

South Asia Brief

(Vol 1 - May 2026)



INDIA VIRTUAL OFFICE
مكتب الهند الافتراضي

South Asia Brief

South Asia is a region beset by its own unique politics. Geographically, it is not a very large area but despite that, all the nation States in it have their own distinct language and culture. The countries vary in their economic developments and form part of many formal and informal alliances. In South Asia Brief (SAB), we take a look

at seven countries of South Asia- India, Pakistan, Nepal, Bangladesh, Bhutan, Sri Lanka and the Maldives on a monthly basis. The idea is to analyze the important political and economic developments that have taken place in that particular country and its repercussions for India and the MENA (Middle East North Africa) region.



India

For India, May 2026 proved to be a busy diplomatic month. India successfully hosted many high-profile multilateral meetings.

The BRICS Foreign Ministers Meeting took place on 14-15 May under India's 2026 Chairmanship. The timing of the meeting was crucial as it took place when the world economy has been hit by the Middle East conflict. The meeting saw the presence

of Iran's Foreign Minister Abbas Araghchi, Russian Foreign Minister Sergey Lavrov and China was represented by its Ambassador to India. Since the timing of the BRICS meet coincided with the visit of the United States President Donald Trump to Beijing, the Chinese Foreign Minister was unable to attend¹. It was a tense gathering where the Middle East conflict acted as a divider among the members. Due to differences over the Middle East conflict,



among some member states, the Foreign Ministers meet concluded without issuing a joint statement. However, the Chair's statement and an Outcome Document was issued at the end of the meet. This also highlighted how many groupings like BRICS have difficulty in finding common ground when members have differing views on global events.

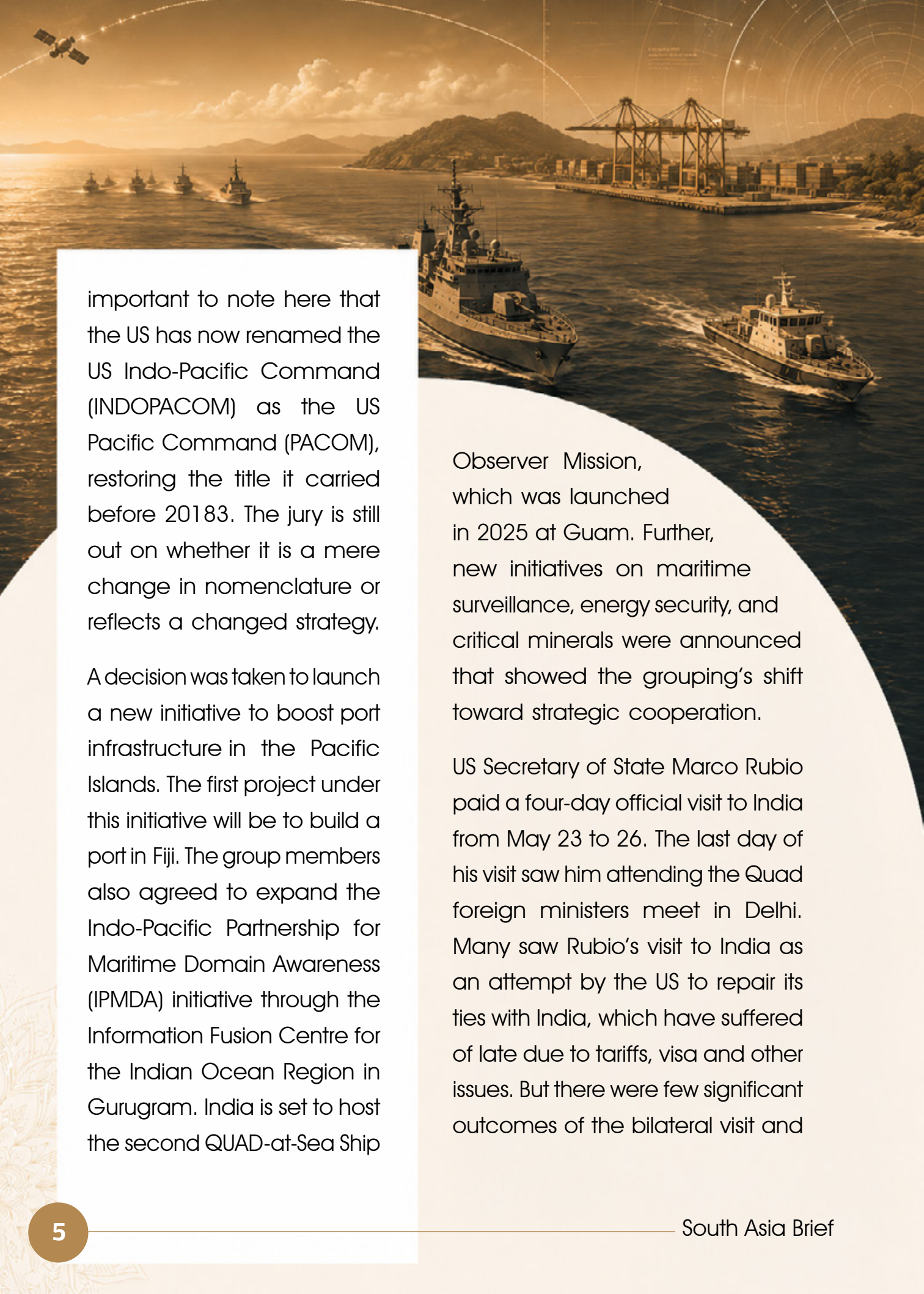
The founder members of BRICS are Brazil, Russia, India and China. It was initially founded as a grouping of major emerging economies which would serve as a counterbalance to Western-led institutions such as the G7. South Africa joined BRICS in 2010 and in 2024, the bloc expanded further with the addition of Egypt, Ethiopia, Iran and the United Arab Emirates. Indonesia became a full member in 2025.

