India’s ‘Neighbourhood First’ Policy

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India’s ‘Neighbourhood First’ Policy
Smruti S. Pattanaik

India’s immediate neighbourhood has always been the prime focus of its foreign policy for several reasons. According to the annual report released by the Ministry of Home Affairs, Government of India, India shares 15,106.7 kilometres of land border with its neighbours and has a coastline of 7,516.6 kilometres (including island territories).\(^1\) This long land border includes open borders with Nepal and Bhutan, a highly militarised border with Pakistan since Pakistan-sponsored cross-border terrorism is a major problem, and a highly porous border with Bangladesh, given the physical terrain, which throws up enormous challenges to border management. India has two important maritime neighbours in South Asia – Sri Lanka and Maldives. Prior to 1947, India, Pakistan and Bangladesh were parts of a single geographical entity. After partition, the transportation network that allowed trade and people-to-people contact, snapped due to the introduction of stringent visa regimes. Yet, cross-cultural, ethnic and familial ties continue to exist and criss-cross the geographical boundaries. While this facilitates socio-cultural interaction and enhances people-to-people contact, it also becomes a point of concern as any conflict across the border can cause instability in India, and lead to influx of refugees. Understandably, India prefers inclusive government in its neighbourhood countries which can take into account the existing diversity in that country and prevent any spill-over of conflicts that may have implications for India.

Over a period of time and especially after 2014 when Prime Minister Narendra Modi assumed office, he enunciated the ‘Neighbourhood First’ policy. His party’s 2014 manifesto read “BJP believes that political stability, progress and peace in the region are essential for South Asia’s growth and development”. It implied that previous governments had not taken adequate steps to further

\(^1\)https://www.mha.gov.in/sites/default/files/BMIntro-1011.pdf
India’s relations with its neighbours, as a result of which, such relationships are drifting apart. To emphasise on government’s seriousness to pursue the ‘Neighbourhood First’ policy, he chose to make his first foreign visits to India’s neighbouring countries. India took steps to convert its borders to sources of opportunity rather than continuing as sources of insecurity, by placing special emphasis on building and modernising connectivity network—rail, road and waterways—with its neighbours. It also placed special emphasis on electricity grid connectivity across borders. These steps were aimed at integrating the economies of the region. According to the Ministry of Power, “India is centrally placed in South Asian region and with cross border interconnections with neighbouring countries, playing a major role in effective utilization of regional resources.”

There are three significant dimensions to India’s neighbourhood policy: security, economics and culture, with an emphasis on people-to-people contact.

Security Dimension of India’s Neighbourhood Policy

Soon after independence, India laid special emphasis on its own security. Pakistan emerged as a major challenge to India’s neighbourhood policy and soon became part of Western sponsored military alliances such as South East Asia Treaty Organisation (SEATO) and Central Treaty Organisation (CENTO). It began receiving sophisticated weapons from the United States. In 1963, Pakistan signed a boundary agreement with China as per which it ceded around 1,942 square kilometres of territory in Pakistan Occupied Kashmir (POK) to China. This initial understanding led to what is now known as China–Pakistan nexus that resulted in strategic collaboration in nuclear and missile technology with a common agenda of targeting India. To foster a stable frontier, India entered into a series of peace and friendship treaties to keep the region away from external powers, by extending security guarantees through mutual

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2 For details regarding existing grid connectivity with India’s neighbours see, “Interconnection with Neighbouring Countries”, Ministry of Power, Government of India, available at https://powermin.gov.in/en/content/interconnection-neighbouring-countries
consultation, which were written into these treaties. For example, the treaties and agreements that India signed with Bhutan, Nepal, Bangladesh and Sri Lanka during the Cold War period, catered not just to its own security but also to that of these countries.\(^3\) The section that follows is an analysis of India’s approach to security in its neighbourhood policy in the context of the changing geo-political scenario.

(i) **The Era of Peace and Friendship Treaties**

India’s approach to its neighbours has seen a transition over the last seven decades with the changing security environment and the thrust is now on geo-economic outreach. An analysis of agreements that India has signed with its neighbours reflects New Delhi’s thinking. It is slowly moving out of hardcore military stance in its bilateral treaties/agreements to economic partnership and cooperation on non-traditional security issues. For instance, soon after independence, India signed treaties of peace and friendship with Bhutan in 1949 and with Nepal in 1950 which bound these two nations to India’s security. The 1949 treaty with Bhutan had overt security clauses and the extent to which India could get involved is echoed in the Article 2 of the treaty which made it mandatory for Bhutan to be guided by India in its foreign policy. This remained a sore point even though this clause was never actually applied. Rather, India was instrumental in getting Bhutan admitted to the International Postal Union and also helped it to become a member of United Nations, thus addressed Bhutan’s concerns about its sovereignty vis-à-vis India. This treaty was revised in 2007. Article 2 of the Treaty now mandates the two countries to “cooperate closely with each other on issues relating to their national interests. Neither

\(^3\)See Articles 1 and 5 of the letter exchanged with Indo-Nepal Treaty of Peace and Friendship 1950; Article 2 of new India–Bhutan Treaty of Peace and Friendship, 2007; Article 2 (a,b,c) of the Indo-Sri Lanka Accord 1987; Article 3 (ii) regarding training and military supply to the Sri Lankan Army as mentioned in the Rajiv Gandhi – Jayewardene letter of 1987.
Government shall allow the use of its territory for activities harmful to the national security and interests of the other”.

Being convinced that security of Nepal is entwined with India, Nehru signed the 1950 treaty with Nepal which provides resident status to the citizen of one country in the territory of the other (Articles 6 & 7 of the treaty). Article 2 of the treaty requires the two countries to “inform each other of any serious friction or misunderstanding with any neighbouring State”. The letter accompanying the treaty specified ‘joint consultation’. In 1965, both the countries agreed that Nepal should import arms solely from India; and if from a third country, then only with India’s consent. The agreement was cancelled in 1969. India also agreed to change the status of the military liaison group stationed in Nepal and withdrew Indian personnel manning Nepal’s border with Tibet. Nepal saw both of these issues as sovereignty issues. The 1950 treaty and letters accompanying the treaty which were seen as bedrock of India’s security, were observed more in their deviation than their observance. The Monarchy, which was once a powerful institution in Nepal undermined several clauses of the 1950 Treaty and over the period of time its security-centric clauses have eroded. However, this Treaty remains at the root of anti-Indian political propaganda in Nepal. This treaty is pending revision as the two countries discuss a possible new treaty that would replace the old one.

