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INDIA STRATEGIC REVIEW

The ISR features an assessment of key developments, trends, and policies pertaining to India's immediate and continental neighbourhood, and is authored by Lt. Gen. Deependra Singh Hooda (Retd.), Distinguished Fellow for Military Strategy, assisted by Mr. Shreyas Deshmukh, Research Associate. Your comments and feedback may be addressed to Shreyas Deshmukh at shreyas@dpg.org.in. To subscribe, please [click here](#).

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1. US Vice President JD Vance, Pakistan's Prime Minister Shehbaz Sharif and Foreign Minister of Qatar Mohammad Bin Abdulrahman Al Thani at Lake Lucerne Summit in Switzerland, June 21, 2026. Source: [X/@CMShehbaz](#)
2. On May 27, 2026, Russia and Afghanistan signed a military and technical cooperation agreement during the International Security Forum in Moscow. Source: [X/@MoDAfghanistan2](#)
3. Nepal's Rastriya Swatantra Party (RSP) Chair Rabi Lamichhane during his visit to India met Prime Minister Narendra Modi, on June 3, 2026, in New Delhi. Source: [X/@narendramodi](#)

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India Strategic Review

by

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PAKISTAN

Mediation to End US-Iran War

The culmination of Pakistan's months-long mediation in the US-Iran war came on June 17 with the signing of the 'Memorandum of Understanding between the United States of America and the Islamic Republic of Iran.' On June 12, Pakistani Prime Minister Shehbaz Sharif announced that the US and Iran had reached an agreement on the final text of the 14-point framework. US President Donald Trump signed the agreement during a dinner with French President Emmanuel Macron at the Palace of Versailles, with Iranian President Masoud Pezeshkian signing it separately in Tehran on June 17.¹

The memorandum establishes a 60-day ceasefire and commits both sides to negotiate a final agreement. Its key provisions include the reopening of the Strait of Hormuz to commercial shipping toll-free for 60 days and US commitments to sanctions relief, oil export waivers, the release of frozen funds, and reconstruction support. Iran agreed to maintain the status quo of its nuclear programme and reaffirmed that it shall not procure or develop nuclear weapons.²

However, major issues remain unresolved. The issue of Iran's enriched uranium stockpiles has been left for later deliberations, and there is no mention of the Iranian ballistic missile programme. The memorandum also does not address Iran's network of non-state armed groups in the Middle East. Israel has criticised the agreement with National Security Minister Itamar Ben Gvir, stating, "We are not partners to this agreement, which does not safeguard our security. We must not withdraw from any territory [in Lebanon] that our fighters have captured."³ A subsequent framework peace agreement signed between Israel and Lebanon was rejected by Hezbollah.

On June 21 and 22, talks were held in Bürgenstock, Switzerland, between the United States, Iran, Pakistan and Qatar. Iran and the US agreed to "a road map" to reach a final deal within 60 days and establish a communication line "to avoid incidents" in the Strait of Hormuz.⁴

However, by the final week of June, the ceasefire was already under strain. As Iran sought to exert control over the Strait of Hormuz by firing at transiting ships, the US

struck multiple targets across Iran, while the latter launched missiles and drones at US infrastructure in Kuwait and Bahrain.⁵

For Pakistan, the signing of the memorandum allowed the government to project itself as a responsible mediator in a high-risk international crisis. It strengthened the image of Field Marshal Asim Munir as the country's central strategic interlocutor. The mediation effort has also enhanced Islamabad's utility for Washington while allowing it to retain working ties with Tehran. Yet the risks are equally clear. If the deal collapses, Pakistan's Strategic Mutual Defence Agreement with Saudi Arabia, its dependence on Gulf remittances and energy, and its own sectarian fault lines leave it exposed to any renewed escalation.

