



# India-Nepal Rail Services Agreement (RSA)

## Why in News

India and Nepal have signed a **Letter of Exchange (LoE)** to the **India-Nepal Rail Services Agreement (RSA) 2004**.

- It will **allow all authorized cargo train operators to utilize the Indian railway network to carry Nepal's container and other freight** - both bilateral between Indian and Nepal or third country from Indian ports to Nepal.
  - The authorized cargo train operators **include public and private container trains Operators**, automobile freight train operators, special freight train operators or any other operator authorized by Indian Railways.

## Key Points

- **About Rail Services Agreement (RSA), 2004:**
  - The Rail Services Agreement was executed in 2004 between the **Ministry of Railways, Government of India** and the **Ministry of Commerce, the Govt. of Nepal** for introduction of **freight train services** between these two countries to and from **Birgunj (Nepal) via Raxaul (India)**.
  - The agreement **guides movement between India and Nepal by rail**.
  - The Agreement shall be **reviewed every five years** and **may be modified (through Letters of Exchange)** by the Contracting Parties by mutual consent.
  - In the past, there have been **amendments to RSA through LoE on three occasions**.
    - First such amendment was in 2004.
    - Second LoE was signed in 2008 at the time of introduction of bilateral cargo between the two countries which required introduction of new customs procedures.
    - Third LoE was signed in 2016 enabling rail transit traffic to/from Visakhapatnam Port in addition to existing provision of rail transportation through Kolkata/Haldia Port.
- **Benefits of the Latest Agreement:**
  - **Allow Market Forces to Operate:** This liberalization will **allow market forces (such as consumers and buyers) to come up in the rail freight segment in Nepal**, and is likely to increase efficiency and cost- competitiveness, eventually benefiting the Nepalese consumer.
  - **Reduce Transportation Cost:** The liberalisation will particularly reduce transportation costs **for automobiles and certain other products** whose carriage takes place in special wagons and will boost rail cargo movement between the two countries.
  - **Enhance Regional Connectivity:** Wagons owned by Nepal Railway Company will also be authorized to carry Nepal-bound freight (inbound and outbound on **Kolkata/Haldia to Biratnagar/Birganj routes**) over the Indian Railways network as per **IR standards and procedures**.

- The signing of this LoE marks another milestone in India's efforts to enhance regional connectivity under the "["Neighbourhood First" policy](#)."

#### ▪ **Other Connectivity Project:**

- **Nepal being a landlocked country**, it is surrounded by India from three sides and one side is open towards Tibet which has very limited vehicular access.
- India-Nepal has undertaken various connectivity programs to enhance people-to-people linkages and promote economic growth and development.
- MoUs have been signed between both the governments for **laying an electric rail track** linking **Kathmandu with Raxaul** in India.
- India is looking to develop the **inland waterways** for the movement of cargo, within the framework of trade and transit arrangements, providing additional access to sea for Nepal calling it linking **Sagarmatha (Mt. Everest) with Sagar (Indian Ocean)**.
- In 2019, India and Nepal have jointly inaugurated a [cross-border petroleum products pipeline](#).
  - Pipeline carries petroleum products from Motihari in India to Amlekhgunj in Nepal.
  - This is South Asia's first cross-border petroleum products pipeline.

### Neighbourhood First Policy

- It is part of India's foreign policy that actively focuses on improving ties with India's immediate neighbours which is being termed as Neighbourhood first policy in the media.
- It was started well by inviting all heads of state/heads of government of **South Asian countries** in the inauguration of PM Narendra Modi first term and later held bilateral talks with all of them individually which was dubbed as a mini [SAARC summit](#).
- In the second swearing-in ceremony in 2019, India had invited the heads of [BIMSTEC countries](#).

### Indo-Nepal Relations

- **Neighbour:** Nepal is an important neighbour of India and occupies special significance in its foreign policy because of the geographic, historical, cultural and economic linkages/ties that span centuries.
  - The [India-Nepal Treaty of Peace and Friendship of 1950](#) forms the bedrock of the special relations that exist between India and Nepal.
- **Cultural Ties:** India and Nepal share similar ties in terms of Hinduism and [Buddhism](#) with Buddha's birthplace Lumbini located in present day Nepal.
- **Open Border:** The two countries not only share an open border and unhindered movement of people, but they also have close bonds through marriages and familial ties, popularly known as **Roti-Beti ka Rishta**.
- **Common Multilateral Forums:** India and Nepal share multiple multilateral forums such as [BBIN \(Bangladesh, Bhutan, India, and Nepal\)](#), [BIMSTEC \(Bay of Bengal Initiative for Multi Sectoral Technical and Economic Cooperation\)](#), [Non Aligned Movement](#), and [SAARC \(South Asian Association for Regional Cooperation\)](#) etc.
- **Issues:**
  - In 2017, [Nepal](#) signed up to [China's Belt and Road Initiative \(BRI\)](#), which sought to create highways, airports and other infrastructure in the country.
    - BRI was rejected by India and this move of Nepal was seen as an inclination towards China.
  - Currently, India and Nepal have border disputes over [Kalapani - Limpiyadhura - Lipulekh trijunction](#) between India-Nepal and China and Susta area (West Champaran district, Bihar).

**Source: PIB**

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