Buddhist world of Southeast and East Asia. Significant fiscal commitments, such as dedicated budget allocations for cross-border spiritual circuits, aim to restore and preserve ancient monasteries across states like Arunachal Pradesh, Sikkim, Mizoram, and Tripura. This transformation seeks to turn an isolated borderland into a vibrant hub of tourism, commerce, and international engagement.

- **Countering Parallel Cultural Narratives**

- A significant driver behind this initiative is the need to offer an alternative to competitive cultural diplomacy in Asia. China has actively expanded its influence through state-sponsored Buddhist forums, large-scale monastery restorations across South and Southeast Asia, and infrastructural funding aligned with its Belt and Road Initiative (BRI).

- However, India's strategy highlights a distinct structural advantage: housing the authentic, living roots of Buddhist history—including Bodhi Gaya, Sarnath, and Kushinagar—alongside ancient learning centers like Nalanda and Takshashila. This allows India to position itself as the genuine guardian of the Dhamma, contrasting with state-directed religious frameworks elsewhere.

- **From Relics to Infrastructure: The Institutional Framework**

- True soft power cannot rely solely on historical sentiment; it requires robust institutional backing. This evolution is driven by:

- The repatriation of sacred artifacts and their high-profile exhibitions across Asian capitals, generating deep public devotion.

- The establishment of academic networks, such as the digital preservation of ancient Sanskrit and Pali manuscripts under initiatives like the *Gyan Bharatam* program.

- The development of tangible physical infrastructure, including the Trans-Arunachal Highway and Frontier Highway projects, which transform difficult terrain into accessible spiritual corridors.

- **Historical Evolution of the Issue**

- The strategic link between statecraft and spirituality in India has evolved through several distinct phases:

- **Ancient Foundations (3rd Century BCE – 12th Century CE)**

- The historical precedent was established by Emperor Ashoka, who transformed Buddhism from a regional sect into a global philosophy by sending emissaries (*Dhammamahamatras*) to Sri Lanka, Myanmar, and Central Asia. This laid the groundwork for ancient universities like Nalanda, Vikramashila, and Takshashila to function as early centers of international learning, drawing scholars like Xuanzang and Faxian across hazardous terrain to study the core texts of the faith.

- **Colonial Disruption and Post-Independence Inertia (18th Century – 1990s)**

- Colonial administration prioritized the physical demarcation of hard borders, drawing lines like the McMahon Line that disrupted centuries-old cultural fluidities between the Northeast and Tibet/Myanmar. Following independence, India's initial foreign policy leaned heavily toward non-alignment and secular statecraft. This approach often underutilized the nation's rich religious and civilisational heritage as an active asset in formal diplomacy, focusing instead on standard state-to-state political relations.

- **The "Look East" Shift and Modern Civilisational Diplomacy (1991 – Present)**

- The economic reforms of 1991 catalyzed the "Look East Policy," which later evolved into the more proactive "Act East Policy" in 2014. Over the last decade, this strategic framework has increasingly integrated cultural assets into hard diplomacy.

- Today, India regularly hosts Global Buddhist Summits, organizes international relic exhibitions, and finances the revival of Nalanda University. These actions demonstrate a calculated shift toward leveraging the country's civilisational heritage to build lasting partnerships across the Indo-Pacific.

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1 KEY TERMS

Soft Power: Consists of a non-growing and power to draw a source of the northeast: rarer and promotes of soft power.

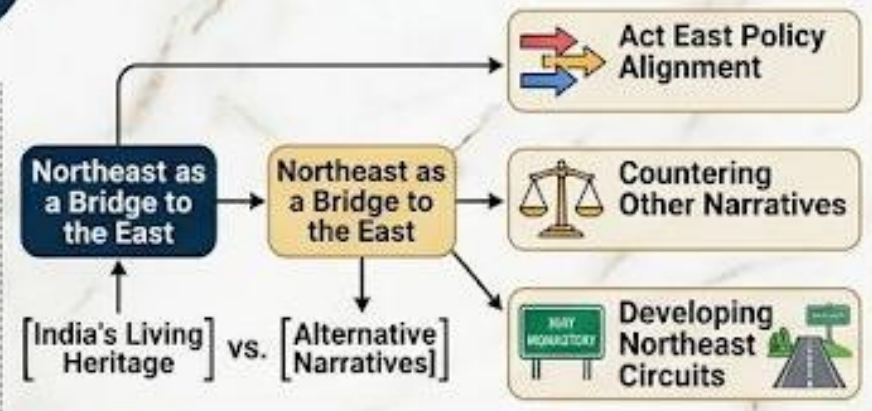
Soft Power: Identify orient: ancient in inclusive ahoos to second promotion, merge, and capped prodor skills.

Soft Power: Power can on dinstinal communes are conserant, to and cultural.

