

CHINA–BHUTAN RELATIONS: CHALLENGES AND IMPLICATIONS FOR INDIA

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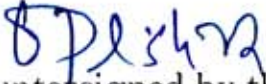
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List of Abbreviations

- ABI:** Association of Bhutanese Industries
- ADB:** Asian Development Bank
- AEP:** Act East Policy
- ASEAN:** Association of the Southeast Asian Nations
- BBC:** British Broadcasting Corporation
- BBIN:** Bangladesh Bhutan India Nepal
- BCCI:** Bhutan's Chamber of Commerce and Industry
- BHIM UPI:** Bharat Interface for Money-Unified Payments Interface
- BIMSTEC:** Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
- BIT:** Bilateral Investment Treaty
- BRI:** Belt and Road Initiative
- BRICS:** Brazil Russia India China and South Africa
- BRO:** Border Roads Organisation
- BTDR:** Bitdeer Technologies Group
- BTF:** Bhutan Tiger Force
- CBTE:** Cross-Border Trade in Electricity
- CC:** Central Committee
- CCP:** Chinese Communist Party
- CEA:** Central Electricity Authority
- CEP:** Centre for Escalation of Peace
- CICIR:** China Institute of Contemporary International Relations
- CMC:** Central Military Commission
- CPB:** Communist Party of Bhutan
- CPEC:** China-Pakistan Economic Corridor
- CTA:** Central Tibetan Administration
- CTBT:** Comprehensive Test Ban Treaty

CWT: Central and Western Tibet
DC: Developing Countries
DGPC: Druk Green Power Corporation
DHI: Druk Holding and Investments
DOR: Department of Roads
DPR: Detailed Project Report
DPT: Druk Phuensum Tshogpa
EC: Election Commission
EIA: Environmental Impact Assessment
EIC: East India Company
EGM: Expert Group Meeting
EU: European Union
EVM: Electronic Voting Machine
FDI: Foreign Direct Investment
GDP: Gross Domestic Product
GEF: Global Environment Facility
GOI: Government of India
GLOF: Glacial Lake Outburst Floods
GNH: Gross National Happiness
GST: Goods and Services Tax
HICDP: High-Impact Community Development Projects
ICA: Investment Climate Assessment
ICCR: Indian Council for Cultural Relations
ICSID: International Centre for Settlement of Investment Disputes
ICT: Information and Communication Technology
IDA: International Development Association
IED: Improvised Explosive Device
IFAD: International Fund for Agricultural Development
IG: Intergovernmental Model

ILO: International Labour Organisation
IMA: Indian Military Academy
IMF: International Monetary Fund
IMTRAT: Indian Military Training Team
INR: Indian Rupee
IOR: Indian Ocean Region
IT: Information Technology
ITBF: Indo-Tibetan Border Force
ITES: Information Technology Enabled Services
JICA: Japan International Cooperation Agency
JV: Joint Venture
KLO: Kamtapuri Liberation Organisation
KMT: Kuomintang
LCS: Land Custom Station
LDC: Least Developed Countries
LEP: Look East Policy
MEA: Ministry of External Affairs
MFA: Ministry of Foreign Affairs
MOU: Memorandum of Understanding
MVA: Motor Vehicles Agreement
MW: Megawatts
NAM: Non-Aligned Movement
NDA: National Defence Academy
NDFB: National Democratic Front of Bodos
NER: North Eastern Region
NEFA: North-East Frontier Agency
NH: National Highway
NIA: National Investigating Agency
NPC: National People's Congress

NPCI: National Payment Corporation of India

NSCN (IM): National Social Council of Nagaland (Isak Muivah)

NSG: Nuclear Suppliers Group

NU: Ngultrum

PDP: People's Democratic Party

PLA: People's Liberation Army

PPAs: Power Purchase Agreements

PRC: People's Republic of China

PSU: Public Sector Undertakings

PTA: Project Tied Assistance

QUAD: Quadrilateral Security Dialogue

RBA: Royal Bhutan Army

RCEP: Regional Comprehensive Economic Partnership

RGOB: Royal Government of Bhutan

SAARC: South Asian Association for Regional Organisations

SAFTA: South Asian Free Trade Area

SASEC: South Asia Sub-Regional Economic Cooperation

SBI: State Bank of India

SCO: Shanghai Cooperation Organisation

SDF: SAARC Development Fund

SDP: Small Development Projects

SEZ: Special Economic Zones

SJVN: Sutlej Jal Vidyut Nigam

SOEs: State-Owned Enterprises

TAR: Tibetan Autonomous Region

TWS: Three Warfare Strategy

ULFA: United Liberation Front of Assam

UN: United Nations

UNCTAD: United Nations Conference on Trade and Development

UNDP: United Nations Development Programme
UNESCO: United Nations Educational, Scientific and Cultural Organisation
UNICEF: United Nations International Children’s Emergency Fund
UNGA: United Nations General Assembly
UNHRC: United Nations Human Rights Council
UNSC: United Nations Security Council
URYB: United Revolutionary Youth of Bhutan
USSR: Union of Soviet Socialist Republics
WB: World Bank
WDS: Western Development Strategy
WHO: World Health Organisation
WTO: World Trade Organisation

Preface

It was in December 2017, during my visit to Bhutan, that my interest in the country truly deepened. Bhutan's commitment to Gross National Happiness (GNH), its reverence for tradition and heritage, and its harmonious coexistence with nature sparked a profound curiosity within me. A literature review revealed that the focus has been mostly on India's relationship with Pakistan, China, Bangladesh, Sri Lanka, and Nepal. This renewed my interest in Bhutan. During the course of my initial study on Bhutan, I found that most of the scholars have either concentrated on the relationship between India and Bhutan or between India and China. Even when it comes to the literature available on the relationship between India and Bhutan, the Bhutanese perspective and concerns are mostly ignored. The focus is primarily restricted to issues related to the hydropower sector. Bhutan's viewpoint and experiences have often been overlooked. Similarly, there is a scarcity of literature regarding the relationship between China and Bhutan. A comprehensive study of the relationship between China and Bhutan has not been undertaken so far. Moreover, as most of the scholars focus on developing a strategy to counter China, Bhutan is likely to face several challenges as well as opportunities when it comes to engaging with China. The present study is a modest attempt to fill this gap.

Therefore, under the guidance of my supervisor, I decided to study China-Bhutan relations and its challenges and implications for India. Bhutan is facing several changes in the 21st century, both domestically and externally. Domestically, it changed its government structure from an absolute monarchy to a constitutional democracy in 2007, from being a closed and traditional society to a more open and modern society. Externally, Bhutan is moving from a guided foreign policy to playing a more independent role internationally. Although the foreign policy is still guided by the King, who still maintains close ties with India, the increasing competitive politics and changing public perception within Bhutan can further complicate the changes it is currently

undergoing. Bhutan, which was once relatively isolated, has recently begun to engage with the outside world and needs economic assistance for its development. China is waiting to seize this opportunity by facilitating free trade and increasing investment in Bhutan.

Moreover, Bhutan's engagement with China, although limited, has been increasing since the 1970s. The boundary negotiations between the two countries started in 1984. Since then, both parties have gone through 24 rounds of negotiations. Following the Doklam standoff, the degree of engagement has been rising quickly as both parties have agreed to a Memorandum of Understanding (MOU), a "Three-Step Roadmap," to hasten the resolution of the boundary issue. In addition, the 11th, 12th, and 13th Expert Group Meetings between China and Bhutan were all conducted within a year, separated only by months. This has been of particular concern for India. China's rapid modernisation drive to improve infrastructure in TAR, extending up to the China-Bhutan border, has added to India's insecurity. Given the circumstances, the rapid development of China-Bhutan relations and the resolution of their border dispute will have security consequences for India. Therefore, the study will focus on the China-Bhutan relationship, the emerging politico-security discourse within Bhutan, and the various foreign policy options that may have an impact on India.

China-Bhutan Relations: Challenges and Implications for India

Introduction to the Thesis

Background

The world order is in transition. In the current geopolitical landscape, we are witnessing a shift towards a multi-polar world, marked by the emergence of several regional powers. China and India, as the two most influential countries in the South Asian region, play a significant role in shaping the evolving regional dynamics. China has experienced significant growth recently, with India not far behind. Over the past decade, China has considerably expanded both its economic and political sway in the South Asian region. For instance, there is cooperation between Bangladesh and China in the realm of defence, and China maintains a strategic alliance with Pakistan. Chinese influence over Nepal and Sri Lanka has increased over time, both diplomatically and economically. China is currently supporting a military coup in Myanmar.

Moreover, all of the aforementioned countries have joined China's Belt and Road Initiative (BRI). India historically has been a dominant player in the region; thus, Indian experts and policymakers have perceived China's increasing presence as a challenge to the regional balance. Consequently, as India and China seek to strike a balance between cooperation and contention in South Asia, their respective positions in the region are complicated by their many cross-border linkages with other neighbouring countries as well as their desire to exert more influence on these countries.

If the past is any guide, China and India would like to alter the regional order as they develop in order to advance their interests. The smaller countries in South Asia will face a significant challenge as a result since they are more vulnerable to China and India's regional activities, policies, and strategic

objectives. Due to South Asia's strategic placement between India and China, both countries are extremely sensitive to the political developments in the region. In this regard, India and China are both South Asia's immediate neighbours and cannot be disregarded, as they are brought into focus when looking at the foreign policy manoeuvres of smaller South Asian countries. From their vantage point, any political change taking place in South Asia has an immediate impact on their security perspective.

Bhutan is not an exception to this rule, since it has had difficulties managing its relations with China and India. At first glance, Bhutan does not appear to be a country that would attract the attention of regional powers. The reason for this interest is not Bhutan's untapped mineral resources or a large consumer base, but Bhutan's geographical location. Bhutan is known as the "land of the Thunder Dragon," alluding to the violent thunderstorms that frequently rage through the Himalayan valleys. Bhutan, which only recently initiated its engagement with the global community (allowing television and internet access in 1999),¹ is now embroiled in a high-stakes diplomatic conflict between India and China. The centrepiece of this issue is territory. Beijing has laid claim to 764 square kilometres within Bhutan. The dispute extends from Jakarlung and Pasamlung in north-central Bhutan (495 square kilometres), located near the TAR, and Doklam, Sinchulungpa, Dramana, and Shakhatoe in western Bhutan (269 square kilometres), near the China-Bhutan-India tri-juncture.

In 2020, China brought up a new dispute in the eastern sector of Bhutan. The new disputed territory is the Sakteng Wildlife Sanctuary (740 square kilometres) in the Trashigang district of Bhutan. China asserts a significant territorial claim in the Western sector due to its proximity to the tri-junction points of Bhutan, India, and China. The disputed area in the western sector

¹ "Bhutan: Things you may not have known about the country," *BBC*, April 14, 2016, <https://www.bbc.com/news/world-asia-36041907>.

where China is particularly interested is the Doklam plateau. The importance of the tri-junction can be understood from the Doklam standoff, which took place in 2017.

The People's Liberation Army crossed into Bhutanese territory on June 8, 2017, as part of their *Salami Slicing Tactic*, with road-building equipment to build a motorable road from Doklam to Bhutan's Jampheri Ridge (also known as Zompelri). China intended to facilitate a smooth transit for China's military logistics from the Tibetan city of Shigatse through Yadong, across the border into Doklam, and finally south to China's claim line at Gipmochi. A Chinese road in the disputed territory would support China's claim over Doklam. In response, as part of Operation Juniper, some 270 armed Indian soldiers from the Sikkim garrison crossed into Bhutan to stop the PLA from building the road. This resulted in a 73-day face-off between India (Indian army and Indo-Tibetan Border Force) and China (PLA) in the remote stretch of the Himalayas.

China has been using *Salami Slicing Tactics* as a part of its *Escalation Strategy* in Bhutan. China's *Escalation Strategy* refers to how China approaches and manages the use of physical force, intimidation, and other coercive mechanisms in pursuit of its strategic goals. Salami Slicing Tactic is part of its *Escalation Strategy*, which includes a gradual encroachment in the disputed territories. This involves making incremental territorial gains over time, which individually might not trigger a major response from its opponents but cumulatively can result in significant changes to the status quo. In this context, Bhutan holds a pivotal role in safeguarding India's security in the northeastern region and its Siliguri Corridor, while for China, gaining control over Doklam would provide a strategic edge over India.

Chinese assertions regarding Bhutan are rooted in their claims over Tibet. The historical relationship between Bhutan and Tibet has consistently been

intricate and multifaceted. The Gelugpa (yellow hat) controlled the political system in Tibet and sought to impose its dominance over the entire Buddhist world in the Himalayas, while the Drukpa (red hat) of Bhutan resisted such attempts. Even internally within Tibet, the conflict between the aforementioned sects led many Tibetan lamas to migrate to Bhutan, which had a significant impact on its culture and the evolution of its political structure. Bhutan, therefore, culturally shares a closer connection with Tibet than with India.

Bhutan initially experienced a tumultuous relationship with British India, primarily due to conflicts related to Cooch Behar and, secondarily, concerning the administration of the Duars, which encompasses fertile lands in the Brahmaputra and Ganga regions of Assam and Bengal. Bhutan's political ties with its southern neighbour, however, grew as a result of the Tibetan troop's continued attempts to assert their sovereignty over Bhutan by extending their claims there. As the Qing dynasty extended its claims over Tibet in the 18th century, it marked the beginning of China's efforts to extend its claims to regions beyond Tibet. Even after the collapse of the Qing dynasty in the 20th century, China's assertion of authority over Tibet and neighbouring states in the Himalayan region remained unchanged. In 1951, Bhutan became China's neighbour after Tibet was absorbed into Chinese territory. This event brought boundary-related challenges to the forefront, and these issues continue to remain unresolved to this day.

Both of Bhutan's neighbours have been rivals in the region, which has made it challenging for a small landlocked country like Bhutan. Although Bhutan has never been colonised, it has faced security threats from its large neighbours throughout history. Tibet in the north and British India in the south posed a threat to Bhutan's security. Today, the focus of big power politics has shifted from Tibet in the north to China and British India in the south to India. The competition between China and India for economic and

political sway exerts significant pressure on Bhutan. Furthermore, the country has faced several difficulties and complexities due to its undelineated border with China. It has been exceedingly challenging for Bhutan to strike a balance between its economic and strategic ties with both China and India. As a result, many times Bhutan has aligned its political decisions with either China or India, thereby potentially compromising its sovereignty and independent foreign policy. These cases in point have been explored in this thesis. I have put forward a brief introduction of what this thesis is about, along with the statement of the problem, a review of the literature, the research gap, the rationale and scope of the study, the research questions, the research methodology, and a brief overview of the chapter contents.

