



Delhi Policy Group

Advancing India's Rise as a Leading Power



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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. The research team includes Shreyas Deshmukh, Research Associate. Your comments and feedback may be addressed to Shreyas Deshmukh at shreyas@dpg.org.in. To subscribe, please [click here](#).

Cover Images:

On April 29, 2025, Prime Minister Narendra Modi convened a meeting with Defence Minister Rajnath Singh, National Security Advisor Ajit Doval, Chief of Defence Staff Anil Chauhan, and the chiefs of the three-armed services. Source: [Akashvani](#)

Pakistan's Foreign Minister Ishaq Dar during his visit to Kabul on April 19, 2025 held a bilateral meeting with the Taliban Acting Foreign Minister Amir Khan Muttaqi. Source: [X/@HafizZiaAhmad](#)

On April 5, 2025, during Prime Minister Narendra Modi's visit to Colombo, India, Sri Lanka and UAE signed tripartite agreement to develop a multi-faceted energy hub in Trincomalee. Source: [Flickr/MEA](#)

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India Strategic Review

by

Lt. Gen. Deependra Singh Hooda (Retd.)

PAKISTAN

Spike in India-Pakistan Tensions

There is a sharp spike in India-Pakistan tensions after a terrorist attack on April 22 in Pahalgam, Jammu and Kashmir, claimed the lives of 26 civilians, mainly tourists, including one Nepali national. The brutality of the attack, in which Hindu tourists were singled out and shot, has outraged India. Responsibility for the attack was claimed by The Resistance Front (TRF), a group affiliated with Lashkar-e-Taiba.¹ The TRF retracted its claim as international condemnations poured in, stating that their website had been hacked.

Prime Minister Narendra Modi cut short his visit to Saudi Arabia and returned to India. The Cabinet Committee on Security (CCS) met on April 23 and discussed the cross-border linkages of the terrorist attack. Recognising the seriousness of this attack, the CCS decided upon the following measures:²

- The Indus Waters Treaty of 1960 will be held in abeyance with immediate effect until Pakistan credibly and irrevocably abjures its support for cross-border terrorism.
- The Integrated Check Post Attari closed with immediate effect. Those who have crossed over with valid endorsements may return through that route before 01 May 2025.
- Pakistani nationals will not be permitted to travel to India under the SAARC Visa Exemption Scheme (SVES) visas. Any Pakistani national currently in India under an SVES visa has 48 hours to leave India.
- The Defence/Military, Naval and Air Advisors in the Pakistani High Commission in New Delhi are declared Persona Non-Grata and given a week to leave India. India withdrew its own Defence/Navy/Air Advisors from the Indian High Commission in Islamabad.
- The overall strength of the High Commissions will be brought down to 30 from the present 55 through further reductions, to be affected by 01 May 2025.

Prime Minister Mohammad Shehbaz Sharif convened the meeting of the National Security Committee (NSC) on April 24, which termed the Indian

measures as “unilateral, unjust, politically motivated, extremely irresponsible and devoid of legal merit.” The NSC mirrored the Indian decisions on visas, diplomatic staff, and the border closure. In addition, Pakistan announced the closure of its airspace to all India-owned or Indian-operated airlines with immediate effect. It was also stated that Pakistan shall exercise the right to hold all bilateral agreements with India, including but not limited to Simla Agreement in abeyance.³

Reacting to the Indian decision to hold the Indus Waters Treaty in abeyance, the NSC stated that “Any attempt to stop or divert the flow of water belonging to Pakistan as per the Indus Waters Treaty and the usurpation of the rights of lower riparian will be considered as an Act of War and responded with full force across the complete spectrum of national power.”