India also hosted the Quad Foreign Ministers meet in New Delhi on 26 May. The meeting was hosted by India's External Affairs Minister Dr. S. Jaishankar and was attended by US Secretary of State Marco Rubio, Australian Foreign Minister Penny

Wong, and Japanese Foreign Minister Toshimitsu Motegi.

The meeting was observed closely as many analysts debate the future of the Quad under the current Trump Administration. The Quad Leaders' Summit which was due in 2025 has yet to materialise². Further, United States President Donald Trump's visit to China in May 2026 also made it clear that the US is not seeking any confrontation with China. To many observers, US President Trump appeared conciliatory in Beijing which then poses a question as to what is the future of an alliance that was supposed to counter balance China in the Indo-Pacific. It is also





important to note here that the US has now renamed the US Indo-Pacific Command (INDOPACOM) as the US Pacific Command (PACOM), restoring the title it carried before 2018³. The jury is still out on whether it is a mere change in nomenclature or reflects a changed strategy.

A decision was taken to launch a new initiative to boost port infrastructure in the Pacific Islands. The first project under this initiative will be to build a port in Fiji. The group members also agreed to expand the Indo-Pacific Partnership for Maritime Domain Awareness (IPMDA) initiative through the Information Fusion Centre for the Indian Ocean Region in Gurugram. India is set to host the second QUAD-at-Sea Ship

Observer Mission, which was launched in 2025 at Guam. Further, new initiatives on maritime surveillance, energy security, and critical minerals were announced that showed the grouping's shift toward strategic cooperation.

US Secretary of State Marco Rubio paid a four-day official visit to India from May 23 to 26. The last day of his visit saw him attending the Quad foreign ministers meet in Delhi. Many saw Rubio's visit to India as an attempt by the US to repair its ties with India, which have suffered of late due to tariffs, visa and other issues. But there were few significant outcomes of the bilateral visit and

it was seen as more of a missed opportunity by the US to improve its ties with India⁴.

For India, both BRICS and Quad are important multilateral groupings where India wants to play a leading role. India aspires to be a rising power and hence its centrality in these forums is very important. But the May 2026 Summits of both BRICS and Quad have not really worked in India's favour. The failure to produce a Joint Statement by BRICS under India's Chairmanship; and Quad not being clear about the next Leaders' Summit are dampening factors for India.

For the MENA region, BRICS saw participation from Iran and the UAE. Going forward, BRICS can serve as a useful forum for further MENA cooperation with BRICS nations' economies. But for that to happen, internal differences will need to be sorted. Quad also has its effects on the MENA region because of the four-member states and their interest in the MENA region. There is a sense that the US is less focused on Quad and the Indo-Pacific today which could mean greater space for China in the Indo-Pacific. A development which again has consequences for the MENA region where both the US and China remain heavily invested.



