



Delhi Policy Group

Advancing India's Rise as a Leading Power

INDIA STRATEGIC REVIEW FEBRUARY 2025

Author

Deependra Singh Hooda

Volume VI, Issue 2



Delhi Policy Group

Core 5A, 1st Floor, India Habitat Centre, Lodhi Road, New Delhi- 110003

www.delhipolicygroup.org



Delhi Policy Group

Advancing India's Rise as a Leading Power

India Strategic Review

Vol. VI, Issue 2

February 2025

ABOUT US

Founded in 1994, the Delhi Policy Group (DPG) is among India's oldest think tanks with its primary focus on strategic and international issues of critical national interest. DPG is a non-partisan institution and is independently funded by a non-profit Trust. Over past decades, DPG has established itself in both domestic and international circles and is widely recognised today among the top security think tanks of India and of Asia's major powers.

Since 2016, in keeping with India's increasing global profile, DPG has expanded its focus areas to include India's regional and global role and its policies in the Indo-Pacific. In a realist environment, DPG remains mindful of the need to align India's ambitions with matching strategies and capabilities, from diplomatic initiatives to security policy and military modernisation.

At a time of disruptive change in the global order, DPG aims to deliver research based, relevant, reliable and realist policy perspectives to an actively engaged public, both at home and abroad. DPG is deeply committed to the growth of India's national power and purpose, the security and prosperity of the people of India and India's contributions to the global public good. We remain firmly anchored within these foundational principles which have defined DPG since its inception.

Author

Lt. Gen. Deependra Singh Hooda (Retd.), PVSM, UYSM, AVSM, VSM & Bar, Distinguished Fellow for Military Strategy, Delhi Policy Group

The views expressed in this publication are those of the author and should not be attributed to the Delhi Policy Group as an Institution.

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:

President Xi Jinping held talks with Pakistani President Asif Ali Zardari, in Beijing, on February 5, 2025.

Source: [Embassy of PRC in India](#)

On the sidelines of G20 Foreign Ministers Meeting in Johannesburg, India's Minister of External Affairs Dr S Jaishankar met China's Foreign Minister Wang Yi, on February 21, 2025. Source: [X/@DrSJaishankar](#)

Chief Operations Officer (COO), Royal Bhutan Army (RBA) Lt Gen Batoo Tshering called on Defence Minister Rajnath Singh in New Delhi on February 04, 2025. Source: [PIB](#)

© 2025 by the Delhi Policy Group

Delhi Policy Group

Core 5A, 1st Floor,

India Habitat Centre,

Lodhi Road, New Delhi- 110003.

www.delhipolicygroup.org

India Strategic Review

Vol. VI, Issue 2

February 2025

Contents

AFGHANISTAN	1
Fragile Economic Situation.....	1
Terrorism in Afghanistan.....	2
PAKISTAN	3
President Zardari's Visit to China	3
Political Developments.....	4
Government-Judiciary Tensions	4
Security Situation	6
DEVELOPMENTS ON THE INDIA-CHINA LINE OF ACTUAL CONTROL (LAC)	6
Situation at the LAC	6
BANGLADESH	7
Six Months of the Interim Government	7
India-Bangladesh Ties.....	9
SRI LANKA	10
Budget 2025.....	10
BHUTAN	12
India-Bhutan Ties.....	12

India Strategic Review

by

Lt. Gen. Deependra Singh Hooda (Retd.)

AFGHANISTAN

Fragile Economic Situation

Afghanistan's economy remains fragile, characterised by tentative signs of stabilisation overshadowed by systemic vulnerabilities. Despite a modest GDP growth of 2.7% in 2023/24, the recovery has recouped only 10% of the economic losses sustained since 2021, underscoring the precarious nature of progress.¹

The World Bank's January 2025 report on Afghanistan revealed that Afghanistan's trade deficit surged by 54% in 2024, reaching \$9 billion, which represents 45% of the country's GDP. The report attributes this decline to a 5% drop in exports, totalling \$1.8 billion, primarily due to a reduction in coal and textile exports.²

Fragile trade relations with Pakistan have pushed Afghanistan to diversify its export markets, with Iran, Kazakhstan, and Uzbekistan each contributing around 3% of total exports. However, Pakistan remains the largest export destination, accounting for 45%, followed by India at 34%. Afghanistan's export base remains heavily dependent on food and coal, which made up 6% of total exports in 2024.³

The Afghani faced sustained depreciation through 2024, losing 12% of its value against the U.S. dollar between November 2024 and January 2025. This decline followed the Central Bank's suspension of dollar auctions from September to December 2024, which exacerbated liquidity shortages and import dependency.⁴

According to the Global Multidimensional Poverty Index 2024, approximately 64.9% of Afghans were living in multidimensional poverty, with children constituting nearly 59% of this impoverished population. Across the 34 provinces of Afghanistan, poverty ranges from 27.9% in Kabul to a distressing 91.1% in Zabul, and in 7 provinces, over 87.5% of people are poor.⁵

The World Bank notes, "Afghanistan's economic outlook remains highly fragile with a very limited revenue base. The country's high trade deficit, dependence

on imports, and shrinking fiscal space present formidable challenges to sustainable recovery, and key sectors such as agriculture remain vulnerable to the effects of climate change, insecurity and a lack of investment, further complicating the recovery process.”⁶

Terrorism in Afghanistan

On February 6, the United Nations Security Council released the 35th report of Analytical Support and Sanctions Monitoring Team on the Islamic State and Al-Qaida.⁷ The report notes that the terrorist groups operating in Afghanistan pose a serious challenge to the stability of the country, as well as to the security of Central Asian and other neighbouring states.