Annual Budget

On June 12, Finance Minister Muhammad Aurangzeb presented the federal budget for fiscal year 2026-27 in the National Assembly, with a total outlay of approximately PKR18.77 trillion (\$67.5 billion). The budget sets a Federal Board of Revenue (FBR) tax collection target of PKR15.264 trillion (\$55 billion), an 8 per cent increase over the previous year, and allocates PKR7.824 trillion (\$28 billion) for debt servicing, which remains the single largest expenditure head. The budget projects a federal deficit of PKR7.02 trillion (\$25.2 billion), while targeting 4 per cent GDP growth and projecting inflation at 8.2 per cent.⁶

The budget was presented a day after the Pakistan Economic Survey 2025-26 showed GDP growth of 3.7 per cent in the outgoing fiscal year, the highest in four years but short of the 4.2 per cent target, with the economy reaching a record nominal size of \$452.1 billion. Average inflation eased to 6.7 per cent during July-May FY26, down sharply from 23.4 per cent the previous year. However, inflation has rebounded into higher territory following the disruption to Middle East energy supplies caused by the Iran war.⁷

Defence spending is set at Rs 3 trillion (\$10.8 billion), an increase of 18 per cent from the outgoing year. Aurangzeb said, "Defence spending has been increased considerably to make the country invincible due to the uncertainty in the region."⁸ Within the defence budget, employee-related expenses account for about \$3.5 billion, operating expenses for \$2.7 billion, physical assets for \$3.3 billion, and civil works for \$1.3 billion. The sharp rise in the physical assets head suggests an effort to replenish and modernise capabilities amid heightened threats on the Afghanistan border, continuing militancy in Khyber Pakhtunkhwa and Balochistan, and sustained tensions with India.

However, the headline defence figure understates Pakistan's actual military expenditure. It excludes military pensions of nearly \$3 billion, the Armed Forces

Development Programme (for military modernisation) of about \$1.15 billion, and undisclosed major procurements and nuclear expenditure. On a conservative basis, therefore, Pakistan's wider military burden is closer to US\$15 billion.

Pakistan's 2026-27 budget reflects a state trying to meet IMF discipline while financing a worsening security environment. The government has kept the IMF framework broadly intact, with higher revenue mobilisation, expenditure restraint and limited relief for salaried groups. The burden again falls disproportionately on the formal economy of salaried workers, registered businesses, petroleum consumers and import-dependent sectors. This is politically easier than taxing agriculture, retail and real estate, but it deepens the structural imbalance in Pakistan's tax system. The economy's vulnerability to external shocks, particularly energy price volatility from the Middle East conflict and the ongoing costs of the Afghanistan war, remains the principal risk to the stabilisation trajectory.

Internal Security

The internal security situation in Pakistan remains critical. According to data from the South Asian Terrorism Portal, the month of June recorded 446 terror-related fatalities, the highest this year.⁹ Terrorists are employing a range of tactics, including targeted killings, suicide bombings, quadcopter attacks, improvised explosive devices (IEDs), and assaults on security personnel and infrastructure.

On June 27, Jamaat-ul-Ahrar (JuA), a faction affiliated to the Tehreek-e-Taliban Pakistan (TTP), attacked the provincial headquarters of Pakistan Rangers in Gulistan-i-Jauhar, Karachi, using a vehicle-borne IED to ram the main gate. Three Rangers were killed and four wounded, while six attackers were killed. It was the first major terror attack in Karachi since the bombing near Karachi airport in October 2024.¹⁰

Mohsin Naqvi, Pakistan's Interior Minister, described JuA as belonging to an 'Indian proxy,' consistent with Islamabad's standard attribution of militant violence to Indian sponsorship. Rejecting Islamabad's allegations, Indian Foreign Ministry spokesperson Randhir Jaiswal said, "Instead of pointing fingers at others, Pakistan would do better to look inwards, take credible action against the terror infrastructure on its territory and rid itself of its proclivity to rely on terrorism as an instrument of state policy."¹¹

The sentencing of Baloch rights activist Mahrang Baloch and Sibghatullah Shahji to life imprisonment by an anti-terrorism court on June 22 added another layer to the Balochistan crisis. The case was linked to the death of a paramilitary soldier during a July 2024 rally in Gwadar. Human rights groups criticised the proceedings as a secret or closed trial and argued that anti-terrorism laws were being used to silence peaceful dissent.¹² The verdict is likely to intensify alienation among Baloch youth and deepen the perception that the state is treating political grievance as terrorism.

