SOUTH ASIA

As part of the wider Indo-Pacific, South Asia has vital geostrategic importance for the EU, facing significant challenges. The Indo-Pacific is rapidly evolving and becoming the most important geostrategic region, being home to more than 50% of the global population. The EU strategy for cooperation in the Indo-Pacific was adopted in September 2021 to increase the EU's presence in the region, build partnerships and reinforce the rules-based international order. The EU is adapting its current instruments as part of its strategic autonomy amid growing geostrategic challenges. The EU's Strategic Compass for Security and Defence, formally approved by the Council in March 2022, promotes an open and rules-based regional security architecture, including secure sea lines of communication, capacity-building and enhanced naval presence in the Indo-Pacific. The EU is forging closer ties with countries in South Asia, as a strong economic player and a major development and aid donor. The EU is working to foster institution-building, democracy, good governance and human rights, while it also has security concerns, such as the Kashmir conflict, Afghanistan, maritime security and terrorism. Parliament has supported the EU's cooperation and assistance in South Asia, with targeted support for the most vulnerable population groups.

This fact sheet describes the South Asia region. See also the fact sheets on East Asia (5.6.8) and Southeast Asia (5.6.9).

LEGAL BASIS

- Title V (EU external action) of the Treaty on European Union;
- Articles 206-207 (trade) and 216-219 (international agreements) of the Treaty on the Functioning of the European Union.

PARTNERSHIP AND COOPERATION AGREEMENTS (BILATERAL RELATIONS).

SOUTH ASIAN ASSOCIATION FOR REGIONAL COOPERATION

The EU encourages regional integration and supports the South Asian Association for Regional Cooperation (SAARC). The member countries of the SAARC are Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka. The EU, China, Iran, Japan, South Korea, Mauritius, Myanmar and the United States have observer status. Due to internal disagreements, in particular between India and Pakistan, the work of SAARC has stalled. The organisation has made progress in addressing regional issues, including economic cooperation and humanitarian crises. However, challenges such as structural weaknesses and economic disparities among member states persist.

Development cooperation between the EU and the countries of South Asia covers financial and technical aid as well as economic cooperation. Priorities include regional stability, poverty alleviation, human rights, sustainable development, good governance and labour rights. EU-SAARC cooperation seeks to promote the harmonisation of standards and the facilitation of trade, as well as to raise awareness about the benefits of regional cooperation. Recent initiatives have focused on climate change mitigation and digital transformation. In 2024, the EU and SAARC launched a joint programme to enhance regional connectivity and promote sustainable energy.

INDIA

In November 2004, the Fifth EU-India Summit adopted the India-EU Strategic Partnership, which promoted political dialogue and cooperation, the development of economic relations, trade and investment, as well as the strengthening of people-to-people exchanges.

As of 2023, the EU has solidified its position as India's largest trading partner, with trade in goods reaching EUR 124 billion, accounting for 12.2% of India's total trade. This places the EU ahead of both the United States (10.8%) and China (10.5%) in terms of trade volume with India. In 2023, trade in services between the two partners reached EUR 50.8 billion, marking a significant increase from EUR 30.4 billion in 2020. In 2023, India ranked as the EU's ninth-largest trading partner, representing 2.2% of the EU's overall goods trade.

The EU is the biggest foreign investor in India, with foreign investment flows into the country rising from 8% to 18% over the past decade. Around 6 000 European companies are present in India, providing 1.7 million jobs directly and 5 million jobs indirectly in a broad range of sectors. India currently benefits from unilateral preferential tariffs under the EU Generalised Scheme of Preferences (GSP), which links unilateral trade preferences to respect for human and labour rights. With a number of sectors having graduated out of the GSP, 21% of total EU imports from India were eligible for preferences in 2023. India's share in global manufacturing and trade with the EU remains relatively small compared to its potential. High tariffs in India, coupled with EU environmental regulations such as the carbon border adjustment mechanism, continue to present obstacles to further trade expansion.

In recent years, India has become increasingly active on the international stage. It has a growing interest in improving its trade relationship with the EU, which currently mainly follows World Trade Organization (WTO) rules. The areas currently relevant for EU-India trade relations are agriculture, services, digital trade, patent protection, the environment and labour rights. In March 2024, India signed a USD 100 billion (EUR 91 billion) trade deal with the European Free Trade Association (EFTA), which will lift more restrictive tariffs on industrial products in return for investment over 15 years.

In 2020, India and the EU agreed on 'A Roadmap for 2025' as a common framework to guide joint action. In June 2022, both parties agreed to further evolving their strategic partnership, by reopening negotiations on a free trade agreement (FTA) and launching negotiations on an investment protection agreement and an agreement on geographical indications.

As of March 2025, ten rounds of negotiations have been completed, but some issues remain regarding sustainability measures, clean energy development, public procurement and human rights.

The EU-India Connectivity Partnership was launched in May 2021. In June 2023, the India-EU Connectivity Conference was held to identify concrete connectivity projects. India adopted a Digital Personal Data Protection Act in August 2023.