The strength of the Islamic State in Afghanistan is estimated at between 2,000 and 3,500 fighters, and the group represents the most serious threat within Afghanistan. The Islamic State continues to build its capabilities to threaten Central Asian countries from northern Afghanistan. The group is consolidating its support base while seeking to capitalise on the growing dissatisfaction among ethnic Tajiks against Taliban rule in northern provinces. In Helmand and Kandahar Provinces, farmers affected by the poppy cultivation ban are reportedly providing shelter for Islamic State fighters.

The report states that the Islamic State has been unable to mount large-scale attacks in India. However, its handlers have tried to incite lone-actor attacks through India-based supporters. The Islamic State's Al-Jauhar Media continues to spread anti-India propaganda through its publication Serat ul-Haq.

The Taliban has maintained a permissive environment, allowing Al-Qaida to consolidate, with the presence of safe houses and training camps scattered across Afghanistan. Low-profile members reside with their families under the protection of the Taliban intelligence service in Kabul neighbourhoods, while senior leaders are in rural areas outside Kabul. The group is strengthening cooperation with regional terrorist organisations like the Tehreek-e-Taliban Pakistan (TTP), Islamic Movement of Uzbekistan, Eastern Turkistan Islamic Movement and Jamaat Ansarullah to expand its presence in neighbouring countries.

The TTP remains the largest terror group in Afghanistan, with an estimated strength of more than 6000 fighters who have stepped up the scale and intensity of attacks in Pakistan. The Taliban continued to provide TTP with logistical support, operational space and financial assistance.

There is increased collaboration between TTP, the Afghan Taliban and Al-Qaida conducting attacks under the banner of Tehrik-e Jihad Pakistan. Greater facilitation among these groups could transform the TTP into an extra-regional threat and an umbrella organisation for other terrorist groups operating in the area.

During a meeting on February 8, Imangali Tasmagambetov, Secretary-General of the Collective Security Treaty Organization (CSTO), identified Afghanistan as a major source of potential terrorist and drug trafficking threats to Central Asia. He highlighted the CSTO's decision to strengthen the Tajikistan-Afghanistan border in response to the risk of terrorism spreading from Afghanistan to the region.⁸

PAKISTAN

President Zardari's Visit to China

Pakistani President Asif Ali Zardari paid a state visit to China from February 4 to 8 and held talks with Chinese President Xi Jinping, Premier Li Qiang, and other top officials. The joint statement issued after the meetings stated that discussions focused on "China-Pakistan All-Weather Strategic Cooperative Partnership" that transcends geopolitical interests and is an important positive factor for regional peace, stability and development.⁹

The Pakistani side reaffirmed its firm commitment to the one-China principle and stated that it supports all efforts made by China to achieve national reunification and resolutely opposes all forms of "Taiwan independence." Pakistan will also firmly support China on issues related to Xinjiang, Xizang, Hong Kong and the South China Sea.

The attacks on Chinese workers in Pakistan and the China-Pakistan Economic Corridor also came up for discussion. While Pakistan promised to enhance security for Chinese nationals, the two countries committed to creating an upgraded version of the CPEC.

The CPEC is a flagship project of China's Belt and Road Initiative (BRI), launched in 2015. It is aimed at enhancing connectivity and infrastructure development in Pakistan while providing China with direct access to the Arabian Sea. While the CPEC has brought some benefits in areas such as energy, transport, trade, industrialisation, and employment, it has yet to realise its potential.

Gwadar, often described as the crown jewel of the CPEC, exemplifies the shortcomings of the CPEC. In 2013, the operation of the Gwadar Port was

handed over to a Chinese company, the China Overseas Ports Holding Company, for a duration of 43 years. Despite being fully operational, inadequate infrastructure, lack of connectivity, unreliable power supply, and security concerns have ensured that Gwadar is the least utilised port in Pakistan. In its best year in 2020, it logged 22 ships.¹⁰

There is a similar issue with the New Gwadar International Airport (NGIA). Built with a \$246 million Chinese grant, NGIA spans 4300 acres, making it the country's largest airport by area. However, only three flights a week operate from NGIA, making it commercially unviable.¹¹

Political Developments

After talks were called off between the Pakistan Tehreek-e-Insaf (PTI) and the government last month, PTI chief Imran Khan, who is imprisoned in Adiala Jail, has resorted to writing open letters to the Pakistan Army chief. The first letter, posted on X on February 3, praised the sacrifices rendered by the armed forces but also pointed out that there is a growing distance between the military and the public. He has also criticised the military's alleged role in politics, urging it "to return to its constitutional limits."¹²

