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Editor's Note

Elections took center stage in South Asia in December, with the ruling party gaining power everywhere.

Prime Minister Sheikh Hasina secured her fourth consecutive term in the 12th Parliamentary Elections in Bangladesh amid 40 percent voter turnout and opposition party boycotting the elections. Hasina's party has been accused of state-enforced disappearances and arbitrary arrests, leaving the opposition weakened. The opposition and international observers have also raised concerns about the election's credibility, accusing Hasina of endorsing 'dummy candidates' and rigging votes.

In India, the Bharatiya Janata Party (BJP), under Prime Minister Narendra Modi's leadership, secured victories in the state elections of Rajasthan, Chhattisgarh, and Madhya Pradesh. This success has set the stage for a potential third term for Modi, driving political momentum.

Similarly, in Bhutan, Tshering Tobgay and the People's Democratic Party won the National Assembly elections. This marks the first instance since democracy in Bhutan when citizens have chosen the same party for consecutive governance. Bhutan has chosen to integrate its economy with the region by launching the Gelephu Special Administrative Region (SAR). This economic land corridor connects South and Southeast Asia through India's northeastern states.

Shifts in foreign policy stance were another key trend in the region last month.

The Sino-Indian influence on the foreign relations of the region's small states became particularly evident last month. On this, Maldives' new President, Mohamed Muizzu, known for a pro-Beijing stance, informed India of the withdrawal from the hydrographic survey agreement. The Maldives also requested India to withdraw its troops, manning two helicopters and a Dornier plane, which India gifted. On the other hand, Sri Lanka imposed a 12-month moratorium on foreign research vessels in its waters, affecting the clearance for the Chinese research vehicle Xiang Yang Hong 3 for deepwater exploration in the South Indian Ocean. Sri Lanka also made a monumental shift in its foreign policy and included peacekeeping as a centerpiece.

Elections shall remain a hot topic for the upcoming month as China braces for elections in Taiwan and Nepal gears up for the National Assembly elections. You can read these and more in the issues of South Asia Bulletin.

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Country Brief

Afghanistan

Dire humanitarian emergencies affect Afghanistan, with **23.7 million** people urgently needing assistance due to conflict, climate disasters, and oppressive Taliban policies. Repression, discrimination, and arbitrary detentions persist under Taliban rule, worsening with the **forced return** of 850,000 refugees from Pakistan and Iran.

The Taliban seeks recognition as Afghanistan's legitimate representative, with some countries reopening embassies. China, India, Pakistan, Qatar, and Russia have resumed relations, but no formal recognition exists. The Taliban's **announcement** of China accepting its ambassador is seen as a non-Western strategic stride, pending Chinese confirmation. Contrastingly, the Taliban **reopened** the World Bank's office amid severe economic and social crises exacerbated by reduced international aid since 2021.

Further, the United Nations Security Council's recent **decision** to appoint a special envoy focusing on gender and human rights drew criticism from the Taliban and China. Taliban authorities assert Afghanistan, under their rule, is not a conflict zone, dismissing the United Nations (UN) initiative. Meanwhile, the Afghan seat at the UN remains empty. Roza Otunbayeva, the head of the UN Assistance Mission in Afghanistan, **promised** that the Taliban had to 'accept and work to uphold the international norms and standards,' which is a non-negotiable condition for a seat at the UN. As a result, Afghanistan could not participate in the United Nations Climate Change Conference 28 for the third year in a row.

Bangladesh

In the 12th Parliamentary Elections, Prime Minister Sheikh Hasina **secured** her fourth consecutive term with 225 out of 298 parliamentary seats. The **40% voter turnout**, the third lowest since 1991, saw the main opposition BNP **boycotting the elections**, alleging intimidation and vote-rigging.

Before the elections, Hasina's administration violently **suppressed** dissent, particularly from the opposition and protestors demanding fair elections. The Awami League's history of stifling criticism, opposition, and human rights continued with **state-enforced disappearances** and arbitrary arrests, leaving the opposition weakened. The opposition and international observers have also raised concerns about the election's credibility, **accusing** Hasina of endorsing 'dummy candidates' and rigging votes. While the US and the UK **criticized** the elections, trade relations with Bangladesh remained intact.

On an economic note, COVID-19 challenges and rising living costs impacted Bangladesh's economy,

leading to [protests](#) in the garment industry for higher minimum wages, met with violent policing. Bangladesh already [faces economic challenges](#) with moderate growth in exports and manufacturing amidst a slowdown in major export markets, power shortages, and high inflation. The unfair elections and heightened uncertainties have further [aggravated the concerns](#) of businesses.

