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Geopolitical Dynamics in India's Neighbourhood: Implications for Economic Growth and Stability

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1. Abstract

This paper delves into the intricate geopolitical aspects associated with India and their significant, more permanent, effects on the economic performance and social order of the country. In the geographical area of South Asia, characterized with a lot of countries each with its own experienced and historical strife, India has to deal with such regional powers as Pakistan, China, and within the same region, although to a lesser extent, with Bangladesh and Nepal. In this section, the reader will examine the strategic initiatives employed by India and how SAARC, BIMSTECH and BRICS regional groupings aid in supporting multipolarity and enhancing regional peace and security.

Gender and economic growth are intertwined concepts that many feminists and development theorists dislike. The irony here is that they work around the very concept they refuse to accept. This encompasses cross-boundary mobility, spanning issues such as the level of cross-boundary residential and economic activity, the infrastructural states between countries, and national security defense. Tensions are unavoidable due to geopolitical considerations, yet alliances are deemed mutually beneficial; it is this degree of understanding that has sealed aimed investments effectively in the countries. The final thoughts are connected to deciphering the changing geopolitical environment and analyzing them as prospects and threats for India given the context. In considering the nexus of geopolitics and economic growth, this paper analyses India's position in the South Asian and Indian Ocean region and more especially, explores how to achieve economic growth and security in a sustainable manner.

Keywords: Economic Stability, Foreign Policy, Geopolitics, Neighbourhood

2. Introduction

India's geopolitical landscape is profoundly shaped by its strategic location in South Asia, a region historically marked by deep-seated antagonisms, rich cultural diversity, and intense economic competition. The nation shares extensive land borders with several states, including China, Pakistan, Bangladesh, Nepal, Bhutan, and Myanmar, each presenting unique challenges to India's national security and economic development objectives. Beyond its land frontiers, India's significance is further amplified by its crucial position within the Indian Ocean Region (IOR), a vital maritime corridor connecting South Asia with the Middle East, Southeast Asia, and other key global regions, underscoring the imperative of robust maritime activities for trade and security.

In recent years, India's foreign policy has been characterized by strategic initiatives such as the Act East Policy and the Neighbourhood First policy. These policies are designed not only to foster closer ties with immediate neighbours and extended partners but also to mitigate the growing influence of external powers, most notably China's expansive Belt and Road Initiative (BRI), which seeks to integrate neighbouring countries into its economic orbit. Concurrently, the region is home to various regional groupings like the South Asian Association for Regional Cooperation (SAARC), the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), and BRICS. While these platforms are intended to facilitate multilateral engagement, their effectiveness is often constrained by intricate intra-regional dynamics and unresolved bilateral issues. The pursuit of economic growth and stability for India is thus inextricably linked to the complex geostrategic environment in which it operates. Policy domains encompassing regional issues such as terrorism, cross-border migration, resource disputes, and connectivity projects exert a profound influence on the formulation and execution of India's economic and security policies. [\(Panda, Jagannath P. , 2020\)](#)

The dual nature of India's geopolitical environment is a central theme of this analysis. The nation consistently faces a complex interplay of both formidable challenges, such as historical antagonisms, persistent border issues, and the increasing presence of external powers, alongside significant opportunities, including the strategic importance of the IOR, the potential of regional groupings, and the leverage offered by its own policy initiatives. This inherent duality necessitates a balanced analytical approach, recognizing that India operates within an environment that concurrently presents both threats to its security and avenues for strategic advancement. Furthermore, while the traditional focus has often been on the "Indian Ocean Region," a broader conceptual shift towards the "Indo-Pacific" is increasingly evident in academic discourse and strategic planning. This expanded framework acknowledges that India's strategic partnerships, such as the Quadrilateral Security Dialogue (Quad), and its approach to regional security and economic engagement now extend far beyond its immediate geographical neighbourhood, reflecting a more expansive view of its national interests.

This study aims to explore the intricate interplay between geopolitical dynamics and India's economic growth and internal stability. It seeks to understand how regional tensions, alliances, and power struggles impact India's position as a rising economic power. Specifically, the objectives are to analyze the strategic importance of South Asia and the Indian Ocean Region for India's security and economic development; to examine India's bilateral and multilateral relationships with neighbouring countries and their influence on its economic opportunities and security concerns; to investigate the economic impacts of regional geopolitics, including factors like foreign direct investment, energy security, and connectivity initiatives; to assess the implications of border security, cross-border migration, and regional conflicts for India's internal stability and policy-making; and finally, to offer insights into emerging trends in regional geopolitics, identifying both opportunities and challenges for India's future growth and stability. By analyzing these elements, this research endeavours to provide a comprehensive understanding of how geopolitical dynamics in India's neighbourhood influence its economic trajectory and security landscape. Ultimately, it seeks to highlight potential strategies that India could adopt to navigate regional complexities, leverage multilateral platforms, and promote long-term economic stability.