Severe civil unrest in Pakistan-occupied Jammu and Kashmir (PoJK) erupted in June. The Jammu Kashmir Joint Awami Action Committee (JAAC) has been leading protests since 2023 over electricity prices, wheat subsidies, governance, and reservation of 12 seats for refugees. On June 5, the Azad Jammu and Kashmir authorities proscribed JAAC under the Terrorism Act, 2014, ahead of a planned June 9 rally. Authorities suspended internet and mobile networks, issued advisories to tourists to leave, and deployed federal paramilitary troops.¹³

On June 8, clashes in Rawalakot, Poonch District, killed at least 11 people, including four police officers and six protesters, with over 70 injured. On June 9, JAAC called a region-wide strike; commercial centres, transportation and markets were shut across Muzaffarabad, Poonch, Bagh and Mirpur.¹⁴ Further two weeks of protests left at least 24 people dead, with more than 500 detained. Meanwhile, the Pakistani government escalated its actions against the leadership of JAAC. This involved suspending the national identity cards of all 31 principal members of JAAC, followed by the revocation of their passports.

The protests are significant because they are not merely an episodic law-and-order problem but reflect a wider crisis of legitimacy in POJK. Local anger over prices, electricity tariffs and elite privileges has now merged with resentment over political representation and Islamabad's control over the region's institutions. Islamabad's heavy-handed use of anti-terror laws against a civil protest movement weakens its international narrative on Kashmir and demonstrates that dissent in POJK is increasingly being treated as a security threat rather than a political grievance.

Separately, India lodged a strong protest with Pakistan on June 5 regarding Islamabad's plans to hold elections to the 'Gilgit-Baltistan Assembly' on June 7. The Ministry of External Affairs reiterated that the entire Union Territories of Jammu and Kashmir and Ladakh, including Gilgit-Baltistan, are integral and inalienable parts of India. It stated that Pakistan's electoral exercises "cannot mask the underlying issues of grave human rights violations, political repression, economic exploitation and denial of freedom in the territories illegally occupied by Pakistan."¹⁵

AFGHANISTAN

Humanitarian Crisis and Human Rights

On June 15, the UN Security Council unanimously adopted Resolution 2822 (2026), extending the United Nations Assistance Mission in Afghanistan's (UNAMA) mandate for one year until June 17, 2027. The decision followed a contentious three-

month interim extension granted in March after the United States had sought a shorter period to review the mission's effectiveness.¹⁶

UN Secretary-General António Guterres, in his latest quarterly report on Afghanistan, warned that Afghanistan is facing worsening humanitarian, economic, and security conditions. The report, submitted to the UN Security Council and the UN General Assembly, states that Afghanistan's economy remained under pressure during the first months of 2026 due to declining foreign aid, trade disruptions, climate-related shocks, rising inflation, and the large number of returnees from neighbouring countries. An estimated 21.9 million people, or about 45 per cent of the population, are expected to require humanitarian assistance in 2026. Although opium poppy cultivation has declined following the Islamic Emirate's ban on narcotics, many farmers continue to face serious economic difficulties because of the lack of viable alternative livelihoods.¹⁷

The report notes that around 2.6 million Afghan girls remain out of school, while Afghan female UN employees are still barred from returning to work. According to the report, the United Nations recorded 3,687 security-related incidents in Afghanistan between February and April 2026, representing a 57.7% increase compared with the same period last year. However, Guterres noted that these incidents have not posed a significant threat to the Islamic Emirate's control of the country.

In a new report on June 14, the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) said that malnutrition has worsened across much of Afghanistan, with conditions deteriorating in 26 provinces compared with 2025. The agency warned that children under the age of two remain the most vulnerable group. They account for 83% of severe acute malnutrition cases and 77% of moderate acute malnutrition cases recorded nationwide.¹⁸

Meanwhile, the Taliban continue to crack down on human rights in the country. During a meeting with members of the Cabinet in Kandahar, the leader of the Islamic Emirate of Afghanistan, Sheikh Hibatullah Akhundzada, instructed members to ensure proper implementation of the Sharia-based system and the enforcement of his decrees.¹⁹

On June 9, protests erupted in Herat province in response to the Taliban's mass detention of women accused of violating dress code requirements. Taliban forces fired on demonstrators, killing at least one teenage boy and injuring several others. Following the protest, the Taliban deployed hundreds of armed fighters and tanks across Herat and set up multiple checkpoints on major routes. The Taliban's use of force against peaceful demonstrators and the detention of women and girls have drawn strong international condemnation.²⁰