President of the European Commission, Ursula von der Leyen, and Prime Minister of India, Narendra Modi, launched the EU-India Trade and Technology Council (TTC) at their meeting in April 2022. In February 2023, the EU and India strengthened their relationship by setting up the TTC. In March 2024, the EU-India Leaders Conference was held, focusing on the automotive sector, medical equipment and the healthcare sector.

In February 2025, the Commission, led by President von der Leyen, undertook its first official visit to India to meet with Prime Minister Modi and the Indian Government. During this visit, India and the EU committed to elevating their partnership to a higher level, pursuing negotiations on the FTA, deepening the TTC and exploring a security and defence partnership. The EU is also exploring defence partnerships with India through the Permanent Structured Cooperation (PESCO) and potential negotiations for a security of information agreement. The India-EU partnership will also focus on security collaboration and concrete infrastructure projects such as the India–Middle East–Europe Economic Corridor. Key sectors of cooperation include electronics, semiconductors, telecommunications, engineering and pharmaceuticals, with a focus on securing supply chains. Both sides are also cooperating on artificial intelligence, quantum computing, space technology and 6G.

India-EU cooperation in science, technology and innovation is also being strengthened as part of Horizon Europe (2021-2027). India's education policy currently aims to develop more international partnerships with European universities to work together on Horizon Europe programmes.

From 19 April to 1 June 2024, general elections were held in India. The Bharatiya Janata Party (BJP), led by Prime Minister Modi, won the most seats for the third time in a row, but fell short of a majority in India's lower house of parliament, the Lok Sabha. Instead, they must turn to their allies in the National Democratic Alliance (NDA) to secure the 272 seats required to form the next administration. Meanwhile, over two dozen opposition parties, including the once-dominant Congress Party, are debating their next steps after their alliance, the Indian National Developmental Inclusive Alliance (INDIA), exceeded expectations.

Being the most populated country in the world, India is carrying out political and economic reforms focused on modernising the administration, good governance, fighting corruption with demonetisation and transparency programmes, tackling social problems, developing the economy with the 'Make in India' and 'Invest India' initiatives, and imposing a nationwide goods and services tax. India is a nuclear power, like its neighbours Pakistan and China, and faces security problems, terrorism and armed border clashes, particularly with Pakistan in the autonomous state of Jammu and Kashmir and, to a lesser extent, with China.

India's caste system is one of the world's oldest forms of social class organisation, which raises concerns about continued discrimination on grounds of caste. The country is also an ethnic and linguistic mosaic, with tensions in a number of states and reports of human rights abuses and violations of women's and children's rights. According to the International Labour Organization (ILO), child labour continues to be a serious problem in India, despite Prime Minister Modi approving a series of measures prohibiting children under the age of 14 from performing hazardous tasks, with tough penalties for employers who break the law.

In the current tenth legislative term, the Delegation for relations with India of the European Parliament is chaired by Angelika Niebler (EPP, DE).

In July 2022, Parliament adopted a resolution on future EU-India trade and investment cooperation, welcoming the commitment to work towards concluding an ambitious, values-based, balanced, comprehensive and mutually beneficial EU-India trade agreement. Parliament welcomed the TTC.

In July 2023, Parliament adopted a resolution on the situation in India's Manipur state, calling for all necessary measures to be taken to halt ethnic and religious violence, protect all religious minorities and pre-empt any further escalation.

Parliament's Committee on International Trade visited India in April 2022, as did the Security and Defence Subcommittee in December 2023.

With regard to interparliamentary dialogue, the 15th EU-India Inter-Parliamentary Meeting (IPM) took place in December 2023 in New Delhi. Discussions centred around the state of the strategic partnership, bilateral trade, climate change, regional issues, civil society and human rights concerns.

In January 2024, Parliament adopted a resolution on EU-India relations, calling for the broadening and deepening of EU-India relations as strategic partners, particularly in key areas such as climate change, digitalisation, connectivity, trade and investment, foreign, security and defence policy, human rights and the rule of law.

The Committee on the Internal Market and Consumer Protection (IMCO) visited India in January 2025. The discussions covered key EU legislative acts related to digital services, digital markets, artificial intelligence, product safety and consumer protection.

PAKISTAN

EU-Pakistan relations date back to 1962 and are currently based on the 2004 Cooperation Agreement. The EU, as a major development and aid donor, supports the promotion of democracy and institution-building in Pakistan.

Pakistan is a major beneficiary of the EU's unilateral trade preferences under the Generalised Scheme of Preferences Plus (GSP+), reinstated in 2014. As part of the process, Parliament's Committee on International Trade monitors compliance with the GSP+ requirements. Pakistan's GSP+ status could be reviewed, as it comes with obligations such as guaranteeing human rights and religious freedom. In June 2022, the EU monitoring mission assessed the effective implementation of 27 international conventions, a mandatory requirement for maintaining GSP+ status, which has been very beneficial for Pakistan. Businesses have increased exports to the EU market by 65% since the country joined the GSP+ scheme in 2014. In November 2023, the Commission and the European External Action Service (EEAS) published a joint report assessing the progress of eight GSP+ beneficiary countries, including Pakistan. A new GSP regulation is under development. Its enforcement will require beneficiary countries to formally apply to the newly adopted scheme. This process is being closely followed in Islamabad.