Pakistan

Pakistan has been able to repair its image internationally by becoming the main mediator between the United States and Iran as the Middle East conflict dragged on in May 2026. Pakistan was able to successfully do this task primarily because of the close relationship today

shared between US President Donald Trump and Pakistan's Field Marshal Asim Munir. Pakistan shares a border with Iran, has a historical relationship with it and has often referred to 'brotherly' ties between the two.

The month also saw Pakistan Prime Minister Shehbaz Sharif visit China from May 23-26. The visit was





significant from two aspects. One: it was a further enhancement of the Pakistan-China relationship and two: it highlighted how China was being updated by Pakistan in its role as a mediator in the Middle East conflict.

For India, it is a source of worry to see Pakistan gain ground on the global arena. India, for a long time now, has pointed out Pakistan's role as a sponsor of cross-border terrorism and called upon the international community to hold Pakistan responsible for its actions. This new recognition and praise for Pakistan adds to India's concerns on its Western borders. India has also initiated back-channel

communications with Pakistan⁶. It is a realization then that India has to deal with Pakistan, since geography won't change.

”

For the MENA nations, Pakistan is a complicated player. One has seen a grouping which has seen Pakistan, Saudi Arabia, Turkey and Egypt come closer in defense areas. But for others in the region, the unease around Pakistan and the role it wants to play in the region, continues to be a worrying factor.

Nepal

India and Nepal have historically shared a close relationship. Nepal is the only Hindu nation in South Asia and much of Nepal's history is mixed with India's and both countries for decades have built on this common past. But of late, the strains in this relationship have come to the fore. In May 2026, Nepal

and India had simmering tensions over a region Nepal considers part of its territory.

Tensions flared up after New Delhi announced the resumption of a religious pilgrimage through the Lipulekh Pass, which sits where Nepal meets India and Tibet. The pass is claimed by Nepal based on the 1816 Treaty of Sugauli, which it entered into with India's British



colonial rulers to define its western border⁷. India was dismissive of these claims and pointed out that such claims are neither justified nor based on historical facts and evidence.

For India, the historic relationship is being tested by its new Prime Minister Balen Shah. At 37, he is the world's youngest serving leader but some of his comments have already touched a raw nerve in India. His statement in the Nepalese Parliament that to resolve the India-Nepal border, not only China but the United Kingdom should also get involved, drew a sharp response from India. The Ministry of External Affairs in India

responded by pointing out that bilateral mechanisms exist to issue these topics and there was no role for any third party⁸. The coming months will be a testing ground on how this relationship evolves.

”

For the MENA nations, Nepal has usually been seen in the backdrop of being part of the South Asian region. However, with the United States getting more active in the Himalayan Kingdom, it will be interesting to see how that changes the dynamics for the region and beyond.



Bangladesh

May 2026 saw an escalation of an old issue between Delhi and Dhaka. India has long maintained that illegal migrants from Bangladesh have entered India. India and Bangladesh share more than 4,000km (2,500-mile) border, one of the world's longest⁹. The Bhartiya Janata Party (BJP) which is the party at the centre in India today also runs the

North-eastern states of Assam, Tripura and West Bengal. Dhaka has accused Delhi of 'pushing' poor and mostly Muslim immigrants into Bangladesh without due process and paperwork. India however now wants to deal with this problem of undocumented migrants with a renewed sense of priority. In the coming days this is an issue that is likely to flare tensions between the two countries.



India is also likely to follow up on this issue more aggressively in the coming days. In April 2026, India appointed Dinesh Trivedi as India's next High Commissioner to Dhaka. This is a political appointment and an indication that the Central government would rather have a person with party connections in this sensitive position than a career diplomat.

”

For the MENA region, Bangladesh remains a priority country especially in the area of migration. It is estimated that 78- million Bangladeshis work and live in the Gulf region mostly in Saudi Arabia followed by the UAE and Qatar. Conflicts or tensions in the Gulf region then has a direct impact on the job prospects of many and also on the remittances they sent back home.

Bhutan

Politically, Bhutan remained stable in the month of May 2026. The government stayed focused on governance continuity, anti-corruption measures and enforcing reforms where needed. There were no reports of any major domestic upheavals either.

Bhutan shares a strong bilateral relationship with India and in continuity of that, one saw bilateral diplomatic

activity. Key engagements included the India-Bhutan High Impact Community Development Project (HICDP) Committee meeting that was held from May 17-20, 2026 in Bhutan. The purpose of the meeting was to review progress under the 13th Five Year Plan and to strengthening long-standing bilateral ties between the two countries.