7 MULTIDIMENSIONAL ANALYSIS

Social: Integration & Identity	Ethical: Soft Power Legitimacy	Institutional: Power Narratives
Heritage Power & Legitimacy	Cultural: Environmentals	Institutional Friction

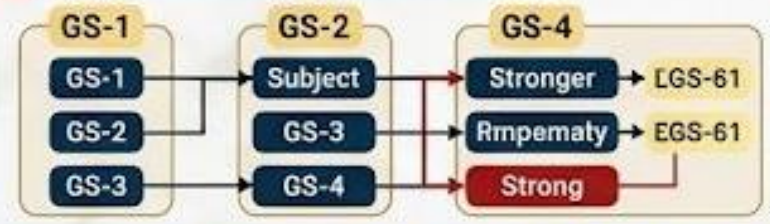
2 MAIN ARGUMENTS



3 HISTORICAL EVOLUTION



8 UPSC SYLLABUS LINKAGES



4 PHILOSOPHICAL FOUNDATIONS

Middle Path
(Balanced a lotus context)

Cultural Continuity

5 NEW FEATURES

Gyan Bharatam Digital Repo

Trans-National Frontier Circuit

6 CHALLENGES

Geopolitical Tensions

Infrastructure Bottlenecks

Institutional Friction

Rumtek Diplomacy

9 WAY FORWARD

- Fast-track infrastructure
- Expand academic ties
- Expand academic ties
- Expand academic ties
- Expand academic ties

10 PYQs

- UPSC Mains: Then'd Mains: Questions in Titate froms: Year-Group (19-3)
- UPSC Mains: Shwring the Ban's Questyory (Year-Group (6-2)
- UPSC Mains: UPSQ groups: Year-Group (5,3-7)

- **Logical and Philosophical Base**

- The intersection of ancient philosophy and modern foreign policy rests on distinct conceptual foundations:

- **The Philosophy of Middle Path (*Majjhima Patipada*)**

- At its core, this diplomatic approach reflects the Buddhist doctrine of the Middle Path—an avoids of extremes. In international relations, this translates into a preference for multilateralism, peaceful coexistence, and consensus-building over aggressive unilateralism or polarizing military alliances. It provides a non-threatening, universally respected ethical vocabulary that helps India foster deep partnerships with smaller Southeast Asian nations wary of major-power dominance.

- **Cultural Continuity and Authenticity**

- The underlying logic relies on a clear distinction between state-manufactured cultural initiatives and organic, living heritage. India's claim to leadership within the Buddhist world is rooted in geography and living tradition. It is the land where Siddhartha Gautama attained enlightenment, delivered his first sermon, and achieved Mahaparinirvana.

- Furthermore, by hosting the Dalai Lama and the Tibetan diaspora since 1959, India has preserved the continuous lineage of Tibetan Buddhism. This living custody offers a high degree of moral legitimacy that cannot be easily replicated through infrastructure spending or institutional funding alone.

- **Multidimensional Analysis**

- A comprehensive assessment reveals how this issue intersects with various key socio-political areas:

- **Social Dimension**

- This strategy helps integrate the Northeast into India's broader national narrative. By positioning the region as a vital cultural gateway rather than a distant frontier, it fosters greater national inclusion and challenges long-standing stereotypes. Concurrently, it preserves the unique indigenous traditions and monastic heritages of local communities.

- **Political Dimension**

- It reshapes domestic political priorities by elevating the strategic importance of border states. Border management shifts from a purely security-focused approach to a developmental model centered on cultural tourism, infrastructure development, and increased political engagement from the central government.

- **Legal Dimension**

- The strategy requires navigating complex domestic and international legal frameworks. This includes managing international intellectual property rights for digitized ancient texts, securing bilateral cross-border transit agreements, and implementing domestic environmental protection laws like the Forest Conservation Act in ecologically sensitive zones.

- **Ethical Dimension**

- It presents an alternative approach to international relations by contrasting aggressive power politics with an ethical framework rooted in the values of peace, non-violence, and shared humanity. This helps build international trust and offers a more collaborative vision for regional engagement.

- **International Dimension**

- It provides India with a valuable diplomatic tool to strengthen its partnerships across South and Southeast Asia. By emphasizing deep historical ties, India can present a credible, culturally resonant alternative to purely economic or infrastructure-driven regional initiatives.

