



## **India's Neighbourhood First Policy and Its Diplomatic Challenges in Bangladesh and Nepal After 2024**

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### **ABSTRACT**

India's "Neighbourhood First" policy has long been a central pillar of its foreign policy thinking, based on the idea that a peaceful, friendly, and cooperative neighbourhood is essential for India's own growth and stability. Since its renewed emphasis under the Modi government after 2014, this policy has tried to build stronger economic, cultural, and political ties with South Asian neighbours. However, the year 2024 brought serious diplomatic challenges that have put this policy under a difficult test. In Bangladesh, the political crisis and the fall of the Sheikh Hasina government created an uncertain environment for India-Bangladesh relations. In Nepal, frequent political changes, growing Chinese influence, and public sentiments against some Indian positions have made the bilateral relationship more complicated than before. This paper tries to look carefully at these two cases and understand what they mean for the future of India's Neighbourhood First policy. The study uses a qualitative research approach based on analysis of policy documents, news reports, academic journals, and expert commentaries. The findings suggest that while the Neighbourhood First policy has had some positive results in areas like connectivity and trade, it has not been fully effective in addressing deeper political sensitivities, trust deficits, and the growing influence of China in the region. The paper argues that India needs to rethink and reshape its neighbourhood diplomacy by focusing more on mutual respect, non-interference, people-to-people contact, and long-term partnership rather than short-term political alignments. This study is useful for scholars, policy analysts, and students interested in South Asian geopolitics and Indian foreign policy.

**Keywords:** Neighbourhood First Policy, India-Bangladesh Relations, India-Nepal Relations, South, Asian Diplomacy, Chinese Influence, Foreign Policy

### **INTRODUCTION**

India has always understood that its immediate neighbourhood matters a lot for its own security, economy, and global standing. The idea that a country can grow faster and feel more secure when its neighbours are peaceful and friendly is not new. But it was given a clearer shape and political priority when Prime Minister Narendra Modi, soon after winning the 2014 general elections, invited all SAARC heads of government to his swearing-in ceremony. That gesture sent a clear message: India under his leadership would put its neighbours first. This became the foundation of what is popularly called the "Neighbourhood First" policy.



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In simple words, the Neighbourhood First policy means that India will give special attention to its neighbouring countries — Bangladesh, Nepal, Sri Lanka, Bhutan, Maldives, Pakistan, Myanmar, and Afghanistan — before looking outward. The idea is that India should be a helpful, reliable, and non-threatening partner to these countries. This includes giving them better trade access, infrastructure support, scholarships, cultural exchanges, and disaster relief. Over the years, India has made several efforts under this framework, including the launch of the SAARC satellite (which was later rebranded as the South Asia Satellite in 2017), energy connectivity projects, and rail and road links with Bangladesh and Nepal.

However, in 2024, two of India's most important bilateral relationships — with Bangladesh and Nepal — faced serious difficulties. In Bangladesh, a major political crisis in mid-2024 led to the end of Sheikh Hasina's long government, which had been considered by many as one of the most India-friendly governments in Dhaka. Her departure and the subsequent political uncertainty raised many questions about what would happen to the strong ties that had been built between the two countries over more than a decade. In Nepal, the political situation remained unstable with multiple changes in government, and relations with India were sometimes strained due to border disputes, water-sharing issues, and the growing presence of Chinese investments in the country.

This paper tries to examine these two cases in some detail and understand what challenges they present for India's Neighbourhood First policy. The central questions guiding this paper are: What went wrong in India-Bangladesh and India-Nepal relations despite the Neighbourhood First policy? What are the structural weaknesses in India's neighbourhood diplomacy? And what changes or improvements are needed to make the policy more effective going forward?

It is important to study this topic because the success or failure of India's neighbourhood policy has deep implications not just for bilateral ties but also for India's larger aspirations of becoming a regional power and a global player. If India cannot maintain stable, respectful, and mutually beneficial relationships with its smaller neighbours, its claims to regional leadership will remain weak. Understanding the current challenges is therefore the first step toward building a more thoughtful and effective approach.