It needs to be mentioned here that based on a reciprocal arrangement, the citizens of both Nepal and Bhutan do not require visas to travel to India. The citizens of both these countries can take up employment anywhere in India. They are also allowed to take up central government jobs in India. India is the second largest remittance generating country for Nepal. India also recruits Gorkhas in its armed forces and the Chiefs of Army Staff of the two countries

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are accorded the status of honorary Chief of each other’s armed forces—a tradition that continues to this day. This reflects the close relationship the two countries share.

Soon after Indian independence, in 1949, Nehru offered a ‘no war Pact’ to Pakistan. It was again offered by Lal Bahadur Shastri in 1965, by Mrs Indira Gandhi in 1968, and by Mr Morarji Desai in 1977. But given the history of conflict that has dominated bilateral relations between the two, such a treaty was not feasible to conclude. Pakistan also offered a ‘No war pact’ in 1982, which India then rejected as Pakistan continued with its policy of cross-border terrorism. Among many bilateral agreements, India and Pakistan are signatories of the Shimla Agreement in 1972, and the Lahore Declaration in 1999. These largely govern their bilateral relationship. In 1991, the two countries also agreed on the Prohibition of Attack against Nuclear Installations and Facilities and accordingly each January they exchange the list of nuclear installations that comes within the purview of the 1991 understanding. This practice continues without fail. India also signed a Treaty of Peace and Friendship with Afghanistan in 1950, which still continues. With the Taliban regime now in power, this treaty with Afghanistan has become redundant. India does not recognise the Taliban regime.

Following the birth of Bangladesh in 1971, India and Bangladesh signed the Treaty of Peace and Friendship in March 1972. Articles 8, 9 and 10 included clauses that pertained to the security of both the countries. The treaty which was signed for 25 years lapsed in 1996.

(ii) Cold War and Politics in the Neighbourhood

One of the major concerns for India during the Cold War period, was to keep itself away from competitive bloc politics. India strongly objected to the presence of external powers in its neighbourhood that could impinge on India’s security. Throughout the Cold War era until 1965 the United States armed Pakistan with advanced weapons, and provided it with military aid and training
ostensibly for equipping Pakistan to fight the Communists. As was evident in the 1965 War, these weapons were used against India. The US also looked at India’s preference for a non-aligned foreign policy with suspicion.

Regimes in the neighbourhood—the monarchy in Nepal, military rulers in Bangladesh and a pro-West President J.R.Jayewardene in Sri Lanka—were keen in engaging external powers as they perceived India as a threat to their regimes. For instance, India’s sympathetic attitude towards pro-democratic movements in Nepal was not liked by Monarchy. India was party to a tripartite agreement in 1951, also known as Delhi Accord, between the Rana regime, the Nepali Monarchy and the Nepali Congress. While this led to the end of Rana regime, this democracy experiment was short-lived as King Mahindra assumed direct rule thereafter and introduced Panchayat rule. The Nepali Congress spearheaded protest against this takeover and such protest received sympathy from political leadership in India. Not surprisingly, the Monarchy took steps to move Nepal away from the ‘special’ relationship that was forged through the 1950 treaty. It tried to undermine the treaty by projecting ‘Nepal as a zone of peace’ in 1975 and received support from countries like the US, China and Pakistan. Therefore, India’s quest for stability in its neighbourhood saw New Delhi supporting varied political parties and regimes, often mediating between the political forces so that the political situation was not exploited by external powers to the detriment of India.

The military regime in Bangladesh not only wanted to diversify Bangladesh’s ‘Indo-centric’ foreign policy of the post liberation era that had been promoted by its founding father and Prime Minister Sheikh Mujibur Rahman. But, India’s contribution to the liberation war was politicised and motives were attributed to India’s role by vested interests in Bangladesh. Issues like the Farakka barrage that India was building over Ganges were internationalised and there were frequent exchanges of fire at the border, as India attempted to build fences to deal with the issue of illegal migration from
Bangladesh. In 1996, India also signed a 30-year Ganges water treaty with Bangladesh and that helped the India–Bangladesh relationship to move forward. Both the countries have demarcated their land boundary, exchange enclaves and land in adverse possession in 2014 after India ratified Indira Mujib Treaty in a historic move that did not see a single vote against the process of ratification in the parliament.

In Sri Lanka, the Tamil ethnic conflict was gathering critical momentum after the 1983 pre-mediated massive riots against the Tamil community, which were supported by the government after 13 Sri Lankan soldiers were ambushed by the Liberation Tigers of Tamil Eelam (LTTE) in Jaffna in the north. Historically, the majoritarian policies of Sri Lanka marginalised the Tamils politically and economically through series of measures such as the introduction of ‘Sinhala only’ as official language in 1956, the 1971 standardisation policy, followed by the 1972 introduction of a quota system in the universities, and according primacy to Buddhism in the 1972 Constitution. The 1983 riots also saw a flow of refugees to Tamil Nadu. To pre-empt external powers inimical to Indian interest from interfering in the ethnic conflict that would have security repercussions for India, New Delhi made an attempt to bring the Tamil insurgent groups and the Sri Lankan government to the negotiating table in Thimpu in 1985, but without much success. Finally, the Indo-Lanka Agreement of 1987 and the annexure II accompanying the agreement explicitly stated that Sri Lanka would not allow Trincomalee and other ports to be used by foreign militaries and foreign broadcasting facilities cannot be used for any ‘military and intelligence purposes’. India sent an Indian peacekeeping force to Lanka under this Accord to restore peace. This mission turned out to be unsuccessful as Prime Minister Premadasa provided arms to the LTTE to fight the Indian peacekeepers. Finally India withdrew its peacekeeping force in 1991.

