



International Journal of Engineering, Science and Humanities

An international peer reviewed, refereed, open-access journal
Impact Factor 8.3 www.ijesh.com ISSN: 2250-3552

India's Neighbourhood First Policy it's Challenges and Opportunities

Harshika D/o Subhash Bhargava

Harshikas216@gmail.com

Abstract

The Neighbourhood First Policy (NFP) of India, introduced in 2014 by Prime Minister Narendra Modi is an attempt to recalibrate the foreign policy priorities of New Delhi. This policy highlights India in ensuring that there are closer economic, cultural and diplomatic relations with its immediate neighbours, namely, Pakistan, Bangladesh, Nepal, Bhutan, Sri Lanka, Maldives, Myanmar and Afghanistan. This paper is a critical analysis of the origin, application, obstacles and opportunities of the Neighbourhood First Policy, the bilateral relations with every neighbouring nation and the evaluation of how India is changing to be a regional hegemon in South Asia. The paper concludes that despite the great opportunities that India has to become the regional leader, the region faces a number of challenges that remain unresolved such as territorial issues, instability in domestic politics of the neighbouring countries and the influence of China in the region; all these issues hinder the full achievement of the policy goals.

Keywords: Neighbourhood First Policy, South Asia, India Foreign Policy, Regional Diplomacy, China-India Competition, SAARC

1. Introduction

South Asia is one of the most strategically important but unstable areas of modern world politics. Being the biggest and most influential state in the region, India has a special duty and chance to influence the direction of its neighbourhood. The Neighbourhood First Policy (NFP) developed by the government of Prime Minister Narendra Modi since 2014 is a symbol of a deliberate change in the foreign policy of India a posture of reactive engagement to proactive regional leadership.

The premise upon which the NFP is built is simple: India can not realise its dreams of being a global power without first stabilising, prospering, and getting along with its neighbours. Traditionally, India has had a complicated relationship with its South Asian neighbours that has been characterized by both the common cultural background, colonial past, post-Partition disputes and national interests. The NFP aims to break these historical baggage by arrangement of greater connectivity, economic collaboration, people to people interaction, and diplomatic interaction.



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The aim of this research paper is to critically and thoroughly discuss the policy of Neighbourhood First of India. It follows the historical background under which the policy was developed, how it has been implemented within the role of bilateral relationships, the key challenges that have caused it to fail in its sustainability and the opportunities that it offers towards the Indian regional and global ambitions. The paper contends that the NFP, though ideally ambitious and conceptually sound, is constrained by structural and geopolitical factors which demand a more delicate, resource supported, and adaptable approach to diplomacy.

2. Background and Origin of the Policy.

The foreign policy of India towards its neighbours has been passing through various phases since it became independent in 1947. The early Nehruvian period was marked by the policy of Panchsheel five principles of peaceful co-existence and a generally non-aligned policy. Nevertheless, the Sino-Indian War of 1962 and the relations with Pakistan after the Partition made the relations of India with its neighbours basically complicated.

The 1970s and 1980s Indira Doctrine postulated that India had primacy in South Asia and had the right to interfere in the affairs of the neighbouring states in case their stability was at stake. Though this gave India certain levels of dominance in the region it also created a lot of resentment among smaller neighbours who now found Indian hegemonic behaviour to be a threat and not protective.

New economic opportunities were created by the liberalisation of 1991, and India began to rethink its interactions with neighbours in the economic context of interdependence. Regional cooperation efforts such as SAARC (South Asian Association for Regional Cooperation, founded 1985) attempted to institutionalise regional cooperation, but were chronically undermined by India-Pakistan tensions.

It is in this context that Prime Minister Modi, on taking over in May 2014, paid the symbolic gesture of inviting the heads of state of all the SAARC countries to his inauguration ceremony. This move marked the start of a re-energetized neighbourhood first approach an understanding that the emergence of India as a global power must be based on a stable and co-operative South Asian neighbourhood. The NFP was therefore a symbol of continuity and change: continuity in the desire of India to become a regional leader, and change in the mode and character of engagement.

3. Core Objectives and Pillars of the Neighbourhood First Policy

The Neighbourhood First Policy works under four broad pillars which govern Indian interaction with its neighbours:



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3.1 Connections and Development of Infrastructure.