In 2023, the EU maintained its position as Pakistan's second-largest trading partner, accounting for 15.3% of Pakistan's total trade. In 2023, Pakistan ranked as the EU's 47th-largest trading partner in goods, representing 0.2% of EU trade.

The EU is a significant donor of development assistance and humanitarian aid to Pakistan. Under the framework of the multiannual indicative programme 2021-2027, the EU has allocated EUR 265 million in grant funding to partnerships with Pakistan for 2021-2024. This funding supports three priority areas: green inclusive growth, human capital and governance The EU has also launched a Team Europe initiative entitled 'Building back better through green jobs creation', which aims to foster green growth and enhance climate change resilience in Pakistan.

The EU has acknowledged the challenges Pakistan faces in hosting over 3 million refugees and is ready to consider providing additional support, including for the voluntary repatriation of refugees to Afghanistan. Additionally, in 2023, the UN's World Food Programme supported over 180 000 vulnerable people affected by floods in seven districts of the Sindh province, which was made possible through a contribution from the EU's Humanitarian Aid.

The 14th EU-Pakistan Joint Commission took place in Islamabad in November 2024 to take stock of the Strategic Engagement Plan and expand cooperation. The EU acknowledged Pakistan's efforts in assisting Afghan refugees, while Pakistan voiced concerns about Kashmir and advocated a ceasefire in Gaza. The EU reiterated its commitment to humanitarian aid and reaffirmed its position on Ukraine.

In March 2024, the EU and Pakistan held their ninth Political Dialogue in Islamabad, covering a broad range of regional and global developments.

Pakistan's geostrategic role in the Indo-Pacific is set to grow, especially after the Taliban takeover in Afghanistan in August 2021. A stable, democratic and prosperous Pakistan is crucial for the EU as it is a major interlocutor with the Taliban and the main destination for Afghan refugees. The country is rebranding its image internationally.

Politics in Pakistan are in constant turmoil. The army is still involved in internal and foreign politics, with a broad mandate for security and counterterrorism issues.

Parliamentary elections took place in Pakistan in February 2024 under strict security measures. Muhammad Shehbaz Sharif, leader of the Pakistan Muslim League (PML-N), was reappointed Prime Minister. Candidates from the opposition party, Pakistan Tehreek-e-Insaf (PTI), were not allowed to run. Political tensions are still high, with PTI's imprisoned leader, Imran Khan, asserting that his sentence is unfair and politically motivated. PTI supporters continue to protest, but Shehbaz Sharif's PML-N remains in control with strong support from Pakistan's military.

In April 2021, Parliament passed a resolution on Pakistan's blasphemy laws, calling on the Commission to reassess Pakistan's eligibility for the GSP+ programme given the deteriorating human rights situation. Parliament is monitoring the steps taken by the Commission and the EEAS to address the human rights issues, including the blasphemy laws, which carry harsh sentences including the death penalty.

The 13th EU-Pakistan IPM took place in March 2022. Discussions focused on political developments in Pakistan, Russia's invasion of Ukraine, trade, GSP+ and human rights. The IPM considered it essential that parliamentarians on both sides assess progress and provide parliamentary scrutiny and guidance in bilateral relations.

The 14th EU-Pakistan IPM was held in Islamabad on 14 April 2025.

AFGHANISTAN

The EU-Afghanistan Cooperation Agreement on Partnership and Development was signed in February 2017 and approved by Parliament in March 2019. Relations with the EU were adapted to the war and post-war situation. Thanks to substantial inputs from Parliament, Afghanistan has gradually been partially included in the EU's Strategy for Central Asia.

Starting in May 2021, the Taliban swiftly gained control over Afghanistan with minimal opposition from security forces. By August 2021, they had captured Kabul, after President Ghani fled to Dubai. The US and NATO completed their withdrawal of troops from the territory in the same month, concluding the two-decade-long war, but sparking a humanitarian crisis. In September 2021, the Taliban established an all-male interim government, breaking promises of inclusivity. Since then, they have carried out severe human rights abuses, particularly targeting women, girls and minority groups.

In 2024, Afghanistan was grappling with a critical humanitarian crisis, with more than 23.7million people in need of aid. The Taliban's restrictions on women, which include banning them from universities and from working in non-governmental organisations (NGOs), along with an August 2024 decree suppressing women's voices in public, have exacerbated the situation. These policies, including rigid dress codes for women, have dangerous and life-threatening impacts. The EU has condemned these actions, demanding an end to the Taliban's ongoing abuses and reaffirming its commitment to supporting Afghan women and girls. The Taliban's links with Al-Qaida and the so-called Islamic State are ambiguous and the country is divided between urban and rural communities.

As one of the world's most aid-dependent countries, Afghanistan is facing an unfolding humanitarian catastrophe leaving half of its population without basic needs, such as food, water and medicines. With over three million internally displaced people and more than two million refugees and asylum seekers in Pakistan and Iran, the humanitarian situation has worsened. The US administration's decision to suspend the US Agency for International Development (USAID) will certainly take a toll on the already dire humanitarian situation in the country.