In the second letter posted on February 9, Imran highlighted his position as both the former prime minister and the leader of Pakistan's most popular political party, which he claims is currently being targeted. He also stated, "It is essential for the stability and security of the country that the gap between the army and the people be reduced, and there is only one way to reduce this growing gap, and that is for the army to return to its constitutional boundaries, separate itself from politics and fulfil its assigned responsibilities."¹³

On February 13, the contents of a third open letter were shared on Imran Khan's X account. In this, he accused Inter-Services Public Relations of building a false narrative and "bringing the armed forces into disrepute". He criticised the Army for interfering in politics and said that everyone knows that the army chief effectively runs the country.¹⁴

While responding to Imran Khan's attempt to engage with the military, Army Chief General Asim Munir indicated that he would not respond to any such correspondence but would rather forward it to the prime minister.¹⁵

Government-Judiciary Tensions

Pakistan's judicial appointments have become a battleground between the government and the judiciary following the passage of the 26th Constitutional

Amendment in October 2024. The Amendment restructured the Judicial Commission of Pakistan (JCP) and gave Parliament a greater role in appointing Supreme Court judges, triggering a major political and legal controversy.

The government justified the move as a way to democratise judicial appointments and improve efficiency, but critics saw it as an attack on judicial independence. The 26th Amendment faces legal challenges in the Supreme Court, with multiple petitions arguing that it violated the separation of powers and compromised judicial autonomy. A constitutional bench is currently reviewing the Amendment's validity.

In February, four senior Supreme Court judges—Justice Mansoor Ali Shah, Justice Munib Akhtar, Justice Athar Minallah, and Justice Ayesha Malik—publicly urged Chief Justice of Pakistan, Yahya Afridi, to postpone the appointment of eight new judges until the court rules on the 26th Amendment. They warned that appointing new judges under a disputed system could “further imperil and erode the public trust and confidence reposed in the institution.”¹⁶

Despite these concerns, the JCP proceeded with its selection process, appointing six new Supreme Court judges on February 11. This prompted a backlash, with PTI lawmakers boycotting the JCP meeting and two senior Supreme Court judges refusing to participate. Akhtar Hussain, a senior advocate representing the Pakistan Bar Council in the JCP, resigned in protest, citing concerns over controversies surrounding the selection process.¹⁷

Adding to the controversy, On February 2, the government transferred three judges from provincial high courts to the Islamabad High Court (IHC), altering the court's seniority rankings. This move placed Justice Sarfraz Dogar above other IHC judges, making him eligible for Supreme Court elevation and ultimately leading to his appointment as Acting Chief Justice of the IHC.¹⁸ Critics argue that these transfers were politically motivated, particularly given the pending high-profile cases involving PTI leader Imran Khan.

The government's efforts to reshape Pakistan's judiciary have profound implications for judicial independence and constitutional governance. The targeting of the IHC is particularly significant given its geographical and jurisdictional proximity to the federal government in Islamabad. With rising judicial dissent and legal uncertainty, Pakistan's judiciary remains at the centre of a growing power struggle between the executive and the courts.

Security Situation

The security situation in Baluchistan and Khyber Pakhtunkhwa continues to spiral downward. On February 1, in a series of operations, 23 terrorists and 22 security personnel were killed in these provinces.¹⁹ On February 14, 12 coal miners were killed, and six others were injured when a roadside bomb hit a pickup truck carrying coal mine workers in Balochistan's Harnai area.²⁰

On February 19, armed gunmen boarded a bus in the Barkhan district of Balochistan, separated seven passengers from Punjab province and shot them dead. Baloch Liberation Army (BLA) claimed responsibility for the attack, saying they had targeted "the Pakistani army and its intelligence agencies."²¹

On February 28, a suicide blast ripped through the Darul Uloom Haqqania seminary in Khyber Pakhtunkhwa's Nowshera district, killing at least six people, including Jamiat Ulema-e-Islam-Sami leader Maulana Hamidul Haq Haqqani. Often dubbed a 'Jihad University' by the Western media, the Darul Uloom Haqqani counts key Taliban figures like Jalaluddin Haqqani and his sons among its alumni. The Taliban blamed the Islamic State for the attack.²²

Meanwhile, the situation in the Kurram district of Khyber Pakhtunkhwa, stemming from sectarian tensions between Shiite and Sunni communities, remained tense. The government's attempts to deliver humanitarian aid to the region are hampered by frequent attacks on convoys transporting food and medical supplies. On February 17, nine persons, including five security personnel, were killed when a convoy of trucks carrying food supplies to Parachinar was attacked and looted.²³

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

Situation at the LAC

After the October 2024 agreement on patrolling arrangements in Eastern Ladakh between India and China, the situation at the LAC is stable, though both sides maintain a heightened military posture.

At a media briefing on February 27, Chinese Defence Ministry spokesperson, Senior Colonel Wu Qian, stated, "At present, the Chinese and Indian militaries are implementing the resolutions related to the border areas comprehensively and effectively." He affirmed China's readiness to "jointly preserve peace and tranquillity" along the LAC.²⁴ The Indian Ministry of External Affairs sources

have also confirmed that the joint effort to implement the de-escalation plan is proceeding as scheduled.