Pakistan’s defence minister, Khawaja Asif, distanced Islamabad from the attack. He stated, “Pakistan has no connection with this. There are revolutions in so-called Indian states, from Nagaland to Kashmir, in Chhattisgarh, Manipur, and the south. These are not acts of foreign interference but local uprisings.”⁴ The attack is also being linked to Pakistan army chief, General Asim Munir’s speech on April 16, where he backed the “two-nation theory” which led to the creation of Pakistan, citing differences between Hindus and Muslims in “every possible aspect of life.”⁵

On April 29, Prime Minister Modi held a meeting with the Chief of Defence Staff and the three service chiefs. It was reported that the armed forces have been given “complete operational freedom to decide on the mode, targets and timing of our response.”⁶ Given India's past military response to major terror attacks in 2016 and 2019, there is widespread opinion in India that the use of the military option is likely.

The UN Security Council has condemned the deadly terrorist attack in Jammu and Kashmir, calling for accountability and international cooperation to bring the perpetrators to justice. In India, the statement was seen as inadequate, as Pakistan, a current non-permanent member of the Security Council, lobbied to water down the resolution. Pakistan’s Foreign Minister Ishaq Dar admitted in Pakistan’s National Assembly that he had worked hard to get the reference to the terror group TRF removed from the final text.⁷

Tensions between India and Pakistan have immediately impacted the ceasefire understanding of 2021. Incidents of ceasefire violations have now occurred on a daily basis all along the Line of Control and have also spread to the International Border section of Jammu and Kashmir.⁸ It appears unlikely that the ceasefire would hold for very long.

Amidst escalating tensions, US Secretary of State Marco Rubio spoke with Foreign Minister Dr S Jaishankar and Pakistan Prime Minister Shehbaz Sharif on April 30. Rubio reaffirmed the US's "commitment to cooperation with India against terrorism" while also encouraging India to work with Pakistan to de-escalate tensions and maintain peace and security in South Asia."⁹

In his call to Prime Minister Sharif, Rubio spoke of the "need to condemn the terror attack" in Pahalgam and "urged Pakistani officials' cooperation in investigating this unconscionable attack." He also "encouraged Pakistan to work with India to de-escalate tensions, re-establish direct communications, and maintain peace and security in South Asia."

Notwithstanding international diplomatic efforts to calm the tensions between India and Pakistan, there is unlikely to be any thaw. There is immense anger in India over the brutality of the Pahalgam massacre and pressure on the government to respond to Pakistan's continued use of terrorism as a state policy. Events in the coming days would be closely watched.

Pakistan Economy

The increase in India-Pakistan tensions came at a time when the Pakistan economy was showing some signs of recovery. There has been a significant reduction in inflation to 0.7 per cent, the lowest in 60 years. foreign exchange reserves have increased to \$16 billion from a low of \$4 billion in June 2023. There has been a 3 per cent currency appreciation and a current account surplus exceeding \$1 billion in March 2025."¹⁰

Fiscal management has seen some progress, with Pakistan achieving the highest fiscal surplus in 24 years. The public debt-to-GDP ratio has been reduced from 75 per cent to 67.2 per cent, with plans to bring it below 60 per cent over the medium term, reflecting efforts to strengthen fiscal health.

The World Bank has estimated a GDP growth forecast of 2.7 per cent in the current fiscal year, which could improve to 3.1 per cent in the next fiscal year (FY26) and 3.4 per cent in FY27.¹¹ However, the World Bank has also warned that significant downside risks persist. The growth would likely remain constrained amid tight monetary and fiscal policies aimed at rebuilding buffers and containing risks of imbalances. The economic outlook remained fragile, and any implementation delays in structural reforms or shifts in economic stabilisation could dampen the nascent recovery and intensify external pressure.

Under these circumstances, any military conflict with India would be a setback for Pakistan's economy. On April 30, the Pakistan Stock Exchange experienced a sharp decline, with the benchmark KSE-100 index dropping by over 3,500 points. Investor concerns over potential military retaliation from India and the overall geopolitical instability drove this plunge.¹²

The heightened geopolitical risks have led to a surge in Pakistan's bond yields, nearing 14 per cent. Analysts warn that any military escalation could push yields beyond 16 per cent, reflecting diminished investor confidence and increasing the cost of borrowing.¹³ There is also uncertainty about the International Monetary Fund's approval of a \$1.3 billion climate resilience loan, which is anticipated in May.