Afghanistan was the largest recipient of EU development funding in Asia until the Taliban takeover in August 2021. Afghanistan also benefited from the EU's most favourable trading regime, the Everything but Arms (EBA) scheme. The EU allocated

EUR 1.4 billion to Afghanistan for the 2014-2020 period. At the Afghanistan Conference on Peace, Prosperity and Self-Reliance, held in Geneva in November 2020, the EU pledged EUR 1.2 billion for 2021-2025 in long-term and emergency assistance. Since August 2021, the EU has pledged up to EUR 1 billion in support for the Afghan population, of which EUR 489 million will be used for humanitarian aid and EUR 400 million for basic needs and supporting livelihoods. The UN Conference on Afghanistan, held in Geneva in September 2021, pledged USD 1.2 billion, USD 677 million of which was pledged by the EU and its Member States.

In September 2021, EU foreign affairs ministers chose not to recognise the Taliban, but agreed to engage with them based on conditions such as countering terrorism, upholding human rights and forming an inclusive government. Humanitarian access and allowing people to leave Afghanistan were also key factors. In February 2023, EU ministers reiterated their concerns about the Taliban's exclusion of women and the human rights abuses, reaffirming their commitment to peace, stability and support for the Afghan people.

Following the Taliban's return to power, restrictions on women in Afghanistan were reinstated, including laws mandating a male guardian for women to access public spaces and regulations on their attire. While some public universities and schools reopened in 2022, the Taliban went back on their commitment to allow girls to attend secondary school, impacting 1.1 million students. Women's participation in the workforce, which had increased from 15% to 22% over the past decade, has since declined due to growing restrictions. The Taliban has also prohibited women from working in NGOs, shut down beauty salons at a cost of 60 000 women's jobs and banned female students from studying abroad. In July 2024, the Taliban officially adopted the Law on the Promotion of Virtue and the Prevention of Vice (PVPV). This legal framework codifies, consolidates and adds to the Taliban's discriminatory and oppressive restrictions.

In 2023, the EU allocated EUR 156.5 million in humanitarian aid to Afghanistan. In February 2024, the UN Doha Conference on Afghanistan failed to achieve its primary objectives: to delineate a course for international engagement with Afghanistan and to facilitate dialogue between the Taliban and the global community on vital issues. In February 2024, the EU provided EUR 20.1 million to the UN World Food Programme in Afghanistan to improve household food security and community resilience.

The EU is deeply concerned by the re-establishment of an Islamic emirate with a radical sharia legal system. It raises serious questions about the EU's future engagement with Afghanistan, which depends on how the achievements of the past 20 years can be preserved. Particular attention must be paid to the potential increase in international terrorism and migration. Since autumn 2020, Parliament has repeatedly condemned the eruptions of violence and, in a resolution of June 2021 on the situation in Afghanistan, it expressed concern over the consequences of the withdrawal of troops and called for the adoption of a comprehensive strategy for future EU cooperation with Afghanistan. In July 2021, one month before the Taliban takeover, the European Parliament Delegation for relations with Afghanistan (D-AF) held the sixth EU-Afghanistan IPM with representatives of the National Assembly of Afghanistan.

Following the Taliban takeover in August 2021, Parliament's delegation for relations with Afghanistan has voiced concerns about the humanitarian, economic and refugee crisis, which requires humanitarian corridors and a strategic approach for the whole region, including Pakistan, Iran and Central Asia.

Parliament organised a series of events as part of the high-level 'Afghan Women Days' conference in February 2022. In March 2022, the Afghan Women Leaders Forum was launched through a virtual meeting with almost 50 Afghan women leaders joining from Afghanistan and other parts of the world.

In April 2022, Parliament adopted a resolution on the situation of the rights of Afghan women. It condemned the Taliban's decision to extend the ban on girls' schooling and deplored its persistent desire to erase women from public life.

In November 2022, Parliament adopted a resolution on the respect for human rights situation in Afghanistan addressing the deterioration of women's rights.

In April 2023, Parliament also passed a resolution on the respect for human rights in Afghanistan underlining gender persecution.

In October 2023, Parliament adopted another resolution on the human rights situation, in particular the persecution of former government officials and members of the Afghan National Security Forces and the targeting of civil society organisations and human rights defenders. Parliament also expressed its support for holding the de facto authorities accountable, and the ongoing investigation at the International Criminal Court.

In March 2024, Parliament adopted a resolution on the repressive environment in Afghanistan, including public executions and violence against women, calling for the fundamental rights and freedoms of women and girls to be respected fully.

In September 2024, Parliament passed a resolution criticising the worsening conditions for women in Afghanistan, caused by the Taliban's implementation of the PVPV law. The resolution condemns the imposition of Sharia law, the exclusion of women and girls from public life and the violence they endure, such as forced marriages, sexual assault and harsh punishments.