India has invested heavily in physical infrastructure that links it with the neighbouring states. This is comprised of road networks, rail connections, electricity lines and inland waterways. Such projects as the India-Bangladesh-Nepal-Bhutan Motor Vehicles Agreement, the Kaladan Multi-Mode Transit Transport Project with Myanmar, and the India-Nepal oil pipeline are some examples of connectivity first. The reasoning is obvious: the more the physical connectivity, the lower the transaction cost of trading and mobility of people, the more the economic interdependence.

3.2. Economic Integration and Trade

India has tried to use its huge domestic market as a reward towards further economic integration with neighbours. It has provided preferential trade agreements and duty free access to most South Asian countries. There has been a significant increase in India-Bangladesh trade and India is the largest trading partner of most of its neighbours. It aims to make India the natural economical powerhouse of South Asia just as Germany is to the European Union.

3.3 Development Assistance and Capacity Building

India has also been giving a lot of development aid to neighbours. India has used the Indian Technical and Economic Cooperation (ITEC) programme and Lines of Credit to finance infrastructure development, educational scholarships and technical training of thousands of citizens of its neighbours. This is the soft power aspect of the NFP, which aims at establishing goodwill and dependence on Indian expertise and resources in the long term.

3.4 People to People and Cultural Diplomacy

Another pillar of the NFP is cultural diplomacy. India is encouraging tourism, educational exchange, film and cultural programmes and diaspora involvement. The cultural, linguistic and religious similarities of the South Asia region give a natural platform on which people to people connection can be formed as a supplement to official diplomacy.

4. Bilateral Relations: Country by Country Analysis

4.1 Bangladesh

Everything concerning India-Bangladesh relations is, perhaps, the most successful application of the NFP. The re-establishment of the decades old Land Boundary Agreement (LBA) in 2015 was a historic milestone that eliminated the enclaves along the border and cleared up the old territorial ambiguities. Trade between the two countries has been very fruitful, as India has provided Bangladesh with duty free access to the majority of goods. There is increased cooperation in power, water management and connectivity. Bangladesh has also played a significant role in helping India fight cross border terrorism and insurgency of the Northeastern states.



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But the relationship does not run smoothly. The grievances that Bangladesh has about the Teesta River water sharing deal are still unresolved, a significant part of which can be linked to domestic political factors in India (i.e., West Bengal indifference). The Assam National Register of Citizens (NRC) issue provoked some concerns in Dhaka over possible mass deportations and statelessness of Bengali speaking Muslims. The political change in Bangladesh after the departure of Prime Minister Sheikh Hasina in 2024 has brought new uncertainties in the bilateral relationship.

4.2 Nepal

Nepal has a long standing relationship with India that is however politically unstable. Although Nepal is inextricably connected to India economically, i.e. Nepal depends on India in terms of trading and transit of goods, there is a steady vein of Nepali nationalism that periodically breaks out in anti-India outburst. The Indian goodwill in Nepal was permanently damaged by the 2015 border blockade, which India denied, but which many believed to be an economically motivated move.

China has been proactive in taking advantage of the tension between India and Nepal by providing infrastructure funding under the Belt and Road Initiative (BRI), and diplomatic aid to Kathmandu. In 2020, the Kalapani-Lipulekh-Limpiyadhura territorial dispute erupted, when Nepal released a new political map asserting their claim over the territory, becoming a direct challenge to India. The sovereign sensitivities of Nepal and strategic dominance is one of the most complex issues in the management of the NFP.

4.3 Sri Lanka

The relations between India and Sri Lanka have greatly improved during the post civil war period, although the Tamil ethnic issue is still a latent issue. One notable example of NFP in action was India, which was one of the first to react to the disastrous economic crisis in Sri Lanka in 2022, with more than 4 billion dollars in credit lines, fuel, medicines, and food. Such a humanitarian reaction contributed to significant enhancing of bilateral goodwill.

Nevertheless, China has invested heavily in the infrastructure of Sri Lanka, especially the Hambantota Port that was later leased to China over the next 99 years, leading India to have some grave strategic concerns. In retaliation, India has been aggressively pursuing investment opportunities in the Sri Lankan energy and port sectors as a measure to offset the Chinese influence.