Bhutan

Tshering Tobgay and the People's Democratic Party (PDP) [secured victory](#) in the National Assembly elections with 30 seats, defeating the Bhutan Tendral Party, which claimed 17 seats. The PDP also [dominated](#) the primary round, securing 42.5 percent of the total votes and eliminating three parties, including the ruling party. Tobgay, now set for his [second five-year term](#), becomes the new Prime Minister. This marks the first instance since democracy in Bhutan when citizens have chosen the same party for consecutive governance.

In prioritizing economic growth, Bhutanese citizens [supported](#) parties capable of diversifying the aid- and tourism-dependent economy, which COVID-19 significantly impacted. Despite Bhutan's unique Gross National Happiness metric, both parties focused on boosting the economy and reducing unemployment, emphasizing GDP growth. They shared similar election manifestos, [pledging](#) to enhance foreign reserves, harness hydroelectricity, and promote investments and agriculture. However, public skepticism prevails due to past governments failing to fulfill ambitious promises, prompting Bhutanese citizens to approach such commitments cautiously.

Bhutan has [launched](#) the Gelephu Special Administrative Region (SAR) to establish an autonomous economic hub. Positioned as a crucial economic land corridor, it connects South Asia to Southeast Asia through India's northeastern states, marking a significant stride for Bhutan in economic transformation and regional outreach.

China

President Xi Jinping [visited](#) Vietnam, where he managed to bring Vietnam under the "Community of Common Destiny" initiative, which is a significant diplomatic achievement for China in light of Vietnam's increasing ties with the West under the "Bamboo diplomacy." With the Philippines, on the other hand, disputes are [escalating](#) regarding a series of maritime encounters in the South China Sea. Chinese [accusations](#) of these "provocative actions" from the Philippines coincide with increasing military ties between the island nation, the United States, and Japan. China has recently expressed concern over the US's involvement in the militarization and weaponization of regions within China's strategic sphere of influence.

The Chinese economy witnessed a [contraction](#) in the manufacturing index with a slight [expansion](#) in the non-manufacturing sector in December. While deflationary pressure persists in the economy

amidst weakened demand, capital flight and lowered foreign direct investments (FDI) have taken a toll. In the third quarter of this year, China [witnessed](#) its first-ever negative net FDI inflows, unprecedented since data collection began twenty-five years ago.

India

In India, the political landscape is undergoing significant shifts as the Bharatiya Janata Party (BJP), under Prime Minister Narendra Modi's leadership, [secured victories](#) in the state elections of Rajasthan, Chhattisgarh, and Madhya Pradesh. This success has set the stage for a potential third term for Modi, driving political momentum. In response, the opposition has united in a 28-party alliance named INDIA to counter the BJP's influence in the upcoming general elections.

Simultaneously, the parliamentary scene witnessed heightened tensions as ninety-three lawmakers [faced suspension](#), a historic move resulting from disruptions during a single session. The suspension followed demands from opposition lawmakers for a debate on a security breach in the new parliament complex, where an individual breached security by jumping into the lower house, expressing slogans, and triggering a smoke canister.

On the global stage at the United Nations Climate Change Conference, India [asserted](#) itself as a developing nation, opposing mandatory cuts in energy-related emissions despite ranking as the world's third-largest emitter. The conference served as a platform for India to emphasize its commitment to balancing environmental concerns with the developmental needs of its rapidly growing nation.

Amidst these political and global developments, India's economy displayed resilience and [robust growth](#) in the second quarter, with GDP growth at an impressive 7.6 percent. The manufacturing sector played a pivotal role, contributing significantly to this growth, and increased investment, driven by heightened capital expenditure by national and subnational governments, further underscored India's positive trajectory amidst this dynamic landscape.

The Maldives

President Mohamed Muizzu continues to remake Male's foreign policy in his image. 'India Out' was among the major electoral platforms he ran on. A day after assuming power, he requested India to withdraw its troops manning two helicopters and a Dornier plane, which India gifted. He met his Indian counterpart on the sidelines of the United Nations Climate Change Conference and repeated the same. Male also conveyed to India that it would withdraw from the hydrographic survey agreement with India. Also, Male [skipped](#) the National Security Advisor-level Colombo Security Conclave. Instead, the Vice President [visited](#) Beijing, calling for stronger bonds, expertise sharing, and working towards a resilient and prosperous Indian Ocean Region. Additionally, Muizzu will [travel](#) to Beijing before visiting New Delhi, breaking tradition.