BANGLADESH

EU-Bangladesh relations date back to 1973. The April 2001 Cooperation Agreement covers trade, economic development, human rights, good governance and the environment. As a least developed country (LDC), Bangladesh benefits from the EU's EBA scheme, the most favourable trading regime available under the EU's GSP. Bangladesh is expected to graduate from LDC status by 2026. After a transitional period, the country would then cease to have access to the EBA scheme.

The EU multiannual indicative programme 2021-2027 for Bangladesh is aligned with Bangladesh's eighth Five-Year Plan covering 2020-2025.

In October 2023, at the Global Gateway Forum, Commission President, Ursula von der Leyen, together with former Bangladeshi Prime Minister Sheikh Hasina, launched the negotiations on a new Partnership and Cooperation Agreement (PCA). The EU, the European Investment Bank (EIB) and Bangladesh signed agreements worth

EUR 400 million for renewable energy projects, which will contribute to a sustainable green transition of Bangladesh's power sector and will help Bangladesh to reach its climate mitigation targets. In 2024, the EU postponed negotiations with Bangladesh on the PCA, due to its concerns over certain policies and human rights issues in Bangladesh.

Bangladesh is a parliamentary democracy in which power alternates between two parties, the Awami League and the Bangladesh Nationalist Party. Bangladesh is among the few countries to have achieved the Millennium Development Goals. However, labour rights and working conditions continue to be a serious issue, especially in industrial garment factory areas around Dhaka. Bangladesh's gross domestic product (GDP) has fallen since 2022 due to the crisis following Russia's invasion of Ukraine, the rise in price of commodities and inflation. The country has therefore requested financial assistance from the International Monetary Fund (IMF). Although Bangladesh's garment exports have multiplied over recent years, accidents and fires within factories and other workplaces are common, killing as many as 1 310 workers and injuring 3 883 in the last decade.

Following Prime Minister Sheikh Hasinas's refusal to accept the opposition's (the Bangladesh National Party) demands for a neutral caretaker government to conduct a poll for the January 2024 elections, the BNP boycotted the elections. As a result, in January 2024, Sheikh Hasina secured another five-year term after her party, the Awami League, and its allies won 225 of the parliament's 300 seats.

In July 2024, the decision of Sheik Hasina's government regarding job quotas in the public sector sparked a pro-democracy uprising. The movement gained momentum following the Supreme Court's June 2024 ruling that declared the government's decision invalid, unfolding with the so-called July Revolution that culminated in the massacre of protesters – most of them students. Prime Minister Hasina was forced to resign, taking refuge in India. An interim government was formed under the leadership of Nobel laureate Muhammad Yunus. The formation of the National Citizen Party (NCP), the first student-led party in Bangladesh, constituted a pivotal moment in the political developments in the country. The national political arena has since been dominated by divergent views about democracy consolidation in Bangladesh and the introduction of electoral reforms. The traditional political parties, such as the Bangladesh Nationalist Party (BNP), advocate the organisation of earlier elections, maintaining pressure on Yunus' interim government to call for national elections by the end of the year. In direct confrontation with the BNP, the NCP's leader, Nahid Islam, voiced scepticism about the feasibility of holding elections in 2025, amid demands for national reforms (including constitutional) and security concerns in the face of the existing political and social unrest in the country.

Since August 2017, over 800 000 Rohingya refugees have fled from persecution in Myanmar to Bangladesh. The EU has been closely monitoring the Rohingya refugee crisis, disbursing more than half of the allocations raised after the UN Pledging Conference in October 2017 and the following years, mainly to support Rohingya refugees in Cox's Bazar refugee camps. The Bangladeshi government is making an effort to repatriate the Rohingya, but their return is hampered by conditions in Myanmar.

In November 2023, due to the deteriorating humanitarian situation, the EU released EUR 10.5 million in humanitarian aid to the Rohingya refugees and their host communities living in Bangladesh. In January 2024, in response to a fire in one of the refugee camps, the EU released EUR 300 000 to assist the affected population. As of 2025, Bangladesh still hosts over 800 000 Rohingyas. In March 2025, the EU launched a EUR 2 million project aimed at assisting approximately 8 000 people impacted by the July-August 2024 uprising in Bangladesh. The project, fully financed by the EU, will run until August 2026. Its primary objectives are to improve the physical and mental health of survivors of violence, boost their economic resilience and promote social cohesion, addressing critical needs identified by both the Bangladeshi Government and the EU.

The 8th EU-Bangladesh IPM took place in Brussels in December 2022 to discuss the latest developments in relations, including human rights, trade and the current geostrategic situation.

Parliament passed a resolution in September 2023 on the human rights situation in Bangladesh, notably the case of Odhikar, a leading human rights organisation that has faced harassment and criminalisation for over a decade, including being deregistered as an NGO.

SRI LANKA

EU-Sri Lanka relations date back to the 1975 Cooperation Agreement, upgraded in 1995 by a Cooperation Agreement on Partnership and Development. Sri Lanka was granted access to the EU for its exports under the GSP+ in May 2017 as an incentive for political reforms and compliance with international conventions on human rights, labour rights, environmental protection and good governance. Parliament is closely monitoring Sri Lanka's progress in complying effectively with the GSP+ criteria. The perspectives for transitional justice and national reconciliation, two fundamental conditions for Parliament as regards Sri Lanka's eligibility for benefiting from GSP+, have been significantly undermined. The EU has provided Sri Lanka with EUR 760 million in development assistance over the past decade.