## LITERATURE REVIEW

The idea of a structured neighbourhood policy in Indian foreign policy has attracted attention from many scholars over the years. C. Raja Mohan (2003), in his widely cited work *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, argued that India needed to fundamentally change its approach to its smaller neighbours by moving away from big-brother attitudes and toward more equal partnerships. This early work set the tone for much of the later debate on how India should engage with South Asia.

Sumit Ganguly and William Thompson (2011) in their book *Asia's Rising Powers and America's Continued Purpose* discussed how India's neighbourhood strategy was connected to its broader ambitions in the region, particularly in the context of rising Chinese influence. They pointed out



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that India's inability to resolve disputes with its neighbours gave China an opportunity to fill the space left by Indian hesitation.

Rajesh Basrur and Sumit Ganguly (2015) edited a valuable volume that looked at India's foreign policy in different regions and noted that South Asian policy was often driven more by security concerns and domestic politics than by a genuine development partnership model. This is an important observation that seems very relevant today when we look at the post-2024 situation in Bangladesh and Nepal.

On the specific question of India-Bangladesh relations, Subir Bhaumik (2009) in *Troubled Periphery: Crisis of India's North-East* discussed how the relationship between the two countries was deeply connected to internal security dynamics and insurgency issues in northeast India. Bhaumik's work reminds us that India-Bangladesh ties are not just about diplomacy but are embedded in complicated historical and security contexts. More recent works by scholars like Ali Riaz and Mohammad Sajjadur Rahman (2021) have examined the domestic political changes in Bangladesh and how they affect foreign policy orientation.

For India-Nepal relations, Leo Rose's classic study *Nepal: Strategy for Survival* (1971), though dated, remains a foundational text for understanding how Nepal has historically tried to balance its relations between India and other powers. More recent analyses by Yubaraj Ghimire and various scholars writing in journals like *Indian Foreign Affairs Journal* and *Strategic Analysis* have looked at how Nepal's new constitution of 2015, the subsequent India-Nepal friction over the blockade, and China's Belt and Road investments have together changed the nature of the bilateral relationship.

The Neighbourhood First policy itself as a framework has been analysed by scholars like Constantino Xavier (2020), whose research at Carnegie India has been particularly insightful. Xavier argues that while the policy has the right goals, its implementation has often been inconsistent, and India sometimes slips back into old patterns of using economic leverage as a political tool, which creates resentment among neighbours.

There is, however, a clear gap in the existing literature. Most studies either focus on bilateral relations separately or examine the Neighbourhood First policy in general terms. Very few studies have looked at the specific post-2024 political developments in Bangladesh and Nepal together and analysed them as a combined test case for the policy. This paper tries to fill that gap by bringing these two cases together under a single analytical lens.

## RESEARCH METHODOLOGY

This paper follows a qualitative research methodology, which is the most suitable approach for a topic that involves understanding complex political processes, relationships between countries, and the impact of policy decisions. Rather than using statistical data or surveys, the research relies on careful analysis of various written and documentary sources.



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The primary sources used in this study include official government statements and policy documents from India's Ministry of External Affairs (MEA), speeches by the Prime Minister and Foreign Ministers, and relevant parliamentary debates. These give a direct picture of what India's official position is on its neighbourhood relationships.

The secondary sources include academic journal articles from publications such as *Strategic Analysis*, *India Quarterly*, *Economic and Political Weekly*, and *South Asian Survey*. Books and monographs by established scholars of South Asian politics and Indian foreign policy have also been consulted. In addition, newspaper articles and reports from credible media outlets such as *The Hindu*, *The Daily Star* (Bangladesh), *The Kathmandu Post* (Nepal), and international outlets like *The Diplomat* and *Foreign Policy* have been used to understand recent events and their context.

The analytical approach used in this paper is that of case study analysis combined with comparative discussion. Bangladesh and Nepal are treated as two separate case studies, each with its own specific context, but they are also compared with each other to identify common patterns and lessons. The study also uses the framework of "structural realism" and "liberal institutionalism" in a light and accessible way — structural realism to understand how power dynamics and geopolitics shape neighbourhood relations, and liberal institutionalism to examine the role of institutions, trade, and people-to-people ties in building durable partnerships.