Statement of the Problem

India's recognition of Bhutan's sovereignty and territorial integrity, in contrast to China, has greatly influenced Bhutan's foreign policy towards China. However, at present, the public perception is changing in Bhutan. There have been some challenges in the relationship between India and Bhutan, and in the backdrop is the China factor. The issues between India and Bhutan have always existed; however, they have now gained more attention as a result of China. Moreover, the internal transformations within Bhutan, including its successful transition to democracy in 2008, have significantly influenced public opinion within the country. The year 2008 may go down in the history of South Asia as a year of democratic institutionalisation and electoral process. After Pakistan and Nepal, Bhutan is a case in sight. In 2008, Pakistan witnessed a historic democratic transition. The military regime under the leadership of General Parvez Musharraf ended, paving the way for democratic elections. These elections represented yet another transition from military rule to civilian governance. In Nepal, the monarchy was abolished and a federal democratic republic was established. But what makes Bhutan's case unique is that democracy was not established as a result of popular movements

demanding political change and representative governance. Democracy was a “top-down gift” to the people by the King.

Even though the King continues to have a say in Bhutan’s foreign policy, as democratic institutions start to take hold, this may change in the years to come. Until 2007, Bhutan’s foreign policy was significantly influenced by India, as per the terms of the 1949 Treaty, which required Bhutan to seek India’s advice regarding its foreign affairs. However, during Bhutan’s transition to a constitutional democracy, the treaty underwent modifications, and the clause pertaining to India’s guidance on external affairs was not retained. India no longer serves as Bhutan’s primary source of guidance on matters relating to its foreign policy. Today, Bhutan has established diplomatic relations with 54 countries. Though not known to many, Bhutan’s engagement with Singapore has increased tremendously. Bhutan has been particularly fascinated with the Singaporean model of development and wishes to implement it in its country. Together, the two countries are attempting to overhaul all facets of Bhutan’s public services, including the civil service and educational system. Initiatives are being made to improve the skills and capabilities of public servants, educators, and other professionals. While Singapore can emerge as a potential challenge for India and Bhutan relations, China is already a major cause of concern in India and Bhutan relations.

In recent times, Bhutan has shown a growing inclination towards fostering closer relations with China. The proliferation of social media and television has heightened public awareness regarding the robust economic ties between China and South Asian countries, notably India. Bhutan’s engagement with China, although limited, has been increasing since the 1970s. The boundary negotiations between the two countries started in 1984. Since then, both parties have gone through 24 rounds of negotiations. Following the Doklam standoff, the degree of engagement has been rising quickly as both parties have agreed to a Memorandum of Understanding (MOU), a “Three-Step

Roadmap,” to hasten the resolution of the boundary issue. In addition, the 11th, 12th, and 13th Expert Group Meetings between China and Bhutan were all conducted within a year, separated only by months. This has been of particular concern for India. China's rapid modernisation drive to improve infrastructure in TAR, extending up to the China-Bhutan border, has added to India's insecurity. Given the circumstances, the rapid development of China-Bhutan relations and the resolution of their border dispute will have security consequences for India.

Review of Literature

In A.C. Sinha, *Dynamics of the Bhutanese Polity and Emergent Foreign Relations, In Bhutan Dilemma of Change in a Himalayan Kingdom*, edited by B.C. Upreti (Delhi: Kalinga Publishers, 2004), the core focus lies in examining the transformation of Bhutan's political framework, underscoring the significant role Tibet played in shaping Bhutan's cultural, economic, and political establishments. The author brings to our attention Bhutan's fast-evolving situation. If the Bhutanese monarchy has endured in a period of democracy and liberalisation, it is because it has matured and changed with the times. The author gives us an introduction to Bhutan's ecology, unique geography, history, and sociocultural environment, all of which contribute to the country's uniqueness. Bhutan has also been impacted by South Asia's goals for modernisation and growth, but interestingly, it was the monarch who took on this role. Since 1953, when the third King Jigme Dorji Wangchuk assumed the throne, democracy has been a top-down gift from the King to the populace. Bhutan faces the difficult task of attempting to preserve its rich cultural uniqueness while embracing democracy and modernisation. Despite facing challenges, Bhutan has consistently given paramount importance to safeguarding its national interests, formulating its foreign policy vis-à-vis China and India, and enhancing its global presence to advance these interests.

By examining national political institutions like the creation of the Tshogdu (National Assembly) in 1953, the Royal Advisory Council in 1965, and the Council of Ministers in 1968, Leo E. Rose's *The Politics of Bhutan* (Ithaca, N.Y.: Cornell University Press, 1977) provides a thorough understanding of both the constitutional development of modern Bhutan as well as its evolutionary history. There are two distinct periods in Bhutan's political history. The first of these spans the years 1907 to 1952, which corresponds to the reigns of the first two kings. During this time, efforts were made to turn a conventional theocratic government (heavily influenced by Tibet) into an absolute monarchy that was highly centrally organised. From 1953 to the present day, there has been a significant transition towards a constitutional monarchy with restricted powers, where the monarchy remains the focal point of the political system while decentralising certain powers and authorities to other political and administrative bodies. Aside from providing readers with insights into Bhutanese politics, Rose also delves into the development of Bhutan's foreign policy and India's significant role in the "modernisation of Bhutan."

Rajesh Kharat's book, titled *Foreign Policy of Bhutan* (New Delhi: Manak Publication Private Limited, 2005), primarily aims to chart the progression of Bhutan's foreign policy, transitioning from a policy of isolationism to one of expansionism. The author employs various definitions of small states to offer readers insights into the characteristics that define such states. When assessing the foreign policy of landlocked countries, Kharat delves into Bhutan's limitations in comparison to its neighbouring nations, India and China. These limitations encompass areas like economic development, size, population, skilled labour, military capability, technology, and geographical location. Bhutan, a landlocked and economically dependent country, struggles to maintain an autonomous foreign policy because it is frequently influenced by more developed countries. The author examines the political history of Bhutan dating back to the 7th century and its struggle to be an independent, sovereign

state in order to explain its external relations. There is no denying that small states are constrained by geographic, economic, and political factors. Bhutan has taken into consideration these limitations when it comes to framing its foreign policy. In the modern era, Bhutan's foreign policy has effectively shifted from isolation to expansionism. Providing an extensive historical account of Bhutan's interactions with Tibet, China, British India, and an independent India serves to offer readers valuable insights into the objectives and fundamental principles that underpin Bhutan's foreign policy.

Dorji Penjore goes into great detail about the issues that may affect Bhutan's security in the next few years in his article *Security of Bhutan: Walking between the Giants*, *Journal of Bhutan Studies* (2010). He begins by outlining the vulnerability of tiny states in the struggle for dominance and power among the larger powers since they have historically been targets for acquisition. He goes into great detail on how the normative definition of security has changed. The military threat to security has changed to a non-military threat nowadays. While the presence of a genuine military threat is acknowledged, the article underscores the emergence of a subtler, more lethal, and intricately managed security concern. It underscores the geostrategic significance of Bhutan's relation to China and India's security. The author also addresses the difficulties that a small country like Bhutan must confront due to its geographical location. The author asserts that the China-Bhutan relationship is growing stronger, with China actively endeavouring to entice Bhutan away from its unique affiliations with India. Bhutan's economy is highly dependent on India, and Bhutanese are aware of this reality. Then again, Bhutan has also seen the reach of India's economic diplomacy in Nepal whenever it has attempted to play the China card. Therefore, Bhutan's biggest challenge is upholding its independence and sovereignty vis-à-vis its two neighbours in the 21st century.

Manorama Kohli's 1983 book *From Dependency to Interdependence: A Study of Indo-Bhutan Relations* (Delhi: Vikas Publishing House, 1993) covers every aspect of India and Bhutan relations from 1911 to 1990. In the book, significant historical events are graphically discussed. The main developments that fundamentally altered Bhutan's political situation were the treaties of Sinchula in 1865 and Punakha in 1910. She looks into the Chinese activities in Tibet that triggered the start of boundary negotiations between China and Bhutan. A significant turning point for Bhutan occurred when China annexed Tibet. Bhutan's concerns deepened concerning China's intentions and strategies in the Himalayan region. Faced with these developments, Bhutan found itself compelled to close its northern borders and pivot towards India for economic assistance. The author has also examined Bhutan's post-1970s foreign policy decisions. These decisions, she continues, were daring and assertive. She even suggests that Bhutan might eventually incline towards China. Her specific examples to support her position are well-taken. In case Bhutan senses no threat to its survival from China, the author does not completely rule out the possibility of a return to the previous pattern of engaging with Tibet by developing relations with China.

Phunchok Stobdan, in his paper on *India and Bhutan: The Strategic Imperative*, *Institute for Defence Studies and Analyses, IDSA Occasional Paper Number 36* (2014), covers in detail the domestic and external challenges that Bhutan is bound to encounter in the 21st century. He looks at Bhutan's connections with Tibet, China, British India, and independent India. One of the main causes of this unequal relationship, according to Stobdan, is the exploitative character of the economic support that India provides to Bhutan. The difficulties the Druk Phuensum Tshogpa (DPT), the first democratically elected party, had in trying to diversify Bhutan's economic and foreign relations with China are also covered by Stobdan. The author delves extensively into the increasing Chinese interest in Bhutan and the Indian government's approach, which involves a

mixture of “carrot and stick policy.” The crisis in relations between India and Bhutan in 2012, during which India attempted to establish its assertiveness by removing its subsidies on cooking gas and kerosene in Bhutan, is used in depth to highlight India’s economic diplomacy. Stobdan claims that this severe measure by the previous Indian administration had a detrimental effect on Bhutan’s economy, and India lost its credibility as a result. Most importantly, Stobdan presents a thought-provoking viewpoint: rather than limiting Bhutan’s engagement with its northern neighbour, India should consider Bhutan as a potential bridge. If China can extend its influence southward, why can’t India explore opportunities to engage with the north?

India’s economic diplomacy has also been covered in the paper *Bhutan and Sino-Indian Rivalry: The Price of Proximity*, by Subrata K. Mitra and Srikanth Thaliyakkattil, published in *Asian Survey Volume 58, Number 2 (2018)*. This article has explored the divergent viewpoints on international issues between India and Jigme Yoser Thinley, Bhutan’s first democratically elected Prime Minister. The authors argue that Thinley’s international diplomatic efforts to strengthen Bhutan’s image and secure its sovereignty are what led India to use economic diplomacy as a tool to secure its objectives in Bhutan. The article makes the case that 2012 was not the first time that India used economic diplomacy as a tactic to further its strategic goals. In the aftermath of the assassination of “pro-Indian” Prime Minister Jigme Dorji and the growing influence of China in Bhutan, India temporarily suspended its financial assistance in 1964. This move had a destabilising impact on Bhutan’s economy, which heavily relied on foreign aid. The paper also briefly touches upon India and Bhutan's relationship since the British era. The Doklam standoff and the various narratives of the three countries have also been examined in this paper. The Chinese emphasised that “the construction of the road in Doklam is an act of sovereignty on its own territory. It is completely justified and lawful.” The Indian government maintained that “China had violated the 2012

understanding on disputes involving tri-junction points between India, China, and third countries.” The Royal Government of Bhutan issued a statement saying, “China has violated the 1988 and 1998 agreements signed between the two countries.” The authors contend that the official statements made by the governments of China and Bhutan all lead in the same direction, namely, that “India has no role in the dispute.”

In his work, *China-South Asia Strategic Engagements–2 Bhutan-China Relations, Institute of South Asian Studies, Working Paper, Number 157 (2012)*, Mathew Joseph C. also discussed the rise of Chinese influence in Bhutan in the mid-1960s. He contends that with the introduction of democracy, instances of Chinese interference in Bhutan’s domestic affairs will probably become more frequent. Mathew Joseph C. described the political turmoil that Bhutan underwent during the mid-1960s due to the increasing influence of China. The ruling elite was divided between the “pro-China” lobby and its adversaries. As a consequence of a power struggle within Bhutan’s ruling elite, Prime Minister Jigme Palden Dorji was assassinated. This was followed by an attempt to depose King Jigme Dorji Wangchuck (the third King). He uses this as an example to argue that Bhutan is likely to witness a growth in Chinese influence in the coming years. The democratic parties with vested interests may engage in internal conflict as a result of this political shift. Because of this situation, China will be able to meddle in Bhutanese politics and broaden its influence there. It will therefore make it possible for China to participate more actively in the politics of the Himalayan region.

Swaran Singh, in his book on *China-South Asia: Issues, Equations, Policies (India: Lancer's Books, 2003)*, offers a thorough examination of the historical connections between South Asia and China, with a particular emphasis on the role of Tibet in India-China relations. Tibet remains a crucial element in the India-China relations. The book primarily concentrates on China’s diplomatic engagements with India and its neighbouring South Asian countries. The

author extensively evaluates China's approach towards the South Asian region after the 1948 revolution. According to Singh, since the communist takeover in Beijing, China has demonstrated a greater interest in cultivating strong relationships with South Asian countries such as Pakistan, rather than with India, which happens to be the largest country in South Asia. He makes the argument that Beijing and New Delhi's rivalry significantly influenced Chinese policies towards the region. According to him, China has acknowledged India's hegemony in the South Asian region. He cites Bhutan as an example, a country that does not yet have diplomatic connections with China despite recent Chinese initiatives there being successful. These successful initiatives made by China in Bhutan have made both countries less wary of their bilateral relations.

India's Neighbourhood: Challenges in the Next Two Decades (New Delhi: Pentagon Security International, 2012), edited by Rumel Dahiya and Ashok K. Behuria, is a useful compilation of the historical, political, economic situation, and foreign policy of the South Asian countries and the development of their relations with both China and India. In particular, it assesses the escalating sway of China in India's immediate neighbourhood and explores the consequences and alternatives for India. The book analyses China's expanding influence in the region through economic incentives and infrastructure projects, highlighting India's relative lack of substantial involvement.