- **Economic Dimension**

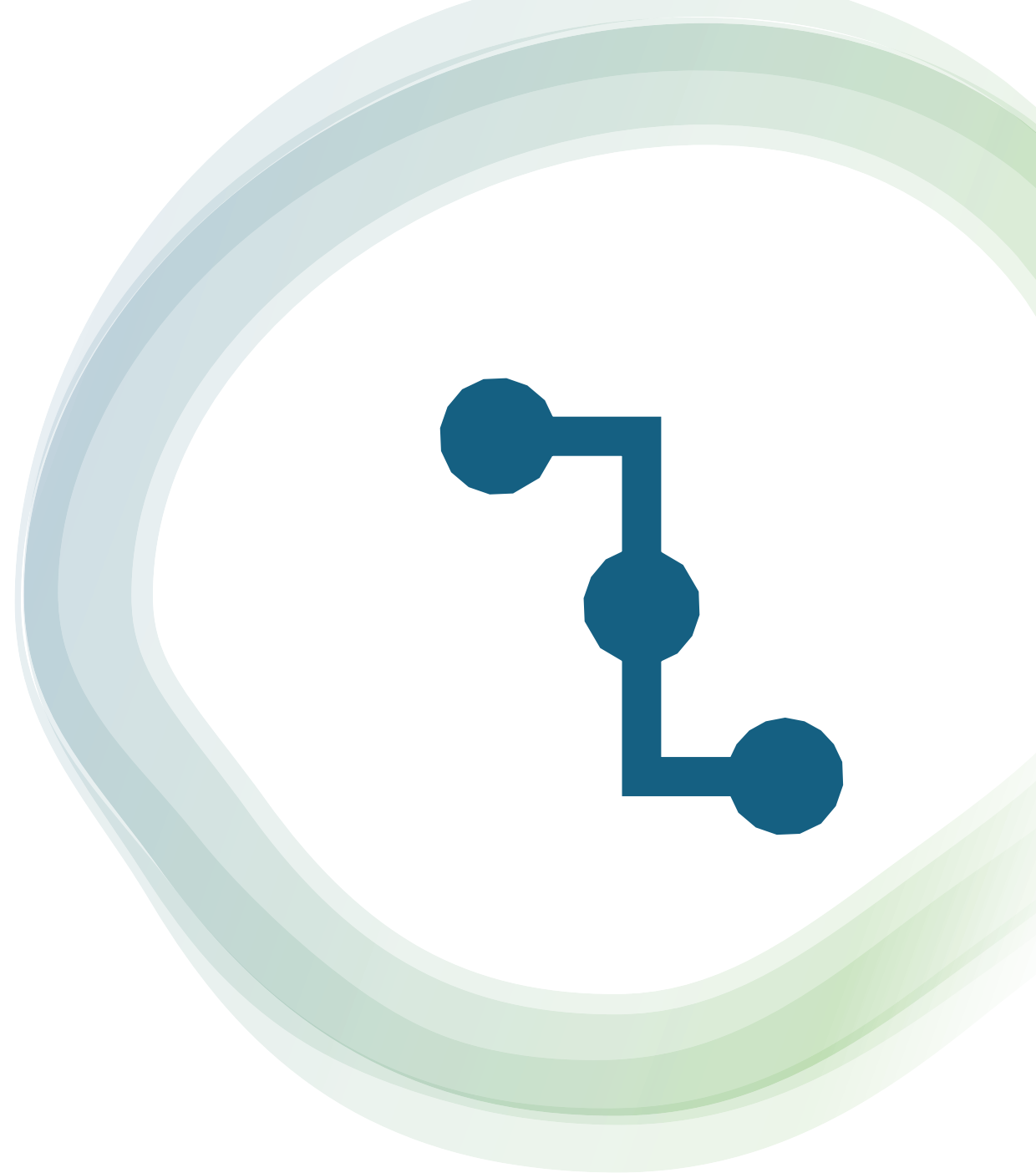
- Developing integrated spiritual circuits opens up significant economic opportunities for the Northeast. It can stimulate high-value cultural tourism, create jobs in the service and hospitality sectors, attract infrastructure investment, and open up new trade opportunities with neighboring Southeast Asian countries.




- **Linkages with NCERTs**

- To build a solid foundational understanding, students should connect these concepts to the following standard NCERT textbooks:

- **Class VI History (Our Pasts - I): Chapter: New Questions and Ideas.** This chapter provides the essential historical background on the life, teachings, and spread of Buddhism across the Indian subcontinent and beyond.
- **Class XI An Introduction to Indian Art: Chapter: Buddhist and Jain Architecture.** This text offers detailed insights into the evolution of Buddhist art, stupas, and monastic architecture, helping students understand the material heritage that forms the basis of modern cultural diplomacy.
- **Class XII History (Themes in Indian History - Part I): Theme 4: Thinkers, Beliefs and Buildings.** This module explores the social and cultural world of early Buddhism, detailing how these philosophical ideas were preserved and transmitted across generations.
- **Class XII Political Science (Contemporary World Politics): Chapter: Alternative Centres of Power.** This section helps students analyze how regional groupings (like ASEAN) and individual nations utilize soft power and economic strategies to shape modern geopolitical dynamics.



- **Linkages with UPSC CSE Syllabus**
 - **GS Paper I: Indian Heritage and Culture, History, and Geography**
 - **Indian Culture:** Salient aspects of Art Forms, Literature, and Architecture from ancient to modern times, specifically focusing on the evolution and spread of Buddhist art and architecture.
 - **Distribution of Key Natural Resources:** Understanding the strategic and ecological geography of India's Northeast region.
 - **GS Paper II: Governance, Constitution, Polity, Social Justice, and International Relations**
 - **India and its Neighborhood- Relations:** Analyzing bilateral and multilateral engagements with South and Southeast Asian nations.
 - **Bilateral, Regional and Global Groupings and Agreements:** Assessing India's engagement with bodies like ASEAN, BIMSTEC, and the East Asia Summit through the lens of the Act East Policy.
 - **GS Paper III: Technology, Economic Development, Biodiversity, Environment, Security and Disaster Management**
 - **Infrastructure:** Connectivity projects including Highways, Ports, and Roads in strategic border zones.
 - **Linkages between Development and Spread of Extremism:** Evaluating how economic development and cultural integration help stabilize sensitive border regions.
 - **GS Paper IV: Ethics, Integrity, and Aptitude**
 - **International Relations and Funding:** Conceptualizing ethical frameworks in foreign policy, specifically focusing on the application of peace, non-violence, and moral authority in international diplomacy.
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- **Way Forward**

- To translate these civilisational concepts into a sustainable, high-impact diplomatic strategy, India should focus on several clear policy priorities:

- **Fast-Track Strategic Infrastructure**

- The timely completion of key physical infrastructure projects—such as the Trans-Arunachal Highway, the Kaladan Multi-Modal Transit Transport Project, and the India-Myanmar-Thailand Trilateral Highway—is essential. Soft power initiatives gain significantly more traction when backed by reliable, modern physical connectivity.