3. Literature Review

The academic discourse on South Asian geopolitics is rich and multifaceted, frequently delving into historical rivalries, the intricate web of economic interdependence, and the pervasive

influence of external powers within the region. Scholarly journals such as the *Journal of South Asian Development*, *Modern Asian Studies*, and the *Indian Foreign Affairs Journal* serve as critical platforms for in-depth analysis of these complex dynamics, offering diverse perspectives on the region's political and economic landscape. Contemporary studies increasingly incorporate theoretical aspects of geopolitics, including the evolving Indo-Pacific Strategy and China's Global Security Initiatives, as essential frameworks for comprehending the current South Asian dynamic. ([World Bank, 2021](#))

A significant body of work examines India's foreign policy and its evolving ambitions as a regional power. Scholars trace the shifts in India's approach from a historical emphasis on non-alignment to a more pragmatic multi-alignment strategy, driven by changing global and regional realities. This evolution in India's strategic thinking reflects a dynamic adaptation to a complex international environment, moving beyond ideological constraints to pursue diverse partnerships that serve its national interests. Despite its aspirations to emerge as a benign regional power, India consistently faces challenges in achieving this status within South Asia, often due to historical baggage and the complex interplay of internal and external factors. The "Neighbourhood First" policy, a cornerstone of India's contemporary foreign policy, is extensively analyzed as a key component aimed at fostering regional stability and mutual development with its immediate neighbours. This policy underscores India's recognition that its own prosperity and security are intrinsically linked to the stability and economic well-being of its surrounding countries.

The economic implications of geopolitics constitute another vital area of research. Studies consistently highlight the profound impact of international relations, diplomatic ties, trade agreements, and broader geopolitical developments on the Indian economy. Research investigates the pivotal role of economic reforms in attracting foreign direct investment (FDI) and stimulating economic growth, while also identifying vulnerabilities stemming from global economic uncertainty, such as volatile commodity prices and trade conflicts. This body of literature emphasizes that economic resilience for India is not merely a function of domestic policies but is heavily influenced by the prevailing international and regional geopolitical climate.

Furthermore, extensive literature delves into India's internal stability challenges, particularly those stemming from cross-border issues. The phenomenon of cross-border migration, notably from Bangladesh to Northeast India, has been a subject of rigorous academic scrutiny, detailing

its profound demographic, social, political, and security consequences. Academic papers analyze regional and ethnic conflicts, such as the historical Assam Agitation, explicitly linking them to perceived demographic changes and strategic political maneuvering. This underscores a critical nexus between internal and external security, where India's domestic stability is not merely an internal affair but is profoundly influenced by, and in turn influences, its external geopolitical environment. The porous nature of its borders and the instability in neighbouring countries create a direct feedback loop, exacerbating internal security challenges. The issue of terrorism and radicalization within India also forms a significant area of research, often connected to cross-border influences and the unique domestic socio-political settings that can foster extremism.

4. Geopolitical Landscape of India's Neighbourhood

4.1 Strategic Importance of South Asia and the Indian Ocean Region (IOR)

The South Asian and Indian Ocean Region (IOR) stands as one of the most strategically significant areas in global politics, primarily owing to its pivotal geographical location, abundant natural resources, and the immense volume of trade that transits through its waters. Situated at the convergence of three continents—Asia, Africa, and Australia—the IOR serves as an indispensable maritime corridor through which a substantial share of the world's fuels and goods pass. For India, this region holds paramount economic and maritime interests, not least because it offers avenues for expanding trade into new markets in Africa and Southeast Asia, and critically, for containing the burgeoning influence of China.

The IOR has increasingly become a theatre of great power competition. Beyond its traditional role as a trade route, the region is now an arena where major global powers, including China, the United States, Russia, Japan, and France, are actively increasing their presence and vying for influence. This transformation elevates the region from a mere geographical area to a dynamic strategic theatre, with profound implications for India's security and economic interests. Over 80% of the world's oil, for instance, traverses the Indian Ocean, highlighting its vital role in global energy supply chains and making it a fulcrum of strategic competition and economic opportunities. Key maritime chokepoints, such as the Strait of Malacca, are indispensable for global commerce and energy supply, further amplifying the region's strategic importance. The region is also home to a third of the world's population and encompasses 23 countries, ranging from major global economies like India and Indonesia to small island states such as Mauritius and Seychelles. ([Baruah, Darshana M., 2021](#))

4.2 Key Players and Relationships: India and its Neighbours

India's immediate geographical proximity to a diverse array of nations shapes a complex and multifaceted web of relationships, often defined by existing conflicts, burgeoning business ties, and evolving political coalitions. Each neighbouring country presents unique strategic dilemmas and security concerns that directly or indirectly influence India's policy-making. ([Brookings](#))

India's relationship with **China** remains fraught with economic rivalries, persistent military aggressions—particularly along the disputed borders in Ladakh and Arunachal Pradesh—and broader contests for regional dominance in South Asia and the Indian Ocean. Despite both nations being members of economic blocs like BRICS, the competitive nature of initiatives such as India's Act East Policy and China's BRI underscores their divergent aspirations for regional leadership. The relationship with

Pakistan continues to be an enduring regional security concern for India, primarily due to state-sponsored militant activities, the unresolved Kashmir issue, and cross-border terrorism. This long-standing opposition has historically led to significant military engagements and a persistent drain on India's defense resources.

Relations with **Bangladesh** are generally amicable yet sensitive. While cooperation has brought the two countries closer on various fronts, issues such as border security, water-sharing treaties, and the Rohingya refugee crisis continue to exert strain on the diplomatic relationship.