AFGHANISTAN

Humanitarian Crisis

A deeper humanitarian crisis is looming in Afghanistan as thousands of refugees are forced to return from neighbouring countries. In April, more than 251,000 Afghans have returned in adverse circumstances from Iran and Pakistan, including over 96,000 who were deported. United Nations High Commissioner for Refugees (UNHCR) has pointed out that returns to Afghanistan must be voluntary, safe and dignified. Forcing or putting pressure on Afghans to return is unsustainable and could destabilise the region.¹⁴

Amid high levels of malnutrition and a weak economy, conditions in Afghanistan are not conducive for the reintegration of the large numbers of returning refugees. With millions of internally displaced people, the already insufficient humanitarian support will come under additional pressure as more people return.

A recent report by the United Nations Development Programme (UNDP) estimates that subsistence insecurity increased in 2024, with 75 per cent of the population subsistence insecure—a six percentage-point increase from 2023. The share of households with poor food consumption (lowest classification) declined from 26 per cent in 2023 to 17 per cent in 2024. However, due to the continued decline in humanitarian aid, future projections of food insecurity suggest this improvement will likely be short-lived.¹⁵

The UNDP report also points out that the marginalisation of women and girls has added to the crisis. Female-headed households faced an 88 per cent subsistence insecurity rate in 2024, compared to 74 per cent for male-headed households. Female-headed households reported sharp declines in

employment opportunities, food security and living conditions. Income from casual labour among female-headed households rose from 37 per cent in 2023 to 57 per cent in 2024, reflecting a shift towards more precarious work as women are pushed further from mainstream economic life.

The north and northeast parts of the country are reeling under severe drought. Faryab province has been facing its worst drought in more than five years, and conditions have yet to peak.¹⁶ According to the Afghanistan Drought Severity Index, nearly half of the country's districts are classified as 'very high risk' and 'high risk'. Following the opium ban in 2022, the shift to wheat and other water-intensive crops has put added pressure on water resources, further depleting surface and underground water.¹⁷

Foreign Relations

On April 19, Pakistan's Deputy Prime Minister and Foreign Minister, Ishaq Dar, visited Kabul and held several high-level meetings, including with Acting Prime Minister Mullah Muhammad Hassan Akhund. Addressing a press conference after talks with the Afghan officials, Dar said, "We have requested our hosts that we have to work together for the progress, betterment, and peace and security of the region. For that, neither will we allow anyone to use our soil to conduct illicit activities in Afghanistan and graciously nor will you allow anyone to use [Afghan soil]."¹⁸

The Afghan side raised the issue of forced deportation of Afghan refugees and the erosion of the rights of Afghans living in Pakistan. Dar said that four principled decisions were taken with regard to the refugees: their respectful return, a mechanism to address the complaints of their mistreatment, the announcement that Pakistan has issued no instructions not to buy property from Afghans, and granting them permission to take back their belongings.¹⁹

On his return from Kabul, Dar termed his visit as a precursor for a "new chapter" in the bilateral relationship between Pakistan and Afghanistan. However, problems persist over attacks by Tehreek-e-Taliban Pakistan (TTP) into Pakistan from their bases in Afghanistan.