Regional Outreach and Conflict with Pakistan

On May 27, Russia and Afghanistan signed a military and technical cooperation agreement during the International Security Forum in Moscow. The agreement, between Russian Security Council Secretary Sergei Shoigu and Taliban Defence Minister Mohammad Yaqoob Mujahid, provides a legal framework for cooperation on armaments, military technologies, licensing and potential joint development projects.²¹ Russia's special representative for Afghanistan, Zamir Kabulov, stated that the agreement primarily focuses on the repair and restoration of Russian-made military equipment in Afghanistan's possession, but could also support broader military-technical cooperation in the future.²²

The Taliban's military position has been substantially weakened by months of armed conflict with Pakistan. NATO-standard munitions inherited in 2021 are largely depleted, and Kabul's diplomatic isolation prevents it from sourcing arms from abroad. The Russian agreement thus offers the Taliban both a potential pipeline for equipment and a degree of international legitimacy.²³

The Pakistan-Afghanistan conflict escalated again in June after a brief period of relative calm. On June 10, Pakistan carried out airstrikes in Afghanistan's Kunar, Khost and Paktika provinces, claiming that the strikes had targeted militant camps, hideouts, a training centre and an ammunition cache, and that 26 militants had been killed. The Taliban government rejected Pakistan's claims and said the strikes had hit civilian homes, killing at least 13 people, including 11 children, and injuring 14 others, all women and children.²⁴

The more serious escalation came after terrorists from Jamaat-ul-Ahrar attacked the Sindh Rangers facility in Karachi on June 27. On the night of June 28-29, Pakistan launched ground operations along the border and airstrikes in Afghanistan's Paktia, Paktika and Kunar provinces. Information Minister Attaullah Tarar said the strikes targeted the hideouts and safe havens of Jamaat-ul-Ahrar and Fitna al-Khawarij, a term Pakistan uses for the TTP.²⁵ UNAMA, however, said at least 28 civilians were killed and 49 injured in the airstrikes, while the Taliban government claimed 36 civilians had been killed and more than 160 injured.²⁶

The crisis has hardened positions on both sides. Afghanistan and Pakistan summoned each other's top diplomats after the late-June strikes. Kabul accused Islamabad of repeatedly blaming Afghanistan for Pakistan's internal security failures, while Pakistan insisted that it had the right to respond whenever Afghan territory was used for attacks inside Pakistan. The conflict has now moved beyond episodic border clashes into a cycle of coercive retaliation, with shrinking space for diplomacy.

DEVELOPMENTS ON THE INDIA-CHINA LINE OF ACTUAL CONTROL (LAC)

Wang Yi's Visit to New Delhi

Chinese Foreign Minister Wang Yi held discussions with Indian National Security Adviser Ajit Doval on the sidelines of the 16th BRICS National Security Advisers' Meeting in New Delhi on June 23. The Foreign Ministry spokesperson stated that Doval underlined that “stable, predictable and constructive bilateral relations contribute to building trust and better understanding between the two sides.” Wang Yi said, “It is imperative to respect each other’s core interests, properly handle sensitive issues, and place the China-India border issue in an appropriate position, so that it doesn’t affect the overall situation of bilateral relations.”²⁷

Both statements are consistent with the country's stance on the border issue. India maintains that normalisation is possible only if there is a peace and tranquillity at the border. Beijing prefers not to overemphasise the border while moving forward with economic and diplomatic engagement.

Two practical developments underscore a growing thaw in relations. First, the Kailash Mansarovar Yatra resumed for a second consecutive year, with the 2026 pilgrimage scheduled from June to August through both the Lipulekh and Nathu La routes. The first batch crossed into China through Nathu La on June 20.²⁸ Second, India-China border trade through Lipulekh resumed on June 26 after a six-year halt. Border trade at Shipki La resumed on June 1, and preparations are underway to reopen the trade point at Nath La.

These steps are useful confidence-building measures. They restore small but symbolically important civilian, religious and commercial links that had been suspended after the 2020 crisis. However, they do not resolve the structural military problem at the LAC. The post-2020 deployment pattern, infrastructure development along the LAC, and absence of a final boundary settlement continue to define the situation.