On February 21, External Affairs Minister Dr S Jaishankar met his Chinese counterpart Wang Yi on the sidelines of the G20 Foreign Ministers' meeting in Johannesburg, South Africa. Indian spokesperson Randhir Jaiswal said that the issues that figured during the meeting were the management of peace and tranquillity in the border areas, resumption of the Kailash Mansarovar Yatra, trans-border rivers, flight connectivity and travel facilitation.²⁵

The Chinese Ministry of Foreign Affairs official statement said, "Exchanges at all levels between the two countries have resumed in an orderly manner, while the special representatives on the boundary question have reached common understandings on properly handling specific differences." The statement added, "India stands ready to work with China to speed up the resumption of cooperation mechanisms, enhance people-to-people and cultural exchanges, facilitate personnel travels, and jointly safeguard peace and tranquillity in the border areas."²⁶

Despite the diplomatic engagements, both sides continue to enhance their military readiness along the LAC. Indian defence sources have confirmed that the People's Liberation Army (PLA) is actively building new roads, bridges, and militarised villages near the LAC to improve logistics and troop mobility.²⁷ There is similar activity on the Indian side.

BANGLADESH

Six Months of the Interim Government

In February, the interim government in Bangladesh completed six months in office. While the appointment of Muhammad Yunus after the ouster of Sheikh Hasina was widely welcomed across the country, the interim government is struggling to deal with a host of issues, including the economy, law and order, minority persecution, and legitimacy.

A recent report by the Dhaka-based Centre for Policy Dialogue has pointed out that the economic measures taken by the government are yet to deliver substantive changes to provide relief to people's lives and businesses.²⁸ Foreign direct investment dropped to a six-year low in the July-September quarter of FY25, reaching only \$104.33 million, a 71% decline from FY24. Net equity investment fell by 46% to \$76.79 million, while reinvested earnings dropped by 73% to \$72.9 million.²⁹

In December 2024, the International Monetary Fund said that real GDP growth is projected to slow to 3.8% in FY25 but is expected to rebound to 6.7% in FY26. Inflation is anticipated to remain around 11% in FY25 before declining to 5% in FY26. However, the outlook remains highly uncertain, with risks skewed to the downside.³⁰

The government has struggled to control law and order. On February 8, the government launched "Operation Devil Hunt" to curb nationwide incidents of mob attacks and vandalism. However, most of those arrested are supporters of the Awami League, which the government has systematically targeted.³¹ The government banned the Chhatra League, the Awami League's student wing, but has not acted against other student and political groups accused of involvement in violence.

The government has also failed to provide adequate protection to the minority Hindu community. On January 30, the Bangladesh Hindu Buddhist Christian Unity Council said the government is using state institutions to suppress minority groups. The council said 2,010 incidents of communal violence took place across the country between August 4 and 20 last year, followed by 174 new incidents of communal violence till the end of December.³²

The interim government's approach to Islamic extremism has raised significant concerns among security analysts and civil society organisations. The government has revoked a ban on the country's largest Islamist party, Jamaat-e-Islami. Jashimuddin Rahmani, the leader of the banned Islamist militant group Ansarullah Bangladesh (ABT) - now known as Ansar al Islam - was released in August after a court granted him bail.

There is a rise in incidents involving religious extremism. In February, three women's football matches were cancelled after objections by hardline religious groups. On February 10, a group of madrasa students vandalised a stall at the Amar Ekushey Book Fair in Dhaka over the display of a book written by exiled author Taslima Nasreen, who is accused of blasphemous writings. Sufi Muslims have experienced increased attacks on their places of worship, with at least a hundred shrines damaged in the last six months.³³

The Bangladesh Army and the Bangladesh Nationalist Party (BNP) were firmly behind the interim government in the initial stages, but tensions are emerging. The BNP has been advocating for early elections, preferably by August 2025. However, the interim government has suggested a timeline extending to December 2025 or mid-2026, leading to BNP's frustration over the perceived hijacking of the political process. The announcement of a new political party led by former student activists has introduced additional complexity. The BNP

perceives this development as a potential threat to its political influence and is concerned about the interim government's support for such groups.³⁴

On February 25, Bangladesh's Chief of Army Staff, General Waker-Uz-Zaman, warned against internal divisions in the country. Without naming any group, he said, "If you can't move beyond your differences and continue meddling and fighting among yourselves, the independence and integrity of the country will be at risk."³⁵

In the six months of its rule, the interim government has initiated several reform commissions targeting electoral processes, public administration, and anti-corruption measures. However, its record in tackling the economy, law and order, and minority protection is weak. There are also concerns about rising religious extremism and delays in holding elections.