Many analysts, especially in India, have explained the development as Maldives' pro-Beijing tilt under Muizzu. However, the Muizzu government [sees](#) the moves as an attempt to nullify secret bilateral agreements signed by the previous administration, which threaten Maldivian sovereignty. "It is in the best interest of Maldivian sovereignty that this capacity is improved within our military, entrusting them with the responsibilities of surveilling and policing our waters and excluding the participation of any foreign party in such an endeavor," [said](#) Mohamed Firuzul Abdul Khaleel, Undersecretary for Public Policy at the President's Office.

Tourism has [rebounded](#) to pre-Covid-19 levels. It is poised to break 2 million in 2023, with 1.8 million visitors by 12 December, already the highest number in Maldivian history. As a result, it has [lifted](#) the ban on recruiting unskilled workers from Bangladesh. The ban was imposed in 2019.

Nepal

Prime Minister Pushpa Kamal Dahal participated in the 28th Conference of Parties to the United Nations Framework Convention on Climate Change, where he [emphasized](#) Nepal's heightened vulnerability to climate change and formally communicated the country's inclusion in the priority list for compensation due to the impacts of climate change.

A year into office, Prime Minister Dahal's cabinet has been [marred with poor performance](#), particularly in fiscal distribution, infrastructure progress, governance reform, and social sectors. This evaluation comes when the [economy is witnessing peaks and valleys](#); low economic activities have dampened demand, leading to a lowering of the inflation rate and a decline in merchandise imports. Curtailed imports compounded with a surge in remittances and growing tourist arrivals have increased forex reserves to an all-time high.

Nepal has [dispatched two diplomatic notes](#) to the Government of Russia to cease the recruitment of Nepali nationals and refrain from deploying them in the conflict with Ukraine. This move comes after [seven Nepalis lost their lives](#) while fighting on behalf of Russia, with hundreds more joining the Russian forces.

While the Dahal government is balancing a fragile coalition, an underperforming cabinet, a struggling economy, and complex diplomatic scenarios, Nepal's political parties have been gearing up for the 2027 elections. The largest party of the ruling coalition, the CPN-UML, has [initiated a march](#) across the 26 hilly districts of Nepal to interact with the local communities. Similarly, the National Democratic Party has also [announced a nationwide march](#) and Kathmandu-centric protests rallying for its agenda to scrap federalism, reinstate the monarchy, and declare Nepal as a Hindu kingdom. This anti-federalism sentiment has also been endorsed as a key election agenda by the fourth largest national party, the National Independent Party, which [aims to revise the provincial setup](#) if it garners a majority in the parliament in elections 2027.

Pakistan 🇵🇰

Pakistan gears for the elections in February, but political instability reigns supreme. Former PM Nawaz Sharif's nomination faces a [challenge](#) to nullify it due to a prior life ban for corruption, which was later reduced to five years by the dissolved parliament. Over 3,000 nominations were rejected, primarily from Pakistan Tareek-e-Insaaf (PTI) candidates, including its charismatic leader, [Imran Khan](#), who is serving jail for leaking secrets. Pakistan's Supreme Court has [tasked](#) a three-judge committee to address disputes over disqualification lengths.

Meanwhile, Army Chief Asim Munir's recent [visit](#) to Washington sparks speculation of influencing election delay for Sharif's benefit. The visit came at a tricky time when the US-Pakistan relationship was unsettled, and the agenda was full of complex geo-strategic issues.

Islamabad, under the caretaker government, is [close to concluding](#) a historic free trade agreement with the Gulf Cooperation Council (GCC). If finalized, it would mark the GCC's first investment agreement with any country in the last fifteen years, highlighting the influential role of Pakistan's military in its politics.

Sri Lanka 🇱🇰

Sri Lanka has [shifted gears in its foreign policy](#) from traditional political connections to peacekeeping, climate change, and other global concerns as central pillars of its foreign relations. In the announcement, President Ranil Wickremesinghe expressed his desire for Sri Lanka to be more prominent in evolving peacekeeping missions. Further, to balance foreign relations with India, Sri Lanka has [imposed a 12-month moratorium](#) on foreign research vessels in its waters, affecting the clearance for the Chinese research vehicle Xiang Yang Hong 3 for deepwater exploration in the South Indian Ocean.