Amit Ranjan presents a brief overview of the history of India and Bhutan relations in his paper on *India-Bhutan Relationships: Cordial but Concerns Remain*, *Artha Journal of Social Sciences*, Volume 18, Number 4 (2019). He follows the connections between ancient, medieval, and modern times. He assesses the post-Doklam developments in India and Bhutan relations. Here he discusses the standoff from the Indian and Chinese perspectives. According to him, "there is a growing shadow of China on the India-Bhutan relationship." He also offers a perceptive analysis of Bhutan's concerns about hydropower

cooperation with India. Although he discusses the issues in the hydropower sector, he gives no recommendations on how to strengthen mutual relations.

Thierry Mathou, in his work on *Bhutan-China relations: Towards a New Step in Himalayan Politics*, In *The Spider and the Piglet: Proceedings of the First International Seminar on Bhutanese Studies (Thimphu: Centre for Bhutan Studies, 2004)*, begins by giving a historical perspective of Bhutan's relationship with Tibet since the 8th century. The paper mostly deals with the political dimension of their relationship, where he focuses on Bhutan's struggle with Tibet over the question of sovereignty and territorial integrity. It is in this context that he explores the differences between the Gelugpa (yellow hat) sect in Tibet and the Drukpa (red hat) sect in Bhutan and how this divergence led to political unrest within Bhutan. Additionally, he conducts an examination of the role of China in India's independent relations with Bhutan. This encompasses an evaluation of the assertions put forth by the Chinese Communist Party and how these assertions compelled Bhutan to reassess its foreign policy concerning its two neighbouring countries. He also assesses the China-Bhutan engagement since the 1980s and the progress of the boundary negotiations.

Jabin T. Jacob, in his paper on *Explaining the India-China standoff at Doklam: Causes and Implications*, *Aakrosh, Volume 20, Number 77 (2017)*, has conducted a comprehensive analysis of the possible reasons behind Chinese actions in Doklam, culminating in the standoff between Indian and Chinese troops. He has also examined the different agreements and understandings that China violated during the standoff. Towards the end, he discusses the implications of the standoff on India-China relations.

Manoj Joshi provides a thorough overview of the India-China border, which spans the entire snow-covered Himalayan range from the north to the northeast of India, in his book *Understanding the India-China Border: The*

Enduring Threat of War in High Himalaya (United Kingdom: Hurst Publishers, 2022). When Britain ended her colonial rule over India, she left behind a fraught legacy of arbitrarily drawn borders between India and China. Over the course of many years, these boundaries have been a persistent source of bilateral friction between the two countries. In addition to the 2020 Galwan clash, which marked a confrontation between China and India in the Ladakh region, Joshi also delves into the intricacies of the Doklam tri-junction situated in the western sector of Bhutan. Within this context, he provides an extensive examination of the Doklam standoff, its historical backdrop, and its interconnectedness with India's border dispute with China. Joshi asserts repeatedly in the book that "China has stopped viewing India as an equal." He contextualises this within the context of China's booming economy and obsession with national security. The author argues that although the post-Doklam developments eventually led to a resolution of the conflict, the claims of success were only temporary because China continued with its infrastructural construction activities in the Doklam region. He argues that the Doklam standoff served as a lesson for China, prompting a reassessment of its security interests.

Research Gap

From the existing literature studied above, the prevailing narrative suggests that China's influence has been on the rise in South Asia as a whole and, notably, in Bhutan, raising concerns about India's security. At the very outset, it is important to understand that the existing literature has centred on the study at the bilateral level. In other words, most studies concentrate either on the relationship between India and Bhutan or between India and China. However, even when it comes to the literature available on the relationship between India and Bhutan, the Bhutanese perspective and concerns are mostly ignored. The focus primarily is restricted to the issues related to the

hydropower sector. Similarly, there is a scarcity of literature regarding the relationship between China and Bhutan. A comprehensive study of the relationship between China and Bhutan has not been undertaken so far. Much of the available information on this topic is derived from literature pertaining to India-Bhutan relations. The same pattern has been noticed in all the available literature concerning the Doklam standoff. While examining the standoff between Indian and Chinese troops in the Doklam region, which belongs to Bhutan, the role and place of Bhutan have often been overlooked. Despite Bhutan's direct involvement in the dispute with China over this area, the majority of the existing literature concentrates on understanding the perspectives of India and China. Bhutan's viewpoint and experiences have often been overlooked. Understanding Bhutan's position and role throughout the standoff is crucial for comprehending the shifting regional dynamics. Additionally, Bhutan's transition to democracy and its impact on foreign policy decisions, including during the Doklam standoff, is an area that warrants exploration.

Rationale of the Study

From India's perspective, China's growing presence does raise security challenges. While India should certainly consider the evolving dynamics in its neighbourhood, including China's increasing influence, it should not allow this factor to dictate its foreign policy decisions. Countering China is essential for achieving India's strategic objectives in the region; however, it should engage with its neighbours based on a well-thought-out, and balanced approach that prioritises cooperation, peace, and the well-being of all parties concerned. In order to effectively address these challenges, India must develop a long-term strategic, economic, and diplomatic perspective. It is essential to explore and analyse the political and security discussions and narratives within Bhutan. This will help India balance its strategic interests and foster an independent and mutually beneficial relationship with Bhutan. In this context, conducting a

thorough examination of the progression of China-Bhutan relations, encompassing the 24 rounds of border negotiations, holds significant importance. Such a study is not only valuable for comprehending the intricacies of China-Bhutan ties but also for gaining a deeper insight into the wider implications for regional dynamics, notably concerning India. While it is essential to explore Chinese influence in India-Bhutan relations, it is equally crucial to comprehend the reciprocal impact of India's role on the China-Bhutan relationship. This holistic perspective is essential for a comprehensive analysis of regional dynamics. While the India factor is an important factor determining Bhutan's relationship with China, it is important to emphasise that it is not the only factor. There are several other factors, such as the cultural identity, territorial integrity, and sovereignty of Bhutan. Furthermore, South Asia and Tibet have also played an instrumental role in determining the China-Bhutan relationship. The study therefore attempts to understand the growing relationship between China and Bhutan, the emerging politico-security discourse within Bhutan, and the various foreign policy options that may have an impact on India. Addressing the grievances of Bhutan requires a sensitive and balanced approach that respects Bhutan's sovereignty while also acknowledging the complex geopolitical realities. Against this backdrop, this thesis raises certain questions and attempts to find answers by studying the nature and content of both China's and India's engagement with Bhutan.

Scope of the Study

The scope of the study is limited to understanding the growing China and Bhutan relations, the emerging politico-security discourse within Bhutan, and the various foreign policy options that may have an impact on India. This study is relevant because Bhutan is facing several changes in the 21st century, both domestically and externally. This process of domestic and external changes in Bhutan might become more complex with the changing dynamics

in the region. A thorough examination of the relationship between India and China is beyond the scope of the thesis, even though China's ascent to dominance in the world has been a subject of discussion for many years. The focus is on China and India's engagement with Bhutan. I have briefly touched upon India and China's relationship in order to understand Bhutan's relationship with its neighbours. Due to the language barrier, I was unable to study Chinese sources, but the majority of the relevant literature has been published by Chinese scholars in English. The press releases and remarks issued by government authorities are also available in English. The research aims to make a comprehensive study of China-Bhutan relations by understanding the various factors that shape their relationship. Some of these factors have developed into major obstacles, whereas others have been the reason for the increase in interactions between the two countries. The study also concerns itself with the boundary dispute, the Doklam standoff, the Chinese and Indian motives, the strategies adopted by the three countries, and the developments in the bilateral relationship post-Doklam standoff. Moreover, as most of the scholars focus on developing a strategy to counter China, it is important to understand that Bhutan is likely to face several challenges as well as opportunities when it comes to engaging with China. As a result, the study focuses on the dynamics of India and Bhutan relations, the challenges faced by them in the present context, and the challenges and opportunities that Bhutan is likely to face while developing its relationship with China. Here, attempts have been made to examine the prospects in India and Bhutan relations and the policy options for India.

Research Questions

The content of the present thesis centres on addressing and responding to the following research questions, emanating from the scope of research outlined above. These research questions are as follows:

- What are the different factors that shape China and Bhutan relations?
- How has the nature and magnitude of the China-Bhutan engagement changed over the years?
- What are the opportunities and challenges Bhutan is likely to face with regard to developing relations with China?
- Has the democratisation of Bhutan impacted its foreign policy?
- In the context of increasing Chinese influence in Bhutan, what are the challenges and policy options for India?

Research Methodology

The study is a combination of both qualitative and quantitative research methods. A combination of discourse and content analysis has been used in the study. This method has been used as a technique to review and analyse secondary data sources, which include books, academic journals, newspaper articles, Bhutan's National Assembly debates, and government reports. The study uses the historical analytical method as well. For the purpose of data collection, several interviews were conducted to understand the subject in detail. A field visit to China was initially decided to be conducted. However, due to the COVID-19 outbreak and the ongoing travel restrictions, it was difficult to make the visit. It was then decided that a field visit to New Delhi and Bhutan would be conducted. A field visit was conducted to New Delhi to mostly visit libraries and have discussions with scholars and experts who have studied China, Bhutan, and India. During this field visit, libraries like the Manohar Parikkar Institute for Defence Studies and Analyses, the Institute of Chinese Studies, the Observer Research Foundation, the Research and Information System for Developing Countries, and the Indian Council of World Affairs were accessed. Interviews were conducted with a few scholars from the Manohar Parikkar Institute for Defence Studies and Analyses, the Institute of Chinese Studies, and the Observer Research Foundation. A field

visit to Bhutan was conducted in order to interview scholars and experts of the Centre of Bhutan Studies and the Royal Institute of Management for Growth and Development, Thimphu. Open-ended discussions with Bhutanese civil servants and even locals were conducted. In addition, a field visit to Norbuling Rigter College in Paro, Bhutan, was made to engage with experts on China, Bhutan, and India. Interactions with the students of Political Science and Sociology during my lecture on “India-Bhutan relations” helped me get an understanding of the shifting perspectives of the youth. Telephonic interviews with professors of Jawaharlal Nehru University, an expert from the Centre of Excellence for Himalayan Studies (Shiv Nadar University, New Delhi), a representative of Bhutan’s Chamber of Commerce and Industry, Bhutan’s local business stakeholder, and the former Editor of Reporters Club Nepal were also conducted. Libraries in Kolkata and online repositories have also been used to access secondary sources.

Chapter Contents

This thesis consists of an Introduction, five main Chapters, and a Conclusion, followed by a section on select bibliography.

- **Introduction:** In the present introduction, a brief background of what this thesis is about, along with the statement of the problem, review of literature, research gap, rationale and scope of the study, research questions, research methodology, and the subject matter of the five Chapters have been briefly introduced.
- **China-Bhutan Relations:** This Chapter examines China-Bhutan relations based on factors such as cultural identity, territorial integrity, sovereignty, and the economic needs of Bhutan. The role and importance of India and Tibet in China and Bhutan relations have also been covered in this Chapter. The Chapter has been divided

into two broad sections. The first part covers relations between China and Bhutan up to 1949, while the second part covers relations post-1949. The first part of the Chapter deals with the economic, cultural, and political similarities and complexities in the relationship between China and Bhutan through Tibet. The second part of the Chapter assesses Chinese and Bhutanese policies, the reasons that led China to adopt such a policy, and how Bhutan over the years has responded to Chinese policies.

- **India-Bhutan: Political and Economic Relations:** In this Chapter, the development of political and economic interactions between India and Bhutan has been thoroughly examined. The first part focuses on India-Bhutan relations before 1947, and the second part focuses on relations post-1947. An assessment of the treaties signed between the two countries and their effects on the relationship as a whole has been conducted. In the second part, emphasis has been placed on the various sectors of cooperation, such as development, trade, connectivity, hydropower, and investment. In addition, other areas of cooperation such as security, civil aviation, education, culture, and digital cooperation have been analysed.
- **China-Bhutan Relations: Boundary Negotiations:** The first part of the Chapter briefly focuses on China's territorial disputes with neighbouring countries and the different approaches adopted by China when it comes to settling territorial disputes. An examination of the 1890 Convention signed between Great Britain and China relating to Sikkim and Tibet has been made in order to understand the background of the border dispute between China and Bhutan. The Chapter then assesses the relevance of Chumbi Valley for India, China, and Bhutan. In the second part of the Chapter, a detailed analysis of the 24 rounds of

boundary negotiation between China and Bhutan has been presented. The Chapter ends by discerning and analysing several patterns in the relations between China and Bhutan.

- **Doklam Standoff: Developments in China-Bhutan-India Relations:**

This Chapter mainly assesses China's *Escalation Strategy* in Bhutan. In the first part, an attempt has been made to review the various motives of China and India behind the standoff. The second part attempts to analyse the strategies used by China, India, and Bhutan during the standoff. The third part deals with the post-Doklam developments in China-India, India-Bhutan, and China-Bhutan relations. Finally, the Chapter ends with the recent developments in the border issue between China and Bhutan.

- **China-Bhutan Relations: Challenges and Implications for India:**

This Chapter has focused on the state of India and Bhutan relations and the challenges faced by both countries. In the second part of the Chapter, emphasis has been laid on the challenges and implications for India. Finally, the Chapter ends with the challenges and opportunities Bhutan is likely to face with regard to developing relations with China, prospects for India and Bhutan relations and various policy options for India.

- **Conclusion:** In the conclusion, I have tried to bring together the understanding and analysis of the major themes of the thesis. I have also attempted to present the findings of the research work with reference to the research questions posed.

Chapter I

China-Bhutan Relations

China-Bhutan relations have historically remained complex. China is not just any big power in the region; it is Bhutan's northern neighbour because of its annexation of Tibet. Despite the geographical proximity between the two countries, China and Bhutan have not established formal diplomatic relations. Bhutan's western and north-central sectors are the subject of an ongoing boundary dispute with China. In 2020, China brought up a new dispute in the eastern sector of Bhutan. This chapter has been divided into two phases. The first phase covers relations between China and Bhutan up to 1949, while the second part covers relations post-1949. In October 1949, Mao Zedong declared the establishment of the People's Republic of China (PRC). The announcement ended the civil war that began in the 1920s between the Chinese Communist Party (CCP) and the Nationalist Party, or Kuomintang (KMT). The chapter examines China and Bhutan relations based on factors such as cultural identity, territorial integrity and sovereignty, India, economic needs, and Tibet. The first part of the chapter deals with the economic, cultural, and political similarities and complexities in the relationship between China and Bhutan through Tibet. The second part of the chapter assesses the Chinese and Bhutanese policies, the reasons that led China to adopt such a policy, and how Bhutan has responded to Chinese policies over the years.