The EU is Sri Lanka's second-largest trading partner after China, accounting for 12.4% of Sri Lanka's total trade in 2023. The EU-Sri Lanka Working Group on Trade and Economic Cooperation met in February 2024 to further enhance bilateral trade ties, market access and regulatory developments, including the EU Deforestation Regulation.

The EU and Sri Lanka held their 26th meeting of the EU-Sri Lanka Joint Commission in February 2024 in Brussels. The EU welcomed Sri Lanka's active participation in the third EU Indo-Pacific Ministerial Forum also held in Brussels in February 2024. The Joint Commission discussed the multiannual indicative programme for Sri Lanka 2021-2027. Within this strategic framework, the EU allocated EUR 60 million in grant funding to its partnership with Sri Lanka for 2021-2024. Sri Lanka updated the Commission on the steps taken to replace the Prevention of Terrorism Act with the Anti-Terrorism Bill to bring the draft law in line with international standards.

Sri Lanka suffered a civil war from 1983 to 2009 between the Sinhalese-dominated government and the Liberation Tigers of Tamil Eelam. Gotabaya Rajapaksa won the presidential elections in November 2019 and appointed his brother, the former President Mahinda Rajapaksa, as the new Prime Minister. In September 2020, the controversial 20th amendment bill was introduced, bolstering the executive powers of the president and weakening the roles of the prime minister and the parliament.

In 2022, Sri Lanka experienced its worst-ever economic crisis, triggering widespread protests due to soaring commodity prices and shortages of basic goods. The protests, which started in April 2022, called for President Rajapaksa's resignation. By July 2022, demonstrators had stormed his residence, forcing Rajapaksa to flee. Both President Gotabaya Rajapaksa and Prime Minister Mahinda Rajapaksa stepped down. Ranil Wickremesinghe assumed the presidency in July 2022 and appointed Dinesh Gunawardena as Prime Minister.

The National People's Power (NPP), led by President Anura Kumara Dissanayake, achieved a historic victory in the November 2024 parliamentary elections. This unprecedented win allowed the NPP to implement substantial reforms. His victory centred on tackling the country's economic crisis, with promises of welfare reforms and criticism of the IMF-backed austerity measures. The outgoing President Wickremesinghe's failure to address the cost-of-living crisis, along with his connections to the Rajapaksa family, contributed to his defeat. The political scene is still dominated by attempts to initiate a reconciliation process and bring to justice the perpetrators of human rights violations during the civil war. In March 2025, the UK imposed sanctions on three former Sri Lankan military commanders and one former Tamil Tiger rebel commander.

In 2022, Sri Lanka experienced its first-ever debt default and turned to the IMF for economic stabilisation. Former President Rajapaksa returned, despite being widely blamed for the crisis. A critical foreign currency shortage led to severe food and fuel scarcities. In 2022, Sri Lanka secured a preliminary USD 2.9 billion IMF loan, dependent on fiscal reforms and debt restructuring. By 2023, the country had reached agreements with creditors and obtained an extended fund facility from the IMF, receiving USD 670 million as part of a four-year USD 3 billion programme. Additional financial support included USD 200 million from the Asian Development Bank and USD 250 million from the World Bank.

In April 2024, the Sri Lankan Government rejected a proposal from its international creditors on restructuring more than USD 12 billion, which could potentially delay the country's next tranche of IMF support money. In March 2025, the IMF approved an additional tranche worth USD 334 million under the USD 2.9 billion programme, expressing confidence in the reforms undertaken by the country and its recovery trajectory. Parliament passed a resolution in June 2021 on the situation in Sri Lanka, in particular the arrests under the Prevention of Terrorism Act.

The 11th EU-Sri Lanka IPM took place from 30 October to 1 November 2023 in Colombo to discuss bilateral relations and Sri Lanka's economic and financial situation.

NEPAL

EU-Nepal relations date back to 1973 and are based on the 1996 Cooperation Agreement. With nearly a quarter of the population living on less than USD 2 a day, Nepal depends on external aid for 25% of its budget. The EU is one of Nepal's biggest development aid donors. The EU has also reiterated the importance of Nepal taking greater advantage of the trade preferences accorded under the EU's Everything but Arms (EBA) scheme for developing countries. The EU currently supports Nepal under the multiannual indicative programme 2021-2027, outlining three priority areas of cooperation: inclusive green growth, human capital development and good governance. These priority areas are also aligned with the EU's global strategies, such as the strategy for cooperation in the Indo-Pacific, the Global Recovery Initiative and the Action Plan on Gender Equality and Women's Empowerment in External Action 2021-2025 (GAP III). The EU is supporting the Nepalese economy and labour demand, thereby boosting individual incomes in a country characterised by serious inequalities between the upper and lower castes, as well as marginalised communities such as the Madhesi.