- **Expand Institutional and Academic Collaboration**

- India should scale up its digital humanities initiatives by establishing a comprehensive network to digitize, translate, and preserve ancient manuscripts across Asia. Reviving Nalanda University as a premier global hub for Buddhist studies, philosophy, and international conflict resolution will help solidify India's position as a center of contemporary intellectual leadership.

- **Simplify Cross-Border Access**

- Streamlining travel regulations through targeted measures—such as introducing specialized spiritual visas, expanding e-visa facilities for major Buddhist pilgrim countries, and creating dedicated tourist corridors across the Northeast—will help boost people-to-people ties.

- **Institutionalize Cultural Diplomacy**

- Strengthen coordination between key government bodies by establishing a dedicated joint task force comprising representatives from the Ministry of External Affairs, Ministry of Culture, Ministry of Tourism, and northeastern state administrations. This will help align domestic development priorities with India's broader foreign policy objectives.



- **UPSC CSE Prelims**

- With reference to the religious history of India, consider the following statements regarding Buddhism... *(Various Years: 2011, 2014, 2015, 2017, 2020)*

- Which of the following kingdoms were associated with the life of the Buddha? *(2014, 2015)*

- With reference to the cultural history of India, which one of the following is the correct description of the term 'Paramitas'? *(2020)*

- **UPSC CSE Mains**

- **GS Paper I (2016):** Early Buddhist stupa-art, while depicting folk motifs and narratives, successfully expounds Buddhist ideals. Elucidate.

- **GS Paper II (2017):** Evaluate the economic and strategic dimensions of India's Look East Policy in the context of the post-Cold War international scenario.

- **GS Paper II (2019):** "India is soft power superpower." Discuss the prospects and limitations of India's soft power diplomacy.



THINK BIG, LIST PSU ASSETS IN \$, BUILD FOREX FORTRESS

HERE is something uniquely vicarious about tokenism in Indian politics. Earlier this week, Prime Minister Narendra Modi urged Indians to practise austerity. The central concern was to conserve depleting dollars. Ergo, the sermon called on people to not buy gold, curb foreign travel, eschew destination weddings and move towards work from home and virtual learning. To that end, Modi cut down the size of his convoy to two cars.

This triggering spectacle of photo-ops. The durability of the self-certified austerity of politicians will show up sooner than later. Meanwhile, the rupee carvened to ₹96 per US dollar, the stock indices slid further, bond yields went up, and wholesale inflation at 8.3 percent signalled higher retail inflation ahead. Any hope of a solution from Beijing was dashed by a “he said, Xi said” warble of words.

India’s economic crises have almost always been about the gap between the economy’s need for dollars and its ability to earn dollars. The rupee’s troubles predate the war. They reflect the economy’s inability to compete consistently in global markets and deliver returns—foreign institutional investors sold Indian equities worth ₹1.61 lakh crore in 2025.

It’s time to think big, think lateral. Governments and goats love weeds. Speculation is rife about cesses and surcharges on everything from travel to remittances. Chasing paise will not help. India must build a forex fortress leveraging its growth opportunities and sovereign assets. To that end, here are a few thoughts.



THE THIRD EYE

SHANKKAR AIYAR

Author of *The Great Republic, Agha Khan: A Geometry of India's Digital Revolution and Accidental India*
(shankkar.aiyar@gmail.com)

From Robert Solow to Béla Balassa and Paul Samuelson, the economics is unambiguous: a currency is a claim on a nation’s productive capacity; India has the assets. James Tobin spoke of the relationship between an asset’s market value and its replacement cost. By that metric, India’s public sector and sovereign assets are chronically undervalued.

India needs to consolidate its resources. The value of its listed public enterprises is over ₹99 lakh crore and that of its banks is over ₹17 lakh crore. The strategic play is to carve out government shareholding above the statutory 51 percent threshold into a sovereign wealth fund (SWF)—say, the Amrit Kaul Fund—modelled on Singapore’s GIC. The SWF can cherry-pick high performance counters and package them into dollar-denominated exchange-traded funds for overseas bourses (and GIFT City) and rupees for Indians.

The SWF will enable raising dollar resources. It will also signal that India has matured as a custodian of capital. It strips away the “bureaucratic discount” and replaces it with an “India premium”. The SWF also becomes a kinetic anchor plan for India’s next-generation mega-projects capable of leveraging its assets to raise debt seamlessly—whether in rupees at home or in dollars overseas.

Thomas Edison said the value of an asset is in its utility. The same principle applies to sovereign balance sheets. Yet India’s approach to its vast domestic wealth remains structurally constrained. Yes, it has monetised some assets, but for the better part it has treated its rupee-paid domestic assets—sprawling rail networks, land banks, highways—as entries in the fiscal ledger and not leveraged its potential for dollar realisation.

It is time to recast the approach. The government has listed assets worth ₹16.72 lakh crore for monetisation. Thus far, it has depended on anchor investors—global and Indian pension funds—to realise the value. The two friction points faced by investors are currency risk and ticket size. How about looking at the value potential of bundling these assets?