Nepal and Bhutan, as Himalayan countries, hold significant geographical importance, serving as a crucial first line of defense against potential encroachments from China. Although India has traditionally enjoyed strong relations with both, China's growing engagement with Nepal highlights the imperative for India to actively maintain and strengthen these ties. Finally,

Sri Lanka and the Maldives, strategically located in the Indian Ocean Region, are of considerable geographical and strategic significance due to their proximity to India's southern tip and their active economies.

A recurring aspect of these relationships is the asymmetry of influence. As the larger regional power, India constantly navigates the complex dynamics of its smaller neighbours, who may, at times, leverage external powers for their own interests. This necessitates a continuous balancing act for India, where its strategic objectives must account for the diverse motivations

and external alignments of its neighbours. Furthermore, these bilateral relationships are not isolated; they are often mediated or influenced by multilateral platforms. For example, Pakistan's non-membership in BIMSTEC facilitates easier economic and security relations for India within that grouping, demonstrating how India strategically utilizes multilateralism to either bypass or reinforce certain bilateral dynamics.

4.3 Regional Organizations and Multilateralism

The South Asian region is characterized by the presence and active participation of several regional organizations, which significantly shape its geopolitical dynamics. However, many of these organizations face considerable organizational and political constraints.

The **South Asian Association for Regional Cooperation (SAARC)** was established with the ambitious goal of promoting regional integration and cooperation among its member states. However, its operation has been consistently hampered by the complex political landscape, most notably the persistent tensions between India and Pakistan. Despite these limitations, SAARC continues to be viewed as an important forum for dialogue and for coordinating efforts, particularly in response to disasters within South Asia.

In contrast, the **Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)** has emerged as a more functional grouping. This organization strategically links Southeast Asia with South Asia, and India plays a central role in its progress. Crucially, BIMSTEC does not include Pakistan, which significantly streamlines economic and security relations among its members, particularly in areas such as energy, trade, and counter-terrorism. The contrast between SAARC's stagnation due to the India-Pakistan rivalry and BIMSTEC's relative success highlights a broader pattern in regional cooperation: political baggage and unresolved bilateral disputes can cripple comprehensive regional integration. This suggests that functional, issue-specific cooperation, such as in energy or trade within BIMSTEC, is often more achievable than broad-based regionalism in politically fragmented environments.

The **BRICS** grouping, comprising Brazil, Russia, India, China, and South Africa, is not primarily focused on South Asia but offers a significant multilateral platform for India to engage on economic and security issues with a diverse cluster of emerging economies. This platform has enabled economic integration among its members and provided India with a space to assert its influence, challenging the traditional dominance of Western establishments like the International Monetary Fund (IMF) and the World Bank.

Organization	Primary Purpose	Key Members (Focus on India & Neighbours)	India's Role/Engagement	Current Status/Challenges
SAARC	Regional integration & cooperation	Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka	Active member, seeks dialogue & disaster response coordination	Hampered by India-Pakistan tensions, limited effectiveness in economic integration
BIMSTEC	Multi-sectoral technical & economic cooperation	Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, Thailand	Central to progress, facilitates economic & security relations	Excludes Pakistan, allowing for easier functional cooperation; focus on energy, trade, counter-terrorism
BRICS	Economic & security engagement among	Brazil, Russia, India, China,	Significant multilateral platform, challenges	Forum for global economic and security issues,

	emerging economies	South Africa	Western establishments	promotes multipolarity
Quad	Security dialogue & cooperation in Indo-Pacific	Australia, India, Japan, United States	Key partner, reinforces multilateralism & security cooperation	Aims to hedge against China's influence, advocates for free & open Indo-Pacific

A significant emerging trend in regional geopolitics is the strengthening of the **Quadrilateral Security Dialogue (Quad)**, which includes India, the United States, Japan, and Australia. The Quad is largely conceived as a strategic hedge against China's growing footprint in the Indo-Pacific region, advocating for a free and open Indo-Pacific, adherence to the rule of law, and enhanced maritime security. India's active participation in the Quad reinforces its commitment to multilateralism and security cooperation with regional and global partners. Joint naval exercises and defense partnerships within the Quad framework further solidify India's strategic positioning. India's engagement with diverse groupings like SAARC (regional, often stalled), BIMSTEC (sub-regional, more functional), BRICS (global South), and Quad (like-minded democracies, counter-China) demonstrates a clear strategy of multi-alignment rather than exclusive alliances. This approach allows India to pursue different objectives and leverage various platforms depending on the specific geopolitical context, showcasing its diplomatic agility in a complex global order.

5. Economic Implications of Regional Geopolitics

5.1 Impact of Geopolitics on Foreign Direct Investment (FDI)

Foreign Direct Investment (FDI) remains a cornerstone of India's economic policies, serving as a vital catalyst for growth across key sectors such as manufacturing, technology, and green energy. However, the nation's geopolitical environment, particularly the persistent hostility

from neighbours like Pakistan and the strategic competition with China, introduces a notable element of risk that can deter potential global investors. For instance, ongoing border disputes with China in the Himalayan region and the enduring rivalry with Pakistan create an atmosphere of uncertainty, which can make India appear less attractive for long-term, large-scale investments. ([Hinrich Foundation](#))

Adding to this complexity is the significant presence of China's billion-dollar infrastructure investments across South Asia, particularly in countries like Sri Lanka, Pakistan, and Bangladesh. These investments, often concentrated in transport, logistics, and manufacturing sectors, not only enhance the economic ties of these nations with China but also intensify the competitive landscape for India. This dynamic underscores the competitive nature of connectivity, where infrastructure development is not merely an economic endeavour but a strategic tool wielded by major powers to extend their influence and secure access to markets and resources.