Nepal continues to progress towards its goal of graduating from least developed country status, with the anticipated transition expected by 2026. This change has implications for Nepal's trade relations with the EU, particularly regarding preferential trade arrangements. The EU-Nepal 15th Joint Commission took place in March 2024 in Kathmandu to discuss bilateral relations. The EU appreciated the achievements made by Nepal in its socio-economic transformation and the implementation of its National Development Plan 2019-2024. The EU and Nepal appraised the recent developments in upholding the democratic processes and institutions, and stressed the importance of civil society and media in strengthening democracy and good governance. The EU complimented Nepal for its position on climate change during COP28 and also on its ambitious goal of becoming net zero by 2045.

The EU-Nepal Business Forum 2024, held in Kathmandu in May 2024, brought together Nepali and European businesses to explore investment opportunities and strengthen trade relations, focusing on key sectors such as renewable energy, agriculture and tourism.

In January 2024, candidates from the ruling coalition, led by the Nepali Congress, emerged victorious in the National Assembly elections. The surge in global oil and commodity prices in 2022 put a strain on Nepal's economy, sparking social unrest and demands to reinstate the Hindu monarchy. Due to Nepal's mixed electoral system, achieving a majority is challenging, often resulting in coalition governments and power-sharing arrangements.

China and India are competing for influence in the country. In December 2024, Nepali Prime Minister Dahal visited China to discuss investments and infrastructure projects under the Belt and Road Initiative (BRI).

The country's main challenges are achieving a peaceful solution to the political deadlock via reform of the constitution, which needs to be amended to accommodate the interests of Dalits and ethnic minorities, particularly the Madhesi in Terai, and guaranteeing the rights of migrant Nepali citizens abroad. On the social front, the implementation of the new Citizenship Act in June 2023 provided a pathway for hundreds of thousands of stateless Nepalis to obtain citizenship, addressing a long-standing issue of national identity. The coalition government led by Prime Minister Dahal has struggled with economic challenges and corruption scandals, but has shown political resilience and relative stability. In 2023, Nepal entered into its first recession in six decades amid high inflation, political uncertainty and the declining confidence of investors. This exacerbated the exodus of Nepali youth and raised concerns and social discontent in the face of the long-term impact on the domestic workforce and economy.

In March 2025, pro-monarchy rallies in Kathmandu led to clashes, resulting in two deaths and many injuries. Demonstrators called for the restoration of the monarchy and Hindu statehood, reflecting public dissatisfaction with the current republican system.

The Nepalese Government has not delivered transitional justice to the victims of the civil war, allowing a culture of impunity to persist. The Truth and Reconciliation Commission, set up in 2014, has been ineffective in addressing serious human rights violations such as torture and sexual violence. Similarly, the Commission of Investigation on Enforced Disappeared Persons, created in the same year to investigate disappearances during the conflict, has encountered difficulties in fulfilling its mandate. In April 2020, the Supreme Court called for changes to the Commission's mandate to avoid impunity, a recommendation supported by human rights organisations. However, a bill proposed in 2022 failed to meet the Court's recommendations, and a new bill introduced in March 2023 has been criticised for not facilitating the prosecution of perpetrators. Parliament's Delegation for Relations with South Asia (DSAS) visited Nepal in September 2022 to assess Nepalese relations with the EU, which is the main cooperation donor. As Nepal may graduate from LDC status by 2026, Parliament welcomed the fact that Nepal has already ratified most of the 27 core conventions required to apply for GSP+.

BHUTAN

Isolated from the outside world for centuries, Bhutan is adapting to globalisation and strengthening its economy, while at the same time preserving its ancient traditions. It made a peaceful transition to parliamentary democracy under the Constitution adopted in 2008, guaranteeing the separation of powers under a constitutional monarchy. The EU supports Bhutan's full autonomy from its powerful neighbours – India and China – and retains the conviction that the country should be able to formulate its own security and foreign policy, recognising ongoing concerns over loss of sovereignty on account of Bhutan's geographical location.

The EU has had a strong presence in Bhutan since 1982, working to reduce poverty, promote democratisation and good governance and support sustainable agriculture and renewable natural resources. A new EU-Bhutan Trade Support Project was launched in May 2018 with the aim of improving value addition, market linkages and the trade and investment regulatory framework.

The EU supports Bhutan's development plans and grants Bhutan greater preferential access to EU markets under the GSP+, provided it fulfils the necessary conditions. The EU praises the Himalayan country for its actions towards ensuring sustainable, low-carbon and climate-resilient development, noting that Bhutan has taken significant steps to protect the rights of children and women and foster gender equality. Most notably, the Bhutanese Parliament decriminalised homosexuality in December 2020.

The multiannual indicative programme 2021-2027 focuses on climate change, governance and the digital transition. EUR 31 million was allocated for the period 2021-2024. The EU and Bhutan signed a framework agreement with the EIB to provide concessional financing for development projects. In March 2023, the EIB backed climate action and renewable energy investment efforts in Bhutan. In April 2024, the EIB signed a framework loan of up to EUR 150 million to finance solar power plants and small hydropower investments in Bhutan.