India’s attempt to maintain peace and ensure political stability in its neighbourhood also saw India extending military help to Sri Lanka to suppress
the Janatha Vimukti Peremuna (JVP) insurgency in the South in 1971 and 1987 and also sending IPKF in 1987 as part of Indo-Lanka Accord. In 1988, when a coup was attempted against Maldivian president, Abdul Gayoom, India also sent its troops to the Maldives, which successfully frustrated the coup attempt. Its negative experience in fighting the LTTE in Sri Lanka and the demand to withdraw the IPKF by President Premadasa, along with the assassination of former Prime Minister Rajiv Gandhi in 1991, kept New Delhi away from the ethnic conflict. The Norwegians then, unsuccessfully tried to mediate between the government and the LTTE. Yet when war again broke out in 2007 between the government and the LTTE (an organisation that was least interested in peaceful solution of the ethnic crisis), India supported the Sri Lankan government by providing non-lethal weapons, intelligence and diplomatic support and helped in the elimination of the dreaded terrorist organisation in 2009. India continues to host nearly one lakh refugees from Sri Lanka. Colombo, however, remains far from addressing Tamil political grievances while India remains the guarantor of 1987 Indo-Lanka accord that provides for limited provincial autonomy. Similarly, India’s effort to ensure stability in its periphery also prompted it to bring the seven political parties of Nepal and the Maoists together while brokering a 12-point agreement in 2006. This agreement finally saw the emergence of a written constitution by an elected Constituent Assembly and the declaration of Nepal as a Republic and mainstreaming of the Maoist insurgents as political actors.

(iii) Forging Partnerships with Neighbours

The post-Cold War period brought about a change in the manner in which countries looked at their security. Economic stability and growth assumed greater priority and terrorism and radicalism emerged as major challenges. Majoritarian politics in the neighbourhood saw ethno-sectarian fault-lines deepening. India focused on economic reforms and enunciated a ‘Look East’ policy in 1993. This received a transformational thrust after Prime Minister
Modi announced his ‘Act East’ policy. The early 2000s also witnessed India reshaping its policy of economic assistance to the neighbourhood. The funding for infrastructure development was greater as compared to the earlier period. As economic development became crucial, regional economic integration and improving existing regional transport connectivity that once connected the entire region prior to the partition assumed a priority, and building new ones to facilitate multimodal transit became the main driver of India’s neighbourhood policy.

In 2011, in order to take this policy forward, India signed a framework agreement for cooperation and development with Bangladesh. The objectives of this agreement were to expand trade, improve transport connectivity, sharing of river water, basin management, flood forecasting, cooperation on energy and “development of appropriate infrastructure, use of sea ports, multi-modal transportation and standardization of means of transport for bilateral as well as sub-regional use.”

In 2011, India also signed a framework agreement of cooperation with Maldives. The framework agreement among other areas of cooperation includes, “promoting cooperation in the areas of health, education, tourism, fisheries development, environment protection, new and renewable energy and economic cooperation.” Both these agreements reflect the thrust of India’s foreign policy on augmenting bilateral relations on multiple fronts with special emphasis on non-traditional security.

India also discarded reciprocity in its bilateral dealings with its neighbours with the exception of Pakistan. Famously referred to as the Gujral doctrine, it has brought about a sense of relief to its neighbours who were

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previously apprehensive about India’s insistence on reciprocity in its bilateral relationship. Many of its immediate neighbours perceive that since India is a regional power it automatically places its smaller neighbours in a disadvantaged position on the negotiating table. The Gujral doctrine assuaged neighbours in their bilateral dealings with India. Prime Minister Vajpayee also placed emphasis on building strong ties with India’s immediate neighbours. He extended a hand of friendship to Pakistan after the nuclear tests of 1998 when he took a bus journey to Pakistan in 1999 and signed in the visitor book kept in the Minar-e-Sharif wishing Pakistan all the very best. On the side-lines of the Islamabad summit of the South Asia Association for Regional Cooperation (SAARC), Pakistan pledged that it would not allow its territory to be used for terrorism against India. However, the attack on the Indian Parliament in 2001, the Mumbai terrorist attack of 2008, and other incidents only strengthened the belief that Pakistani establishment was not serious about a policy of peace with India. Prime Minister Modi’s efforts to build bridges with Pakistan such as when he took the initiative of meeting Prime Minister Nawaz Sharif in Lahore in December 2015, was sabotaged when the Pathankot attack occurred in January 2016, just a week after his visit. The Pulwama attack in 2019 in which 40 Central Reserve Police Force (CRPF) jawans were killed in a suicide operation made India retaliate against Pakistan through the Balakot air strike. As the bilateral relationship with Pakistan remains in cold storage, India has insisted that talk and terror cannot go hand in hand and Pakistan needs to shed terrorism as an instrument of its foreign policy prior to any meaningful talk between the two countries.

The post-Cold War period also saw India placing strong emphasis on cooperation in non-traditional security aspects. Collaboration on climate change, joint and coordinated patrol mechanisms to guard the porous border with Bangladesh, joint exercises with the militaries in the neighbourhood, such as the Sampriti series of exercises with Bangladesh, exercise Suryakiran with
Nepal, Exercise *Ekuverin* with Maldives, SLINEX with Sri Lanka, trilateral naval exercises between India, Sri Lanka and Maldives including an annual defence dialogue and joint patrol between the Coast Guards of India and Bangladesh, and India and Myanmar, and the *Bongosagar* series of exercises between the navies of India and Bangladesh, followed. Both the countries have instituted regular meetings between the District Magistrates and Superintendents of Police in the border districts of India and Bangladesh to contain crime in the border areas and prevent criminals taking advantage of the porous border. Cooperation with Nepal has led to regular Home Secretary level meetings and Joint Working Group on Border Management (JWG) and Border District Coordination Committees (BDCCs) and the India–Nepal Bilateral Consultative Group on Security Issues (BCGSI). Apart from these measures, India has significant counter-insurgency cooperation with Bangladesh and Myanmar. Not too long ago, Bangladesh flushed Indian insurgents out of its territory. Similarly, in 2003 Bhutan expelled the United Liberation Front of Assam (ULFA) from its territory in Operation All Clear undertaken by the Royal Bhutan Army. In 2007–09, the Indian Navy also coordinated with Sri Lankan Navy in policing the Indian Ocean as the Sri Lankan army made its final push against the LTTE in May 2009. India is also part of Colombo Security Conclave, a platform of National Security Advisers (NSA) of India, Sri Lanka, Maldives and Mauritius to discuss maritime security issues pertaining to the region. They also agreed on a Roadmap for Cooperation and Activities for 2022-23 under which Virtual Conference on Sharing of experiences in investigation of terrorism cases was organised by the National Investigation Agency of India on 19 April 2022.⁹