In response, India has proactively deployed a range of diplomatic and economic strategies, notably the "Act East" and "Neighbourhood First" policies. These initiatives are specifically designed to deepen trade and investment relations, particularly with the Association of Southeast Asian Nations (ASEAN) and its immediate regional partners. Concrete examples include India's support for SAARC-funded infrastructure development and the ambitious India-Myanmar-Thailand Trilateral Highway project, both aimed at lowering barriers to market entry and facilitating cost-effective market access and expansion. Furthermore, India's assertive diplomacy includes the signing of Comprehensive Economic Partnership Agreements (CEPAs) with key economic partners like Japan and the UAE, signaling the country's serious commitment to improving its overall investment climate. This illustrates the paradox of regional interdependence, where increased economic ties, if dominated by a rival power, can become a vulnerability rather than an opportunity for India, compelling it to strike a delicate balance between fostering regional integration and preventing economic encirclement.

5.2 Energy Security and Resource Dependencies

Given that India imports the majority of its oil and natural gas, achieving robust energy security within its borders is intrinsically linked to maintaining a stable and amicable neighbourhood. The Indian Ocean Region (IOR) is of paramount significance in this regard, serving as the

primary seaway for India's energy imports. Consequently, strong maritime relations with Southeast Asia, the Middle East, and East Africa are of critical national importance for India's energy policy. Vulnerable geographical chokepoints, such as the Strait of Malacca, through which approximately 60% of India's oil imports pass, underscore the urgent need for peace and stability across the region.

Energy security acts as a fundamental driver of India's geopolitical strategy. India's heavy reliance on imported energy directly translates into its strategic interests in the IOR, influencing its naval posture and its diplomatic engagements. To mitigate risks associated with over-reliance on specific regions or chokepoints, India's energy policy also aims to diversify its sources of supply. This includes pursuing direct long-term procurement measures from Middle Eastern countries and increasing crude oil supplies from the USA and Africa. This proactive approach to energy security, where diversification is a direct response to perceived geopolitical vulnerabilities, serves as a means of enhancing India's strategic autonomy.

The growing stakes of China in the Indian Ocean, driven by its own energy requirements, further escalate the geopolitical complexities. China's development of naval facilities in Djibouti and the Gwadar port in Pakistan are permanent features of its expanding maritime presence, necessitating India's robust defense of its energy sources and sea lines of communication. In response, India has strategically developed the Chabahar Port in Iran, providing an alternative pathway to reach Central Asia without traversing Pakistani territory, thereby improving its energy access and reducing its vulnerability. ([The Hindu, 2023](#)) Beyond traditional fossil fuels, India has also demonstrated a forward-looking approach by co-founding the International Solar Alliance (ISA) with France, reaffirming its commitment to a global shift away from fossil fuels. ([ISA.Mission & Goals.](#)) This initiative, alongside the rejuvenation of hydropower relations with Bhutan and Nepal, not only enhances energy availability but also promotes regional economic integration and sustainable development. These multifaceted approaches clearly demonstrate that for India, energy security is deeply rooted in, and inseparable from, its broader geopolitical considerations.

6. Internal Stability Challenges from Geopolitical Dynamics

6.1 Border Security and National Defense

Border security and national defense are paramount for India's internal order, especially given the complex geopolitical relations with its neighbors. India's most volatile geographical

boundaries are shared with its primary geopolitical rivals, Pakistan and China. These borders have historically been flashpoints for conflict, political tensions, and territorial disputes, posing persistent threats to India's national security and overall peace.

The **Indo-Pak Border Dynamics** have been a source of costly military engagements since the 1947 partition. The disputed region of Jammu and Kashmir has led to multiple wars, armed conflicts, and frequent ceasefire violations along the Line of Control (LoC). Militant activities by Pakistan-based extremist factions like Jaish-e-Mohammed (JeM) and Lashkar-e-Taiba (LeT) against Indian military and civilians remain a constant concern. This ongoing strife places a significant drain on India's defensive capabilities, diverting substantial resources that could otherwise be allocated to crucial national development initiatives.

Similarly, **India and China's Border Conflicts**, particularly along the Line of Actual Control (LAC) in Ladakh and Arunachal Pradesh, continue to pose significant national defense and security challenges. The 1962 Indo-China war highlights the historical depth of these issues, and recent skirmishes, such as the Galwan Valley clash in 2020, underscore that territorial disagreements are far from resolved. China's growing military presence in Tibet and its extensive infrastructure expansion in regions bordering the LAC present incipient threats that could escalate into larger confrontations. In response, India has strategically positioned more troops along the China border and has invested in border infrastructure development to facilitate military operations.