4.4 Maldives

The Maldives has been a major battleground between India and China. President Ibrahim Mohamed Solih continued an India First policy in the Maldives that went hand in hand with the NFP of India. Nonetheless, the election of Mohamed Muizzu in 2023 and his later requests of Indian military personnel to vacate the islands ushered in a new level of tension. Nevertheless,



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India has maintained developmental aid and diplomatic ties, with the Maldives being too strategic in the Indian Ocean to have fallen under the influence of the Chinese.

4.5 Bhutan

Bhutan is the most solid strategic ally of India in the neighbourhood. There is a special relationship between the two countries based on the Treaty of Friendship (1949, revised 2007), close defence cooperation and massively developed India. Bhutan is well interlinked with India economically with trade, hydropower relations, and currency union. Nonetheless, border talks between China and Bhutan have been bilateral and without the presence of India and this has brought about strategic uncertainty particularly on the Doklam plateau region, which is of pivotal importance to the Siliguri Corridor of India (the Chicken Neck).

4.6 Myanmar

The strategic value of Myanmar to India is as a gateway to Southeast Asia as well as in the process of managing the Northeastern insurgency in India. The 2021 military coup put India in a dilemma: either speak against the junta and risk driving Myanmar into a closer relationship with China, or continue to engage in pragmatism at the expense of democracy. India has mostly opted to engage pragmatically, something that has been criticized but is a pragmatic strategic calculus. The Kaladan Multi-Modal Project and India-Myanmar-Thailand Trilateral Highway are noteworthy connectivity projects under NFP.

4.7 Pakistan

Pakistan is the most complicated and unsolved aspect of the NFP. Although there was a short term period of diplomatic thaw, symbolised by impromptu visit by Modi to Lahore in 2014-15, the relationship worsened dramatically with the Pathankot (2016) and Uri (2016) attacks and later the Pulwama attack (2019) and the scrapping of Article 370. There has been a cut off of trade connections, downgrading of diplomatic relations and the Line of Control has been a region of intermittent military tension. The NFP has no real and active implementation with Pakistan, which is a serious gap in its vision of South Asia.

4.8 Afghanistan

The resurgence of the Taliban to power in Afghanistan in August 2021 significantly changed the strategic calculation of India. India had spent more than 3 billion dollars in developing Afghanistan through infrastructure (roads, dams), parliament, schools, etc under the elected Afghan republic. The Taliban takeover was not only threatening these investments, but also provided a gap that Pakistan and China can take advantage of. India has tentatively re-embraced the Taliban-dominated Afghan state, focusing on humanitarian support and keeping a diplomatic presence, but is unable to operationalise the NFP framework given the realities on the ground.



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5. Challenges to the Neighbourhood First Policy

5.1 China's Growing Regional Influence (BRI and Strategic Competition)

The Belt and Road Initiative (BRI) is perhaps the most important external threat to the NFP, as China has been systematically increasing its influence in South Asia. China has invested heavily in infrastructure in Pakistan (CPEC China-Pakistan Economic Corridor), Sri Lanka (Hambantota Port), Bangladesh, Nepal and Myanmar. They are usually accompanied by fewer conditions than Indian or Western aid, and so they are appealing to smaller countries despite the long term debt sustainability issues.

The South-Asian strategic environment has been altered through China as a country providing mega infrastructure funding, which has become known as a 'String of Pearls' a series of Chinese controlled ports and infrastructure encircling India by Indian analysts. The NFP is consequently forced to work in an active and resourced Chinese counter engagement that makes the cost and the expense of Indian diplomacy a significant burden.

5.2 Political volatility of neighbouring states

Structural problems are constant because of political instability in neighbouring countries. The political transition in Bangladesh in 2024, the instability of coalitions in Nepal, the military rule in Myanmar, and the economic and political crisis in Sri Lanka, as well as the Taliban governance of Afghanistan have all left the diplomatic efforts of India with uncertain interlocutors and uneven application. Connectivity and long term development projects need to have consistent institutional partners and the unpredictability of South Asian politics often interferes with continuity.

5.3 Perception of Indian Hegemony

Although the NFP has declared its mutual benefit and sovereign equality, smaller neighbours often view India through the prism of historical hegemony. The sheer size of India, economically, demographically, and militarily, is enough to create an inherent asymmetry in bilateral relations that may generate anxiety despite benign intentions on the part of India. Events such as the Nepal border blockade of 2015, India protesting against Bhutan engaging in bilateral BRI, and exerting pressure on economic decisions of Sri Lanka all support the idea of India being a regional bully. The NFP has to do more to combat this perception of big brother by institutional means and by real respect of the policy autonomy of smaller countries.