To enhance the maritime capabilities of its neighbours (which will boost India’s own security), India has provided Offshore Patrol Vehicles (OPVs) to Maldives and Sri Lanka, and has helped in building a coastal surveillance

network by installing radars in countries that are willing partners in a regional
security architecture. Maldives and Sri Lanka are already a part of this structure.
Prior to the Taliban takeover, India had provided helicopters to boost the
capabilities of the Afghan Air Force and also trained the Afghan Army. It has
also signed a Memorandum of Understanding with Bangladesh to install coastal
surveillance radars that will boost security in the Bay of Bengal region. India
has also extended a US$500 million defence credit line to Bangladesh. Unlike
in the past, when bilateral treaties governed mutual security and India insisted
on providing security to the countries of the region, India is now concentrating
on capacity-building of armed forces in the region with the exception of
Pakistan. Moreover, with the emphasis on non-traditional aspects, security has
now become mutual and inclusive. The nature of the threat helps in bringing
countries together onto a common platform.

Capacity-building is another thrust area in India’s neighbourhood policy.
India provides training to bureaucrats, judicial officers, armed force personnel
as part of its capacity-building effort. Most of the capacity-building exercise
operates under India’s flagship programme, the Indian Technical & Economic
Cooperation Programme (ITEC) which was introduced in 1964 by the Indian
cabinet. India now has robust Development Cooperation Partnership which is
based on two main pillars—“first, Development cooperation incorporating the
idea of partnership, i.e. working for mutual benefit and secondly, development
cooperation based on priorities determined by the partner”.\textsuperscript{10} India’s Line of
Credit is thus determined by a neighbour’s need and not dictated by India. The
neighbours determine the sector in which they want investment under India’s
line of credit. Development Partnership Administration (DPA) I, II and III relate
to various aspects of project administration when an Indian Line of Credit is
extended. Such streamlining facilitates efficient implementation of projects. The
objectives of Development Partnership were elaborated upon by Prime Minister

\textsuperscript{10}https://www.itecgoi.in/index
Modi in his address at the Parliament of Uganda in July 2018, where he said: "Our development partnership will be guided by your priorities. It will be on terms that will be comfortable for you, that will liberate your potential and not constrain your future… We will build as much local capacity and create as many local opportunities as possible".11

India projects itself as a net security provider and is a first responder to its neighbours during natural calamities and crises. India is a leading country in the region in providing Humanitarian Assistance Disaster Relief (HADR). Whether it was the Indian Ocean tsunami in 2004, the Pakistan earthquake in 2005, the Nepal earthquake in 2015, cyclone Sidr, Aila, or the cyclone Nargis that devastated Myanmar, created a drinking water crisis in Maldives, or floods in Sri Lanka, India has always acted swiftly. BIMSTEC Disaster Management Exercise, “Panex 21” was an important step in this regard.

India’s assistance and its stance of according priority to its neighbours was also noticed during the Covid-19 pandemic, when India provided free vaccines.12 India sees its role “Beyond narrow self-interest, such contributions help project India’s soft power abroad and portray India in a positive light. They also reflect India’s expanding sphere of influence and capacity to shape events abroad.”13 India completely funded and launched a communication satellite known as the South Asia Satellite in 2017 with 12 Ku band transponders on board to “support effective communication, broadcasting and Internet services in a region”.14

During Covid-19, India took several steps to facilitate trade. On 8 April 2020, India convened a meeting of senior trade officials from the SAARC

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12 http://pib.gov.in/vaccine-supply.htm
countries to discuss provisional clearance of imports, accepting digitally signed
certificates of origin and scanned copies of documents, for clearance of imports
customs and release of payments by a bank. It extended help during Covid-19 to
its immediate neighbours through its Vaccine Maitri initiative and supplied
doses of Covishield as gifts to underline its ‘Neighbourhood First’ policy. As of
December 2021, Bangladesh, Myanmar, Nepal, Bhutan, Maldives, Mauritius,
Seychelles, Sri Lanka and Afghanistan have received nearly 179 lakh doses
(nearly 18 million) of vaccines, out of which more than a third (62 lakh doses or
6.2 million doses) have been provided on a grant basis and the rest have been
provided through facilitated contracts or the WHO/Covax facility.\(^\text{15}\) India has
emerged as a quality healthcare destination for its neighbours and has
introduced a procedure for 'Medical Visa'. In 2020, of all the medical tourists
who visited India, 54.3 per cent were Bangladeshis followed by 8 per cent from
Afghanistan and 6 per cent from Maldives.\(^\text{16}\) India also took the initiative to
establish the SAARC Covid-19 Fund which was administered by individual
countries to help other fellow member countries during pandemic times. In a
tweet posted on 13 March 2020, Prime Minister Modi said: “I would like to
propose that SAARC nations’ leadership chalk out a strong strategy to fight
Corona virus”. India pledged US$10 million to this fund. India also initiated
the ‘SAARC COVID-19 Information Exchange Platform (COINEX)’ for the
member countries, to encourage frequent interactions.\(^\text{17}\)

Under the grant-in-aid projects, India has several High Impact
Community Development Projects (HICDPs) in key areas of education, health,
irrigation, rural infrastructure, disaster management and livelihood development

\(^{15}\) Lok Sabha, Unstarred Question No.3532 Developmental Assistance, https://www.mea.gov.in/lok-
sabha.htm?dtl/33642/QUESTION+NO3532+DEVELOPMENTAL+ASSISTANCE

\(^{16}\) Sunitha Rao, “54% of Medical Tourists were from Bangladesh”, *The Times of India*, 24 July 2021, available at http://timesofindia.indiatimes.com/articleshow/84697934.cms?utm_source=contentofinterest\_utm_medium=text\_utm_campaign=cppst