India-Bangladesh Ties

On February 5, a massive mob demolished the home of Sheikh Mujibur Rahman, the founding father of Bangladesh, even as Sheikh Hasina, the deposed Prime Minister, was delivering an online speech to her supporters. The attacks spread to at least 19 other cities across the country, mainly targeting Awami League offices.³⁶

In a statement to the media, the interim government called the vandalism at the house "regrettable" but attributed it to "public outrage" over Hasina's speech from India. Bangladesh summoned acting Indian high commissioner Pawan Badhe to lodge a formal protest noting that Hasina's "hostile statements weren't conducive to fostering healthy Dhaka-Delhi ties."³⁷

In a response to the demolition, Randhir Jaiswal, spokesperson for the Ministry of External Affairs, said, "All those who value the freedom struggle that nurtured Bangla identity and pride are aware of the importance of this residence for the national consciousness of Bangladesh. This act of vandalism should be strongly condemned."³⁸

On February 16, Indian External Affairs Minister Dr Jaishankar and Bangladesh's Foreign Affairs Adviser Md. Touhid Hossain met on the sidelines of the 8th Indian Ocean Conference in Muscat, Oman. Bangladesh's foreign ministry said in a statement that "Both sides recognised the challenges the two neighbours are facing in terms of bilateral relations and discussed the necessity to work together to address those."³⁹

Hossain also raised the issue of initiating discussions for renewing the Ganges Water Treaty and requested the Indian government to consider the need to hold a meeting of the standing committee of the South Asian Association for Regional Cooperation. Dr Jaishankar conveyed that it is important for Bangladesh not to normalise terrorism.⁴⁰

The 55th Director General Level Border Coordination Conference between India's Border Security Force and Bangladesh's Border Guard Bangladesh was held in New Delhi from February 17 to 20. Both sides have agreed to take concrete measures to eliminate border killings, strengthen security, and enhance cooperation on cross-border issues.⁴¹ The meeting occurred in the backdrop of recent tensions over the issue of border fencing, which led to violent clashes between civilians of both sides in January.

Despite these bilateral meetings, strains persist in India-Bangladesh ties. Dr Jaishankar has stated that if the "interim government continue to blame India for all their issues, some of which are completely baseless, it creates a conflicting message." He also reiterated that attacks on minorities in Bangladesh "affects our perspective, and we have voiced our concerns on the matter."⁴²

Responding to Dr Jaishankar's remarks, Hossain said that Haisna's comments while staying in India are fueling tensions. He added that "Bangladesh's minorities are Bangladesh's issue, just as how India treats its minorities is India's concern."⁴³

It is clear that in the short run, India-Bangladesh ties are likely to remain tense and unpredictable, primarily due to rising anti-India rhetoric, often tacitly encouraged by the ruling establishment.

SRI LANKA

Budget 2025

Sri Lanka's 2025 budget, presented by President Anura Kumara Dissanayake on February 17, outlines an ambitious economic recovery plan while attempting to maintain fiscal discipline under International Monetary Fund (IMF) guidelines. With total spending of \$24.46 billion, the budget prioritises public sector wages, debt servicing, infrastructure, and social welfare, while targeting a primary surplus of 2.3% of GDP to meet IMF debt restructuring commitments. The budget deficit is projected at 6.7% of GDP, falling short of the 5.2% target required by the (IMF).⁴⁴

The largest budgetary items include \$10.03 billion for interest payments (41% of total spending), \$4.18 billion for public sector wages, and \$791 million for social welfare under the expanded Aswesuma program, benefiting 1.2 million low-income households. Education receives \$922 million, while healthcare sees a boost to \$2.05 billion. Infrastructure spending rises significantly, with \$4.47 billion allocated for capital projects, including roads, digital economy initiatives, and energy investments.

Defence remains a major expense at \$1.5 billion, outpacing education and raising concerns over resource allocation amid fiscal challenges. The increase in defence expenditure contrasts sharply with a reduction in social welfare funding, spurring criticism about the government's priorities.⁴⁵

The government aims to boost revenue by raising tax collection to 15.1% of GDP (up from 11.4% in 2023). Capital Gains Tax rises to 15% for individuals and 30% for companies. VAT remains at 15%, but its scope expands to digital services. High excise duties on alcohol, tobacco, and gambling have been imposed to increase revenue, while vehicle import taxes remain steep despite lifting a three-year import ban.

Sri Lanka's massive debt burden remains a challenge, with \$15.48 billion allocated for debt servicing in 2025. The government relies on domestic borrowing to fund the fiscal deficit of \$7.48 billion while external debt restructuring continues. The IMF requires strict adherence to fiscal discipline, and Sri Lanka's IMF-backed Extended Fund Facility (EFF) program remains a key anchor for debt sustainability. However, interest payments still consume 59% of government revenue, leaving little room for development spending.

The government projects 5% GDP growth in 2025, though World Bank forecasts a more conservative 3.5%.⁴⁶ Risks include inflationary pressures from public sector wage hikes, a fragile external sector, and the challenge of sustaining fiscal consolidation while funding social programs. The success of the budget depends on efficient tax collection, avoiding spending overruns, and maintaining IMF compliance.

Fitch Ratings stated that the Sri Lankan Government's budget highlights the authorities' commitment to raising fiscal revenues as a share of GDP, an approach that, if successful, would alleviate a long-standing weakness in the sovereign's credit profile. Nonetheless, risks to the fiscal outlook remain significant and plans to slow the pace of fiscal consolidation could weigh on prospects for debt reduction over the medium term.⁴⁷

Sri Lanka's 2025 budget builds on previous stabilisation efforts while cautiously increasing growth-focused spending. The key challenge is balancing revenue generation, IMF obligations, and economic recovery without overspending or derailing fiscal discipline. Execution and political stability will determine the success of these reforms in restoring long-term economic sustainability.