On the domestic front, the government has [launched](#) a nationwide military-backed drug crackdown and arrested nearly 15,000 people in a week. The country also witnessed protests from civilians against the government's [move](#) to allow the immediate hiring of 10,000 Sri Lankans on farms and construction sites in Israel.

On the economy, the World Bank [released](#) the second tranche of the USD 500 million RESET Development Policy Operation for Sri Lanka, citing satisfactory progress in government reforms. The RESET DPO supports foundational reforms for macroeconomic stability and an inclusive recovery. Since the economic crisis, the country [observed](#) its first positive standing at 1.6 percent y-o-y GDP growth last quarter.

Unraveling South Asia's Dynamics in 2023

The year 2023 marked a pivotal period for South Asia, characterized by evolving geopolitics, economic complexities, and the growing impact of climate change. Under Prime Minister Narendra Modi's leadership, India showcased diplomatic prowess, hosting major summits and strengthening global partnerships. The Sino-Indian narrative shifted to a nuanced understanding of smaller states' dynamics in their engagement with major powers. Despite India's positive economic outlook, other South Asian countries faced economic crises, seeking support from the International Monetary Fund (IMF). Diaspora incidents added diplomatic challenges, while climate change-induced disasters threatened the region. Some of the major trends observed across the region have been detailed below.

South Asia was pivotal in global geopolitics, driven by China's ascent and India's proactive global engagement. India, led by Prime Minister Narendra Modi, showcased diplomatic prowess, hosting major summits, conducting a lunar landing, and securing economic partnerships with tech giants. Modi was aptly supported by his charismatic External Minister, S. Jaishankar. Jaishankar was able to set India's narrative on global affairs. His response regarding the Indian position and the assertion that India is a pole onto itself has projected an image of India that has arrived at the global stage. Indian and Western interests align, especially on issues concerning the rise of China. Jaishankar made it clear throughout the year that India does not look up to the West's approval. In doing so, it became a champion of the global south.

Despite regional complexities, the narrative shifted from Sino-Indian competition to acknowledging the nuanced dynamics of smaller states in their engagement with major powers. In 2022 and early 2023, many analysts believed India was making a strong comeback in the region to undo increased Chinese influence. New Delhi had a more India-friendly government in Nepal, Maldives, and Sri Lanka. By the end of the year, Maldives had elected a President who ran on an 'India out' platform, and Sri Lanka had permitted Chinese research vessels to dock despite Indian reservations. The talk of an Indian comeback was as premature as the idea that China had gained significant ground in the region earlier at the cost of India.

Analyzing the region solely through the lens of Sino-Indian rivalry is analytically deficient. The influence of India and China fluctuates, with both nations actively increasing their engagement, independent of direct competition. Presuming that smaller states merely react to this competition oversimplifies their agency and strategic decisions. The domestic debate in smaller states may not strictly follow a dichotomous approach to Sino-Indian competition but reflects domestic instability more than policy

changes. Despite weak governance, a general policy continuity is maintained, with minor adjustments based on leadership changes.

Importantly, the region is no longer solely influenced by India and China, as the United States actively engages in regional geostrategy. South Asian countries are navigating attention from multiple major powers, with India cautious about an increased American influence in its perceived backyard. Furthermore, South Asian countries are increasingly breaking free from the Western narrative, exemplified by India's independent stance on global issues. The region's voting pattern on U.N. resolutions signifies a departure from historical influences.

In 2024, South Asia's global geopolitical influence will escalate with China, India, and increased U.S. participation. Smaller states must skillfully navigate opportunities and challenges amidst evolving dynamics. The region's assertive shift away from historical influences indicates growing independence, with an expectation of maintaining autonomy in global positions. South Asian nations are crucially advised to balance engagements with major powers, protect regional interests, and leverage the changing geopolitical landscape.

While the Indian economy showed signs of resilience and optimism, the rest of the South Asian countries experienced multiple economic crises. India's appeal to global investors remained robust in 2023 due to its vast scale, skilled workforce, and technological prowess. The industrial manufacturing sector experienced significant growth, attracting global giants like Apple, and the stock market reached new heights, becoming the seventh-largest globally. Increased government spending, state industrial policies, and infrastructure investments further supported this momentum. China's economy, on the other hand, expected to recover swiftly in 2023, faced challenges with experts predicting China potentially entering a "Middle Income Trap" without major market reforms. Structural issues, including a property crisis, youth unemployment, and demographic decline, contribute to the slowdown.