\(^{17}\) https://mea.gov.in/press-
releases.htm?dtl/32649/Indias_participation_in_the_video_conference_of_SAARC_Health_Ministers_on_COV
ID19_hosted_by_Pakistan.
that are being implemented in all the neighbouring countries. It has built houses as part of grant projects in Sri Lanka, Bangladesh, Nepal and Myanmar for people displaced by conflict and natural disasters. It also extended Operation Insaniyat to the Rohingya refugees in Bangladesh. As a first responder, India sent food, essential items, medicine, aviation fuel and petrol worth US$3.5 billion to Sri Lanka that is reeling under its worst economic crisis, as part of bridge financing till an International Monetary Fund bailout is negotiated. It has deferred payment of Sri Lanka’s dues of US$515 million to the Asian Clearing Union.

**Economic Aspect of Neighbourhood Policy: Trade, Infrastructure, Connectivity and Energy**

Since 2000, India has placed emphasis on the need to restore the regional connectivity network. It is important to mention that many parts of this connectivity network that existed in the region were snapped in the 1965 India–Pakistan War. As pointed out by India’s former Foreign Secretary, Shri Shyam Saran during a lecture in 2005, “Economic integration in the sub-continent must restore the natural flow of goods, peoples and ideas that characterized our shared space as South Asians, and which now stands interrupted due to political divisions.”

Geographical location of India, its size and economy have allowed it to play a leading role in the regional economic integration. India also realised that borders needed to be softened for trade and people-to-people contact. This approach to the border opened up several opportunities in terms of border trade that brought the people divided by territorial boundary, together. It restored the border economy that was snapped by partition and provided markets for local goods that were traded duty-free. For example, whether it is the Line of Control trade between the two parts of Kashmir, border haats with Bangladesh, opening up the historic trade route across Nathu La between India and China—all of these point to India’s evolving approach towards its neighbours.

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18 Foreign Secretary Mr. Shyam Saran’s speech on “India and its Neighbours” at the India International Centre (IIC), 14 February 2005, https://mea.gov.in/Speeches-Statements.htm?dtl/2483/
India has taken steps to modernise border infrastructure to facilitate trade by building modern Integrated Check Posts (ICPs) (see Table 1); it has also liberalised visa protocols to facilitate trade and people-to-people contact.

Table 1. Major Integrated Check Posts (ICPs): Existing and proposed

<table>
<thead>
<tr>
<th>S. No.</th>
<th>ICP Location</th>
<th>State</th>
<th>Borders with</th>
<th>Current Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Attari (Amritsar)</td>
<td>Punjab</td>
<td>Pakistan</td>
<td></td>
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<tr>
<td>2</td>
<td>Agartala</td>
<td>Tripura</td>
<td>Bangladesh</td>
<td></td>
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<td>3</td>
<td>Petrapole</td>
<td>West Bengal</td>
<td>Bangladesh</td>
<td></td>
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<tr>
<td>4</td>
<td>Raxaul</td>
<td>Bihar</td>
<td>Nepal</td>
<td>Operational</td>
</tr>
<tr>
<td>5</td>
<td>Jogbani</td>
<td>Bihar</td>
<td>Nepal</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Moreh</td>
<td>Manipur</td>
<td>Myanmar</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Dawki</td>
<td>Meghalaya</td>
<td>Bangladesh</td>
<td>under construction</td>
</tr>
<tr>
<td>8</td>
<td>Rupaidiha</td>
<td>Uttar Pradesh</td>
<td>Nepal</td>
<td>Approved in December, 2018.</td>
</tr>
<tr>
<td>9</td>
<td>Sunauli</td>
<td>Uttar Pradesh</td>
<td>Nepal</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Sutarkandi</td>
<td>Assam</td>
<td>Bangladesh</td>
<td></td>
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19°In principle” approval has been granted for the setting up Integrated Check Posts (ICPs) at 10 other locations viz. (i) Ghojadanga, West Bengal (Bangladesh border); (ii) Changrabandha, West Bengal (Bangladesh border); (iii) Fulbari, West Bengal (Bangladesh border); (iv) Jaigaon, West Bengal (Bhutan border); (v) Panitanki, West Bengal (Nepal border); (vi) Mahadjipur, West Bengal (Bangladesh border); (vii) Hili, West Bengal (Bangladesh border); (viii) Banbasar, Uttarakhand (Nepal border); (ix) Bhitemore, Bihar (Nepal border); and (x) Kawrpuiichhua, Mizoram (Bangladesh border). See “Integrated Check Posts”, Press Information Bureau, Ministry of Home Affairs, Government of India, 06 February 2019, available at [https://pib.gov.in/Pressreleaseshare.aspx?PRID=1562924](https://pib.gov.in/Pressreleaseshare.aspx?PRID=1562924). This will consist of a passenger terminal building, currency exchange, a building to process cargo, cargo inspection sheds, warehouse/cold storage facilities, a quarantine laboratory, banks and scanners.
Among India’s developmental priorities and its thrust on ‘Neighbourhood First’ policy, transport connectivity remains a key factor. India established Development Partnership Administration (DPA) to facilitate administration of Indian Lines of Credit (LoC). Availability of a connectivity network will not only facilitate India’s trade with its neighbours and vice versa but will also enhance regional cooperation with a seamless transport network. There is a need for these states to work out visa procedures and other paperwork that will allow truckers, drivers and people to move around. To establish a connectivity network, India also has extended Lines of Credit to its immediate neighbours at less than one per cent interest. These are infrastructure projects that would contribute to economic growth of India and also its neighbours by providing seamless connectivity. Emphasis on the immediate neighbours is illustrated in a reply given by the Minister of State for External Affairs, Shri V Muraleedharan in the Parliament, “45 Lines of Credit worth US$ 14.53 billion covering 263 projects have been extended to 7 countries in our neighbourhood namely Bangladesh, Nepal, Sri Lanka, Myanmar, Maldives, Mauritius and Seychelles. About 46 % of our Lines of Credit amount and 44.42 % of our Lines of Credit projects are in the neighbourhood.”