The **Pulwama Attack and Balakot Airstrike** in 2019 significantly altered India's counter-terrorism strategy. The Pulwama attack, a suicide bombing by Pakistan-based JeM, killed 40 Indian paramilitary personnel. India's swift response, the Balakot airstrike on JeM camps in Pakistan, demonstrated a decisive shift towards a more assertive military and diplomatic posture against cross-border terrorism. This was the first instance since the 1971 war that the Indian Air Force crossed the LoC, signaling a new "offensive defense" policy. The long-term implications include India's willingness to undertake strikes beyond the LoC if terrorist targets are available, leading to an increased focus on airpower projection, surveillance, and rapid strike capabilities. These events showcase an evolving Indian deterrence strategy, moving from passive defense to a more assertive, potentially pre-emptive posture, which carries significant implications for regional stability. The economic cost of these geopolitical tensions is also substantial. The persistent border challenges and military engagements necessitate high defense expenditures, as seen after the Galwan Valley clash in 2020, which led to an elevated defense

budget. This creates a critical trade-off, as resources diverted to defense due to external threats are consequently unavailable for socio-economic development, imposing a persistent drag on India's growth potential.

To manage these complex border security issues, India has implemented several **National Defense Strategies and Reforms**. The creation of the Chief of Defence Staff (CDS) position and the reconfiguration of military commands aim to enhance coordination among the armed forces and improve India's capacity for rapid border response. Furthermore, India's defense procurement policy has focused on acquiring sophisticated military hardware, such as Rafale jets and the S-400 missile system, to bolster its military power. A strategic shift towards enhancing defense relations with major global powers, particularly the USA through alliances like the Quad, also reflects India's intent to counter the rising influence of China in the region.

Dispute/Border Area	Parties Involved	Nature of Conflict	Key Incidents/Dates (Examples)	Socio-Economic/Security Impact on India
Jammu & Kashmir (LoC)	India, Pakistan	Territorial dispute, cross-border terrorism	1947, 1965, 1971 Wars; Kargil 1999; Pulwama/Balakot 2019	High defense expenditure, diversion of resources from development, internal security challenges from militancy, human casualties
Ladakh & Arunachal Pradesh (LAC)	India, China	Undemarcated border, territorial claims	1962 Sino-Indian War; Doklam 2017; Galwan Valley 2020	Increased defense spending, military buildup along LAC, risk of escalation, impact on regional trade routes
Northeast India (with Bangladesh, Myanmar)	India, Bangladesh, Myanmar (porous borders)	Illegal migration, insurgency, smuggling	Assam Agitation (1979-85); Rohingya crisis (2017 onwards)	Demographic shifts, social friction, ethnic conflicts, strain on resources, radicalization

				concerns, cross-border crime
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6.2 Social and Political Impact of Cross-Border Migration

Cross-border migration in South Asia carries profound social and political implications for India. As the largest country in the region, India frequently experiences an influx of people from neighboring states such as Bangladesh, Myanmar, and Nepal. This migration is driven by a complex interplay of factors, including significant disparities in per capita income, governmental instability, ethnic violence, and the escalating impacts of climate change, such as floods and sea-level rise in Bangladesh. While migration can, in some instances, yield economic benefits, its broader implications manifest as severe societal and political problems that directly undermine India's internal peace and stability.

The **out-migration from Bangladesh to India** serves as a stark example of these trends. Indian states bordering Bangladesh, particularly West Bengal, Assam, and Tripura, experience high levels of immigration. This influx has frequently resulted in significant social friction within these border states, as segments of the local populations perceive the migrants as a threat to available labor, land, and wealth. In Assam, such migration dramatically altered the demographic landscape, fueling the

Assam Agitation (1979-1985), a movement primarily aimed at identifying and expelling illegal immigrants and defending the indigenous Assamese people. ([Indian Express, 2019](#)) Although the 1985 Assam Accord was signed with the objective of recognizing and expelling such migrants, its implementation has largely been ineffective. The subsequent, much-debated exercise of the National Register of Citizens (NRC) in Assam, intended to screen illegal immigrants, further strained relations between native and settler populations, highlighting the

deep ethnic and political divisions. Large-scale migration has significantly altered the demography, threatening to make local populations a minority in border districts, with the growth of the Muslim population in Assam being a particular concern. Politically, migrants have reportedly acquired voting cards and entered electoral rolls, becoming "vote banks" for various political parties, which exacerbates communal polarization. This demonstrates how migration serves as a catalyst for internal conflict and populism, where external demographic pressures translate into significant internal social and political instability, often exploited by political actors.

Source Country	Primary Drivers (Push/Pull Factors)	Affected Indian States/Regions	Key Social Impacts	Key Political Impacts	Security Implications	Policy Responses (Examples)
Bangladesh	Economic distress, natural disasters (floods,	West Bengal, Assam, Tripura, Nagaland, Metro cities	Social friction, competition for resources, demographic	Assam Agitation, communal polarization, 'vote bank' politics,	Smuggling, rise of radicalism, support for	Border fencing, BSF modernization, calls for work permits,

	sea level rise), insecurity for minorities		shifts, cultural erosion fears	NRC exercise	insurgent groups	economic aid to Bangladesh
Myanmar	Persecution of Rohingya Muslims	Northeast India (esp. Manipur, Mizoram), Delhi	Humanitarian burden, social integration challenges	Political discourse along religious lines, balancing national security vs. humanitarianism	Fears of radicalization, transnational crime	Refusal to grant refugee status, attempts at repatriation
Nepal	Economic disparity, open border	Northern Indian states	Economic competition, social integration	Minor political friction, ease of movement for labor	Limited, but potential for cross-border crime	Bilateral agreements, open border policy