Shrinking economies are also a major problem in the region's smaller states. Countries like Afghanistan and Nepal are in recession, while Bangladesh, Pakistan, and Sri Lanka are sustaining their economies with the support of the International Monetary Fund's (IMF) bailout. This support also comes with a package of implementing structural reforms, which will streamline the economy in the long term.

2024 will test the region's resilience, bar India, as growth prospects are subject to downside risks, including fragile fiscal positions, rising borrowing costs, diverting credit from the private sector, and a weakened Chinese economy. Economic challenges in one country in the region will trigger spillover effects on the broader, indicating a need for coordinated efforts to address economic issues and promote regional stability.

Diaspora incidents prompted a reassessment of bilateral relations. The global South Asian first-generation diaspora exceeds 50 million, mainly comprising low-skilled migrant workers and individuals

and remittance, with the total remittance received in 2022 amounting to USD 227 billion, surpassing Overseas Development Assistance and, in many cases, foreign direct investment for the recipient countries. Particularly significant for countries like Nepal, constituting over a quarter of GDP, remittances are pivotal in the region's socio-economic growth. Labor migration has also provided employment opportunities for millions of youths.

Accusations by Canada and the U.S. against the Indian government regarding the alleged assassination of two citizens supporting the Khalistani movement, as well as Nepalis participating in the conflict between Russia and Ukraine, highlight the potential diplomatic challenges arising from diaspora activities. Long-term resident permits or citizenship in host nations further complicate matters, as legal activities in the adopted country can impact bilateral relations, even if deemed terrorism by the home country.

As the diaspora grows, South Asian nations will face heightened complexities in managing diplomatic relations. Balancing the positive contributions of the diaspora with the challenges posed by incidents abroad will require nuanced strategies to safeguard national interests and navigate evolving global dynamics.

Climate change-induced downpours, droughts, and soaring temperatures have become increasingly common across South Asia. The South Asian countries witnessed multifaceted climate threats in 2023. In April 2023, Asia faced a record-breaking heat wave, claiming hundreds of lives across the region, with India witnessing the warmest February since 1901. Elevated dengue cases throughout the area have been linked with climate change, too, which claimed thousands of lives last year. Similarly, during this year's monsoon, Beijing experienced its heaviest rainfall in 140 years, leading to severe flooding and loss of lives. Northern India faced significant challenges, including casualties, missing individuals, and infrastructure failures. In Pakistan, over 100,000 people were evacuated due to continuous heavy rainfall. A glacial lake outburst flood in India also claimed lives and left hundreds missing.

The United Nations Climate Change Conference (COP 28) held this year saw countries committing to phasing out fossil fuels to combat climate change and enable the world to reach the net-zero emissions target by 2050. However, implementing this commitment is challenging for developing regions such as South Asia due to the lack of resources to transition to cleaner fuel and decarbonized industrial production.

In 2024, South Asia is expected to witness an escalation in global geopolitical influence, with active participation from China, India, and the United States. Smaller states must navigate opportunities and challenges amid evolving dynamics while asserting their growing independence. Economic challenges, including fragile fiscal positions and a weakened Chinese economy, threaten the region's growth prospects. The diaspora presents opportunities and challenges, requiring nuanced strategies to manage diplomatic relations. As climate change intensifies, the region must address multifaceted

climate threats, implement commitments from COP 28, and overcome challenges transitioning to cleaner fuel and decarbonized industrial production. South Asian nations must balance engagements with major powers, safeguard national interests, and adapt to the changing geopolitical and environmental landscape.

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Nepal Institute for Policy Research (NIPoRe) is an independent and non-partisan research institute based in Kathmandu, Nepal. It works to generate evidence-based debates among citizens and critical development stakeholders in both the public and private sectors on contemporary policy issues from Nepal and other parts of Asia. The institution works on high policy priority areas through four research centres: the Center for New Economy and Inequality (CNEI), the Center for Strategic Affairs (CSA), the Center for Governance Studies (CGS), and the Center for Human Development (CHD). NIPoRe's team members represent diverse academic disciplines, professional backgrounds and geography. The institute adopts a multi-disciplinary approach in its analysis of policies and research, supported by researchers trained at universities and within professional environments across the globe. NIPoRe's key productions include the Nepal Competitiveness Index (NCI), the Nepal Risk Outlook (NRO), and the Diplomats' Forum.

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