It should be noted that this paper does not claim to be exhaustive. Given the fast-changing political situations in both Bangladesh and Nepal, some developments may have occurred after the writing of this paper. However, the analytical framework and the core arguments are based on well-established trends and are unlikely to be completely overturned by short-term events.

## RESULTS AND DISCUSSION

### The Neighbourhood First Policy: Promises and Practice

When the Neighbourhood First policy was announced in 2014, it came with a lot of optimism. For the first time in many years, there was a feeling that India was taking its immediate neighbourhood seriously as a priority rather than just as a zone of security concern. The early years saw several positive developments. The South Asia Satellite launched in 2017 was a genuine goodwill gesture that provided free satellite-based services to neighbouring countries. India extended large credit lines to Bangladesh and Sri Lanka for infrastructure projects. The Land Boundary Agreement with Bangladesh in 2015 finally resolved a decades-old border issue that had been a source of ongoing tension.

At the same time, the policy had its share of contradictions and inconsistencies. In 2015, India's handling of Nepal's new constitution and the subsequent unofficial blockade severely damaged trust. In Sri Lanka, India's hesitation on the ethnic reconciliation issue disappointed Tamil communities and created space for Chinese influence to deepen. In Pakistan, despite initial gestures like the surprise Lahore visit by Modi in 2015, relations quickly deteriorated after the Pathankot



attack. These experiences showed that the Neighbourhood First policy, while well-intentioned, was not backed by a consistent long-term strategy.

### **The Bangladesh Crisis of 2024: A Major Setback**

Bangladesh under Sheikh Hasina had been, for over a decade, one of India's closest bilateral partnerships in the neighbourhood. The two countries had made significant progress on connectivity, trade, transit, and security cooperation. Indian exports to Bangladesh grew steadily, and Bangladesh cooperated with India on containing northeast insurgent groups that had once used Bangladeshi territory as a base. The relationship was often cited as a model for what the Neighbourhood First policy could achieve.

However, in mid-2024, Bangladesh was swept by a massive student-led protest movement that began as an agitation against government job quotas but quickly became a broader movement against the Hasina government itself. The government's heavy-handed response to the protests, which resulted in significant loss of life, led to an unprecedented erosion of its legitimacy. In August 2024, Sheikh Hasina resigned and left Bangladesh. An interim government led by Nobel laureate Muhammad Yunus was subsequently formed to manage the transition.

For India, this development was deeply unsettling. Sheikh Hasina had been a trusted partner, and her government had actively cooperated with Indian security and economic interests. India's close identification with the Hasina government meant that when the movement that toppled her gained power, India was not viewed entirely favourably by the new political forces in Dhaka. There were also concerns in India about the safety of Hindu minorities in Bangladesh following the political transition, as some reports of communal incidents emerged in the aftermath of the government change.

The India-Bangladesh relationship entered a period of uncertainty. The Yunus-led interim government tried to signal that it wanted good relations with all countries, including India, but it also began reaching out more openly to China and to Pakistan. India's request for the extradition of Hasina to face charges in Bangladesh added another layer of diplomatic tension. Indian officials maintained that Hasina's departure was a Bangladeshi domestic matter, but the episode highlighted how deeply India had linked its Bangladesh policy to one individual leader rather than building broader-based ties with Bangladeshi society, civil society, media, and opposition parties.

This is one of the key lessons of the Bangladesh case. A truly effective Neighbourhood First policy cannot be built on a single government or a single leader. When that leader falls, as leaders inevitably do, the entire edifice of the bilateral relationship can be shaken. India needs to invest in people-to-people ties, academic exchanges, cultural diplomacy, and civil society engagement so that the relationship remains strong regardless of who is in power in Dhaka.