China-Bhutan Relations Before 1949

China-Bhutan-Tibet: Economic, Cultural and Political Similarities and Complexities

China and Bhutan both share a deep-rooted history of political, economic, cultural, and religious engagement with Tibet. These interactions between China and Bhutan have historically transpired through Lhasa. Therefore,

comprehending the relationship between China, Bhutan, and Tibet is crucial for gaining insights into the dynamics of Sino-Bhutan relations in the region.

The origins of China and Bhutan's relationship trace back to the appointment of Chinese Ambhans (residents) in Lhasa during the 18th century under the Qing dynasty.¹ China's deep involvement in Tibet's internal affairs dates as far back as the 1720s, and it was through this engagement that China and Bhutan established their initial direct connections. In Lhasa, the Bhutanese delegation visiting the Dalai Lama interacted with officials from China and Tibet. Chinese emperors frequently granted the Deb Raja and other Bhutanese officials patents of office.²

These interactions of the Bhutanese delegation with Chinese Ambhans via Lhasa have been discussed by Captain Robert Boileau Pemberton of the 44th Native Infantry in his report *On Bhutan*. He undertook a diplomatic mission to Bhutan in 1837-38. In his report published in 1838, he discusses the importance of Bhutan's foreign relations with China through annual embassies to Lhasa, the capital of Tibet. In his words,

“The first importance of the foreign relations of Bootan is that, which unites her with China, either immediately by direct communication with the court of Peking, or indirectly by annual embassies to Lhasa, the celebrated capital of Tibet; that the former ever takes place is extremely doubtful; and the latter does so regularly, is now equally certain.”³

The communications between Bhutan, Tibet, and China have also been discussed by A.C. Sinha. He elaborates on the Bhutanese tradition of occasionally sending embassies with gifts to the Tibetan and Chinese courts,

¹ Thierry Mathou, “Bhutan-China relations: Towards a New Step in Himalayan Politics,” *The Spider and the Piglet: Proceedings of the First International Seminar on Bhutanese Studies*, Centre for Bhutan Studies Thimphu (2004), pp. 388-411.

² Tilak Jha, "China and its Peripheries: Limited Objectives in Bhutan," *Institute of Peace and Conflict Studies*, Issue Brief # 233 (August 2013), p. 2, <https://www.files.ethz.ch/isn/168057/IB233-TilakJha-ChinaPeriphery-Bhutan.pdf>.

³ Robert Boileau Pemberton, *Report on Bootan* (Calcutta: Quality Printers and Binders, 1839), p. 89.

and in return, Bhutan received significant ceremonial gifts.⁴ However, the Bhutanese missions to China differed from those dispatched by Nepal. While Bhutan had a representative stationed in Lhasa, their missions were exclusively directed towards the Dalai Lama. The offerings made to the Dalai Lama or even to the Chinese Ambhans were gestures of politeness and respect.⁵

While the Bhutanese delegation engaged with the Chinese Ambhan posted in Lhasa, they did not convey any letters or presents to the Qing dynasty in China. Therefore, for Bhutan, these interactions had no political significance.⁶ Moreover, the custom of sending gifts prevailed during that time. Many nations of Asia followed this, as they were impressed by the ancient prestige of Chinese civilisation and the grandeur of the court.⁷ So, although Bhutan participated in such practices, they did not accept the overlordship of their northern neighbours.⁸

Economic Ties

Other than the contact through annual embassies to Lhasa, Bhutan regularly conducted caravan trade across the challenging Himalayan terrain, connecting with Tibet and China to the north and northeast. Tibet held a significant position as a trade partner for Bhutan. The differences in the caravan trade between the Bhutanese and the Tibetans were distinctively noticeable. In Bhutan, human beings, particularly women, played a dominant role in the caravan trade. Conversely, in Tibet, horses held the primary role in the caravan trade due to their cost-effectiveness. In the words of S. Turner,

“The modes of conveyance here for baggage are altogether difficult from the usage of the inhabitants of Bootan, where everything, without exception, is

⁴ A. C. Sinha, “Dynamics of the Bhutanese Polity and Emergent Foreign Relations,” in *Bhutan Dilemma of Change in a Himalayan Kingdom*, ed. B.C Upreti (Delhi: Kalinga Publishers, 2004), p. 46

⁵ Mithilesh Kumar Singh, *Increasing Diplomatic Relation Between Bhutan and China: A Great Concern for India* (Delhi: Prashant Publishing House, 2014), pp. 283-284.

⁶ *Ibid.*, pp. 283-284.

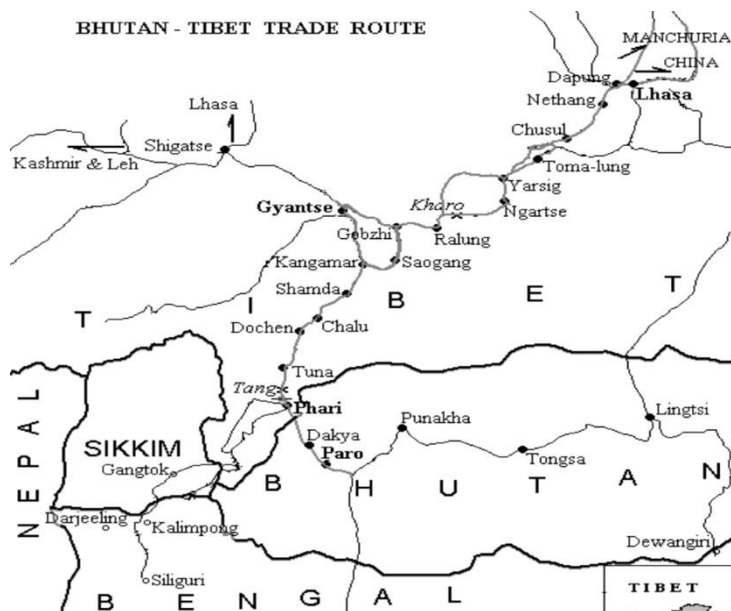
⁷ Manorama Kohli, *From Dependency to Interdependence: A Study of Indo-Bhutan Relations* (Delhi: Vikas Publishing House, 1993), p. 57.

⁸ Sinha, n. 4, p. 46

loaded upon the shoulders of the people, and where, to their shame be it spoken, the women bear the heaviest share of so laborious an employment. In Tibet, goods are carried by the chowry cattle, horses, mules, and asses, each animal taking the burdens of two men.”⁹

Trade and commercial contacts between Bhutan and Tibet took place through four alternative routes. These were used by traders at different periods in history: Paro-Lhasa; Punakha-Gyantse-Shigatse-Lhasa; Bumthang-Lhasa; Trashigang-Lhasa. These locations have historically functioned as central hubs for trade and business activities within the Himalayan region. The prevailing custom involved specific groups of merchants exerting control over particular trade routes. For example, Bumthang merchants held a monopoly over the trade route stretching from Bumthang to Lhasa, whereas Punakha merchants managed the trade route from Gyantse to Shigatse.¹⁰

Figure 1: Bhutan-Tibet Trade Route



Source: Ratna Sarkar and Indrajit Ray, “Two Nineteenth Century Trade Routes in the Eastern Himalayas: The Bhutanese Trade with Tibet and Bengal”, *Journal of Bhutan Studies*, Volume 15, (Winter 2006)

⁹ Samuel Turner, *An Account of an Embassy to the Court of the Teshoo Lama in Tibet: Containing a Narrative of a Journey through Bootan and Part of Tibet* (London: W. Bulmer and Co, 1800), p. 208.

¹⁰ Ratna Sarkar and Indrajit Ray, "Two Nineteenth Century Trade Routes in the Eastern Himalayas: The Bhutanese Trade with Tibet and Bengal," *Journal of Bhutan Studies*, Volume 15 (Winter 2006), p. 57.

According to Ratna Sarkar and Indrajit Ray, Bhutan's annual trade with Tibet, including China, was worth 150 thousand. Exports from Bhutan are mainly comprised of domestic products like rice, woollen cloth, munjeet (a type of dye), and wrought iron, as well as imported products from Bengal such as English broadcloth, indigo, tobacco, coral, leather, and sandalwood. While much of these imports were domestically consumed by Tibet, some products were also re-exported to Chinese functionaries and officials.¹¹ Bhutan's imports from Tibet consisted of raw wool, musk, tea, silver, gold, embroidered silk goods, and rock salt. Some of these were available domestically in Tibet, whereas others were of Chinese origin. For instance, Bhutan received a significant supply of Chinese goods like silk, gold, and porcelain, and these commodities reached Bhutan by way of Tibet.¹²

The trade largely benefited the king, his nobles, and the monasteries. According to Collister,

“Little of this trade benefited Bhutan. The Tibetan merchants who managed to get to Paro, were only allowed to exchange their salt and wool for Bhutanese rice; any trade in more valuable goods was entirely for the benefit of the Deb Raja and Principal officers.”¹³

Similarly, in Tibet, according to F. Grenard,

“Trade affords an even smaller outlet for private enterprise. It is, in fact, almost entirely in the hands of the state, the lamas, the grandees and foreigners; and there is not, so far as I know, a private individual who makes trade his regular and exclusive profession.”¹⁴

Furthermore, he mentioned that while the primary trade activities in both countries were overseen by the government, the actual production was

¹¹ Ibid., p. 59.

¹² Bindhya Rai, “Bhutan-Tibet Relations: Historical Perspective,” *Journal of Research in Humanities in Social Sciences*, Volume 8, Issue 11 (2020), p. 61.

¹³ Peter Collister, *Bhutan and the British* (London: Serindia Publications, 1987), p. 21.

¹⁴ Fernand Grenard, *Tibet: The Country and its Inhabitants* (United Kingdom: Hutchinson & Company, 1904), p. 284.

mostly in the hands of private businesses. Nevertheless, individuals, whether they were shepherds or farmers, would sell their products in local markets to state representatives, including Lamas, high-ranking officials, and foreign traders. ¹⁵

Cultural Ties

Tibet was regarded as the cultural capital of Bhutan because it is believed that Buddhism in Bhutan originally spread from Tibet. ¹⁶ Culturally, both countries profess the same religion, Mahayana Buddhism. Bhutan is closely linked to Tibet in its religious culture, so much so that it is also regarded as the last bastion of the Tibetan Buddhist civilisation. Therefore, it is said that the foundation of the Bhutan-Tibet relationship is based on religion. Further, every Buddhist sect in Bhutan either originated in Tibet or came from Tibet. ¹⁷ For instance, the prominent Brugpa (Drukpa) sect of Bhutan was founded in the region of Tibet. Therefore, the cultural formation of Bhutan is affected by people who come from neighbouring countries like Tibet.

Archaeological findings and research have indicated that Bhutan was inhabited as far back as 2000 BC, yet little was known about its history until the arrival of Tibetan Buddhism in the 8th century. According to Thierry Mathou, Tibetan Buddhism made its way to Bhutan in the 8th century, a period when Tibetan forces invaded Bhutan. Tibet held military prominence during that era. ¹⁸ Lopamudra Bandhopadhyay adds that during this period, the Tibetan King Songsten Gampo, who had converted to Buddhism, commissioned the

¹⁵ Ibid., pp. 284-286.

¹⁶ A.C. Sinha, *Bhutan: Ethnic Identity and National Dilemma* (New Delhi: Reliance Publishing House, 1991), p. 73.

¹⁷ Rai, n. 12, p. 75.

¹⁸ Mathou, n. 1, p. 488-411.

construction of two Buddhist temples: one in Bumthang in central Bhutan and the other in Kyichu in the Paro Valley.¹⁹

Karma Phuntsho, in his work *The History of Bhutan*, elaborately discusses the three legacies of the Tibetan King, all of which had a significant impact on Bhutan's cultural values. First and foremost, the greatest achievement is his promotion of Buddhism. He is credited with being the first to introduce Buddhism to Tibet, from where it later extended to Bhutan. Second, he is known for having created the Tibetan script, which subsequently extended throughout the Buddhist Himalayan region. Third, he is said to have introduced Tibetan legal codes, which have been incorporated as laws in Bhutan.²⁰

This period saw a significant influx of Tibetan lamas into Bhutan, who settled down and intermarried with the local people. The influx of Tibetan Buddhist monks into Bhutan led to the massive conversion of the Bhutanese populace to Buddhism. This event has had a significant impact on Bhutan's cultural and spiritual ties with Tibet.²¹ The Tibetan lamas continued to travel to Bhutan even after the Tibetan army left the country in the ninth century. They continued to exercise their spiritual and temporal authority in Bhutan. For this reason, Tibet came to be regarded as the sacred land for most Bhutanese.²²

Political Ties

In addition to the cultural and religious linkages, Tibetan influence exerted a substantial impact on the development of Bhutan's society and political frameworks. The political history of Bhutan is intricately intertwined with its

¹⁹ Lopamudra Bandyopadhyay, "Indo-Bhutanese Relations: A Historical Perspective," *Global India Foundation* (2009), p. 2.

²⁰ Karma Phuntsho, *The History of Bhutan* (Noida: Random House India, 2013), pp. 267-268.

²¹ Manorama Kohli, "Bhutan's Strategic Environment: Changing Perceptions," *Sage Publications Ltd Volume 2*, Number 2 (1986), pp. 142-153.