On April 17th, the Supreme Court of Russia "temporarily" lifted the ban on the Taliban. The lifting of the terrorist designation does not constitute complete diplomatic recognition of the Taliban government. However, Zamir Kabulov, Russia's Special Envoy for Afghanistan, announced that the suspension of the Taliban's designation as a terrorist organisation eliminates legal barriers to establishing formal relations between Moscow and the Taliban.²⁰ Following the

lifting of the ban, Russia has raised Afghanistan's diplomatic representation in the country to an ambassadorial level.²¹

On April 28, India's Joint Secretary for Pakistan, Afghanistan, and Iran, M Anand Prakash, met Taliban Foreign Minister Amir Khan Muttaqi in Kabul. In the meeting, alongside strengthening bilateral ties, trade, and transit, both sides also exchanged views on 'recent regional developments.' Ahead of the meeting with the Indian delegation, the Afghan Ministry of Foreign Affairs had categorically condemned the attack on tourists in Pahalgam and expressed condolences to the bereaved families.²²

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

Situation at the LAC

The situation at the LAC remains calm. Some details have emerged of the patrolling arrangements that were agreed on October 21 last year, and which led to the disengagement at Depsang in Eastern Ladakh. The Indian Express has learned that both sides have agreed to limit the frequency of patrolling to twice a month to each Patrolling Point along the LAC in Eastern Ladakh.²³

Military sources have indicated that patrolling plans will be exchanged in advance between both sides to avoid a confrontation. In case of any engagement, troops have been asked to avoid physical contact, stay 200 metres away, take photographs and come back to report.

It has also been decided that the Commanding Officers of local units would interact once or twice a month, and Brigade Commanders would do so every quarter. Major Generals and above would hold interactions with their Chinese counterparts as and when required.

On April 26, the Indian Ministry of External Affairs announced that the Kailash Mansarovar Yatra will restart with about 750 pilgrims travelling to Tibet between June and August 2025. The pilgrimage, which originally began in 1981 under a bilateral agreement, was suspended by the Chinese government due to the COVID-19 pandemic in 2020 and was not resumed following the tensions at the LAC.²⁴

The Kailash Mansarovar Yatra has been actively discussed between the two sides in recent diplomatic meetings, and its resumption is a positive development in bilateral relations. On the flip side, China's open support for

Pakistan following the Pahalgam terrorist attack could complicate ties as India considers further actions against Pakistan.

During a phone call with his Pakistani counterpart Ishaq Dar, Chinese foreign minister Wang Yi said, "China has always supported Pakistan in its resolute anti-terrorism actions. As a staunch friend and all-weather strategic partner, China fully understands Pakistan's reasonable security concerns and supports Pakistan in safeguarding its sovereignty and security interests."²⁵

BANGLADESH

India-Bangladesh Ties

On April 4, Prime Minister Narendra Modi held a meeting with Professor Muhammad Yunus, Chief Advisor to Bangladesh's interim government, on the sidelines of the 6th BIMSTEC summit in Bangkok.

According to the press release of the Indian Ministry of External Affairs (MEA), Prime Minister Modi reaffirmed India's commitment to a democratic, stable, peaceful, progressive, and inclusive Bangladesh. He urged that rhetoric that vitiates the environment is best avoided. On the border, strict enforcement of the law and prevention of illegal border crossings, especially at night, are necessary for maintaining border security and stability. Prime Minister Modi underlined India's concerns related to the safety and security of minorities in Bangladesh, including Hindus.²⁶

According to Dhaka's press statement, Yunus enquired about the status of Bangladesh's request for the extradition of Hasina and requested the government of India to take appropriate measures to restrain her from continuing to make incendiary statements while she remains in India. He raised the issue of border killings and stressed the need for working together to reduce the number of fatalities. He also said the reports of attacks on the minorities were inflated, and the bulk of them were fake news. Yunus called for discussions on renewing the Ganges Water Treaty and signing the Teesta Water Sharing Agreement.²⁷