6.3 Regional and Ethnic Conflicts: Case Studies from Northeast India

Northeast India, comprising states such as Assam, Manipur, Nagaland, and Tripura, has a long and complex history of regional and ethnic strife. These conflicts are typically incited by deep-seated issues of self-governance, assertions of ethnic identity, and disputes over resource control, rooted in the region's unique historical, cultural, and political landscape. The diverse ethnic composition of the region, its geographical remoteness, and its shared borders with Bangladesh, Bhutan, Myanmar, and China have all played a significant role in aggravating these tensions over the years. This highlights a clear pattern of geopolitical spillover, where internal conflicts are exacerbated by, and in turn impact, regional geopolitical dynamics, particularly through porous borders and instability in neighboring countries.

Ethnic Conflicts in Assam have largely revolved around resentment towards Bangladeshi immigrants. The scale of this immigration provoked movements like the

Assam Agitation (1979–1985), which aimed to expel "intruders" and defend the indigenous Assamese population. ([Indian Express, 2019](#)) While the 1985 Assam Accord sought to identify and remove illegal immigrants, sporadic violence between natives and migrants has persisted. The Bodoland Territorial Area Districts (BTAD) have also experienced violent confrontations, notably the 2012 Kokrajhar riots, which underscored the manifold ethnic extremities in the region. More recently, the National Register of Citizens (NRC) exercise, ostensibly aimed at screening illegal immigrants, proved to be ethnically divisive and politically incendiary.

In **Nagaland and Manipur**, the primary concerns have been insurgency and demands for self-determination from Indian authorities. The Naga insurgency, involving factions like the National Socialist Council of Nagaland (NSCN), represents one of India's most protracted armed challenges, driven by the aspiration for a separate territorial unit known as 'Nagalim'. Manipur has also witnessed numerous ethnic conflicts involving the Meitei, Naga, and Kuki communities, each vying for land and political supremacy. Insurgent groups, such as the United National Liberation Front (UNLF) and the People's Liberation Army (PLA), have adopted armed insurrection against the Indian state to achieve secession or autonomy. These internal traumas are deeply inter-locked with geopolitics, as the region's proximity to Myanmar, which has itself been plagued by insurgency for decades, makes it a hub for arms and drug smuggling activities that fuel local conflicts.

Ethnic tensions in Tripura have been prevalent between the indigenous Tripuri tribal population and Bengali settlers, whose numbers significantly increased following the partition

of 1947 and the Bangladesh Liberation struggle of 1971. Despite institutional reforms like the Tripura Tribal Areas Autonomous District Council (TAADC) designed to protect indigenous interests, violence has occurred periodically.¹ The late 1980s saw the rise of groups like the National Liberation Front of Tripura (NLFT) and the All Tripura Tiger Force (ATTF), driven by political demands for native control.

The **Government Response and Peace Initiatives** in Northeast India have involved a combination of peacekeeping, political bargaining, and military action. The Armed Forces Special Powers Act (AFSPA), which grants exceptional authorities to the military in 'disturbed areas,' has been a controversial policy. While intended to restrict internal assaults, it has drawn criticism for human rights violations and fostering disaffection among the populace. This highlights a persistent challenge for the Indian state: balancing the imperative of security with the upholding of human rights, where security measures can inadvertently fuel public resentment and potentially prolong instability. In recent years, the Indian government has also engaged insurgent groups in peace talks, leading to several ceasefire agreements, such as the ongoing Naga peace talks with the NSCN (IM). The Assam Accord and the establishment of the Bodoland Territorial Council (BTC) were further attempts to manage ethnic tensions in Assam, though the situation remains delicate. ([Human Rights Watch, 2022](#))

7. Discussion and Analysis

7.1 Emerging Trends in Regional Geopolitics

The geopolitics of South Asia has undergone substantial transformation in recent years, driven by evolving economic aspirations, strategic imperatives, and the increasing influence of regional powers. As India navigates these shifts, several key trends are emerging in its neighborhood that present both opportunities and challenges for its foreign policy and economic stability.

A prominent trend is the **Strengthening of the Quad and Indo-Pacific Cooperation**. The Quadrilateral Security Dialogue (Quad), comprising India, the United States, Japan, and Australia, has gained significant prominence. It is primarily conceived as a strategic mechanism to hedge against China's growing footprint across the Indo-Pacific region, advocating for a free, open, and rules-based Indo-Pacific, adherence to the rule of law, and enhanced maritime security. India's active engagement with the Quad underscores its transition towards a more robust multilateralism and deeper security cooperation with regional and global

partners. Joint naval exercises and defense partnership coalitions within this framework significantly reinforce India's strategic anchoring. The repeated emphasis on the "Indo-Pacific" signifies a profound shift from a purely South Asia-centric view to a broader strategic construct that encompasses the entire oceanic expanse from Africa to the Pacific. This indicates that India's foreign policy is increasingly globalized, recognizing that its security and economic interests are inextricably linked to dynamics far beyond its immediate land borders.