BANGLADESH

PM Tarique Rehman's Visit to China

Prime Minister Tarique Rahman undertook his first foreign visit as head of government, travelling to Malaysia (June 21–22) and then to China (June 22–26). The China visit, which included the World Economic Forum’s Summer Davos in Dalian, was followed by a state visit to Beijing.

On June 26, President Xi Jinping met with Prime Minister Rahman, and the two leaders announced a decision to build a 'China-Bangladesh community with a shared future in the new era,' elevating bilateral relations. President Xi stated, "no matter how the world changes, China will not waver in its commitment to the overall direction of China-Bangladesh friendly relations."²⁹

The two countries agreed to explore a '2+2' dialogue mechanism involving the foreign and defence ministries. The two countries discussed strengthening regional connectivity through multimodal transport links connecting Kunming with Bangladeshi ports and advancing the proposed China-Bangladesh-Myanmar Economic Corridor. They agreed to expedite the implementation of the Mongla Port Modernisation and Expansion Project and the Chinese Economic and Industrial Zone Development Project in Chattogram. China also pledged its full support for the Teesta River Comprehensive Management and Restoration Project, with both sides agreeing to expedite the feasibility study.³⁰

From an Indian strategic perspective, several outcomes of the visit warrant close attention. The agreement to establish a '2+2' dialogue mechanism involving the foreign and defence ministries introduces a structured Chinese presence in Bangladesh's defence and strategic planning that did not previously exist. China's revival of the China-Myanmar-Bangladesh Economic Corridor could create a land-and-sea connectivity route to the Bay of Bengal that bypasses Indian territory entirely. China's involvement in the Teesta River project will result in a large Chinese presence near the sensitive Siliguri Corridor.

Equally consequential is the displacement of Indian presence from Bangladesh's key maritime infrastructure. In 2015, during the tenure of Sheikh Hasina, Bangladesh and India had signed an MoU to develop two economic zones - one in Mongla and the other in Chattogram's Mirsarai. Both stands cancelled. China will now develop the Mongla Port economic zone on the site earlier earmarked for India. India's land allotment for a Chattogram SEZ was cancelled in February 2026 and reassigned to China for drone manufacturing with technology transfer.³¹

India-Bangladesh Relations

On June 25, India's newly appointed High Commissioner to Bangladesh, Dinesh Trivedi, presented his credentials to President Mohammed Shahabuddin. In a rare diplomatic elevation, the Indian government has assigned Trivedi the status equivalent to that of a Union Cabinet Minister, underscoring the strategic importance New Delhi attaches to the relationship.³²

On June 25, Trivedi announced the resumption of tourist visa services for Bangladeshi nationals, nearly two years after they were suspended amid the political unrest in August 2024. A total of 1.6 million Bangladeshi citizens visited India in 2023. Of them, 60% visited for tourism, 30% for medical treatment and the remainder for other purposes.³³

However, irritants remain in India-Bangladesh relations. On June 14, Prime Minister Rahman's adviser, Zahed Ur Rahman, was reportedly detained for hours by Indian immigration authorities at Delhi airport upon arrival for an Indian Ocean Rim Association (IORA) conference. Dr Rahman said that he felt insulted and returned to Bangladesh without entering India.³⁴ India has stated that Rahman was permitted entry after "re-confirming that the purpose of his visit", but he chose to return to Dhaka.

The India-Bangladesh border is another area of emerging tensions. The 57th Director General-level Border Coordination Conference was held in New Delhi from June 8 to 11. Unlike in the past, when a press conference followed the meetings, this time only statements were issued by both sides. The Border Security Force statement was balanced and said that both delegations "discussed issues relating to border deaths and illegal/inadvertent/forcible crossing at the border areas, construction of border infrastructure, implementation of the Coordinated Border Management Plan, confidence-building measures and the need for closer cooperation in addressing emerging security challenges along the border."³⁵

The Border Guard Bangladesh statement was more pointed and expressed deep concern over the recent incidents of push-ins of individuals, including Rohingya/Myanmar nationals and Indian nationals, into Bangladesh, in violation of established norms and procedures. It stated that the suffering of these "pushed-in" individuals at the border was immense and many of them were in distress.³⁶

While some thaw is evident in bilateral relations, the challenge for both sides is to address structural issues such as foreign policy orientation, border management, water-sharing, and negative popular sentiment in both countries.