Despite the meeting between the two leaders, bilateral relations remain strained. On April 8, the Indian Government announced the termination of the trans-shipment facility, which permitted Bangladeshi export cargo to utilise Indian land customs stations for onward transit to global destinations. The MEA spokesperson stated that the facility was withdrawn as it had resulted in significant congestion at Indian airports and ports, thereby hindering our own exports and creating backlogs. He clarified that the decision would not impact

the transit of Bangladeshi goods to Nepal and Bhutan through Indian territory.²⁸

According to Benapole Land Port authorities, since India introduced the facility in 2018, a total of 624 Bangladeshi companies exported goods through Kolkata airport via road transport from Benapole. Among them, 606 were garment industry companies. Bangladeshi exporters say air shipments via Kolkata were cheaper by 50 cents to 1 dollar per kg compared to Dhaka.²⁹ The withdrawal of the facility is expected to increase costs and transit times, potentially affecting export revenues and competitiveness.

On April 13, Bangladesh restricted yarn import from India through its land ports. In 2024, India exported cotton yarn worth \$1.6 billion and manmade fibre yarn worth nearly \$85 million. Approximately 32 per cent of yarn exported to Bangladesh is by land. Readymade garment exporters in Bangladesh using imported yarn from India will now have to pay a higher price due to its transportation by sea.³⁰ Bangladesh has justified this decision as taken to promote the domestic yarn industry.

There are reports that India has halted a series of cross-border railway projects intended to link the country's seven northeastern states with the mainland via Bangladesh, alleging political unrest and safety concerns for workers.³¹

Tensions in India-Bangladesh ties complicate regional trade and connectivity initiatives. South Asia remains one of the least economically integrated regions in the world, with intra-regional trade accounting for just 5 per cent of total trade—far behind ASEAN (25 per cent), North America (40–50 per cent), and the EU (60–65 per cent).³² Connectivity projects like the Bangladesh-Bhutan-India-Nepal (BBIN) Corridor and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) could also suffer a setback.

Pakistan Bangladesh Relation

Even as India-Bangladesh ties remain strained, Dhaka draws closer to Islamabad. On April 17, Bangladesh and Pakistan held a foreign secretary-level Foreign Office Consultation (FOC) in Dhaka after a gap of nearly 15 years. Pakistan's Foreign Office described the meeting as a "constructive and forward-looking engagement in a cordial environment," covering the full range of bilateral issues — from politics and trade to cultural exchange and defence cooperation.

Bangladesh Foreign Secretary M Jashim Uddin, while addressing the media, stated that they had raised the historically unresolved issues before the Pakistan

delegation. These issues include the repatriation of stranded Pakistanis, the equitable distribution of assets following the 1971 split, the transfer of foreign aid meant for victims of the 1970 cyclone, and a long-awaited public apology for the genocide carried out by the Pakistani military during Bangladesh's war of independence. Uddin said Islamabad expressed willingness to stay engaged and take a positive approach in future discussions.³³

Pakistan's deputy prime minister and foreign minister Ishak Dar was scheduled to visit Bangladesh on April 27. However, the visit was postponed following the India-Pakistan tensions after the Pahalgam terrorist attack.

Meanwhile, Major General (Retd) ALM Fazlur Rahman, a close aide of Chief Adviser Yunus, posted on Facebook that if India attacks Pakistan in response to the Pahalgam terror attack, Dhaka should collaborate with China to occupy India's northeastern states. Although the Yunus government has distanced itself from these remarks, the damaging rhetoric from Bangladesh continues.³⁴

SRI LANKA

India-Sri Lanka Relations

Prime Minister Modi paid an official visit to Sri Lanka from April 4 to 6. He received an unprecedented ceremonial welcome at Colombo's Independence Square, the first such honour accorded to a foreign leader by Sri Lanka. He was conferred the Sri Lanka Mitra Vibhushana, the nation's highest civilian award for foreign dignitaries.