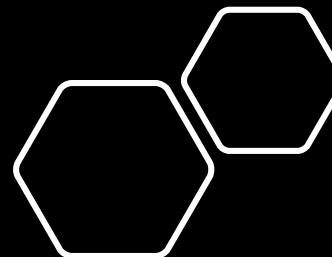
Instead of listing individual infrastructure investment trusts for roads, power or rail, why not offer a diversified bundle denominated in dollars—thereby reducing currency risk? The world’s 500 top asset managers are now managing over \$125 trillion and mega funds look for larger ticket sizes and reduced currency risks. This way, global institutional investors need not play the guessing game about an emerging market currency and focus on funding India’s growth on neutral terms.

Dollar townships are another option. India needs homes for its burgeoning youth population. It also needs new townships around the industrial corridors that are sustainable and smart. Urbanisation, which is a force multiplier and an employer at the intersection of rural and urban economies, could also be leveraged to woo patient foreign capital.

Global players though do not want to navigate the friction points of India’s permission raj. To start with, the Union can ask the states to compete for 25 township slots with all the clearances in place. The government could then invite bids in dollars from global players, with or without local partners. The idea is to enhance the value of India’s most illiquid rupee asset into dollar resources, and set new standards in urbanisation.

These are only some of the ideas, but they should suffice to frame the change in approach needed. India does not lack assets; it lacks the strategic audacity to leverage them. By professionalising ownership, recycling infrastructure and increasing state-level competition, we convert latent national wealth into a kinetic global advantage.

What the government does to arrest the fall of the rupee and the rise of inflation in the next few weeks would matter. But what matters more is what it does to pave the way for sustainable growth. In the final accounting of history, it is not what was done that defines a crisis. It is what was not.



- **Key Terms and Explanations**

- **Sovereign Wealth Fund (SWF):** A state-owned investment fund composed of pools of money derived from a country's reserves, currency operations, or privatization proceeds. Unlike regular central bank reserves used for monetary stabilization, an SWF seeks long-term, high-yield global returns. *Example:* Singapore's GIC or Temasek, which invest globally to generate wealth for future generations.

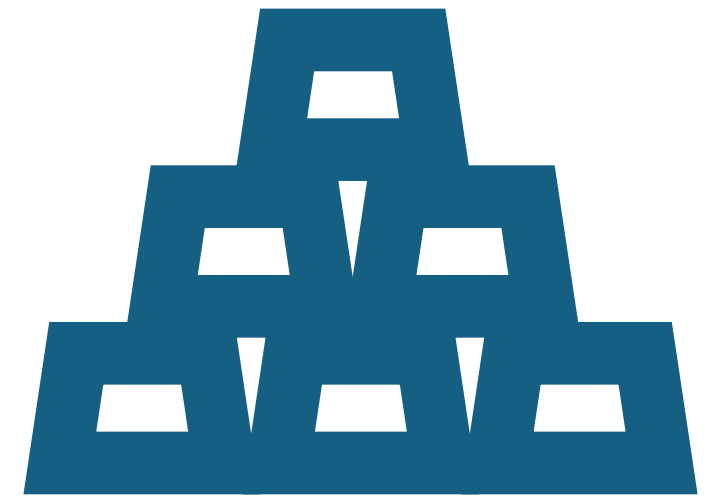
- **Asset Monetization:** The process of unlocking the economic value of underutilized or idle public assets (like land, railways, or highways) by transferring their operational rights to private players in exchange for upfront capital or revenue-sharing, without transferring ownership. *Example:* The National Monetization Pipeline (NMP) leasing out highway stretches to private concessionaires.

- **Bureaucratic Discount vs. India Premium:** *Bureaucratic discount* refers to the reduced valuation assigned to state-owned enterprises by global markets due to perceived inefficiencies, red-tape, and political interference. Conversely, an *India Premium* represents a valuation boost driven by strong economic fundamentals, transparency, and high-growth potential that attracts global capital at favorable rates.

- **Forex Fortress:** A strategic financial buffer created by a nation through massive foreign exchange reserves and dollar-denominated assets. This insulates the domestic economy from global macroeconomic shocks, sudden capital flight (taper tantrums), and speculative currency devaluations.

- **Tobin's Q Ratio:** An economic metric calculated by dividing the market value of a physical asset by its replacement cost. If the ratio is less than 1, the asset is undervalued relative to what it would cost to rebuild it from scratch—a common characteristic of legacy public sector enterprises.

- **Currency Risk:** The potential for financial loss arising from fluctuations in foreign exchange rates. When international institutional investors purchase rupee-denominated assets, a depreciating rupee can erode their real dollar returns, making dollar-denominated Indian assets more attractive to them.





- **Main Arguments and Substantive Parts**

- The core economic thesis revolves around a fundamental shift in how a developing nation manages its public wealth during times of global macroeconomic volatility and currency depreciation.