Bhutan meanwhile continued its investments in the hydropower sector. For instance, the full commissioning of projects like Punatsangchhu II supporting growth projections of around 6.8-7.4% for FY202526-, capital spending ramp-up, and tax reforms implemented earlier in 2026 for a more efficient system were put in place. This growth was supported by Indian cooperation, with efforts to attract FDI and diversify into tourism and niche exports amid global uncertainties like higher energy prices.

Bhutan and the World Bank also signed financing agreements totalling \$515 million for the 1,125 MW Dorjilung Hydroelectric Power

Project, which will account for about one-third of Bhutan's total energy generation and create jobs, according to a press release issued by the World Bank¹⁰.

For India, Bhutan is one of its closest partners in South Asia and hence one sees Indian involvement in many of Bhutan's projects. The worry for India is China which has been trying to get a bigger footprint in Bhutan. For India, Bhutan is also important from a security viewpoint and hence any Chinese activity is viewed with suspicion.

”

For the MENA nations, Bhutan offers great opportunities for investments and further cooperation in many sectors. It is a relationship worth investing and exploring in the future.

Sri Lanka



n the macro level, Sri Lanka faced economic difficulties in May 2026 primarily owing to the Middle East conflict and rising energy costs. The International Monetary Fund (IMF) had to step and in May 2026 it approved about \$695 million in funding to Sri Lanka under a \$2.9 billion program¹¹. The funds will help increase Sri Lanka's foreign currency reserves, which dipped 3.8% to \$6.7

billion at the end of April from the prior month.

There was however good news in two sectors. The country received US\$847 million in workers' remittances in May 2026, marking a 32% increase compared to the US\$641.7 million received in May 2025, according to the Central Bank of Sri Lanka (CBSL)¹².

Further, according to the CBSL, the highest amount of remittances this year came from the United

Arab Emirates (UAE). Also, 100,686 Sri Lankans left for foreign employment between January and May 2026. Of them, 21,977 went to the UAE, making it the top destination for migrant workers.

This data also highlights how the MENA region, especially the UAE, is turning out to be an attractive place for Sri Lankans to migrate to for work. This is also significant considering that the Middle East conflict slowed down migration to the Gulf for many workers.

The other good news was in the tourism sector where Sri Lanka recorded the highest number of tourist arrivals in the month of May, welcoming 145,745 arrivals, a 9.6 percent increase from the same period last year¹³.

However, some problems persisted in the tourism sector, primarily again due to the Middle East conflict. There have been demands to increase

direct flights from Europe to deal with the aviation disruption in the Middle East. The impending return of British Airways is likely to offer an alternative to affluent tourists from Europe.

For India, a stable and prosperous Sri Lanka is a better option than to see the country unstable which leads to tensions in India's Southern states also. For Indians, Sri Lanka remains high on the tourism agenda and Indian airports also saw increased activity as Middle East aviation witnessed disruptions in May 2026.



For the MENA region, the outward flow of migrants to the region from SL provides many countries with labour and skilled personnel. For Sri Lankans, the Gulf is increasingly seen as an attractive work place.

Maldives

The Maldives is an economy heavily dependent on tourism. The Middle East conflict which started Feb 28, 2026 hit the Maldivian economy quite badly. As international carriers cancelled or rescheduled routes, rising fuel costs and instability saw a sharp decline in the number of tourists coming to the Maldives. The positive news is that by the end of May, things had begun

to change and one saw an increase in the number of tourists headed to the Maldives.

March of this year recorded a 20.7% fall in visitors while April saw the numbers slide down further to 24.4% fall¹⁴. These twin shocks were enough to send the Maldivian tourism industry into a crisis mode. While the end of May did see the visitor numbers enter into the positive territory again,



the cumulative shock to the tourism industry remains. The recovery is also tied to how soon the Middle East conflict is resolved and normal flight connectivity resumed.

For India, the Maldives is an important neighbor politically. Like in many other South Asian nations, the Maldives has also seen an India-China rivalry being played out occasionally. As of now, the Maldives seems to be balancing out ties between major players. For India, the Maldives is always an area under observation because of its strategic positioning.

”

For the MENA region, the Maldives also provides a case-study as to how inter connected the world has become. The Middle East conflict lead to a crisis situation in the Maldivian tourism sector and ultimately a set back to the economy. Going forward, improving aviation connectivity between with the Maldives and the MENA region also offers opportunities for both partners.