5.4 The Pakistan Problem

The unresolved India-Pakistan relationship leaves a structural vacuum in any South Asian regional structure. India-Pakistan tensions have successfully paralysed SAARC with the 2016 SAARC Summit (scheduled in Islamabad) cancelled after India boycotted it following the Uri attack. The lack of normalised relations between India and Pakistan means that it is impossible to have a genuinely integrated South Asian regional architecture, which would be the desired



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platform on which the NFP would be. The support of cross border terrorism by Pakistan, strong military relations with China, and the Kashmir conflict form an intricate situation that cannot be achieved by economic diplomacy only.

5.5 Gaps in connectivity and Implementation

Although NFP has ambitious connectivity visions, the implementation track record has been patchy. Multiple flagship projects, such as the India-Myanmar-Thailand Trilateral Highway, the BCIM Economic Corridor, and other cross border rail connections have been delayed due to funding problems, bureaucracy, coordination issues, and political interference. The inadequate infrastructure funding capacity of India in relation to the BRI resources of China has frequently presented the sector with Chinese options.

5.6 Internal Factors: Northeast India as a Nodal Location

The Northeastern states of India are geographically placed to be the point of entry to Southeast Asia the Act East pivot but are crippled by a history of chronic underdevelopment, insurgency and lack of connectivity to India per se. To realise fully the connectivity agenda of the NFP would entail huge investment in the domestic infrastructure of northeast India per se, which is a continuing challenge.

6. Opportunities Presented by the Neighbourhood First Policy

6.1 Economic Integration and Market Expansion

South Asia is an almost 2 billion people market that has fast growing middle classes, despite the political complexities in the region. Greater economic integration within the NFP framework has the potential to open up markets to Indian goods and services, draw Indian investment throughout the region and make India the economic heart of one of the fastest growing regions in the world. The Bangladesh success story having bilateral trade worth more than 16 billion shows the economic benefits of a long term neighbourhood relationship.

6.2 Energy Cooperation and Regional Power grid

The regional energy cooperation in South Asia has immense potential. India-Nepal-Bhutan hydropower co-operation is already quite developed, with India buying large amounts of hydropower in Bhutan. An idea of a South Asian power grid, in which the Nepal and Bhutan, with abundant hydropower, would sell their excess energy to India to Bangladesh and Pakistan, which have energy deficits, is an enormous economic and diplomatic prospect. This kind of interdependence would establish strong incentives to stability and cooperation in the region.

6.3 Countering Chinese Influence by offering better alternatives

The successful implementation of the NFP in India will give South Asian nations an alternative developmental partner other than China. In contrast to the BRI of China, Indian development aid is generally less strategic (some would argue that this is an ill conceived view), there is a common democratic spirit, culture, and geographic closeness. India can fill its implementation



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lapses and funding limitations, possibly by collaborating with Japan, the USA, and other democracies of good faith, and then it is able to include itself in a more holistic substitute to Chinese patronage.

6.4 Counter Terrorism and Security Cooperation

The NFP framework offers a platform of further security collaboration with neighbours in counter terrorism, cross border crimes, and transnational threats. The security benefits of the policy can be seen in the successful counter insurgent alliance of India with Bangladesh which has led to the elimination of some anti-India insurgent camps in Bangladesh. Enhanced intelligence sharing, cooperative border control and synchronized response to radicalisation are some of the opportunities that NFP holds.

6.5 Soft Power and Cultural Diplomacy

The vast Indian cultural soft power, Bollywood, yoga, food, Buddhism, common languages, and cricket is an unexploited but highly original source of neighbourhood diplomacy. The people to people pillar of connectivity of the NFP, should it be maintained and extended, will help to create stable constituencies of India friendly foreign policy in every neighbouring nation, and thus the government to government relationships will be more resilient to political changes.

6.6 India as a Regional Model of Development

The experience of India as a large, democratic, pluralistic country that has experienced great economic development, whilst continuing to practice democratic governance, is an interesting alternative model, especially to smaller South Asian countries caught between authoritarian developmental models and the challenge of democratic governance. The digital public infrastructure (Aadhaar, UPI, CoWIN) in India has already drawn the attention of neighbours, and the NFP can utilise this further strategically through technology diplomacy, and capacity building.