BHUTAN

India-Bhutan Ties

The month of February witnessed a series of significant high-level visits from Bhutan to India, including those of King Jigme Khesar Namgyel Wangchuck, Prime Minister Dasho Tshering Tobgay, and Lieutenant General Batoo Tshering, Chief Operations Officer of the Royal Bhutan Army.

At the invitation of Prime Minister Modi, King Jigme Khesar Namgyel Wangchuck paid a special visit to India to attend the Maha Kumbh Mela and took a dip at the Triveni Sangam on February 4.⁴⁸ Prime Minister Dasho Tshering Tobgay paid an official visit to India from 20-21 February 2025 to participate in the inaugural Leadership Conclave of the School of Ultimate Leadership.⁴⁹

An official visit to India was undertaken by Lieutenant General Tshering, Chief Operations Officer of the Royal Bhutanese Army, from February 1 to 5. During his visit, meetings were held with the Defence Minister, National Security Advisor, Chief of Defence Staff, and Chief of Army Staff. Defence Minister Rajnath Singh reaffirmed India's readiness to support Bhutan in capability enhancement for defence preparedness, including provisioning of defence equipment and assets to augment capacities of Bhutan, as per its national priorities and in line with India's 'Neighbourhood First' policy.⁵⁰

The visits come against the backdrop of the ongoing China-Bhutan boundary talks, with China mounting pressure on Bhutan to accept its claims in the Doklam area located at the tri-junction of India, Bhutan, and China. This area is of strategic importance to India as its occupation by China permits it to target the Siliguri Corridor, a narrow sliver of land linking India's north-eastern states with the rest of the country.

To enforce its claims, China has been constructing villages in territory that is traditionally considered to be a part of Bhutan. Since 2016, 22 villages have been constructed by China, resulting in the illegal occupation of approximately 825 sq km of Bhutanese territory. Eight of these villages are located in Western Bhutan near Doklam.⁵¹

ENDNOTES

- ¹ World Bank. "Overview." Text/HTML. Accessed February 27, 2025.
<https://www.worldbank.org/en/country/afghanistan/overview>.
- ² Gul, Ayaz. "World Bank: Afghanistan's Economic Recovery Precarious." Voice of America, February 17, 2025. <https://www.voanews.com/a/world-bank-afghanistan-s-economic-recovery-precious/7978106.html>.
- ³ "Afghanistan Economic Monitor."
<https://thedocs.worldbank.org/en/doc/975cd8861039d785629549d57fc00df6-0310012025/original/Afghanistan-Economic-Monitor-January-2025.pdf>
- ⁴ Ibid
- ⁵ "Global Multidimensional Poverty Index 2024."
https://www.undp.org/sites/g/files/zskgke326/files/2024-10/2024_global_multidimensional_poverty_index.pdf?utm_source=chatgpt.com
- ⁶ World Bank. "Overview."
- ⁷ "Reports | Security Council." Accessed February 23, 2025.
<https://main.un.org/securitycouncil/en/sanctions/1267/monitoring-team/reports>.
- ⁸ "CSTO: Afghanistan a Potential Terrorist and Drug Threats to Central Asia | Ariana News," February 8, 2025. <https://www.ariananews.af/csto-afghanistan-a-potential-terrorist-and-drug-threats-to-central-asia/>.
- ⁹ "Joint Statement between the People's Republic of China and the Islamic Republic of Pakistan_Ministry of Foreign Affairs of the People's Republic of China." Accessed February 24, 2025.
https://www.fmprc.gov.cn/eng/xw/zyxw/202502/t20250206_11550159.html.
- ¹⁰ dw.com. "Pakistan's Gwadar Port Shows China's Belt and Road Can Fail – DW – 05/13/2024." Accessed February 25, 2025. <https://www.dw.com/en/pakistans-gwadar-port-shows-chinas-belt-and-road-can-fail/a-68992914>.
- ¹¹ "Flight to Nowhere: The Curious New Gwadar International Airport | Lowy Institute." Accessed February 25, 2025. <https://www.lowyinstitute.org/the-interpreter/flight-nowhere-curious-new-gwadar-international-airport>.
- ¹² Junaidi, Ikram. "Distance between People and Military Growing, Says Imran." DAWN.COM, 08:24:46+05:00. <https://www.dawn.com/news/1889637>.
- ¹³ Dawn.com. "Imran Alleges Mistreatment in 2nd 'Open Letter' to Army Chief." DAWN.COM, 20:42:18+05:00. <https://www.dawn.com/news/1890652>.
- ¹⁴ Junaidi, Ikram. "Imran's Attempts to Engage Military Draw Cold Shoulder." DAWN.COM, 07:23:17+05:00. <https://www.dawn.com/news/1891813>.
- ¹⁵ Ibid.
- ¹⁶ Mehtab, Umer. "SC Judges Urge CJP to Hold Judicial Appointments until Pleas against 26th Amendment Resolved." DAWN.COM, 20:39:53+05:00. <https://www.dawn.com/news/1890435>.
- ¹⁷ Malik, Hasnaat. "Judicial Commission Member Steps down over Appointment 'Controversies.'" The Express Tribune, February 24, 2025. <https://tribune.com.pk/story/2530565/judicial-commission-member-steps-down-over-appointment-controversies>.
- ¹⁸ "Justice Dogar Becomes Acting IHC CJ." Accessed February 28, 2025.
<https://www.thenews.com.pk/latest/1282133-justice-dogar-becomes-acting-ihc-cj-after-hcs-jurists-elevated-to-sc>.