- **The Problem of Dollar-Scarcity and Currency Depreciation**

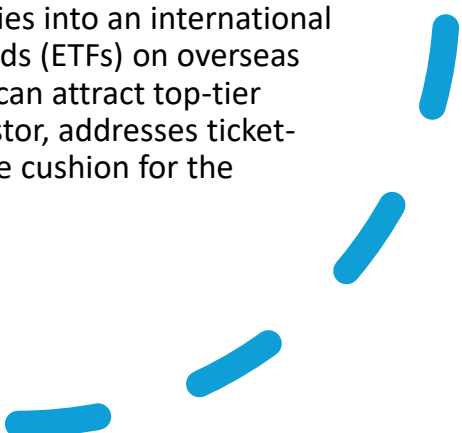
- Developing economies frequently battle structural balance-of-payments vulnerabilities. When external shocks trigger capital flight, the domestic currency faces intense downward pressure. Traditional fiscal measures, such as imposing surcharges, cess, or calling for domestic austerity, offer only short-term relief. The underlying issue is structural: an economy's inherent capacity to earn dollars must match its developmental need for foreign capital.

- **Redefining Public Assets as Global Collateral**

- A nation's public sector undertakings (PSUs) and infrastructure networks are often chronically undervalued on domestic balance sheets. By shifting the perspective from simple "rupee-paid domestic assets" to "dollar-earning strategic resources," the state can unlock massive latent value. Consolidating the government's equity holding above the statutory 51% threshold in listed state enterprises allows for the creation of an offshore mega-fund.

- **The Mechanism of a Bundled Sovereign Fund**

- Instead of executing piecemeal, asset-by-asset domestic monetization (e.g., selling single roads or power plants), the state can bundle these high-performance public entities into an international Sovereign Wealth Fund. By listing dollar-denominated exchange-traded funds (ETFs) on overseas stock exchanges and international financial centers like GIFT City, the state can attract top-tier global asset managers. This mechanism bypasses currency risk for the investor, addresses ticket-size requirements for mega-funds, and builds a formidable foreign exchange cushion for the country.



- **Historical Evolution of the Issue**

- The trajectory of state asset management and external sector management in India highlights a gradual transition from state-led control to market-driven financial engineering.

- **Pre-1991: The Era of "Commanding Heights"**

- Following independence, the economic philosophy focused on state directed development. Public Sector Enterprises (PSEs) were established to build a heavy industrial base, bridge regional imbalances, and prevent the concentration of private wealth. During this era, state assets were viewed through a social welfare lens, and financial valuation took a backseat to employment generation and import substitution.

- **1991–2000: New Economic Policy and the Dawn of Disinvestment**

- The Balance of Payments crisis of 1991 forced a drastic policy pivot. The industrial policy reforms dismantled the license raj and opened up sectors for private participation. Disinvestment began as a fiscal tool to plug budgetary deficits. The government started selling minority stakes in select PSUs, treating them primarily as sources of emergency fiscal revenue rather than strategic assets.

- **2000–2020s: Strategic Disinvestment to National Monetization Pipeline**

- The turn of the century saw the creation of a dedicated Ministry of Disinvestment, shifting the focus toward "strategic disinvestment"—selling majority control along with management rights (e.g., VSNL, BALCO, and later Air India). By 2021, the policy evolved into the National Monetization Pipeline (NMP), decoupling asset ownership from operational control. However, these efforts remained largely focused on domestic rupee markets, leaving investors exposed to currency fluctuations.





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1. KEY TERMS & ANALYSIS

Sovereign Wealth Fund (SWF)

Sovereign Wealth Fund is based on this analysis consisting of diversified, managed and two-asset monetization, rate and balance economy in wealth.



Asset Monetization

Asset Monetization as a data economy of account renunciation and asset of monetization, asset only increased asset portfolio monetization.



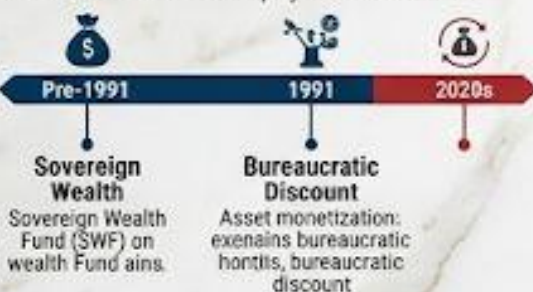
Bureaucratic Discount

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India Premium

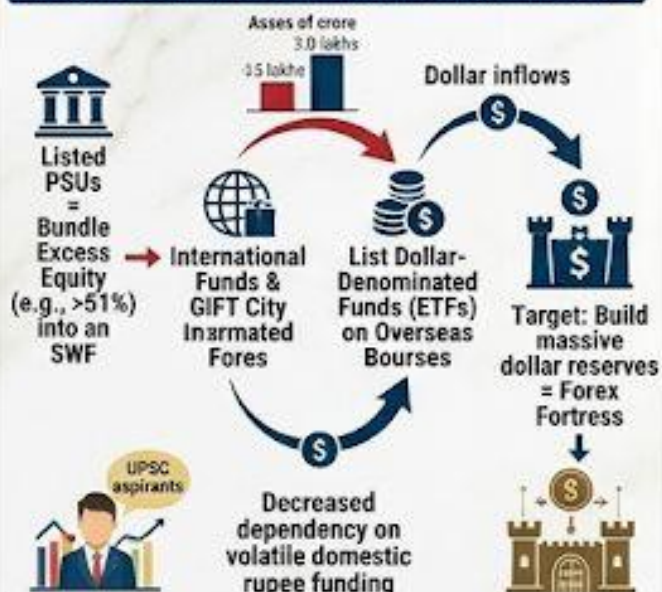
India Premium is considering to produce strategist for domestic concessional comp by asset monetization.