Concurrently, **Changes in India-Pakistan Relations** continue to be tumultuous, with little prospect for immediate peace negotiations. The abrogation of Article 370 in October 2019, which revoked the special status of Jammu & Kashmir, further exacerbated tensions between the two nations. Persistent border skirmishes, cross-border terrorism, and conflicting strategic compulsions continue to drive them towards greater friction. The formation of a new axis of camaraderie, particularly through the China-Pakistan Economic Corridor (CPEC) and other China-Pakistan collaborations, further shifts the balance of power in South Asia. While direct diplomacy between India and Pakistan remains largely absent, both nations continue to seek external influence and leverage partnerships, leading to increased regional tension. This intensified strategic competition, involving the US-China rivalry and India-China/Pakistan dynamics, points towards a nascent "new cold war" dynamic in South Asia. This implies a systemic geopolitical rivalry where economic, military, and diplomatic actions are often framed in terms of balancing or countering rival powers, potentially limiting genuine multilateral cooperation.

There is also an **Upwards Trajectory of Regional Multiple Partnerships and Collective Defence** within the South Asian context, exemplified by India's involvement in BIMSTEC and the Indian Ocean Rim Association (IORA). India's engagement in these institutions reflects its desire to shape the regional order towards stability, security, and development, without complete dependence on global powers. India aims to integrate BIMSTEC members and develop economic, security, and infrastructure projects in the Bay of Bengal coastal area through geopolitical approaches. Furthermore, the growing prominence of non-traditional security challenges, such as climate change, cyber crimes, and terrorism, underscores the increasing importance of adopting a collective security approach. Engagement with regional and multilateral platforms allows India to address these challenges more effectively and assert its leadership role in South Asia.

7.2 Opportunities for India in Strengthening Economic Ties

The ongoing geopolitical shifts in the South Asian region present India with significant opportunities to expand and strengthen its economic relations, not only with its immediate neighbors but also with countries beyond its traditional sphere of influence. India's inherent geographic and economic advantages position it uniquely to pursue various initiatives aimed at improving intra-regional trade, investment, and connectivity. These efforts are strategically designed to neutralize the dominance of other regional actors, particularly China, and to cultivate a more conducive economic environment across South Asia.

India has undertaken various initiatives to **Strengthen Economic Relations within the South Asian Circuit**. Through bilateral and multilateral treaties, such as the South Asian Free Trade Area (SAFTA) and the Bangladesh-Bhutan-India-Nepal (BBIN) initiative, India seeks to facilitate regional trade by lowering tariffs, streamlining customs procedures, and enhancing the movement of goods across borders. Increased interaction among India's neighbors is crucial for creating a favorable regional environment and supporting India's trade relations. For instance, Bangladesh has become one of India's top trade partners within South Asia, with bilateral transactions recently exceeding \$10 billion. Such growth is not only economically advantageous for India but also serves to strengthen bilateral ties and foster a perception of India as a reliable business ally. This demonstrates how India leverages economic diplomacy for strategic influence, using trade and development as tools to expand its sway and shape the regional order.

In terms of **Investment and Infrastructure Projects**, India's Act East Policy, in collaboration with Japan, is actively pursuing the Asia-Africa Growth Corridor (AAGC). This initiative serves as a strategic alternative to China's Belt and Road Initiative (BRI), focusing on infrastructure development in South Asia and other nations. Investments in transport, energy, and digital infrastructure are aimed at enhancing regional connectivity, thereby reducing economic dependence on China. A prime example is the Chabahar Port project in Iran, which provides New Delhi with a strategic route to landlocked Afghanistan and Central Asian regions, bypassing Pakistani territory. Similarly, Indian capital has been injected into energy and infrastructure projects in countries like Bhutan, Nepal, and Sri Lanka. These investments not only provide foreign capital to host countries but also allow India to assert its influence and consolidate its political position in the region. This highlights the potential for soft power through development cooperation, where India's mutually beneficial partnerships can offer a compelling alternative to models perceived as less transparent. [\(The Hindu, 2023\)](#)

India is also cultivating **Broader Economic Relationships with the Indo-Pacific Region**, which has become paramount in its economic and strategic thinking, particularly through its role in the Quadrilateral Security Dialogue (Quad) with the USA, Japan, and Australia. India's Indo-Pacific strategy extends beyond security to encompass economic engagement in sectors such as maritime trade, digital technology, and infrastructure. Initiatives like the Supply Chain Resilience Initiative (SCRI) with Japan and Australia aim to build more dependable trade pathways, mitigating supply chain disruptions witnessed during the COVID-19 pandemic. Strengthening economic relations in the Indo-Pacific not only expands India's economic horizons but also aligns with its narrative of a "free, open, and inclusive" Indo-Pacific, providing an economic counterweight to China's expanding influence.

Finally, significant opportunities lie in **Energy Partnerships and Investments in Renewable Resources**. India has emerged as a leader in renewable energy, setting ambitious targets within the International Solar Alliance (ISA). Through the ISA, India can engage its South Asian neighbors in bilateral solar energy projects, thereby enhancing regional energy security and reducing reliance on external fossil fuel imports. India's investments in hydropower projects in Nepal and Bhutan exemplify development-friendly energy relationships that contribute to solving energy deficits and achieving energy sustainability in these countries. Furthermore, cooperative activities on energy grid interconnections with Bangladesh offer mutual benefits, ensuring a regular supply of energy for both nations. ([ISA.Mission & Goals](#))

7.3 Potential Risks to Economic Growth and Stability

While India possesses ample prospects to enhance its regional economic standing, its trajectory is also subject to a multitude of risks that could impede its growth and stability. These challenges stem from a confluence of external pressures, including geopolitical tensions, economic interdependence, and climate change, as well as internal factors such as social injustice and political disarray. Effective management of these risks is imperative for India to sustain its economic ascent and maintain its influential position in South Asia.