According to the Ministry of External Affairs (MEA), “There is a special focus on regional connectivity initiatives in the neighbourhood under GoI LOCs as these can act as force multipliers to accelerate regional growth and development, promote people-to-people contact and encourage trade and commerce. A total of 100 connectivity

projects of around USD 7 billion have been taken up under LOCs in 4 countries in our neighbourhood, out of which 50 projects have already been completed.”

India has also prioritised usage of waterways as it remains the cheapest mode of transportation of goods. National Water Way I and II will help Bangladesh, Nepal and Bhutan to transport their goods through these waterways for accessing suitable ports for their trade. Coastal shipping has also received greater attention as part of neighbourhood-first policy. Several rail links that historically existed are being restored such as the Akhaura–Agartala rail link which is being rebuilt under a grant project. New links which are being established with Nepal include the Raxaul–Kathmandu rail link, the Jaynagar–Kurtha rail link, the Jaynagar–Bijalpura–Bardibas, and the Jogbani–Biratnagar broad gauge railway lines and are likely to enhance further connectivity between the two countries. Also involved is the trilateral highway that will connect India to Myanmar and Thailand and the construction is ongoing for Kaladan Multimodal Transport connectivity which will help India’s north-eastern region for its trade. Bangladesh has expressed its interest in getting connected to Kaladan and the trilateral highway. Within the BIMSTEC regional forum, a Master Plan for Transport Connectivity has been adopted. ‘Coastal Shipping Eco-system’ in Bay of Bengal has been proposed in BIMSTEC.

Transport connectivity would receive a boost once the countries agree to sign the Multimodal Transport Agreement and take necessary steps that would allow seamless transport of goods with necessary border permits. This needs to be worked out in consultation with members of regional and sub-regional groupings. In the Kathmandu SAARC summit, the idea of regional connectivity received a setback after Pakistan refused to sign the SAARC MVA. Not ready to allow Pakistan to act as a spoiler, Bangladesh–Bhutan–India–Nepal have formed a sub-regional grouping and signed the BBIN-MVA. Member countries have also ratified the BBIN-MVA except for Bhutan which is yet to ratify it due

21https://mea.gov.in/Lines-of-Credit-for-Development-Projects.htm
to the environmental concerns it has. BIMSTEC, another regional grouping has approved the Master Plan on Regional Connectivity and it is also negotiating a similar MVA. In 2018, the 4th BIMSTEC Summit in Kathmandu member countries signed a MoU on BIMSTEC Grid Interconnection that will help power exchange through cross border interconnections. Indian infrastructure development also includes its involvement in developing ports as is evident in Indian company’s investment in the Western Container terminal in Sri Lanka.

India is involved in energy projects in its neighbourhood. Apart from hydel-electricity projects in Bhutan and Nepal, it is building a 1,320 MW coal-based power plant known as Maitri power plant in Ramphal, a 100 MW solar power plant in Sampur in eastern Sri Lanka, refurbishing the Trincomalee oil tank in Sri Lanka and three wind-power plants in the northern part of Sri Lanka. India is supplying high-speed diesel from its Numaligarh refinery to Bangladesh through a 131 km pipeline. It has inaugurated a 69 km Motohari–Amlekhganj trans-border petroleum pipeline. It is supplying 1,192 MW of electricity to Bangladesh. All these are indicators of the existing levels of energy cooperation between India and its neighbours.

India is moving out of restrictive trade regime in its trade with its neighbours. It has allowed duty-free access to 54 items mostly in the textile sector to Bangladesh. It is improving trade facilitation with its neighbours. It is in negotiation for a Comprehensive Economic Partnership Agreement with Bangladesh, and an Economic and Technical Cooperation Agreement with Sri Lanka. Though the region lags behind in trade which at present is around 5 per cent, India is a major trading partner for all its neighbours. It would be important for India to work with its neighbours to remove non-tariff barriers which act as a major hindrance for trade. India is also engaged in harmonising existing standards between itself and other neighbouring countries which would facilitate trade.
India has also introduced currency swap facilities for its South Asian neighbours. In the SAARC FINANCE Governor’s meet held in Pokhra, Nepal in 2012, the Reserve Bank of India offered swap facilities “aggregating US$ 2 billion, both in foreign currency and Indian Rupee” to the neighbouring countries of the SAARC region with the objective “to provide a backstop line of funding for the SAARC member countries to meet any balance of payments and liquidity crises till longer term arrangements are made or if there is need for short-term liquidity due to market turbulence. The arrangement will also further financial stability in the region.”

In 2013, RBI signed a currency swap agreement with the Royal Monetary Authority of Bhutan to “make drawals of US Dollar, Euro or Indian Rupee in multiple tranches up to a maximum of US$ 100 million or its equivalent.”

In 2019 under the SAARC Currency Swap Framework of 2019–22, it was agreed that the Central Banks of respective member countries could enter into bilateral agreements to avail the facility offered by another member country. In the recent past, this facility has been used by Sri Lanka to overcome its depleting foreign exchange reserves.

People-to-People Contact

People-to-people contact remains at the core of India’s neighbourhood policy and constitutes the backbone of its foreign policy. As has been mentioned earlier, socio-cultural and kinship ties spill across the territorial boundaries of the countries of the region. There exist strong kinship ties that require to be nurtured and furthered, to make people stakeholders in the bilateral relations.

Culture can be leveraged as part of India’s neighbourhood policy. There are several monuments and places of worships that are scattered across the subcontinent. These reflect the glorious cultural heritage of the subcontinent and

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a syncretic tradition that always existed in South Asia. Whether it is Bamiyan in Afghanistan or the Indus Valley Civilisation, traces of which can be found in Pakistan and India, the Bulleh shah, Lalòn fakir, great temples in India, moghul architecture and so on, all are some of the common legacies for the countries of the region. Some of the holy places like Benaras, Bodhgaya and Ajmer Sharif attract people of different faiths to India as do Pashupatinath and Lumbini in Nepal. Nobel laureate Rabindranath Tagore who wrote the national anthems of India and Bangladesh and Kazi Nazrul Islam are most revered poets in both the countries.