- ¹⁹ "22 Security Men Martyred in Terror Attacks - Pakistan - DAWN.COM." Accessed March 1, 2025. <https://www.dawn.com/news/1889220/22-security-men-martyred-in-terror-attacks>.
- ²⁰ Shahid, Saleem. "Death Toll from Harnai Blast Increases to 12." DAWN.COM, 06:11:46+05:00. <https://www.dawn.com/news/1892214>.
- ²¹ Presse, AFP-Agence France. "Pakistan Separatists Claim Killing Of 7 Punjabi Travellers." barrons. Accessed March 1, 2025. <https://www.barrons.com/articles/pakistan-separatists-claim-killing-of-7-punjabi-travellers-84c382f3>.
- ²² Farooq, Umer. "Suicide Blast Tears through Akora Khattak Seminary." DAWN.COM, 06:07:49+05:00. <https://www.dawn.com/news/1894991>.
- ²³ "Kurram Convoy Attack Death Toll Rises to 9." Accessed March 1, 2025. <https://www.thenews.com.pk/print/1284328-kurram-convoy-attack-death-toll-rises-to-9>.
- ²⁴ India Today. "Working with India to Implement Border Resolutions in Eastern Ladakh: China," February 28, 2025. <https://www.indiatoday.in/india/story/india-china-standoff-eastern-ladakh-border-troops-deescalation-2687064-2025-02-28>.
- ²⁵ Hindustan Times. "Jaishankar, Wang Yi Discuss Steps to Normalise Ties, Resume Kailash Pilgrimage," February 21, 2025. <https://www.hindustantimes.com/india-news/jaishankar-wang-yi-discuss-steps-to-normalise-ties-resume-kailash-pilgrimage-101740146970636.html>.
- ²⁶ "Wang Yi Meets with Indian External Affairs Minister Dr. Subrahmanyam Jaishankar_Ministry of Foreign Affairs of the People's Republic of China." Accessed March 1, 2025. https://www.mfa.gov.cn/eng/wjbzhd/202502/t20250222_11560548.html.
- ²⁷ "China Quietly Boosting Military Infrastructure at LAC despite Ongoing Diplomatic Talks with India." The Economic Times, January 29, 2025. <https://economictimes.indiatimes.com/news/defence/china-quietly-boosting-military-infrastructure-at-lac-despite-ongoing-diplomatic-talks-with-india/articleshow/117676208.cms?from=mdr>.
- ²⁸ The Daily Star. "CPD Paints a Bleak Picture of Economy," January 30, 2025. <https://www.thedailystar.net/news/bangladesh/news/cpd-paints-bleak-picture-economy-3811836>.
- ²⁹ The Daily Star. "Six Months of the Interim Government: Bangladesh Stands at a Critical Crossroads," February 8, 2025. <https://www.thedailystar.net/opinion/views/news/six-months-the-interim-government-bangladesh-stands-critical-crossroads-3818606>.
- ³⁰ IMF. "IMF Reaches Staff-Level Agreement on the Third Review of Bangladesh's Extended Credit Facility, Extended Fund Facility, and Resilience and Sustainability Facility Arrangements." Accessed February 26, 2025. <https://www.imf.org/en/News/Articles/2024/12/18/pr24483-imf-reaches-staff-level-agreement-on-third-review-with-bangladesh>.
- ³¹ "Operation Devil Hunt: How Bangladesh Is Hunting Sheikh Hasina Loyalists." Accessed February 26, 2025. <https://www.ndtv.com/world-news/operation-devil-hunt-how-bangladesh-is-hunting-sheikh-hasina-loyalists-7676663>.
- ³² "Bangladesh Minority Rights Group Accuses Interim Government of Failing to Protect Minorities | AP News." Accessed February 26, 2025. <https://apnews.com/article/bangladesh-minority-hindu-attacks-yunus-hasina-india-cdc0996609db39d8c8b6783578ca45a9>.
- ³³ "Bangladesh Girls Forced to Cancel Football amid Islamist Threats," February 18, 2025. <https://www.bbc.com/news/articles/cdxnwnye7wko>.
- ³⁴ News18. "Opinion | Bangladesh's Political Storm: Regional Implications And India's Strategic Imperative." Accessed February 26, 2025. <https://www.news18.com/opinion/opinion-bangladeshs-political-storm-regional-implications-and-indias-strategic-imperative-9177343.html>.
- ³⁵ Chakraborty, Debdutta. "'I'm Cautioning You,' Warns Bangladesh Army Chief on Infighting, Calls for Elections by Year End." ThePrint, February 26, 2025. <https://theprint.in/world/im-cautioning-you-warns-bangladesh-army-chief-on-infighting-calls-for-elections-by-year-end/2511797/>.