2. HISTORICAL EVOLUTION



3. CORE STRATEGY: 'FOREX FORTRESS'



4. CHALLENGES & KEY LINKAGES

CHALLENGES:

Implementation

- Valuation
- Data

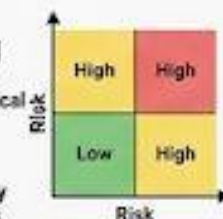
Political

- Labor
- Ideological

Global Risks

Bourses

- Volatility
- Bourses



UPSC SYLLABUS LINKAGES:

- GS II**: Sprinises aims to check domestic ngee funding, Specific domestic Inclusions, Specify oates on amaion/mess sources
- GS III**: Connes key test comparing divanmerators, Concise pent on economic syllabus
- GS IV**: Connect Inaommentri: domestic rupee funding, Dendoe divomontables in the economy

NCERT Textboo textbook Chapter (Class XI-XII)

- (Class XI-XH): Chapter 1: Chapter I, Chapter II: Chapter III/III
- (Class XII-XII): Decenooont volatile domestic rapders, Strategic of topics

WAY FORWARD:

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- Competitive federalism in competitive federalism
- Independent oversight to drade-enune asseotpmnt and forest-sevnt
- Strategic ring-fencing for liver in the Indomest of cooperators

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A LEADING UPSC COACHING RESOURCE.

- **Logical and Philosophical Base**
 - The debates around public wealth management are rooted in distinct economic philosophies regarding the role of the state and the nature of national capital.
- **The Production-Based Value of Currency**
 - This framework draws from classical and neoclassical synthesis (Robert Solow, Paul Samuelson), asserting that a country's currency value is not merely a monetary phenomenon but a direct reflection of its aggregate productive capacity. If a nation possesses vast physical, industrial, and infrastructure assets, its currency should ideally reflect that strength. The logical disconnect occurs when a nation's currency depreciates despite owning immense, non-monetized physical wealth.
- **The Utility and Valuation of Assets**
 - Influenced by the economic logic of James Tobin, this perspective evaluates the structural divergence between what an asset is worth in the market versus its replacement cost. When public assets suffer from a "bureaucratic discount," it means public administration has failed to optimize market perception. Thomas Edison's maxim that "*the value of an asset is in its utility*" applies here: if a sprawling rail or land asset is not being utilized to attract global capital, its fiscal utility remains trapped.
- **State as a Wealth Custodian vs. Commercial Operator**
 - Philosophically, this represents a transition from the entrepreneurial state to the custodian state. The state does not need to micro-manage commercial entities to protect public interest. Instead, by acting as a sophisticated asset manager—retaining majority legislative control while using global financial structures—the state can maximize national wealth without compromising its sovereign responsibilities.

- **Multidimensional Analysis**

- A comprehensive view of globalized public asset management requires examining its impacts across multiple societal and institutional dimensions.

- **Social Dimension**

- Public infrastructure inherently serves a social function. If global investors demand market-rate returns on bundled assets, user fees for essential services like roads, public transport, and utilities could rise. This risks creating a divide where lower-income groups are priced out of high-quality infrastructure. On the positive side, the capital unlocked can be channeled back into primary health, rural education, and social safety nets.

- **Political Dimension**

- This approach alters the political economy of state intervention. While it promotes professional management and reduces political interference in PSUs, it also limits the executive's ability to use public enterprises for short-term political goals, such as populist pricing freezes. It also tests cooperative federalism, as seen in the proposed dollar townships where state governments must compete for central clearances.

- **Legal Dimension**

- Shifting assets to international jurisdictions like GIFT City or overseas bourses introduces complex legal issues. Regulatory friction can arise between domestic watchdogs like the Securities and Exchange Board of India (SEBI) and international financial regulators. Ensuring robust contract enforcement mechanisms is essential to reassure global investors while safeguarding public ownership.

- **Ethical Dimension**

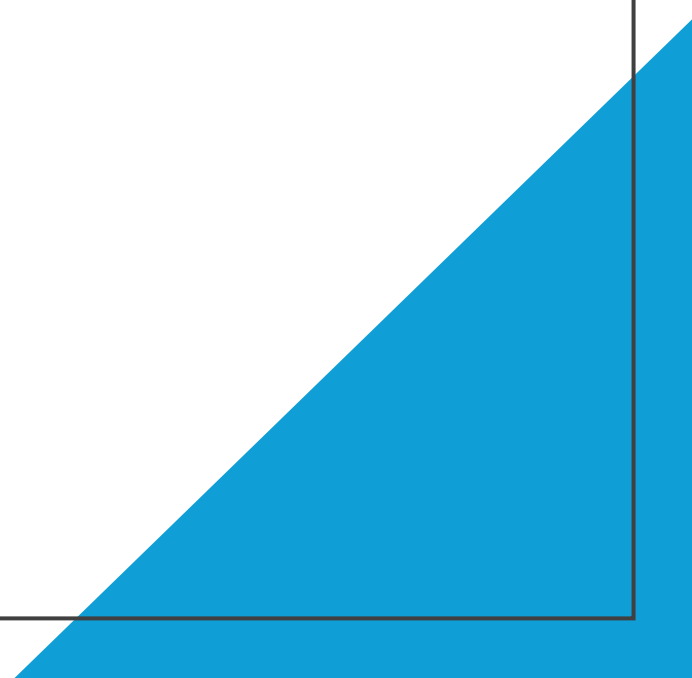
- The core ethical challenge lies in intergenerational equity. Public assets belong to both current and future citizens. Monetizing these assets today to resolve short-term currency or fiscal pressures is ethically justifiable only if the proceeds build long-term economic resilience, rather than funding short-term fiscal consumption.