India has set up Indian Council of Cultural Relations (ICCR) chairs and cultural centres in the neighbourhood to facilitate cultural exchanges and also to provide exposure to Indian culture. India also provides scholarship to students from the neighbourhood countries for studying in India. The Government of India provides 3,000 scholarships annually to students from Nepal to study in India, and 1,000 scholarships to students from Afghanistan. To boost cultural contact between the countries and taking into account India’s long-standing cultural connect through trade, language, religion (which finds its imprint in cultural expression in architecture, music, sculpture and literature), the Ministry of External Affairs has added DPA-IV that would focus on cultural connectivity.

However, cultural connectivity can only be facilitated through people-to-people contact. Visa regimes remain a major barrier. Over a period of time, India has liberalised visa protocol to facilitate people-to-people contact. People from Nepal and Bhutan do not require visas to travel to India and vice versa. In 2012, India and Pakistan liberalised the existing visa regime. New categories of Pilgrim Visas and Visas on Arrival have also been introduced. The Group Tourist Visa category has been further liberalised to have a validity for a period of up to 30 days compared to the previously stipulated 14 days. A ‘Visa on Arrival’ facility is being provided for persons of more than 65 years of age who...
will be granted single-entry visas on arrival at the Attari/Wagah Check Post for 45 days on a non-convertible, non-extendable basis. \(^\text{24}\) In a reply to a question in Rajya Sabha, the Minister of External Affairs said, “this will facilitate greater contacts between peoples of the two countries who remain at the heart of the India-Pakistan relationship.” \(^\text{25}\) India also modernised and privatised the system of issuing visas to Bangladeshis, which is largest in the world. It lists medical visas as a separate category where patients wanting treatment in India (along with an attendant) can be given their visa through a fast-track mechanism, for a period of one year. Student and research visas are also granted to Bangladeshi citizens. \(^\text{26}\)

The Kartarpur Corridor allows Sikhs in India access to the Gurudwara Durbar Sahib Shrine in Pakistan through a corridor. The devotees do not require visa and this is another example of cultural diplomacy. India is planning to build a Buddhist Circuit connecting Bodh Gaya, Nalanda, Rajgir, Vaishali, Sarnath, Shravasti, Kushinagar, Kaushambi, Sankisa, and Kapilavastu to facilitate religious tourism. In 2012, President of Sri Lanka Shri Mahinda Rajapaksa, together with the former Prime Minister of Bhutan HE Jigme Yoser Thinley laid the foundation stone of the Sanchi University of Buddhist-Indic Studies in India.

**India’s Engagement with Regional, Subregional Institutions in South Asia**

India is the largest contributor to the BIMSTEC, SAARC Development Fund (SDF) and the South Asia University. India’s neighbourhood-first policy also emphasises India’s regional engagement at the institutional level. For instance,

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\(^\text{25}\) Ibid.

India provides 100 per cent capital expenditure of the university including 93.68 acres of land for construction of the permanent campus, construction cost of the project, rent for its temporary premises in Akbar Bhavan, at New Delhi.

Table 2. Member States’ Contribution to the South Asian University

<table>
<thead>
<tr>
<th>Country</th>
<th>Contribution (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>2.60</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>5.57</td>
</tr>
<tr>
<td>Bhutan</td>
<td>2.86</td>
</tr>
<tr>
<td>India</td>
<td>42.92</td>
</tr>
<tr>
<td>Maldives</td>
<td>2.86</td>
</tr>
<tr>
<td>Nepal</td>
<td>4.03</td>
</tr>
<tr>
<td>Pakistan</td>
<td>7.33</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>3.34</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>71.51</strong></td>
</tr>
</tbody>
</table>

Apart from India’s contribution to the SDF as a member, it made a voluntary contribution of US$ 100 million for the Social Window of the SDF. This voluntary contribution is meant for other member countries and not for India. India has committed to providing US$ 1 million for the operational budget of the BIMSTEC Secretariat in addition to its 32 per cent contribution to the cost of Secretariat.

In 2014, India had invited the leaders/heads of states of SAARC countries. Again in 2018, Heads of States of BIMSTEC countries were invited to attend the ‘swearing in’ ceremony of the Prime Minister and his cabinet. The Prime Minister also enthusiastically participated in the 18th SAARC Summit held in Kathmandu in 2014. However, due to Pakistan’s obstructionist attitude towards regional cooperation, important initiatives like the SAARC MVA did not make progress. The SAARC MVA could have provided robust connectivity within the region by restoring the pre-partition connectivity network when the subcontinent functioned as one economic unit. However, the member countries have agreed for grid connectivity to enable cross-border electricity trade in future.

Engagement with regional cooperation organisations helps India to enhance its role as a regional leader. Given India’s geographic location at the centre of South Asia, it has the capacity and will to play a lead role in regional integration. Though inter-regional trade in South Asia is just 5 per cent, the proposed connectivity network, coupled with efforts to harmonise standards of product, liberalised rules of origin, and measures to remove non-tariff and para-tariff barriers and the pruning of negative lists will go a long way in enhancing regional trade. In the context of people-to-people contact and trade, the regional connectivity network will be a game-changer. Both SAARC and BIMSTEC have immense potential to further these objectives of India. BIMSTEC, which adopted a charter in the Colombo BIMSTEC summit held in March this year, has moved robustly on security aspects of regional cooperation. There was a
BIMSTEC military exercise, and the concerned National Security Advisers meet regularly, where the countries involved are negotiating BIMSTEC FTA. The member countries have adopted a ‘Master Plan for Transport Connectivity’ which will help regional trade.

Both SAARC and BIMSTEC pursue a regional agenda. Several non-traditional security challenges like human and drug trafficking, terrorism, climate change, ecology, humanitarian assistance and disaster relief and suchlike find a place in the agenda of these cooperation mechanisms. India has taken a lead as a net security provider and first responder to natural disasters in the region. At the same time, it is involved in capacity-building of bureaucracy and armed forces in the region through country-specific and customised training programmes, joint exercises and collaboration.