The EU and Bhutan held their 12th Annual Consultations in Brussels in September 2024. Key topics discussed included Bhutan's recent graduation from LDC status, the launch of its 13th Five-Year Plan and the implementation of the country's major new initiative, the Gelephu Mindfulness City project. The EU commended Bhutan for ratifying the UN Convention on the Rights of Persons with Disabilities and urged the country to consider signing additional human and labour rights conventions. Regarding trade, Bhutan will retain duty-free and quota-free access to the EU market under the EBA initiative until 2028, with preparations required for transitioning out of the system. The EU also offered to share its expertise with Bhutan on geographical indications.

The 40th anniversary of the EU-Bhutan partnership took place in January 2025 in Brussels, with Bhutan's Prime Minister Tshering Tobgay in attendance. During the visit, the Commission pledged an additional EUR 17 million support package for Bhutan, designed to strengthen good governance and facilitate the country's digital transition, fostering inclusive and sustainable development.

Bhutan, a monarchy committed to strengthening democracy, has created a distinct national identity based on the preservation of its religion, culture and environment. The country uses the Gross National Happiness (GNH) index, grounded in Buddhist values, to assess both economic growth and the well-being of its citizens. Established in Bhutan's 2008 Constitution and recognised by the UN in 2011, GNH covers areas such as mental health, education, healthcare and environmental sustainability. Bhutan's environmental policies are focused on safeguarding its biodiversity, which is threatened by climate change, while preventing ecological harm in alignment with GNH principles. At the COP29 climate summit held in November 2024 in Baku, Bhutan co-founded the G-ZERO coalition alongside Madagascar, Panama and Suriname. This initiative unites countries that have achieved carbon-negative or carbon-neutral status, aiming to demonstrate that balancing economic growth with environmental sustainability is both possible and essential. Bhutan held a general election in January 2024, won by former Prime Minister Tshering Tobgay, from the Peoples Democratic Party, with a large parliamentary majority.

Parliament's Delegation for Relations with South Asia (DSAS) visited Bhutan in September 2022 to assess the country's socio-economic development, as it was set to graduate from LDC status by December 2023.

In February 2025, Prime Minister Tshering Tobgay visited the European Parliament and met with Vice-President Christel Schaldemose and the Delegation for relations with South Asia (DSAS). Tobgay presented the Gelephu Mindfulness City, a national eco-friendly urban development project covering over 2 500 square kilometres near the Indian border, aiming to attract investment and create jobs, while ensuring sustainability.

THE MALDIVES

Although there is still no formal agreement with the Maldives, the EU provides cooperation support for rural communities, tourism and climate-change mitigation. In July 2018, the EU Foreign Affairs Council adopted a framework for targeted restrictive measures against persons and entities responsible for undermining the rule of law or obstructing an inclusive political solution in the Maldives, as well as for those responsible for serious human rights violations. The European Council decided in April 2021 to launch negotiations on an EU-Maldives Partnership and Cooperation Agreement, an important milestone in bilateral relations.

In June 2023, the fourth EU-Maldives Senior Officials Meeting was held in Brussels to celebrate the 40th anniversary of establishing diplomatic relations. The fifth Senior Officials Meeting was held in June 2024 in the Maldives, and focused on the mutual commitment to cooperation in various sectors, including democratic reforms, the green transition, climate change mitigation and adaptation, as well as good governance, human rights and security.

The Maldives graduated from the LDC category in 2011 and attained upper-middle income status in 2013. The economy is based mainly on tourism and fisheries. With tourism comprising 70% of GDP, the Maldives' economy was severely affected by the COVID-19 pandemic. In August 2021, the EU agreed to provide EUR 2 million in free aid to develop the guesthouse and live aboard industry in the Maldives under the project 'EU Support for a Resilient Recovery of SME (small and medium-sized enterprise) Tourism Industry in the Maldives'. The multiannual indicative programme 2021-2027 focuses on two priority areas in the Maldives: fostering a green economic recovery, and enhancing good governance, the rule of law and security. For the 2021-2024 period, the EU dedicated EUR 12 million in grant funding to its partnerships with the Maldives.

Climate change poses serious challenges to the Maldives, including rising sea levels and coastal erosion, threatening its future. In response, the country's parliament plans to implement its first Climate Act to reduce pollution and protect the environment. Sea levels in Malé have risen nearly 4 mm per year over the past 20 years, with projections of a 40-50 cm increase by 2100. This could lead to beach erosion, flooding and salinity issues, affecting 80% of the coastal population and posing an existential threat to the nation.

The country suffers from high youth unemployment, gang violence and drug addiction. In September 2023, Mohamed Muizzu won the presidential election in the Maldives after a second-round run-off against incumbent Ibrahim Mohamed Solih. President Muizzu is widely seen as being more receptive towards China's interests in the country over those of India. Maldives's parliamentary elections took place in April 2024, with

President Mohamed Muizzu's pro-China People's National Congress party winning 70 of the 93 seats. Meanwhile the pro-India Maldivian Democratic Party obtained 15 seats.

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