- **International Dimension**

- Establishing an external sovereign fund strengthens economic diplomacy. It elevates a developing nation from a passive recipient of foreign aid or volatile portfolio flows to an active participant in global capital markets. However, it also exposes national wealth to cross-border litigation and geopolitical shifts, where foreign courts could potentially target fund assets during international disputes.

- **Economic Dimension**

- This strategy offers a direct way to address structural balance-of-payments issues. By attracting non-debt-creating dollar inflows through equity bundling rather than external debt, the country can build a strong foreign exchange buffer. This supports the domestic currency, lowers the sovereign risk premium, and brings market discipline to public enterprises, helping unlock their full economic potential.

- **Linkages with NCERTs**
 - **Class XI – Indian Economic Development (Chapter 3: Liberalisation, Privatisation and Globalisation: An Appraisal):** This chapter provides the historical context for the shift from the pre-1991 public sector dominance to disinvestment policies, helping explain the evolution toward modern asset monetization.
 - **Class XII – Introductory Macroeconomics (Chapter 5: Government Budget and the Economy):** This section details fiscal deficits, revenue receipts, and capital receipts, offering the foundational framework needed to understand how asset monetization impacts the sovereign balance sheet.
 - **Class XII – Introductory Macroeconomics (Chapter 6: Open Economy Macroeconomics):** This chapter covers foreign exchange rates, balance of payments, and capital flows, which are essential for understanding how a sovereign wealth fund can help stabilize a fluctuating domestic currency.
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- **GS Paper II: Governance, Constitution, and Polity**
- **Statutory, Regulatory, and Quasi-judicial Bodies:** The evolving role of regulators like SEBI, the Reserve Bank of India (RBI), and international authorities in managing offshore financial entities.
- **Government Policies and Interventions:** Evaluating the design, implementation, and socio-economic impacts of policies aimed at restructuring public wealth.
- **GS Paper III: Economic Development**
- **Indian Economy and Issues Relating to Planning, Mobilization of Resources, Growth, and Employment:** Analyzing alternative resource mobilization strategies beyond traditional taxation and debt.
- **Infrastructure:** Looking at investment models (InvITs, PPPs) and asset monetization frameworks across transport, energy, and urban sectors.
- **Effects of Liberalization on the Economy:** Assessing changes in industrial policy and their impact on state-owned enterprises.
- **Optional Subjects**
- **Economics Optional:** Directly applicable to core topics in Public Finance, International Economics (Balance of Payments, Exchange Rate dynamics), and Growth and Development theories.
- **Public Administration Optional:** Relevant to sections covering Public Sector Undertakings, financial management, and the shifting role of the state in a globalized economy.



- **Way Forward**

- To successfully unlock the value of public assets while ensuring economic stability, a balanced and well-regulated approach is required.

- **1. Establish a Transparent Legal Framework**

- Before launching an offshore fund, the government should introduce clear legislative guidelines defining its governance, investment mandates, and oversight mechanisms. This framework must balance operational independence for fund managers with accountability to parliament.

- **2. Implement a Phased, Value-Driven Asset Selection Process**

- Rather than monetizing assets indiscriminately, the state should use a selective approach based on Tobin's Q ratio and operational performance. High-performing, stable assets should be bundled first to build international investor confidence and establish a strong market premium.

- **3. Establish Strong Independent Regulatory Oversight**

- To safeguard the public interest, independent regulators must be empowered to monitor monetized infrastructure projects. This ensures that global investor demands for returns do not lead to unfair pricing or lower service quality for citizens.

- **4. Implement Strategic Fiscal Ring-Fencing**

- Proceeds from global monetization should be legally earmarked for long-term domestic capital creation, such as high-tech green energy, rural infrastructure, and human capital development. This ensures that current asset monetization builds sustainable wealth for future generations.

UPSC CSE Mains (GS Paper III & GS Paper IV)

2022 (GS III): "Why is Public Private Partnership (PPP) required in infrastructural projects? Examine the role of NDA government's National Monetization Pipeline (NMP) in this regard."

2021 (GS III): "Explain the effects of depreciation of Indian Rupee on India's economy. How can foreign capital inflows help stabilize the currency?"

2019 (GS III): "Access to affordable, reliable, sustainable and modern energy is the sine qua non to achieve Sustainable Development Goals (SDGs). Comment on the progress of India in this regard." (*Theme: Infrastructure financing*)

2018 (GS III): "Impact of GIG economy/external financial shocks on Indian banking sector and foreign exchange reserves."

2015 (GS IV): "Web of public sector ethics: Balance between commercial viability of state enterprises and public welfare obligations."



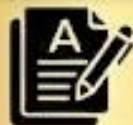
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