The Bangladesh situation also raised the broader issue of how India balances its support for democratic values against its strategic interests. India claims to be the world's largest democracy and often talks about democratic values in international forums. But when an authoritarian



government in a neighbouring country serves India's strategic interests, India tends to look the other way. This kind of double standard is noticed in the region and can create lasting damage to India's soft power and credibility.

### **Nepal: The Persistent Challenge**

India's relationship with Nepal is in many ways its most complicated neighbourhood relationship. The two countries share an open border, deep cultural and religious ties, and a long history of people movement. For centuries, Nepali citizens have served in the Indian army, and there are large Nepali communities in Indian cities. Despite all this, the political relationship has been repeatedly troubled by issues of sovereignty, water resources, border disputes, and perceptions of Indian high-handedness.

The 2015 Nepal earthquake and India's immediate relief response had been seen as a positive moment in the relationship. But within months, the goodwill was completely erased by the unofficial blockade that India was seen as supporting in response to Nepal's new constitution. Landlocked Nepal, which depends on India for almost all of its imports, suffered a severe humanitarian crisis during the blockade. For many Nepalis, this experience confirmed their deepest fear — that India would not hesitate to use economic coercion when it felt that Nepal was not complying with its preferences.

By 2024, Nepal's political landscape continued to be highly fragmented with no single party or leader able to maintain a stable government for long. Multiple governments came and went, each with their own calculations about how to manage relations with both India and China. China's Belt and Road Initiative had found a willing partner in Nepal, and several Chinese-funded infrastructure projects were underway. China also provided diplomatic support to Nepal on the border dispute with India in the Kalapani-Lipulekh-Limpiyadhura area, which had emerged as a major irritant in bilateral relations since India's publication of a new political map in 2019.

India's official response to Nepal's border concerns was initially somewhat dismissive, which further hurt sentiments. The issue became caught up in Nepali domestic politics, with different parties using anti-India posturing to gain popular support. Nepal even updated its own official map to include the disputed territories, a move that India rejected. The situation created a sense of deadlock that has not been fully resolved.

At the same time, India-Nepal economic ties remained strong in many areas. Power trade between the two countries expanded significantly, with India importing increasing amounts of Nepal's hydropower and providing access to Indian markets. The two countries signed agreements on cross-border rail links and motor vehicle transport. These practical collaborations showed that even when the political relationship was difficult, functional cooperation was possible.

However, the Nepal case illustrates another key weakness of the Neighbourhood First policy: the tendency to focus on large infrastructure deals and government-level agreements while neglecting the political and psychological dimensions of the relationship. Nepali public opinion, particularly



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among younger generations and intellectual circles, has become increasingly critical of what is perceived as Indian paternalism. Social media has amplified these voices, and any action by India that is seen as interfering in Nepal's internal affairs quickly generates public outrage.

## **The China Factor and Regional Competition**

Any honest analysis of India's neighbourhood challenges must take into account the role of China. China's growing economic and strategic presence in South Asia has fundamentally changed the environment in which India's Neighbourhood First policy operates. Through the Belt and Road Initiative, China has invested heavily in port infrastructure in Sri Lanka and Pakistan, in roads and hydropower in Nepal, and in various projects in Bangladesh. Chinese development assistance often comes with fewer political conditions compared to what countries perceive as India's expectations of alignment or loyalty.

This has given India's neighbours a genuine alternative partner, something that was not as clearly available in earlier decades. Countries like Nepal and Bangladesh are increasingly able to play India and China against each other to get better deals and more respect for their sovereignty. While this might seem to be a problem from India's perspective, it is in fact a rational and understandable behaviour for smaller states trying to maximize their options.

India has sometimes responded to the China factor with a kind of competitive anxiety, rushing to announce projects or extend credit lines in response to Chinese moves. But this reactive approach is not a substitute for a proactive and principled neighbourhood strategy. India's competitive advantage in the neighbourhood should rest on its cultural, historical, and civilisational connections, its democratic credentials, and the quality of its engagement — not on merely trying to outbid China in financial terms.