India is part of the sub-regional grouping of the Bangladesh–Bhutan–India–Nepal (BBIN) network. Apart from signing the BBIN-MVA, these four countries will soon connect their electricity grids for cross-border electricity trade. Already, on a bilateral basis, India has grid connectivity with Nepal, Bhutan and Bangladesh. In the sub-regional context, the countries need to fix the tariff. There is a framework to cooperate on the Ganges between India, Nepal and Bangladesh and also between India, Bhutan and Bangladesh on the Brahmaputra. Cooperation on rivers, at bilateral and sub-regional levels, includes the ecological aspect of the river, including basin management that will sustain the lives of the rivers. Rivers in this region are affected by illegal encroachment on their banks, and sand mining that has contributed to erosion of banks thereby adversely impacting flora and fauna and other species that depend on water bodies.

India is no longer wedded to ‘bilateralism only’ in its approach to its relations with its neighbours. It has adopted trilateral, quadrilateral, sub-regional and regional approaches to move forward by forging consensus with its immediate neighbours to cooperate on a range of issues. Projects MAUSAM
and SAGAR have now become lynchpins in connecting India to its maritime neighbours. Thus, ‘Blue’ economy also finds a place as an area of priority to further cooperation in the maritime sector.

**Challenges to India’s Neighbourhood Policy**

Over the years, MEA is facing resource crunch and its budget has decreased in percentage term in the central government overall expenditure. Table 3 given below illustrates this:

**Table 3. MEA Budget: Overall and as percentage of the National Budget**

<table>
<thead>
<tr>
<th></th>
<th>MEA Budget (Rs Crore)</th>
<th>Overall Government Budget (Rs Crore)</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>BE 2018-19</td>
<td>15011.00</td>
<td>2442213.00</td>
<td>0.61 %</td>
</tr>
<tr>
<td>BE 2019-20</td>
<td>17884.78</td>
<td>2786349</td>
<td>0.64%</td>
</tr>
<tr>
<td>BE 2020-21</td>
<td>17346.71</td>
<td>3042230.00</td>
<td>0.57%</td>
</tr>
<tr>
<td>BE 2021-22</td>
<td>18154.73</td>
<td>3483235.63</td>
<td>0.52%</td>
</tr>
<tr>
<td>BE 2022-23</td>
<td>17250.00</td>
<td>3944908</td>
<td>0.44%</td>
</tr>
</tbody>
</table>


Given India’s economic and security priority and the emphasis on neighbourhood policy, such a small budget restrains India from being more proactive and counter Chinese influence in the region. Though India’s assistance to its neighbours has a huge grant component, however, to strengthen India’s presence and release its diplomatic potential for effective outcomes, the budget needs to increase.  

China’s presence in the neighbourhood has emerged as a major security challenge. Most of the countries in the South Asian neighbourhood with the

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exception of India and Bhutan are part of China’s Belt and Road Initiative (BRI). India has voiced its concern about Chinese investment in the region and has warned that economically vulnerable countries may fall into unsustainable debt traps. Responding to a query in 2017, the MEA stated,

We are of firm belief that connectivity initiatives must be based on universally recognized international norms, good governance, the rule of law, openness, transparency and equality. Connectivity initiatives must follow principles of financial responsibility to avoid projects that would create unsustainable debt burden for communities; balanced ecological and environmental protection and preservation standards; transparent assessment of project costs; and skill and technology transfer to help long term running and maintenance of the assets created by local communities. Connectivity projects must be pursued in a manner that respects sovereignty and territorial integrity.\(^2\)

As the economic crisis in Sri Lanka shows, debt can lead to economic crisis. Even though many argue that the percentage of debt that Sri Lanka owes to China is only 10 per cent but the fact is that many of the Chinese built projects have not yielded economic return and have only contributed further debt to the already debt-stressed country. In the Maldives, China has built several infrastructure projects. In Pakistan, it is investing US$ 62 billion and in Bangladesh it has proposed investment of US$ 42 billion. With the increase in economic presence, China is increasingly creating more strategic space for itself as indebtedness of these countries deepens. China’s naval presence in the Indian Ocean also remains a major challenge.

China is involved in infrastructure development by investing in ports: in Sri Lanka, Myanmar, Bangladesh and Pakistan. It is building airports in Nepal, Bangladesh and Sri Lanka and is also involved in energy projects. China has a close relationship with the military in the South Asian countries. Pakistan remains the largest market for Chinese weapons followed by Bangladesh.

Terrorism is another major challenge for India’s neighbourhood policy. Though it has achieved significant success in counter-terror/counter-insurgency

cooperation with Bangladesh, Bhutan, Sri Lanka and Myanmar, Pakistan though remains a major challenge. Pakistan is using the porous borders and neighbouring countries as staging post. The hijacking of IC-814 in 1999, the funding of terror networks in Bangladesh, using Sri Lanka for infiltrating terrorists into India as happened in 2014, terror attacks on Indian interests in Afghanistan including its Embassy, only illustrates the seriousness of the threat that Pakistan can pose. While regional mechanisms to deal with this menace are available within the SAARC and BIMSTEC frameworks, regional cooperation on terrorism cooperation however, remains a non-starter.

**Conclusion**

India’s neighbourhood policy is still a work in progress as the region adapts to new security challenges. Over the last decade, India has made significant progress in connecting to its neighbours. In a significant departure from past policies, Prime Minister Narendra Modi has made the countries of the neighbourhood the first destinations of his foreign tours. Dialogues with neighbours have been institutionalised so that irrespective of political changes, there is a policy continuum. Relations with immediate neighbours are monitored at the Foreign Minister and Foreign Secretary levels, one example being the Joint Consultative Commission (JCC) co-chaired by the Foreign Ministers to monitor the progress in bilateral relations. With Nepal, there is an India–Nepal Working Group on Defence and Security Issues, and regular consultation with neighbours. India is engaged in capacity-building in the neighbourhood through its ITEC programme. Transport connectivity projects along with electricity grid connectivity that are being implemented are likely to give a major boost to trade including electricity trade across the border. As one has seen during the Covid-19 crisis and also during natural disasters, India will be the first responder to calamities in the neighbourhood. The ‘Neighbourhood First’ policy has met with tremendous success and is a game-changer in India’s relationship with its immediate South Asian neighbours.