Conclusion

The Middle East conflict has proven how inter-connected the world is. The closure of the Strait of Hormuz disrupted the global economy. As this SAB has explained, from the Maldives to India, the shock in energy supplies affected the economies of all South Asian nations. However, South Asia and the MENA region remain inter-connected. Whether it be the movement of labour across continents, or investments, it is a relationship that holds immense potential going forward.



Endnotes

- 1 Sheikh Saaliq, "BRICS foreign ministers meet in India as Iran war, oil prices and divisions test the bloc's unity", AP, May 14, 2026, <https://apnews.com/article/india-brics-iran-war-4fe5c3ff22993f8e24cf917df56d781c>.
- 2 Jayanth Jacob, "Where is the Quad headed?", The New Indian Express, May 30, 2026, <https://www.newindianexpress.com/explainers/2026/May/30/where-is-quad-headed>.
- 3 Muzzakir Rifat, "US drops Indo from command name: What message is Washington sending to Beijing and New Delhi?", The Daily Star, June 20, 2026, <https://www.thedailystar.net/news/world/news/us-drops-indo-command-name-what-message-washington-sending-beijing-and-new-delhi-4202751>.
- 4 "Bad fences: On Marco Rubio's India visit", The Hindu, May 27, 2026, <https://www.thehindu.com/opinion/editorial/bad-fences-on-marco-rubios-india-visit/article71025268.ece>.
- 5 Caroline Davies, "How Pakistan helped secure a fragile ceasefire between the US and Iran", BBC, April 7, 2022, <https://www.bbc.com/news/articles/cj401qvvgg19o>.
- 6 Rezaul H Laskar, "India, Pakistan held Track 1.5, 2 meetings after Op Sindoor", Hindustan Times, April 17, 2026, <https://www.hindustantimes.com/india-news/india-pakistan-held-track-1-5-2-meetings-after-op-sindoor-101776388987071.html>.
- 7 Adam Hancock and Anadolu, "Nepal lodges protest against India over long-running border dispute", Al Jazeera, May 4, 2026, <https://www.aljazeera.com/news/2026/5/4/nepal-lodges-protest-against-india-over-long-running-border-dispute>.
- 8 TOI News Desk, "No role for third parties: India's clear message to Nepal after PM Balen Shah calls for UK, China intervention", Times of India, June 2, 2026, <https://timesofindia.indiatimes.com/india/no-role-for-third-parties-indias-clear-message-to-nepal-after-pm-balen-shah-calls-for-uk-china-intervention/article-show/131465170.cms>.
- 9 "Bangladesh, India to coordinate patrols on border, share intelligence amid migrant tensions", Reuters, June 12, 2026, <https://www.usnews.com/news/world/articles/2026-06-12/bangladesh-india-to-coordinate-patrols-on-border-share-intelligence-amid-migrant-tensions>.
- 10 ET Energy World, "World Bank, Bhutan sign \$515 million financing for 1,125 MW Dorjilung hydropower project", Economic Times, May 5, 2026, <https://energy.economictimes.indiatimes.com/news/renewable/world-bank-and-bhutan-join-forces-for-515-million-dorjilung-hydropower-project/130828122>.
- 11 "IMF approves \$695 million program funding for Sri Lanka", Reuters, May 27, 2026, <https://www.reuters.com/world/asia-pacific/imf-approves-695-million-program-funding-sri-lanka-2026-05-27/>.
- 12 Chaturanga Pradeep Samarawickrama, "Foreign remittances up 32% in May", The Daily Mirror Online, June 17, 2026, <https://www.dailymirror.lk/breaking-news/Foreign-remittances-up-32-in-May/108-343183>.
- 13 Nishel Fernando, "Industry calls for direct European charters as shifting airline dynamics challenge Sri Lanka's tourism yield", The Daily Mirror Online, June 18, 2026, <https://www.dailymirror.lk/breaking-news/Industry-calls-for-direct-European-charters-as-shifting-airline-dynamics-challenge-Sri-Lankas-tourism-yield/108-343231>.
- 14 "Maldives tourism rebounds in May 2026 after months of losses tied to the Middle East conflict: Everything you need to know", Travel and Tour World, June 1, 2026, <https://www.travelandtourtworld.com/news/article/y49iyz0bb7pd/>.

انضم إلينا
JOIN US



TRENDS GROUP
مجموعة تريندز