Geopolitical Tensions with China and Pakistan pose significant risks to India's economic outlook. The unresolved borders, particularly the Line of Actual Control (LAC) with China, have led to military engagements and increased defense expenditures, diverting crucial funds from economic development. For instance, the Galwan Valley standoff in 2020 resulted in an elevated defense budget, directly linking geopolitical tensions to economic resource allocation. Moreover, the China-Pakistan Economic Corridor (CPEC), a key component of China's Belt

and Road Initiative, represents a strategic alliance that threatens India's regional hegemony and introduces economic instability through heightened security risks.

India's **Dependence on Imports and Trade Imbalances** also presents a persistent challenge. Despite initiatives like "Make in India" and "Atmanirbhar Bharat" (Self-Reliant India) aimed at boosting domestic production, the country continues to rely heavily on imports, especially for energy and technology, with China being a significant source. The supply disruptions experienced during the COVID-19 pandemic starkly highlighted the dangers associated with excessive import reliance. While reducing these dependencies is complex, it is essential for India to build economic resilience and stability.

Environmental Factors and Climate Change represent significant long-term risks to India's economic growth. As an agrarian economy, India is highly vulnerable to climate-related phenomena such as erratic monsoon patterns, severe droughts, and recurrent floods, which disrupt agricultural practices and devastate rural economies. Furthermore, the tropical climate exacerbates health problems and reduces productivity, leading to increased healthcare expenditures and a drag on economic output. Although India has committed to renewable energy targets and established the International Solar Alliance (ISA) to promote clean energy, building adaptive capacities to climate change will strain the country's fiscal resources in the short term, requiring substantial investments in sustainable infrastructure, water system enhancements, and disaster risk management.

The broader **Global Economic Uncertainty** also poses external risks to India's economy. Volatility in commodity prices, particularly oil, directly impacts India as a major importer, leading to serious budgetary consequences. International trade conflicts, such as the US-China trade disputes, have ripple effects on India's exports, especially in the IT and manufacturing sectors. Additionally, fluctuations in interest rates in developed countries can trigger capital flight from emerging economies like India, destabilizing its currency and reducing investments. These exogenous challenges demand astute economic management to navigate global currents while sustaining domestic growth.

Finally, **Political Fragmentation and Policy Instability** within India's federal structure can exacerbate economic challenges. Conflicts between the national and regional governments, particularly concerning land, labor, and environmental policies, can hinder development. Delays in the completion of critical infrastructure projects due to changes in state-level

leadership or policy shifts directly affect the investment climate and impede economic development.

8. Conclusion

This analysis underscores the profound influence of India's complex geopolitical environment, particularly its relations with neighboring countries, on its economic aspirations and internal stability. India's geographical location in the South Asian region and the Indian Ocean Region (IOR) positions it as a central player in both regional and global power politics. The study has highlighted India's strategic initiatives, such as the 'Act East' and 'Neighborhood First' policies, which are designed to foster economic and security integration in its immediate vicinity and to strategically counter the expanding influence of China's Belt and Road Initiative (BRI). India's active participation in multilateral platforms like SAARC, BIMSTEC, and the Quad further illustrates its broader policy aimed at consolidating its regional power and enhancing its security interdependence within the region.

However, the paper also critically identifies the significant obstacles hindering India's sustainable development. Persistent tensions along India's borders with China and Pakistan, driven by geopolitical competition and rivalry, necessitate high defense expenditures, thereby diverting crucial resources that could otherwise be allocated to economic growth. Unresolved territorial disputes, particularly with China in Ladakh and Arunachal Pradesh, and with Pakistan over Kashmir, continue to pose direct threats to India's peace and economic development. Furthermore, internal stability is challenged by issues such as cross-border migration, notably from Bangladesh and Myanmar, which creates social and political problems that strain the economies of border states and sow discord within the country.

The report also delves into the social dimensions of regional geopolitics, examining how ethnic and political conflicts in India's Northeast regions are a product of both internal and external factors that consistently challenge India's ability to maintain internal order. Transnational terrorism, extremism, and radicalization further complicate India's security landscape, necessitating robust internal response mechanisms and enhanced cooperation with international partners.

In conclusion, India's future trajectory will largely depend on its capacity to maintain a delicate and appropriate balance between its regional political engagements, its economic activities,

and its military power. The imperative of integrated policy-making is clear: isolated policy responses are insufficient given the interconnectedness of geopolitics, economy, and stability. India requires a harmonized, whole-of-government approach where foreign policy, economic strategy, and internal security policies are seamlessly integrated to effectively address complex challenges and capitalize on opportunities. Continued focus on fostering regional cooperation, implementing internal reforms, and building robust capacities is essential for India's long-term sustainability. As global changes accelerate, India must skillfully navigate this dynamic environment to assert its role not merely as a growing and stable regional power, but as a responsible stakeholder on the world stage, capable of shaping regional and global norms and offering alternative models of development and cooperation.

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