²² Mathou, n. 1, pp. 388-411.

cultural history.²³ Over centuries, in the eastern Himalayas, the political system of Bhutan, referred to as the Drukpa Polity or the Dragon Kingdom, gradually developed in accordance with the Tibetan Lamaist theocratic model. From the early 9th century onwards, Tibet witnessed instability because of the struggle between the Red Hat and the Yellow Hat sects of Buddhism. Drukpa is one of the sects among the *Nyingmapa* (rNyigma-pa—red hat) identified with the red gear against the yellow-attired *Gelugpas* (dge-lugs-pa—yellow hat) school of Mahayana Buddhism practiced in Tibet.²⁴

Tibet was unstable until the Yellow Hats took control in 1576 A.D., at which point they established the Dalai Lama system of reincarnation. Numerous Red Hat Lamas took refuge in Bhutan during the unrest, where they were instrumental in disseminating and strengthening their teachings. Ngawang Namgyal was the most outstanding of the migratory lamas.²⁵ Ngawang Namgyal arrived in Bhutan sometime in 1616. It is because of him that Bhutan became a nation-state.²⁶ The local lamas, or Buddhist teachers, opposed him at first, but they were ultimately vanquished. He built Dzongs, or fortresses, that housed civil administration, military, and religious functions. These Dzongs also contained temporal and religious administrators who governed Bhutan. Moreover, they functioned as crucial military locations to protect Bhutan against the Tibetan invasion.²⁷

According to A.C. Sinha, Ngawang Namgyal consolidated his Drukpa monastic estate in Bhutan. He unified and organised the Drukpa tradition to counteract all types of Tibetan incursions. As a result, he was crucial in

²³ Bandyopadhyay, n. 19, p. 2.

²⁴ Harvir Sharma, "Bhutan and its Regional Security Environment," *India Quarterly* 50, number 3 (1994), p. 26.

²⁵ *Ibid.*, p. 26.

²⁶ Michael Givel and Laura Figueroa, "Early Happiness Policy as a Government Mission of Bhutan: A Survey of the Bhutanese Unwritten Constitution from 1619 to 1729," *Journal of Bhutan Studies*, Volume 31 (Winter 2014), p. 6.

²⁷ *Ibid.*, p. 6.

bringing Bhutan's Drukpa people and nation together.²⁸ He created the Zhabdrung system in Bhutan, a theocratic regime like the one that existed in Tibet, and he became known as Dharma Raja. But unlike Tibet, Bhutan did not have an entirely theocratic government because a few powerful aristocratic families influenced and dominated the political affairs of the country.²⁹ He instituted a theocratic dual administrative system that lasted 250 years and consisted of a civilian and religious branch. While the religious branch was headed by Je Khenpo, the civilian branch was headed by Druk Desi.³⁰

There were strong regional centres of power in the form of Penlops (governors) and Jongpens (the administrators or governors of the forts and the regions around them), who exercised authority in the secular spheres. Various features of the Zhabdrung system continue to exist, as it has a major influence on the progress of the country, especially Je Khenpo, who represents the council on religious affairs. The Je Khenpo continues to hold a significant position, influencing not only the spiritual and cultural aspects of the people's lives but also the administrative structures. So, internally, Bhutan was able to enjoy political stability till the end of the seventeenth century, which can be mainly attributed to the changes that occurred after the establishment of the Zhabdrung system.³¹ Hence, the Tibetan lineage of Bhutan's traditional ruling class and the theocratic political system illustrate robust cultural and political connections between the two countries.

After the death of Shabdrung Ngawang Namgyal, the internal stability of Bhutan was disrupted. Having understood the futility of the internal

²⁸ A.C. Sinha, *Himalayan Kingdom Bhutan: Tradition, Transition, and Transformation* (New Delhi: Indus Publishing Co, 2001), p. 27.

²⁹ Rai, n. 12, p. 61

³⁰ Siegfried O. Wolf, "Bhutan's Political Transition: Between Ethnic Conflict and Democracy," *Spotlight South Asia*, ISSN 2195-2787 (2018), p. 3.

³¹ *Ibid.*, p. 3.

conflicts under the dual administrative structure, the state councillors and the state functionaries of Bhutan eventually decided to do away with the theocratic dual administrative system. Subsequently, with the support of British India, the dual administration worked towards establishing a monarchy by appointing Sir Ugyen Wangchuck, the offspring of the 51st Druk Desi, as the hereditary king. The Penlops were brought under the control of the Monarch, bringing an end to centuries of internal turmoil. This ultimately marked the end of the theocratic administrative system initiated by Shabdrung Ngawang Namgyal, ushering in a new chapter in Bhutan's political evolution with the inception of the monarchy. ³²

Even after the theocratic government was abolished, Tibetan influence persisted in Bhutan's political, social, and economic structures. Tibetans continue to hold sway over the country's political leaders and decision-making bodies. Presently, they constitute the largest ethnic community in Bhutan, referred to as Ngalops. The word 'Ngalops' is defined as "those risen earliest or converted first." They belong to the Drukpa school and speak both English and Dzongkha, their mother tongue and Bhutan's official language. ³³ As a result, they continue to play a significant role in Bhutan.

So, from the above discussion, it is clear that Tibet has a significant influence on Bhutan's economy, culture, and political system. However, both countries shared a complex historical relationship. The rivalry between the two became a common feature of their relationship, even before and after the advent of Shabdrung. Although the Drukpa state of Bhutan was familiar with Tibet in terms of state structure, laws, religion, language, and overall worldview, sectarian differences existed between the two

³² Ibid., p. 3.

³³ Ibid., p. 8.

countries because of the conflict between the Gelugpa sect (yellow hat) of Tibet and the Drukpa sect (red hat) of Bhutan. ³⁴

The outcome of the sectarian differences was that the Dharma Raja maintained a distance from the Gelugpa Lhasa rulers, the Dalai Lamas. Bhutan maintained an ambivalent attitude towards the Dalai Lama of Tibet. ³⁵ Additionally, the Gelugpa sect sought to assert its dominance across the entire Himalayan Buddhist region. However, Bhutan, following the Drukpa sect, opposed such endeavours. ³⁶ Consequently, Tibet posed a significant challenge to Bhutan's sovereignty and impeded its aspirations to form a unified nation-state. The two entities—Bhutan and Tibet—occasionally entered into wars with each other. ³⁷

On several occasions, the central Tibetan government launched a war against Bhutan. The Tibetan King Karma Tenkyong launched a military attack against Ngawang Namgyal in 1629. The second Tibetan invasion, commonly known as the Battle of Five Lamas, occurred in 1634. Karma Tenkyong attempted to attack Bhutan once more in 1639. This was followed by a joint Mongol-Tibetan invasion in 1643. The series of attacks continued till 1647. Ngawang Namgyal, however, was able to put an end to the Tibetan incursions, and in 1637 he founded the Druk Ghalkhap, or Druk-Yul (Nation of the Thunder Dragon), as a sovereign state. ³⁸ Therefore, Bhutan and Tibet struggled for supremacy over territory along the common Himalayan border and beyond.

During the latter part of the 18th century, following the death of Shabdrung Ngawang Namgyal, Bhutan experienced a resurgence of political turbulence. The subsequent leaders struggled to uphold peace and stability

³⁴ Sinha, n. 28, pp. 26-27.

³⁵ Sinha, n. 4, p. 46.

³⁶ Singh, n. 5, p. 281.

³⁷ Wolf, n. 30, p. 8.

³⁸ Phunchok Stobdan, *The Great Game in the Buddhist Himalayas: India and China's Quest for Strategic Dominance* (New York: Vintage Books, 2019), p. 18.

within the region. As a result, the demise of the initial Dharma Raja led to a series of internal conflicts and power struggles, notably between the Penlops of Paro and Tongsa. These differences between the Penlops weakened Bhutan. The turmoil in Bhutan invited intervention by the Tibetans.³⁹

It is argued that during this time, Tibet, under Polhané Sönam Topgyé, used this instability as an opportunity to further create internal divisions in Bhutan by intervening in its internal affairs.⁴⁰ After one such Tibetan intervention in 1730, the Bhutanese were forced to station a representative in Lhasa. This practice continued until 1951.⁴¹ Although Tibet challenged Bhutan's sovereignty, ultimately Bhutan was able to carve out a separate state for itself. Regardless of the Tibetan influence on Bhutan's economic, social, religious, and political structures, the Bhutanese were able to carve out their own distinct ethnic and cultural identity.⁴² Thus, it is clear that Bhutan had a similar yet conflicting and complex political relationship with Tibet.

In the 18th century, with the change in political leadership in both countries, efforts were made to normalise relations. Moreover, the arrival of the British East India Company in the Indian subcontinent presented a fresh challenge for both Bhutan and Tibet. This led to a certain degree of cooperation between Bhutan and Tibet. It was eventually realised that reconciliation was a favourable policy as it was based on mutual political advantage. This realisation brought an end to a century of wars between the two countries and led to the beginning of a new chapter in neighbourly relations. The steps taken by both countries towards reconciliation included the appointment of ecclesiastic intermediaries, cross-border temple

³⁹ Wolf, n. 30, p. 3.

⁴⁰ Ibid., p. 3.

⁴¹ Sharma, n. 24, p. 27.

⁴² Kohli, n. 21, p. 143.

restoration projects, the use of religious exchange students, etc. During this time, the Bhutanese leader Mi-pham-dbang-po attended a state dinner hosted by Tibet's leader Pho-lha-nas, the cabinet ministers, and the Manchu Ambhan. From this event onwards, relations between the heads of the Tibetan and Bhutanese governments improved.⁴³

Further, the joint initiative to restore the Ralung Monastery gave rise to what John A. Ardussi has referred to as one of the first instances of “temple diplomacy” between the two hostile neighbours. The project was largely funded by the Tibetan government, along with contributions from the Bhutanese treasury. This was a significant move, as it displayed their genuine intent to mend the strained relationship. Another important element of the rapprochement process was the government sponsorship of religious exchange students. Under this government sponsorship programme, Bhutanese students travelled to Tibet to undertake higher studies, particularly at Ralung Monastery.⁴⁴

However, the cordial relationship between Bhutan and Tibet only existed briefly. During the conflict between Tibetans and the British, Bhutan refused the request to give any assistance to the Tibetans. The relationship worsened when Bhutan supported the British in their Younghusband mission. The British decided to send an armed mission to Tibet under the leadership of Younghusband in 1904. The British sought to establish relations with the Dalai Lama, who held political authority in Lhasa. This was significant because this era witnessed a geopolitical rivalry known as the “Great Game” among Russia, China, and Britain. The extensive Tibetan

⁴³ John A. Ardussi, “The Rapprochement between Bhutan and Tibet under the Enlightened Rule of sDe-srid XIII Shes-rab-dbang-phyug (R. 1744-63),” *Journal of Bhutan Studies*, Volume 1, Number 1 (Autumn 1999), p. 74.

⁴⁴ L.L. Mehrotra, *India's Tibet Policy: An Appraisal and Options* (New Delhi: Tibetan Parliamentary and Policy Research Centre, 1997), p. 74.

territory and the Himalayan region became a battleground in this “Great Game.”⁴⁵

The British administration was suspicious of the Dalai Lama’s friendly inclination towards Russia. In 1900, Dalai Lama sent to Russia his grand chamberlain as envoy with three followers. The British had suspicions that, during this time, a covert pact had been forged between the Russian government and the Tibetan authorities. This secret agreement was subsequently followed by a substantial supply of weaponry and ammunition from St. Petersburg to Lhasa.⁴⁶

The British suspicions stemmed from the escalating Russian involvement in Central Asia and Manchuria. The idea of Russia gaining more influence in Tibet, where the British lacked representation, was deemed unacceptable to them. Prior attempts to establish direct communication with the Dalai Lama had proven unsuccessful for the British. According to Alastair Lamb, Lord Curzon’s Tibetan policy was to a great extent a reflection of his conviction that Russians would achieve their ambition of establishing their influence over Tibet. Lord Curzon was concerned that, after the Russians had succeeded in gaining control of Tibet, they would then gradually expand their influence over other parts of the Himalayan region, including Nepal, Sikkim, and Bhutan. To counter the increasing Russian influence, Lord Curzon wanted to establish direct relations with Tibet. The British realised that in order to reach a commercial agreement with Tibet, the support of the Bhutanese was essential. Consequently, Lord Curzon sought the assistance of Ugyen Wangchuck Tongsa Penlop (the first hereditary king).⁴⁷

⁴⁵ Ulrich Theobald, “Tibetan and Qing Troops in the Gorkha Wars (1788–1792) as Presented in Chinese Sources: A Paradigm Shift in Military Culture,” *Revue d’Etudes Tibétaines*, number 53 (2020), pp. 114–146, https://himalaya.socanth.cam.ac.uk/collections/journals/ret/pdf/ret_53_06.pdf.

⁴⁶ *Ibid.*, pp. 114–146.

⁴⁷ Alastair Lamb, *British India and Tibet: 1766-1910* (New York: Routledge, 2018), pp. 203-210.

Ugen Wangchuck Tongsa assisted the British in the armed mission in all respects. Bhutan adopted a conciliatory approach towards the British; it supported their interests against Tibetan interests. This approach was adopted for several reasons. First, it was primarily for economic reasons, as Bhutan was provided with Rs. 50000 as an annual subsidy for the annexation of Duars following the Treaty of Sinchula after the Anglo-Bhutan War of 1864-65. So, Bhutan's economy was dependent on the British government's annual subsidies, and the withdrawal of this support would be devastating for the Bhutanese economy.⁴⁸ Second, Tibet's failure to support Bhutan in its war against the British in 1864 and Tibet's unwillingness to oppose the British annexation of the Duars.⁴⁹ Third, unlike Tibet, British India had always maintained the policy of non-intervention during the years of civil war in Bhutan. This can be another reason behind Bhutan's decision to assist the British.⁵⁰ Thus, Ugyen Wangchuk played an instrumental role in establishing a relationship between Tibet and British India.

The preceding discourse highlights Bhutan's intricate and occasionally conflicting ties with Tibet. It's essential to clarify that the traditional relationship should not be perceived as one of superiority or inferiority. While Bhutan's political elite has largely been of Tibetan origin, their migration to Bhutan was as political refugees rather than feudatories. Consequently, we cannot view Tibetan influence on Bhutan's economic, cultural, and political facets as an expansion of Tibetan political control into the southern Himalayas, nor can it be characterised as colonisation.⁵¹

⁴⁸ S.B. Wangyal, "A cheerless change: Bhutan Dooars to British Dooars," *Journal of Bhutan Studies*, Volume 15 (Winter 2006), pp. 40.

⁴⁹ Rajesh S. Kharat, *Foreign Policy of Bhutan* (New Delhi: Manak Publication Private Limited, 2005), pp. 124.