NEPAL

India-Nepal Relations

June began with Nepal's Rastriya Swatantra Party (RSP) Chair Rabi Lamichhane's visit to India at the invitation of India's ruling Bharatiya Janata Party (BJP). On June 3, Lamichhane met Prime Minister Narendra Modi, who affirmed that India looks

forward to collaborating with the new government to elevate the special and multifaceted relationship between the two countries to greater heights.³⁷

Lamichhane was followed by Nepal's Minister for Foreign Affairs, Shisir Khanal, who visited India from June 5-7. During his meeting with the Indian counterpart Dr S Jaishankar, both Ministers welcomed the completion of internal processes for entry into force of the India-Nepal Mutual Legal Assistance Agreement in Criminal Matters (MLAA). Dr Jaishankar handed over 72 health facilities and 12 cultural heritage sector projects to the Foreign Minister of Nepal, completed under India's post-2015 'Earthquake Reconstruction Assistance' to Nepal.³⁸ During a press conference, Foreign Minister Khanal remarked that Nepal aimed to engage with India's growth trajectory while bringing its own "aspiring energy," focusing on closing the gap between promises and delivery.³⁹

The border dispute between India and Nepal resurfaced when Nepal Prime Minister Balen Shah was asked a question in the Parliament on the Nepal-India border dispute involving Lipulekh, Limpiyadhura, and Kalapani. Prime Minister Shah remarked, "India has not only encroached Nepali territory, but Nepal has also encroached Indian territory in many places." He also stated that the border dispute dates back to British rule, so the UK should also play a role in resolving it.⁴⁰

Prime Minister Shah's remarks drew widespread condemnation from opposition parties for undermining Nepal's long-standing position on the border dispute with India and weakening Nepal's stance in future negotiations with New Delhi. India has firmly rejected any idea of third-party involvement in boundary discussions with Nepal, reiterating that all outstanding issues are being handled strictly through established bilateral mechanisms.⁴¹

The Lipulekh issue also came up during Khanal's visit to China from June 14-17. In his meeting with Chinese Foreign Minister Wang Yi, Khanal objected to agreements between India and China involving trade and pilgrimage routes through Lipulekh. Wang Yi reportedly indicated that Lipulekh is essentially a matter to be resolved between Nepal and India through bilateral dialogue.⁴²

The controversy over Lipulekh shows that while the Shah government wants to reset ties with India on economic and developmental grounds, it cannot ignore the domestic nationalist salience of the border question.

MALDIVES

Political Developments

On June 13, former Maldives President Mohamed Nasheed won the Maldivian Democratic Party (MDP) chairperson election. Nasheed secured a decisive victory, winning 21,301 votes against 9,462 for Meekail Ahmed Naseem, with 31,129 members voting out of 48,912 eligible voters. Nasheed campaigned under the slogan “Bodu Badhalu” or “Big Change,” promising to rebuild the party and sharpen its opposition to President Mohamed Muizzu’s government.⁴³

Nasheed’s victory has changed the political atmosphere in Malé. The MDP, which had been weakened by internal divisions after the 2023 presidential election, now appears to have regained some organisational energy. Nasheed has sought to convert this internal party victory into wider street mobilisation against the government. On June 18, the MDP held the “Vazeefa Buraasfathi” protest in Malé against the alleged dismissal of employees from state-owned companies for supporting the opposition. Speaking at the protest, Nasheed accused the government of unjust action against MDP supporters and warned that President Muizzu’s conduct was “creating a revolution.”⁴⁴

The immediate political trigger is the allegation that the government is using state-owned enterprises, transfers and employment decisions as instruments of political pressure. This has given the opposition a concrete grievance around which to organise public protests.⁴⁵

A further source of political turbulence is the emergence of a wider opposition alignment under the name United Democratic Front. The grouping was announced in May after former Presidents Mohamed Nasheed, Ibrahim Mohamed Solih and Abdulla Yameen Abdul Gayoom agreed to coordinate political activity on issues such as press freedom, government accountability and democratic rights.

The Muizzu administration remains in control with its parliamentary majority, but there could be a period of political volatility in Malé.

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