- ³⁶ Al Jazeera. "Why a Bangladesh Mob Burned down Home of Independence Icon Mujibur Rahman." Accessed February 25, 2025. <https://www.aljazeera.com/news/2025/2/7/why-a-bangladesh-mob-burned-down-home-of-independence-icon-mujibur-rahman>.
- ³⁷ The Times of India. "India, Bangladesh Spar after Mob Razes Sheikh Mujibur Rahman House." February 7, 2025. <https://timesofindia.indiatimes.com/india/india-bangladesh-spar-after-mob-razes-sheikh-mujibur-rahman-house/articleshow/117996229.cms>.
- ³⁸ India Today. "Act of Vandalism Regrettable: India on Attack on Sheikh Mujibur Rahman's House," February 6, 2025. <https://www.indiatoday.in/india/story/bangladesh-sheikh-mujibur-rahman-home-demolition-india-mea-statement-reaction-sheikh-hasina-2676000-2025-02-06>.
- ³⁹ Hindustan Times. "EAM Meets Bangladesh Counterpart, Discusses Ties at Indian Ocean Conference," February 17, 2025. <https://www.hindustantimes.com/india-news/eam-meets-bangladesh-counterpart-discusses-ties-at-indian-ocean-conference-101739734073900.html>.
- ⁴⁰ The Indian Express. "Jaishankar Urged Bangladesh Not to 'Normalise Terrorism' during Meeting in Muscat: MEA Spokesperson," February 21, 2025. <https://indianexpress.com/article/india/india-bangladesh-terrorism-jaishankar-hossain-meeting-muscat-mea-9849120/>.
- ⁴¹ "Bangladesh, India Pledge to Eliminate Border Killings | The Business Standard." Accessed February 25, 2025. https://www.tbsnews.net/bangladesh/bangladesh-india-pledge-eliminate-border-killings-1074916?utm_source=chatgpt.com.
- ⁴² Standard, Business. "'Decide What Kind of Ties You Want': Jaishankar Talks Tough with Bangladesh," February 24, 2025. https://www.business-standard.com/external-affairs-defence-security/news/jaishankar-bangladesh-interim-govt-india-relations-touhid-hossain-125022400406_1.html.
- ⁴³ The Indian Express. "'Bangladesh Wants Good Working Relations with India Based on Mutual Respect and Shared Interests': Foreign Affairs Adviser Touhid Hossain," February 25, 2025. <https://indianexpress.com/article/news-today/bangladesh-working-relations-india-mutual-respect-shared-interests-9855074/>.
- ⁴⁴ Latest in the News Sphere | The Morning. "Budget 2025: Ambitious Targets and Tough Choices," February 23, 2025. <https://themorning.lk/articles/nRMZw1mzfSpFQYzKLA90>.
- ⁴⁵ "Sri Lanka's 2025 Budget: Increased Military Spending amid Economic Challenges | Tamil Guardian." Accessed March 1, 2025. <https://www.tamilguardian.com/content/sri-lankas-2025-budget-increased-military-spending-amid-economic-challenges>.
- ⁴⁶ World Bank. "Sri Lanka's Economy Stabilized; Continued Reforms Critical to Boost Exports and Attract Investment." Text/HTML. Accessed March 1, 2025. <https://doi.org/10/09/sri-lanka-s-economy-stabilized-continued-reforms-critical-to-boost-exports-and-attract-investment>.
- ⁴⁷ "Fitch Notes Sri Lanka's Commitment to Raise Fiscal Revenue. - Free Online Library." Accessed March 1, 2025. <https://www.thefreelibrary.com/Fitch+notes+Sri+Lanka%27s+commitment+to+raise+fiscal+revenue.-a0828340592>.
- ⁴⁸ Ministry of External Affairs, Government of India. "Visit of His Majesty The King of Bhutan to India (February 03-04, 2025)." Accessed March 2, 2025. https://mea.gov.in/press-releases.htm?dtl/38966/Visit_of_His_Majesty_The_King_of_Bhutan_to_India_February_0304_2025.
- ⁴⁹ Ministry of External Affairs, Government of India. "Official Visit of Prime Minister of Bhutan to India (February 20-21, 2025)." Accessed March 2, 2025. https://mea.gov.in/press-releases.htm?dtl/39095/Official_Visit_of_Prime_Minister_of_Bhutan_to_India_February_2021_2025.
- ⁵⁰ "Chief Operations Officer, Royal Bhutan Army Calls on Raksha Mantri in New Delhi." Accessed March 2, 2025. <https://pib.gov.in/pib.gov.in/Pressreleaseshare.aspx?PRID=2099664>.
- ⁵¹ Turquoise Roof. "Forceful Diplomacy: China's Cross-Border Villages in Bhutan," October 15, 2024. <https://turquoiseroof.org/forceful-diplomacy-china-cross-border-villages-in-bhutan/>.



Delhi Policy Group
Core 5A, 1st Floor,
India Habitat Centre, Lodhi Road
New Delhi - 110003
India

www.delhipolicygroup.org