⁵⁰ A.K.J. Singh, *Himalayan Triangle: A Historical Survey of British India's Relations with Tibet, Sikkim, and Bhutan, 1765-1950* (United Kingdom: British Library, 1988), pp. 334.

⁵¹ Singh, n. 5, p. 282.

Chinese Claims: Impact on China-Bhutan Relations

The Tibetan government's attempts to build ties with Russia were seen with similar suspicion by the Chinese authorities. China saw this as an attempt by Tibet to break off its traditional relationship with China. As was previously stated, the Chinese have long regarded Tibet as a part of their territory. For this reason, the 6th emperor of the Qing dynasty sent armies to Tibet to help Tibetans defend themselves against the Nepalese invasion in 1792-1793. This also explains why the Qing ambhans, or imperial authorities, began to station themselves in Lhasa in 1728. The Chinese wanted Tibet to serve as a buffer state. They sent out troops and ambhans to maintain the peace and stability in the region. China, understandably, viewed the Younghusband Mission as an invasion of its territory by the Western powers, particularly the British.⁵²

However, problems arose for Bhutan when Chinese claims extended beyond Tibet. China followed the policy of extending its frontiers to Tibet and other states in the Himalayan region. Subsequent to the election of Tongsa Penlop (Ugyen Wangchuck) as Bhutan's first hereditary monarch, the British government in India opted to withdraw its troops from the Chumbi Valley, aiming to reduce their involvement in the Indian subcontinent. These British forces had been stationed in the Chumbi Valley following the Younghusband Mission. The removal of British troops from the Chumbi Valley encouraged the Chinese to assert their authority over Bhutan within the ambit of the Chinese empire. Consequently, the Chinese Ambhan in Lhasa and the Papon in Chumbi corresponded with the king, asserting that Bhutan served as the southern gateway to the Chinese empire. China maintained that Bhutan was subordinate to the Tibetan government, and therefore it was also subordinate to the Qing dynasty in China. The Chinese Ambhan suggested sending a mission to resolve disputes that had emerged as a result of the

⁵² Theobald, n. 45, pp. 114-146.

Younghusband's interference in the affairs of Tibet.⁵³ These presumptions are supposed to have been founded on statements made by Polhané Sönam Topgyé, the emperor of Tibet. He claimed that control and authority over Bhutan were believed to have been transferred to the Chinese rulers, who held sway over Tibet.⁵⁴

China insisted on granting the Chinese Ambhan in Tibet access to examine Bhutan's resources, crops, and road conditions on the basis of these claims. China instructed the King to encourage trade between China and Bhutan. China then gave Bhutan instructions to provide a certain amount of rice to China. Bhutan disregarded the directives and claims of China.⁵⁵ For example, the king declined to meet the Chinese expedition led by Ma Chu-fu and escorted by twenty Chinese soldiers when they arrived in Bhutan in April 1908. Further, the mission was encouraged not to cross beyond Paro. However, this did not deter the Chinese; they continued their attempts to create difficulties for Bhutan in one way or another.⁵⁶

The Chinese claims have always been subject to different interpretations. This was a continuing issue in Qing's relationship with Britain and Russia. British officials continued to refer to the Qing's dominance over Tibet as a form of suzerainty. The British interpreted the "priest-patron" relationship between China and Tibet as a form of "loose reign." While acknowledging Tibet as a vassal state of China, the British declined to acknowledge China's complete sovereignty over Tibet.⁵⁷

The British interpretation stemmed from its desire to protect the British frontiers. Through the British strategy of suzerainty, the British preferred to

⁵³ Singh, n. 50, p. 350.

⁵⁴ Singh, n. 5, p. 283.

⁵⁵ Manorama Kohli, *India and Bhutan: A Study in Interrelations, 1772-1910* (New Delhi: Munshiram Manoharlal, 1982), pp. 139-140.

⁵⁶ Singh, n. 50, p. 350.

⁵⁷ Elliot Sperling, *The Tibet China Conflict: History and Polemics* (Washington: East-West Centre Washington, 2004), p. 17.

engage with a weak China rather than allow the Russian influence to penetrate into Tibet. Thus, it was imperative for the British to transform Tibet into a “buffer zone” between British India and Tsarist Russia. Moreover, acknowledging Tibet as China’s vassal would enable the British to establish direct communication with Tibet as China’s vassal would enable the British to establish direct communication with Tibet without Chinese participation.⁵⁸ In reality, Lord Curzon went so far as to describe the Qing dynasty’s control over Tibet as “constitutional fiction,” a political construct upheld purely for mutual convenience. Contrary to Chinese assertions, he even refused to recognise the Chinese Ambhan stationed in Tibet as viceroys. He instead referred to them as ambassadors of the Qing dynasty.⁵⁹

China’s assertions regarding Tibet and neighbouring Himalayan regions remained unchanged even following the downfall of the Qing dynasty in the early 20th century. China continued to claim sovereignty over all the realms of the former dynasty, which included Tibet. This was mostly due to the fact that Chinese foreign policy has been significantly influenced by historical incidents in which it was humiliated by imperialist countries including Britain, France, Germany, Russia, Japan, and the United States in the 19th and 20th centuries. As these imperialist nations, which were more powerful than China, contested the empire on all fronts, the Qing dynasty lost control over a number of its regions. During the period from 1840 to 1949, China lost Hong Kong to Britain, Taiwan to US-funded Kuomintang, Manchuria, and Shandong to the Japanese through agreements that came to be known as “unequal treaties” because of the harsh terms that they contained.⁶⁰

The Chinese government characterises the 19th and 20th centuries as the “Century of Humiliation.” China contends that these regions were seized from them through unequal treaties imposed on their predecessors by imperialist

⁵⁸ Ibid., p. 17.

⁵⁹ Ibid., p. 17.

⁶⁰ Kerry Brown, *China's World: What does China want?* (United Kingdom: I.B. Tauris, 2017), pp. 11-12.

powers. Consequently, upon the establishment of the PRC in 1949, China claimed to assert its authority over the territories that were previously under the governance of the Qing dynasty before its downfall in 1911. Consequently, Tibet and the rest of the Himalayan region's "unification" with mainland China stood as one of the foremost priorities for Mao Zedong. Chinese attempts at the unification of the Himalayan region with mainland China have been referred to as "Manchu Expansionism" by B.R. Deepak. These assertions have been extensively examined in a 2004 research publication released by the Centre of Bhutan Studies. According to the report, the Manchu Government of China laid claims to Nepal, Sikkim, and Bhutan subsequent to its occupation of Tibet in 1910-12. Chinese assertions regarding Bhutan persisted even after the signing of the Treaty of Punakha in 1911, China made endeavours to safeguard its southeastern border against mounting external threats. Following the global recognition of the PRC, these claims were gradually de-emphasised, only to sporadically resurface at later times.⁶¹ This report clearly highlights the Chinese efforts to claim their historical rights over Bhutan, Nepal, Sikkim, and Tibet.

Consequently, we can argue that both British India and China had come to realise the geo-strategic and geo-political importance of Bhutan, and so any advances made by China or any other great power in the Himalayan region of Bhutan, Nepal, Sikkim, and Tibet were considered a setback for their interest in the region. Manorama Kohli has aptly noted that British India and China were engaged in a "zero-sum competition" regarding the Himalayan region. Given their mutual desire to advance their interests in the region, one side's gains were perceived as setbacks for the other.⁶²

⁶¹ Tashi Choden and Dorji Penjore, *Economic and Political Relations between Bhutan and Neighbouring Countries*, Joint Research Project of the Centre of Bhutan Studies and Institute of Developing Economies Japan External Trade Organisation, Monograph 12 (2004), p. 168.

⁶² Kohli, n. 20, pp. 142-153.

Historically, Bhutan adhered to a strategy of self-imposed isolation. This isolation policy, more accurately described as a deliberate withdrawal from involvement in the affairs of other foreign countries, aimed to safeguard Bhutan's unique identity and sovereignty. Under this policy, Bhutan could first avoid getting involved in the turmoil prevalent in British India and Tibet. Secondly, Bhutan could protect its distinct identity by isolating its subjects from outside influences.⁶³

Its geographical location made it easier for Bhutan to implement this policy successfully during British colonial times. The British aimed to maintain influence over Bhutan by extending financial aid to the country. The financial support was looked upon by the Bhutanese as a friendly gesture. This went a long way towards improving political and economic relations between Bhutan and India. Alternatively, Chinese claims over Tibet and other Himalayan regions made Bhutan wary of Chinese intentions. This impacted China-Bhutan relations.⁶⁴ Hence, it can be asserted that external challenges and internal turmoil were key factors influencing Bhutan's approach to foreign relations with China.

China-Bhutan Relations Post-1949

Invasion of Tibet: Impact on China-Bhutan Relations

After the establishment of the PRC in 1949, China promptly moved to establish its authority over Tibet. China initiated efforts to "liberate" the eastern Tibetan territories. The Dalai Lama's administration in Lhasa was responsible for running Central and Western Tibet (CWT). This region had, in practice, enjoyed independence since Tibetan forces ousted Chinese officials and soldiers following the collapse of the Qing dynasty in 1911. Consequently,

⁶³ Sanshrama Basumatary, "Bhutan's Border Security Challenges with China," *IOSR Journal of Humanities and Social Sciences*, Volume 26, Issue 8, Series 8 (2021), p. 28.

⁶⁴ Ratna Sarkar and Indrajit Ray, "Political Scenario in Bhutan during 1774-1906: An Impact Analysis on Trade and Commerce," *Journal of Bhutan Studies*, Volume 17 (Winter 2007), p. 15.

the PLA had no alternative but to use force to reclaim control over the central and western regions. ⁶⁵

Tibet experienced a significant Chinese invasion that culminated in the signing of the Sino-Tibetan Treaty of 1951, also known as the “17-point agreement” for the “peaceful liberation of Tibet.” This Treaty assured several key provisions: (1) The existing political system, including the authority and role of the traditional ruling elite, would continue unchanged. This meant that China would not disrupt the established status, functions, or powers of the Dalai Lama and the Panchen Lama. (2) Religious, cultural, and linguistic freedom would be protected, and internal reforms would be undertaken after consultation with leading Tibetans and without compulsion. ⁶⁶

The agreement empowered the Chinese government to influence Tibet’s external affairs. Through this agreement, China affirmed its sovereignty over Tibet. Now China was to share its border with Bhutan and Nepal. ⁶⁷ Simultaneously, following the endorsement of the Treaty of Panchsheel in 1954, there was an enhancement in China-India relations. This treaty was founded on the principles of peaceful coexistence, comprising five key principles. Bhutan, however, misjudged the situation as it did not fully grasp China’s motives and objectives in the Himalayan region. Consequently, Bhutan continued its economic and political interactions with Tibet. ⁶⁸

However, in the course of time, China began using the two-pronged strategy of *Accommodation and Suppression* in Tibet. Under the Accommodation Strategy, China continued to maintain a close alliance with the traditional elites in Tibet by appointing them to senior positions within the government and public offices. China believed that these traditional elites themselves would

⁶⁵ Tsering Topgyal, “The Securitisation of Tibetan Buddhism in Communist China,” *Politics and Religion in Contemporary China*, Volume 6, Number 5 (2012), p. 223, <https://doi.org/10.54561/prj0602217t>.

⁶⁶ Dawa Norbu, “The 1959 Tibetan Rebellion: An Interpretation,” *The China Quarterly*, Number 77 (March 1979), p. 79

⁶⁷ Mehrotra, n. 44, pp. 16-17.

⁶⁸ Kharat, n. 49, p. 139.

act as facilitators for social transformation. This strategy turned out to be counterproductive, as it led to increasing discontent among the Tibetans.⁶⁹

Afterwards, China had to resort to the Suppression Strategy when they realised that the traditional elites had concerns over socialist reforms on Chinese lines. China ignored the “17-point agreement” and moved its military forces into Tibet. This is because China saw the reluctance on the part of the traditional elites to undergo social transformation as a plot against the central authority. Further, China believed that this unwillingness would facilitate Tibet’s independence movement, as the Tibetans were already protesting against the increasing Chinese presence in Tibet.⁷⁰

In 1959, Tibet denounced the 1951 agreement with the PRC and declared Independence. However, this revolt was suppressed by the PRC through military action. Several Tibetan leaders were targeted, and the Tibetan government was dissolved.⁷¹ The strategy of Accommodation and Suppression led to a widespread revolt by the Tibetans even before 1959. Significant protests erupted in Tibet’s Kham region during the 1954-55. The Khampa tribes in eastern Tibet rebelled against Chinese authorities, disrupting communication routes. Relations deteriorated further as China disregarded the Sino-Tibetan Treaty, also known as the “17-point Treaty,” and ruthlessly suppressed these uprisings, starting with the events in eastern Tibet in 1954-55, followed by a revolt in central Tibet in 1958. Another major uprising occurred in Tibet in 1959, leading to the Dalai Lama’s escape to India.⁷²

Bhutan continued its economic and political relationship with Tibet. As mentioned earlier, the Bhutanese representative was stationed in Tibet up to 1959. However, Chinese intentions became clearer with developments in Tibet.

⁶⁹ Tshunghan Wu, “China’s Nation Building Strategies and United Front Work for Tibetan Leadership,” *E-International Relations* (March 2019), p. 5, <https://www.e-ir.info/pdf/77350Tibet:%20Past%20and%20Present>.

⁷⁰Ibid., p. 5

⁷¹Hungdah Chiu and June Teufel Dreyer, “Tibet: Past and Present,” *Contemporary Asian Studies*, Number 9 (1989) p. 6, <https://core.ac.uk/download/pdf/56353999>.

⁷² Choden and Penjore, n. 61, p. 168.

The occupation of Tibet alerted the landlocked country of Bhutan that it was a threat to her national security. Additionally, China deployed troops along the undefined borders and initiated incursions into Bhutanese territory. This had significant strategic and security consequences for Bhutan. Losing its northern independent neighbour, with whom it had strong cultural, religious, and political ties, raised concerns about Bhutan's future as an independent nation.