In his meeting with President Anura Kumara Dissanayake, the two leaders reviewed cooperation in connectivity, development, economics, defence, reconciliation, and fisheries. They witnessed the exchange of seven Memorandums of Understanding (MoUs) in the fields of energy, digitisation, defence, health and multi-sectoral assistance in the Eastern Province.³⁵

The two nations signed a five-year defence cooperation agreement for training Sri Lankan military personnel in India as well as information and technology sharing. President Dissanayake assured that Sri Lankan territory would not be allowed to be used by anyone to undermine India's security.³⁶

India and Sri Lanka also concluded the debt restructuring agreement, with New Delhi extending reduced interest rates to support the island nation's economic recovery. Over the past six months, India has converted over \$100 million of Sri Lanka's outstanding loans into grants, easing the country's debt burden. The

current bilateral debt owed by Sri Lanka to India stands at approximately \$1.64 billion.³⁷

Prime Minister Modi's visit signals a renewed commitment to collaborative growth, regional stability, and cultural affinity between India and Sri Lanka.

NEPAL

India-Nepal Relations

Prime Minister Modi held a meeting with Nepal Prime Minister KP Sharma Oli on the sideline of the BIMSTEC summit in Thailand on April 4. The MEA issued a brief statement saying that the two leaders expressed satisfaction with the progress in enhancing physical and digital connectivity, people-to-people linkages, and energy. They agreed to continue working towards further deepening the multifaceted partnership between the two countries and peoples.³⁸ The meeting was important as Prime Minister Oli has been unable to secure a bilateral official visit to India due to his anti-India posturing since becoming prime minister last July.

On April 9, India's Minister for Agriculture & Farmers' Welfare and Rural Development, Shivraj Singh Chouhan, led an Indian delegation during the bilateral meetings with Nepal. A MoU between the Governments of India and Nepal on cooperation in the field of Agriculture was signed. The MoU will give a fresh impetus to the ongoing cooperation, especially in areas such as improving crop productivity, post-harvest management, agricultural research & capacity building, market access, agricultural trade, and climate resilient & sustainable agriculture.³⁹

Power and Housing & Urban Affairs Minister of India, Manohar Lal Khattar, visited Nepal on April 22, where he held a bilateral meeting with his Nepalese counterpart Dipak Khadka. They reviewed key bilateral energy initiatives aimed at enhancing regional connectivity and sustainable power development. An MoU was signed to incorporate two joint venture companies to implement high-capacity cross-border transmission infrastructure.⁴⁰ Khattar also called on Prime Minister Oli, during which they discussed the progress in the bilateral collaboration in the energy sector.

Political Developments

Sporadic pro-monarchy protests continue in Nepal. Durga Prasai, who led the violent pro-monarchy protest on March 28 in Tinkune, Kathmandu, was arrested in India on April 11 and handed over to Nepal Police. The Tinkune

protest had left two dead and more than 100 injured.⁴¹ The government has also cracked down on the leaders of the Rastriya Prajatantra Party (RPP), which is spearheading the protests.

On April 13, on the eve of Nepali New Year, former king Gyanendra Shah released a 14-minute video message.⁴² In an attempt to distance himself from the violent protests, Shah expressed sorrow over the arson and vandalism that had taken place. However, the overall tone of his message was politically charged. He referred to himself as the king and said, "We have consistently upheld the tradition of multiparty democracy under a constitutional monarchy, based on the will of the people." His critique of political parties for corruption and instability tapped into widespread public frustration with the political instability in the country. Shah's message comes at a time of pro-monarchy protests and can be seen as an attempt to influence the political discourse while maintaining his personal relevance.

Meanwhile, there are some reports of growing differences between the ruling partners Nepali Congress and CPN-UML. The leader of the main opposition and CPN (Maoist Centre) Chairman, Pushpa Kamal Dahal, has publicly announced that he would support Congress chief Sher Bahadur Deuba in leading the next government by unseating Oli as prime minister. In order to keep the coalition intact, Oli has stated that he would resign after 14 months and hand over the premiership to Deuba.⁴³

In the weeks ahead, Nepal's stability will likely be tested by rising pro-monarchy sentiment, a fragile coalition government, persistent corruption, and mounting economic risks.

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