7. Comparative Analysis: NFP vs. China's BRI in South Asia

Dimension	India's NFP	China's BRI
Financial Scale	Moderate (Lines of Credit, grants)	Massive (trillions globally)
Conditionalities	Limited but growing	Minimal formally; strategic informally
Connectivity Focus	Regional (South Asia + SEA)	Global, hub andspoke to China
Soft Power Basis	Culture, democracy, diaspora	Economic statecraft
Implementation Speed	Slow, bureaucratic	Faster, state directed
Debt Sustainability	Generally better	Concerns raised (debt trap)
Security Dimension	Counter terrorism, intelligence	Dual use infrastructure



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Multilateral Platform	SAARC (weakened), BIMSTEC	SCO, BRI Forum
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The comparison indicates that the main competitive advantages of India are cultural affinity, democratic ideals, and geographical proximity, whereas the main weakness of the country is the financial scale in comparison to China. One of the NFP strategic priorities should be to use relationships with Japan (with whom India feels the same issue with the Chinese influence), the United States (as a part of the Quad framework), and the European Union to offset this funding shortfall.

8. Policy Recommendations

On the above analysis, the below recommendations are suggested to enhance the performance of the Neighbourhood First Policy of India:

Scale up development financing by establishing a special Neighbourhood Development Fund in which more resources would be mobilised possibly by collaborating with multilateral development banks and other like minded democratic partners.

Solve the Teesta water sharing conflict with Bangladesh by domestic consensus building in India as this pending issue keeps on frustrating one of the most valuable bilateral relations of India.

Institutionalise the BIMSTEC model as a viable alternative to the Pakistan gridlocked SAARC and use it as the main venue in regional economic and security cooperation.

Establish a Neighbourhood Fast Track Implementation Mechanism to deal with the incessant delays in project implementation that erode India as a development partner.

Massively invest in the infrastructure of northeast India to make it the connector center between South Asia and Southeast Asia to realise the full potential of the NFP, as well as of the Act East Policy.

Pursue Track-II and back channel diplomacy with Pakistan to establish conditions to normalise over time, although formal diplomatic progress may not be achieved in the short term.

Use the digital public infrastructure of India (UPI, CoWIN, Aadhaar architecture) as a diplomatic resource, providing technology alliances to neighbours as soft power and feasible development support.

Build an elaborate Neighbourhood Cultural Diplomacy Strategy that strategically uses the Indian soft power resources, i.e. cinema, tourism, education, cuisine, religion, etc., to establish long term people to people connectivity.



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9. Conclusion

The Neighbourhood First Policy of India is a vision of an ambitious and strategically coherent regional leadership of South Asia. The policy has already realized significant accomplishments in its ten years of implementation (2014-2024), including the Bangladesh Land Boundary Agreement, stronger connectivity with Nepal and Bhutan, strong development collaboration with Sri Lanka, and principled but pragmatic approach to the complex realities of Myanmar and Afghanistan. Such successes show that the NFP, with the consistent political will and diplomatic resources, can provide significant results.

But the policy has huge structural challenges. The systematic and well-endowed spread of influence in South Asia by China, the long standing standoff with Pakistan, the gap in perception between the image of India as a well-meaning neighbour and the experiences of less powerful countries of an imposing hegemon, and the habitual implementation lapses all limit the transformative power of the NFP. The political changes in the neighbourhood, which include the transformation of Bangladesh to the Maldives to Nepal, underscore the fragility of the Indian diplomatic investments to the electoral processes in other partners.

The core vision of the Neighbourhood First Policy that India could only have global ambitions based on a stable, prosperous, and cooperative neighbourhood, has also not lost its relevance with the passage of time. A reconsideration of the goals of the policy is not needed, but rather a considerable overhaul of its resources, tools, and mechanisms of implementation. India needs to keep pace with the aspiration of the neighbourhood first vision with the financial, institutional, and diplomatic strength to change it into a permanent reality.

The Neighbourhood First Policy is not just a foreign policy tool but a declaration of India as a civilisational identity as a country that encircles itself by lifting its neighbours, and empowers itself globally not by controlling its region, but by leading it. The task of Indian policymakers in the next decade is to put this vision into practice on the scale, with the uniformity and sensitivity the hour requires.

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Impact Factor 8.3 www.ijesh.com **ISSN: 2250-3552**

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