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As previously mentioned, even before these events, Bhutan has always recognised China as a significant threat. Bhutan, however, had little cause for concern at the time due to the British policy of extended frontiers, which focused on protecting the inner circle, which included Bhutan. Moreover, the British held the dominant position in the entire region, while China was preoccupied with internal and external conflicts. In the 1950s, China started using physical force to subjugate Tibet after the British left the Indian subcontinent. Bhutan became increasingly concerned over the strategic and security implications of China's actions.⁷⁴

Aside from security issues, Bhutan was troubled by the inhuman treatment meted out to its fellow Buddhist neighbour by China, as they ruthlessly crushed the Tibetan uprising.⁷⁵ Although Tibet in the past challenged Bhutan's sovereignty, they shared close neighbourly historical ties.⁷⁶ As a result, the Bhutanese were extremely concerned about the Chinese claims made in Lhasa. The fear that China would proceed to claim the other Himalayan states after occupying Tibet was causing fear among the Bhutanese. Bhutan had to reassess its foreign policy because of this anxiety, as now Bhutan was to share a border with China. The undefined boundary

⁷³ Ibid., p. 169.

⁷⁴ Dawa Norbu, "Chinese Strategic Thinking on Tibet and the Himalayan Region," *Strategic Analysis*, Volume 32, Number 4 (2008), p. 395.

⁷⁵ Sudha Ramachandran, "China's Bhutan Gambit," *The Diplomat*, July 23, 2020, <https://thediplomat.com/2020/07/chinas-bhutan-gambit/>.

⁷⁶ Mathou, n. 1, pp. 388-411

between Tibet and Bhutan was never a concern for the inhabitants of both, as their political systems were not based on the ideas of a modern nation-state. However, the emergence of the PRC and the annexation of Tibet led to the start of a boundary dispute between China and Bhutan, which is still unresolved.⁷⁷

Cultural Identity as a Factor in China-Bhutan Relations

Culture defines the sovereignty and identity of Bhutan and its people. The preservation of cultural identity has been an essential component of well-being in Bhutan. According to the United Nations Educational, Scientific and Cultural Organisation (UNESCO), culture is “the whole complex of distinctive spiritual, material, intellectual, and emotional features that characterise a society or social group. It includes.....modes of life, the fundamental rights of the human being, a value system, traditions, and beliefs.”⁷⁸

In an interview, Bhutan’s King Jigme Singye Wangchuk claimed that because of its lack of military and economic power, the country had no choice but to preserve its culture:

“The only factor we can fall back on, the only factor which can strengthen Bhutan’s sovereignty and our different identity is the unique culture we have. I have always stressed the great importance of developing our tradition because it has everything to do with strengthening our security and sovereignty and determining the future survival of the Bhutanese people and our religion.”⁷⁹

⁷⁷ Wini Fred Gurung and Amit Ranjan, “China’s Territorial Claims and Infringement in Bhutan: Concerns for India”, *ISAS Working Papers* Number 341 (April 2021), p. 2.

⁷⁸ *The 2009 UNESCO Framework for Cultural Statistics (FCS)* (Montreal, Canada: UNESCO Institute of Statistics, 2009), pp. 9-10, https://uis.unesco.org/sites/default/files/documents/unesco-framework-for-cultural-statistics-2009-en_0.

⁷⁹ Bhutan’s King Jigme Singye Wangchuk, as Cited in Barabara Crossette, *So Close to Heaven: The Vanishing Buddhist Kingdoms of the Himalayas* (New York: Knopf Doubleday Publishing Group, 1995), p. 35.

Culture has been highlighted as a national priority through the concept of Gross National Happiness (GNH) in the 1970s. GNH comprises four main, broad “pillars” considered particularly relevant to the Bhutanese context. These are, namely, good governance, equitable and sustainable socio-economic development, environmental preservation, and protection of the local cultural identity.⁸⁰

After Tibet was annexed, a large-scale migration of Tibetan refugees left Bhutan in a precarious situation. Although the Tibetan monks had been migrating to Bhutan since the 8th century, Chinese occupation and suppression forced many Tibetans to flee to India and Bhutan. Bhutan saw an influx of refugees in large numbers.⁸¹

Initially, Bhutan welcomed the refugees, and they prospered in Bhutan. Several Tibetans started businesses and opened shops in Thimphu, Trashigang, Trongsa, and Bumthang.⁸² Bhutan faced an economic burden with the exodus of Tibetan refugees. Despite such burdens, the Bhutanese were sympathetic to the cause of the Tibetan refugees and gave them as much assistance as they could. However, this policy towards the Tibetan refugees began to change after 1973.⁸³

Bhutan had to change its policy towards the Tibetan refugees because it increasingly faced the dual challenge of safeguarding the migrant's rights while simultaneously preserving its unique cultural identity. There were several reasons that led to a shift in Bhutan's stance. One of the key factors was the divergence in the loyalties of the Tibetan refugees and the Bhutanese population towards their respective leaders, the Monarch and the Dalai Lama. R.C. Misra pointed out that Tibetans residing in Bhutan

⁸⁰ Medha Bisht, “Bhutan’s Foreign Policy Determinants: An Assessment,” *Strategic Analysis* Volume 36, Issue 1 (2012), pp. 62-63.

⁸¹ Mathou, n. 1, pp. 388-411.

⁸² *Ibid.*, pp. 388-411.

⁸³ Rajesh S. Kharat, “Bhutan’s Security Scenario,” *Contemporary South Asia* Volume 13, Issue 2 (2004), pp. 171-185.

maintained a higher level of loyalty towards the Dalai Lama compared to their loyalty to the Bhutanese king. While the Dalai Lama has always been highly respected in Bhutan, placing the King of Bhutan in a subordinate position to the Dalai Lama was seen as a betrayal by the Bhutanese.⁸⁴

Another factor contributing to Bhutan's policy shift towards Tibetan refugees was the perceived threat to Bhutan's security posed by their presence. The Tibetans began to influence Bhutan's domestic politics and were suspected of causing internal issues, and they still continue to impact Bhutan's socio-political structure. In the 1960s, Bhutan experienced a situation akin to a civil war due to the emergence of anti-national sentiments. A significant segment of Tibetan refugees, led by Gyalo Thondup (the Dalai Lama's elder brother), had become a strong interest group in this context. According to Medha Bisht, some analysts have gone so far as to assert that these Tibetan refugees had established a "state within a state."⁸⁵ Similarly, according to R.C. Misra:

"Although the Tibetan refugees had been accepted as a part of the Bhutanese family and were enjoying the facilities that the government could offer to the Bhutanese, they had been paying taxes to Dharamshala for the last 15 years, and attending the yearly meetings at Dharamshala. It appeared as if they were trying to establish a state of Tibet in Bhutan."⁸⁶

In the Bhutanese National Assembly, debates were conducted over the difficulties presented by the anti-nationals. Members drew attention to the fact that Ngolops, or persons of Tibetan descent, were attempting to sabotage Bhutan's social structure by fomenting mistrust between the populace and the government and communal strife between those living in the country's north and south. In addition, they were also involved in nefarious activities such as extortion, robbery, rape, kidnapping, and even murder. It was argued that the

⁸⁴ R.C Misra, "Tibetans in Bhutan: Problem of Repatriation," *China Report*, Volume 18, Issue 5 (1982), pp. 25-32.

⁸⁵ Bisht, n. 80, p. 63.

⁸⁶ Misra, n. 84, p. 30.

Ngolops were also engaged in attacking the basic service facilities in southern Bhutan, such as schools, hospitals, and bridges. Thus, it was concluded that measures had to be implemented to prevent individuals with anti-national sentiments from causing additional turmoil in Bhutan.⁸⁷

As a result, when King Jigme Singye (4th Druk Gyalpo) assumed the throne, the government resolved to address the issue of Tibetan refugees with a strong approach. The initial action was taken in 1974, when Bhutan expelled 100 Tibetan refugees. Then, in 1978, the Royal Government of Bhutan (RGOB) rejected the Tibetan representative's request to bring in teachers from Dharamsala to support the preservation of their language and culture.⁸⁸

Further, the Government of Bhutan contacted the Dalai Lama at Dharamshala, in Himachal Pradesh, to discuss the Tibetan refugee situation in Bhutan. Following a protracted dialogue, Bhutan presented them with two choices: either accept Bhutanese citizenship or leave the country.⁸⁹ Based on the government resolution of 1985, which required Tibetans and other refugees to accept Bhutanese citizenship or risk expulsion, the Tibetan refugees were granted this option. The nationals were required to provide proof of residency from before 1958. Therefore, under this law, citizens who could not provide proof of residency faced denial of citizenship and even deportation.⁹⁰

Bhutan viewed the Chinese aggression-related refugee crisis in Tibet as a danger to its culture, unique identity, security, and economic livelihood. Bhutan has consistently opposed the growth of other sub-political cultures and has prioritised cultural identity over ethnic identity. Hence, Bhutan's

⁸⁷ "Proceedings and Resolutions adopted during the 70th Session of the National Assembly," *The Anti-national Problem in Southern Bhutan*, Section 4, held from October 1, 1991 to October 8, 1991, pp. 20-26, https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/70th_Session.

⁸⁸ Lok Raj Baral, "Bilateralism under the Shadow: The Problems of Refugees in Nepal-Bhutan Relations," *Centre for Nepal and Asian Studies*, Volume 20, Number 2 (1993), pp. 198-20, https://himalaya.socanth.cam.ac.uk/collections/journals/contributions/pdf/CNAS_20_02_05.

⁸⁹ Rajesh Kharat, n. 49, p. 129.

⁹⁰ Baral, n. 88, pp. 198-201.

approach to Tibetan refugees has been in line with its strategy to realise the concept of “one nation, one people.”⁹¹

Bhutan’s attitude towards the Tibetans has served the interests of the Chinese government. For example, even though Bhutan has always been sympathetic to the cause of the Tibetans in Tibet, Bhutan has never pushed for a proactive approach to the Tibetan issue in the international arena. Despite sharing close cultural, social, and religious ties with Tibetans, it has maintained silence on the Tibetan question. Other than imposing strict restrictions on Tibetans gaining Bhutanese citizenship, Bhutan has not established official contacts with the Central Tibetan Administration (CTA) in Dharamsala.⁹²

The Dalai Lama has never been invited to Bhutan. His Gelugpa sect has not flourished in Bhutan; this is evident as the sect has not been allowed to build any monastic institutions in Bhutan. As mentioned earlier, this is mainly due to the hierarchical structure existing in Tibet, whereby the Drukpa sect of Bhutan is considered subordinate to the Gelugpa sect of Tibet. Most importantly, Bhutan has officially recognised the ‘One China policy,’ even in the face of assertive Chinese actions. Similar to China, Bhutan’s motivation was to prevent Tibetan refugees from using its territory as a platform for anti-China activities.⁹³ Bhutan’s strong emphasis on cultural identity has significantly influenced its stance on Tibetan refugees. Therefore, while Bhutan’s policy towards Tibetan refugees wasn’t designed to appease China, it aligns, to some extent, with Chinese objectives.⁹⁴

⁹¹ Bisht, n. 80, pp. 62-63.

⁹² Mathou, n. 1, pp. 388-411.

⁹³ Bisht, n. 80, pp. 62-63.

⁹⁴ Mathou, n. 1, pp. 388-411.

Territorial Integrity and Sovereignty as a Factor in China-Bhutan Relations

The primary objective of Bhutan's foreign policy has been the protection of its territorial integrity, sovereignty, unity, and overall national security. Bhutan's foreign policy approach has been significantly influenced by the concern that involvement in the power dynamics of major nations could jeopardise its sovereignty and territorial integrity. Bhutan has consistently been cautious about safeguarding its territorial integrity and sovereignty. Bhutan's relationship with its neighbours has been the result of "balance of threat" and not a "balance of power."⁹⁵

Stephan Walt in his famous work *The Origins of Alliances* (1987), offered what is famously known as the Balance of Threat Theory. In this theory, Walt argues that when states are confronted by an external threat, they choose to either balance or bandwagon. To balance, states form alliances to shield themselves against states or coalitions that possess greater resources and could potentially pose a risk. Conversely, states engage in bandwagoning by aligning themselves with the perceived source of the threat. He additionally posits that states assess the degree of threat emanating from another state by considering four key factors: aggregate power, proximity, offensive capability, and offensive intentions.⁹⁶

In the case of Bhutan, it chose to balance instead of bandwagon when it came to the Chinese threat. Bhutan distanced itself from China because developments in Tibet were viewed as a security concern for Bhutan. Instead, Bhutan turned to India, which was seen as a more amicable and

⁹⁵ Aditya Gowdhara Shivamurthy, "The Changing Contours of Bhutan's Foreign Policy and the Implications for China and India," *Observer Research Foundation*, ORF Occasional Paper Number 356 (June 2022), p. 14. <https://www.orfonline.org/research/the-changing-contours-of-bhutans-foreign-policy-and-the-implications-for-china-and-india/>.

⁹⁶ Arshad Iqbal Dar, Irfan Ul Haq, and Tanveer Ahmad Khan, "Alliances in International Politics: A Comparative Study of Kenneth Waltz's and Stephen Walt's Theories of Alliances," *KAAP International Journal of Arts, Humanities and Social Sciences*, Volume 4, Issue 3 (2016), pp. 47-48.

dependable partner. Even though India and China are geographically close to Bhutan and have stronger military capabilities capable of launching offensives, Bhutan's choice to align with India instead of China primarily stemmed from concerns about China's offensive intentions, as Bhutan has consistently harboured suspicions about China's motives. This factor has had a considerable influence on the dynamics of the relationship between China and Bhutan. ⁹⁷

Shift in Bhutan's Foreign Policy Post-Development in Tibet

Following India's independence, the Indian government made an effort to persuade RGOB to abandon its isolationist stance. Additionally, the Indian government expressed interest in constructing a road network that would connect Bhutan and India. This could help improve communication and transport linkages between the two countries. ⁹⁸ As instability in the northern region escalated, Bhutan found it increasingly challenging to decline advice from India. In the meantime, Jawaharlal Nehru stated in the Indian Parliament that India is fully responsible for defending Bhutan. He declared that aggression on Bhutan would be considered an attack on India. ⁹⁹

After initial hesitation, Bhutan eventually accepted India's request and moved away from its traditional foreign policy approach. ¹⁰⁰ Bhutan ended its long period of self-isolation. Up until now, Bhutan had only maintained limited contact with Tibet and British India. Bhutan severed its connections with Tibet, recalling all its representatives from Lhasa as well as withdrawing its officials from western Tibet. Bhutan also closed all the trade routes northwards from Paro, Punakha, and Trashigang to Shigatse and Lhasa, as

⁹⁷ Shivamurthy, n. 95, p. 14.