## **Structural Weaknesses in India's Neighbourhood Diplomacy**

Beyond the specific cases of Bangladesh and Nepal, there are some broader structural weaknesses in India's neighbourhood diplomacy that this paper would like to highlight. First, India's neighbourhood policy has often been reactive rather than proactive. India tends to pay close attention to its neighbours only when there is a crisis. The day-to-day work of building trust, maintaining relationships, and addressing small grievances before they become big problems gets neglected.

Second, India's bureaucratic culture around foreign policy tends to be somewhat cautious and slow. The Ministry of External Affairs has a relatively small number of officers dedicated to South Asia, and the decision-making process can be lengthy. In contrast, China has built a much larger diplomatic and economic engagement infrastructure in the region. India needs to invest more in its diplomatic capacity, including by training more Sinhala, Bengali, Nepali, and other regional language speakers in its foreign service.

Third, there is a domestic politics dimension that often complicates neighbourhood diplomacy. The treatment of minorities in neighbouring countries, particularly Muslims in India and Hindus in



Bangladesh, can easily become a domestic political issue in both countries, making it harder to manage the bilateral relationship on its own terms. Water-sharing disputes, such as the Teesta river water sharing with Bangladesh, have remained unresolved for years partly because of the domestic political considerations within the state of West Bengal, which has different political leadership from the central government.

Fourth, the perception of India as a “big brother” who expects deference rather than engaging as an equal partner remains a genuine challenge. Smaller neighbours sometimes feel that India’s assistance comes with implicit expectations of political alignment or compliance with Indian preferences. This feeling, whether fully justified or not, shapes public opinion and gives political advantage to parties that run on anti-India platforms.

## CONCLUSION AND SUGGESTIONS

The events of 2024 in Bangladesh and the ongoing challenges in Nepal have shown that India’s Neighbourhood First policy, while a step in the right direction, needs to be revisited, deepened, and made more consistent. The policy has achieved some real results, particularly in connectivity and economic cooperation, but it has not yet succeeded in building the kind of deep, trust-based, and resilient relationships that would remain stable even through domestic political changes in neighbouring countries.

The Bangladesh case shows the danger of building a bilateral relationship too narrowly around a single government or leader. India must diversify its engagement across all segments of Bangladeshi society — political parties of different orientations, civil society, the media, and academic institutions. A relationship that is rooted in people-to-people ties and genuine mutual interest is more durable than one based on leader-to-leader personal chemistry.

The Nepal case shows the importance of addressing legitimate sovereignty concerns with sensitivity and respect. Border disputes need to be handled through dialogue rather than dismissal. India should also work harder to address the water-sharing and transit issues that have been sources of Nepali grievance for decades. The success of energy trade can be built upon to create a more balanced and mutually beneficial economic relationship.

More broadly, India needs to adopt a longer-term, more patient, and more generous approach to its neighbourhood. This means accepting that smaller neighbours will sometimes make choices that India does not prefer, and that this is their sovereign right. A policy of trying to dictate or strongly influence every political outcome in the neighbourhood is not only impractical but also counterproductive, as it breeds resentment and pushes countries toward China.

On a practical level, the following suggestions emerge from this analysis: India should increase its scholarship programmes and educational exchanges with Bangladesh and Nepal to build a generation of leaders who have personal experience of India and understand it well. India should resolve the Teesta water-sharing dispute with Bangladesh at the earliest, even if this requires difficult negotiations with the West Bengal state government. India should engage seriously and



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respectfully with Nepal's border concerns and create a bilateral mechanism for regular dialogue on border demarcation. India should develop a genuine sub-regional cooperation framework that is more inclusive and less India-centric. Finally, India should invest in better public communication in its neighbouring countries so that its policies and intentions are explained directly to ordinary citizens rather than filtered only through governments.

In conclusion, the Neighbourhood First policy has the right vision but needs better implementation. The challenges in Bangladesh and Nepal in 2024 are a wake-up call for Indian diplomacy. India has the capability, the resources, and the civilisational depth to be a truly great neighbour. What is needed now is the political will, the strategic patience, and the diplomatic creativity to make that vision a reality.

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