



THE SOUTH ASIAN BALANCE OF POWER AFTER STUDENT REVOLUTIONS

BY AMBASSADOR (RET.) JAMES MORIARTY

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For years, China has been quietly trying to expand its influence in South Asia. Then, in 2024 and 2025, student-led demonstrations—first in Bangladesh and then in Nepal—upended politics in both countries, leading to elections that brought in new power arrangements. In Nepal, three parties for the most part friendly towards China had traded power since 2015. They found themselves replaced by a student-led political party with a rapper-turned-mayor of Kathmandu as prime minister. In Bangladesh, the new leader was the son of the most bitter enemy of the pro-Indian former PM—to whom India provided asylum after she fled Bangladesh in disgrace. China, meanwhile, continued to make ever-bigger inroads in South Asia through investment, development assistance, and arms sales. One important question raised by these shifting alignments is whether a recent agreement with Bangladesh will give China, including its military, a foothold in the Bay of Bengal and the Indian Ocean. Collectively, these developments underscore the need for the United States to stay involved and work to ensure US interests are not ignored while currents shift in South Asia.

Nepal and Bangladesh follow similar paths

The student-led movements in Bangladesh and Nepal followed similar paths. In both cases, students were frustrated with poor economic prospects, self-serving political classes that clung to power, and ever-increasing corruption. In both cases, the military refused to fire on student demonstrators and instead brought in

student leaders to discuss the path forward to genuine democracy. (In both cases, this could well have been because many senior officers knew students who were participating in the demonstrations.)

An unmentioned rivalry

Since independence in 1947, India has assumed that it is the dominant power in South Asia and should be treated with deference by the smaller countries in the region. China, for its part, considers the smaller countries of South Asia to be inside the Chinese sphere of influence. To top things off, China and India have a long, disputed border. They fought a border war in 1962, and as recently as 2020 clashed bloodily again, high in the Himalayas. Perhaps because of that experience, while China has worked hard to expand its influence in South Asia, both New Delhi and Beijing have appeared somewhat cautious about antagonizing the other.

New Bangladesh prime minister charts a new course

Bangladesh Prime Minister Tarique Rahman visited China from June 22-26, on his first overseas tour since taking office in February 2026. (Traditionally newly elected prime ministers of Bangladesh had made their first foreign visits to India.) Rahman's visit resulted in 15 memorandums of understanding covering diplomacy, trade, investment, connectivity, and strategic cooperation. China pledged approximately \$300 million in grant assistance to Bangladesh, and the two countries agreed to explore a 2+2 dialogue involving their foreign and defense ministries. The proposed 2+2 dialogue would establish a regular institutional mechanism for Bangladesh and China to discuss diplomatic and security issues. Bangladesh and China also discussed modernization of Chattogram and Mongla ports and a proposed [China-Myanmar-Bangladesh Economic Corridor](#).

What emerged from the visit was a significant broadening of Bangladesh-China relations beyond their traditional economic focus. The 2+2 mechanism would not amount to a military alliance, but it would make defense and strategic cooperation more structured and consistent than the two countries' current *ad hoc* engagement. (For over 50 years, China has been the largest supplier of weapons

to the Bangladesh military.) At the strategic level, the [joint communiqué](#) between the two countries stated, “Both sides agreed to elevate their comprehensive strategic cooperative partnership to jointly build a China-Bangladesh community with a shared future in the new era.” Chinese Premier Xi Jinping reaffirmed his country’s long-term commitment to the relationship, stating that “no matter how the world changes, China will not waver in its commitment to the overall direction of China-Bangladesh friendly relations and will always be a good friend, good neighbor and good partner of Bangladesh.”

In contrast, Bangladesh recently postponed a proposed August trip to New Delhi by Prime Minister Rahman because of an interview given there by exiled former Prime Minister Sheikh Hasina.

New government in Nepal moves cautiously

In contrast to Tarique Rehman’s foreign policy activism, Nepali Prime Minister Balen Shah has emphasized that his priorities focus on a sweeping, 100-point, reform agenda centered on anti-corruption, administrative speed, and strategic neutrality. He has described Nepal as a bridge between China and India and stressed that Kathmandu aims to foster open dialogue with both neighbors simultaneously, prioritizing mutual economic benefits while protecting Nepal’s independent national interests.

It’s the economy

While some in Nepal’s older generation of leaders had ideological affinity for China, for the most part in both Bangladesh and Nepal, the recent attraction of China has been based on economic factors. Both Bangladesh and Nepal desperately need infrastructure development and early on signed on to China’s Belt and Road Initiative (BRI). Despite some problems with both corruption and follow-through, the BRI had completed some impressive projects in Bangladesh. In contrast, in Nepal, which joined the BRI in 2017, no projects have been completed, in part because Nepal has pushed for grants from China rather than loans to finance the proposed 20 major BRI projects. That said, though, China has become the leading source of foreign direct investment in Nepal. Bangladesh, meanwhile, has become the world’s second-largest exporter of ready-made garments (RMG)—after China. China has become Bangladesh’s largest trade partner, largely because of trade of inputs within the RMG industry. And with production costs in China increasing, more and more Chinese RMG-related companies are investing in Bangladesh.

What does this all mean?

To some degree, China’s increasing influence in South Asia is understandable: The world’s second-largest economy would naturally be looking at increasing trade and investment opportunities in nearby countries, particularly ones with complementary economies. In comparison, India’s influence in the region has decreased. A striking example of that shift would be the agreement that Prime Minister Rahman signed in Beijing to provide to China land near Mongla Port, Bangladesh’s second-largest port, for construction of an exclusive economic zone. Located in southwestern Bangladesh, near the Indian border, Mongla provides access through the Bay of Bengal to the Indian Ocean. Previously the land now destined for China’s use had been reserved for an

Indian special economic zone (SEZ). Indian analysts now worry that Chinese dual-use construction in the SEZ will allow monitoring and surveillance of Indian army and navy movements in a strategically sensitive area and support for Chinese military movements.

Looking ahead, Nepal will likely have fairly stable ties with its two giant neighbors. China’s primary goal there is a secure China-Nepal border, which is in Nepal’s own interest. Ties of history, culture, and religion between Nepal and India and the presence of some 4 million Nepali workers in India make dramatic developments in Nepal-India relations unlikely. (Remittances make up more than a quarter of Nepal’s GDP.)

Bangladesh is different. Former Prime Minister Sheikh Hasina had extremely close ties with India. New Delhi provided her unwavering support even as her government became more authoritarian, more corrupt, and more brutal, setting the stage for the student uprising and her flight to India. Since then, a Bangladesh tribunal has convicted her in absentia for crimes against humanity related to the deaths of some 1,400 people during her government’s attempts to suppress the student protests. For as long as she is allowed to stay in India, it is unlikely that India’s relations with Bangladesh will improve dramatically.

China’s advances in Bangladesh, for which the United States remains the single largest export market, underscore the need for the United States to stay actively involved in South Asia, which serves as the hinge between the Pacific and Indian Oceans. The United States can protect its interests by continuing to build productive, mutually beneficial relationships throughout the region and, when necessary, raising legitimate security and other concerns with all countries in the region. Both Nepal and Bangladesh have traditionally welcomed the United States playing such a role. They both view the United States as the only friendly, external power with the clout to help them navigate successfully their relationships with two, much larger neighbors.

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