⁹⁸ Mathou, n. 1, pp. 388-411.

⁹⁹ Prem Nath, *The Winds of Change in Bhutan*, *Motherland Delhi*, February 20, 1972.

¹⁰⁰ Jha, n. 2, p. 3.

well as its trade in Chumbi Valley in the west via Yatung. Bhutan thereafter, understandably, turned to building relations with an independent India. ¹⁰¹

As Bhutan had long-standing cultural, religious, and political ties with Tibet, severing such ties was not easy. Furthermore, severing trade relations with Tibet came at a price, as it had a negative impact on Bhutan's economy. ¹⁰² China took advantage of the disruption in trade between Bhutan and Tibet. Rajesh Kharat claims that China offered high prices for smuggled goods from Bhutan. This was easier for China, as even earlier, many of the items imported from Tibet into Bhutan were of Chinese origin. This helped China earn goodwill within the local business class in Bhutan. But this was not for long, as China continued to assert its claims over Bhutanese territory. ¹⁰³

As a result, it is critical to examine how Bhutan's three key foreign policy changes have affected its relations with China. First, for security and economic reasons, it moved closer to India. Secondly, it initiated the process of modernisation. In essence, this move was a plan to maintain its independence. Third, it realised that in order to start the modernisation process, it needed assistance from sources outside India. In order to accomplish this, it deepened its ties with other countries and joined a number of regional and global forums. ¹⁰⁴ Hence, a combination of political, security, and economic considerations has driven a transformation in Bhutan's foreign policy. ¹⁰⁵ This alteration in its foreign policy stance is among the factors contributing to the fact that, even today, Bhutan maintains a stronger relationship with independent India than it does with China.

¹⁰¹ Kohli, n. 21, p. 142-153

¹⁰² Choden and Penjore, n. 61, pp. 243-252.

¹⁰³ Kharat, n. 49, p. 4.

¹⁰⁴ Syed Aziz-al Ahsan and Bhumitra Chakma, "Bhutan's Foreign Policy: Cautious Self-Assertion"? *Asian Survey* Volume 33, Number 11 (November 1993), p. 1047.

¹⁰⁵ Nihar R. Nayak, "Political Changes in Nepal and Bhutan Emerging Trends in Foreign Policy in Post 2008 Period," *MP-ISDA Monograph Series*, Number 72 (2021), p. 68, <https://idsa.in/system/files/monograph/monograph72>.

The shift in Bhutan's foreign policy was also due to the fact that Tibet had suffered gravely because of its policy of Isolation. ¹⁰⁶ Bhutan eventually recognised that isolationist policies could harm a nation's sovereignty and security. The consequences of these shifts in foreign policy have substantial and lasting political and economic ramifications. To facilitate modernisation, Bhutan needed to implement internal socioeconomic reforms. For instance, Bhutan aimed to abolish serfdom and introduce land reforms, including placing a loose limit on family land holdings. The government had to play a pivotal role in the nation's internal development and modernisation efforts. ¹⁰⁷

Externally, to initiate the process of modernisation, Bhutan received support and assistance from India. It began to focus on development with economic assistance from India. Other than India, Bhutan also relied on other sources for its economic and technological advancement. ¹⁰⁸

India as a Factor in China-Bhutan Relations

China and Bhutan relations cannot be analysed without considering India as an important factor in this relationship. This is primarily due to Bhutan's historically strong ties with India. In the latter part of the 18th century, British India began showing interest in Bhutan because it could potentially serve as a gateway for British trade with Tibet. In response to British imperialistic efforts in the region, China asserted its territorial claims over Bhutan and began intervening in its internal affairs. ¹⁰⁹

The British, as was previously said, adopted a policy of defending their extended frontiers. This policy was continued even by independent India. Independent India included Bhutan and the other Himalayan states under its

¹⁰⁶ Ahsan and Chakma, n. 104, p. 1047.

¹⁰⁷ S.W.R. de A. Samarasinghe, "The Bhutanese economy in transition," *Asian Survey*, Volume 30, Number 6 (June 1990), pp. 560-575.

¹⁰⁸ Nayak, n. 105, p. 68.

¹⁰⁹ Kharat, n. 83, p. 4.

northern security framework. After the invasion of Tibet, Bhutan acquired enormous strategic importance. Bhutan's importance increased as the Chinese troops came closer to the Indian and Bhutanese borders.¹¹⁰ India's stance of acknowledging Bhutan as a sovereign and independent nation, contrary to Chinese claims, had a pivotal influence on the formulation of Bhutan's foreign policy. Thus, Bhutan tilted towards India for its security needs and economic assistance.¹¹¹ For India, since Bhutan was strategically placed in its security defence framework, Bhutan received India's assistance for its security and defence arrangements.¹¹²

In the 1960s, China extended an offer to Bhutan to engage in talks regarding the boundary dispute, recognise Bhutan's sovereignty, establish diplomatic relations, and provide financial and technical assistance. In reaction to this, India promptly initiated a substantial aid programme encompassing infrastructure development, education, agriculture, and geological surveys. Consequently, India played a notable role in ending Bhutan's isolationist approach, fostering Bhutan's socio-economic progress, and enhancing Bhutan's global standing by facilitating its membership in the United Nations (UN) and other international forums. Therefore, India's support indirectly contributed to Bhutan's rejection of Chinese aid.¹¹³

After the 1960s, China abandoned its strategy of employing coercive methods and, instead, showed an inclination towards establishing relations with Bhutan. China recognised the difficulty of isolating Bhutan from India, given that Bhutan's economic development relied entirely on India. Hence, China adopted a conciliatory approach when it came to Bhutan. China made several attempts at offering economic assistance to Bhutan. Bhutan, being suspicious of Chinese intentions, rejected the Chinese offers. Officials from China

¹¹⁰ Dorji Penjore, "Security of Bhutan: Walking Between the Giants," *Journal of Bhutan Studies* (2004), p. 122.

¹¹¹ Kharat, n. 49, p. 143.

¹¹² Mathou, n. 1, pp. 116-119.

¹¹³ Penjore, n. 110, p. 122.

stationed in Lhasa made the decision to issue visas directly to Bhutanese citizens. Additionally, China extended an invitation to Bhutan to resolve their border dispute through peaceful negotiations.¹¹⁴

However, China encountered a challenge in the boundary negotiations due to India's unique ties with Bhutan. Bhutan had to invoke Article II of the 1949 Indo-Bhutan Treaty, which stipulated that the Bhutanese government would follow the guidance of the Indian government in matters of its foreign affairs. Consequently, the resolution of Bhutan's border concerns was to be handled by India. Bhutan expressed a preference for discussing the border disputes within the framework of the 1961 Sino-Indian border talks, a proposition that the Chinese government found unacceptable.¹¹⁵

The border dispute between China and Bhutan was never formally addressed in the context of Sino-Indian discussions, as Beijing declined to include it within the framework of talks with New Delhi. China insisted that the negotiations should occur strictly at the bilateral level, without any third-party involvement. Bhutan, on the other hand, rejected China's proposition to resolve the border dispute through direct bilateral negotiations. During the 1960s, Bhutan's stance towards the boundary settlement was influenced by India.¹¹⁶ Eventually, however, talks began at the bilateral level in 1984, which are still ongoing.

Therefore, we can draw two observations from the above sequence of events. One is that India holds an important strategic position in China and Bhutan relations. The 1949 Treaty prevented China from developing a direct relationship with Bhutan.¹¹⁷

¹¹⁴ Choden and Penjore, n. 61, p. 168.

¹¹⁵ Mathou, n. 1, p. 395.

¹¹⁶ Ibid., pp. 388-411.

¹¹⁷ Kharat, n. 49, p. 147.

The 1962 Sino-Indian War did not result in Bhutan falling directly under Chinese influence, but it did demonstrate China's military dominance in the Himalayan region. In the late 1940s, India, newly independent, and a growing Communist China emerged as the two largest nations in the region. Despite a longstanding border dispute, they had a shared history and a deep-rooted civilisation. Additionally, both aspired to become prominent players in the developing world. ¹¹⁸

Nonetheless, during the Cold War, China and India held contrasting ideological stances. India played a crucial role as a founding member of the Non-Aligned Movement, whereas Mao Zedong criticised and opposed the Non-Aligned Movement. Although India and China held radically different positions in international affairs, both faced a difficult territorial issue when it came to the question of Tibet and Tibetans. China shared a close political relationship with Tibet, whereas India shared close cultural ties with Tibet. ¹¹⁹

In the beginning, regarding Tibet, India adhered to the British policy of safeguarding its extended borders. This was evident in India's actions after gaining independence, such as inviting a Tibetan delegation to participate in the Asian Relations Conference in 1947 and communicating with Lhasa in 1947, affirming the commitment to uphold all prior treaty agreements. ¹²⁰ However, after the occupation of Tibet, the Indian government changed its policy towards Tibet as they thought it was practical to not antagonise China due to security concerns. Thus, India preferred befriending China in order to reduce the security threat from China. ¹²¹ Meanwhile, Bhutanese elites questioned India's position as a reliable partner, as even though India did not

¹¹⁸ Lorenz Lüthi, "Sino-Indian Relations, 1954-1962," *Eurasia Border Review* 3, Special Issue (2012), p. 96.

¹¹⁹ *Ibid.*, p. 96.

¹²⁰ Norbu, n. 74, p. 372

¹²¹ *Ibid.*, p. 373.

initially support Chinese aggressive policies in Tibet, it later failed to strongly condemn China for undermining Tibet's sovereignty.¹²²

By the late 1950s, tensions along the border were escalating, and India's engagement in the Tibetan issue, as well as providing asylum to the Dalai Lama, agitated the Chinese. These mounting tensions ultimately culminated in the 1962 war between India and China. The conflict indicates that India had evidently misjudged China's efforts to build a robust foundation of friendship with India.¹²³

Shifts in Bhutan's Foreign Policy Post-1962 War

Initially, the Bhutanese government was sympathetic towards the Indian troops that had crossed over the eastern border of Bhutan to take refuge. The Indian army was assisted with medical care, food, and shelter. Support was given despite the risk of Chinese disapproval.¹²⁴ However, later, Bhutan changed its stance and adopted a hardline approach towards the Indian government. Bhutan declined to permit the presence of Indian military forces in its eastern region. Bhutan's decision was driven by its aim to avoid being perceived as an extension of India's security concerns, thus asserting its sovereignty and independence as a distinct nation.¹²⁵

Bhutanese intentions in this regard were evident, as the RGOB emphasised that the 1949 Indo-Bhutan Treaty was not a defence treaty and that it only laid down the provisions for Indian guidance in cases of foreign policy matters.¹²⁶ Second, Bhutan made an effort to avoid inciting Chinese resentment and encroachment on its territory since doing so may have directly jeopardised

¹²² Choden and Penjore, n. 61, p. 244.

¹²³ Norbu, n. 74, p. 373.

¹²⁴ Rajesh Kharat, "Indo-Bhutan Relations: Strategic Perspectives", in *Himalayan Frontiers of Indian Historical, geo-political and strategic perspectives*, ed. K. Warikoo (London and New York: Routledge Taylor and Francis Group, 2009), p. 143.

¹²⁵ Bisht, n. 80, p. 61.

¹²⁶ Kharat, n. 124, p. 143.

its territorial integrity.¹²⁷ It avoided supporting India against China. This was mainly because of the fear of retaliation from China.¹²⁸

Overall, Bhutan generally remained neutral throughout the conflict. Neutralism is a crucial security tactic used by small states in challenging circumstances. For a neutral small state to survive, it must demonstrate that it is neutral and poses no threat to larger states. The only rational course of action was neutrality because Bhutan was able to reduce tensions between the rival big powers and assure its own safety.¹²⁹

The direct consequence of the war in the Himalayan region was a change in the power balance. Faced with Chinese aggression, Bhutan had to once again assess its foreign policy, driven by concerns about India's ability to safeguard Bhutan's defence.¹³⁰ According to Yedzin W. Tobgay,

The defeat of India in the 1962 War further increased the geopolitical importance of countries like Bhutan and Nepal as frontier states by making relations with them a high priority for India's national security. The dominance asserted by Bhutan's neighbours pushed it to embark on a journey of self-definition that established its socio-cultural environment as one that was unique and could not be assimilated with the cultures of the countries it was close to geographically. This led Bhutan on a journey towards 'Bhutanisation'.¹³¹

At the national level, Bhutan contemplated the creation of a defence force, leading to deliberations within the National Assembly in 1963 and the subsequent establishment of a standing army.¹³² According to Yedzin W. Tobgay, on the eve of the 1962 war, Bhutanese Prime Minister Jigme Dorji requested the British High Commission for 5,000 automatic rifles and 1,000 light machine guns, citing the need to protect itself in the event of an attack by

¹²⁷ Bisht, n. 80, p. 61.

¹²⁸ Subrata K. Mitra and Srikanth Thaliyakkattil, "Bhutan and Sino-Indian Rivalry: The Price of Proximity," *Asian Survey* Volume 58, Number 2 (March/April 2018), p. 246.

¹²⁹ Bejtush Gashi, "The Role and Impact of the Small States Diplomacy on Regional and International Security," *ILIRIA International Review*, Volume 6, Number 1 (2016), p. 150.

¹³⁰ Mathou, n. 1, p. 395.

¹³¹ Yedzin W. Tobgay, "Indo-Bhutanese Relations," in *Linking India and Eastern Neighbours: Development in the Northeast and Borderlands*, eds. H. Srikanth and M. Majumdar (New Delhi: SAGE Publishing India, 2021), p. 62.

¹³² Choden and Penjore, n. 61, p. 17.

China. Even though the British were interested in containing China due to the prevailing Cold War politics, this request could not get through as the Treaty of 1949 restricted Bhutan from freely conducting its foreign policy.¹³³

As a result, Bhutan's military personnel continued to undergo training in India. However, the evolving regional circumstances influenced by Tibet, the Sino-Indian War, and the annexation of Sikkim into Indian territory made Bhutan increasingly cautious about its association with India. Consequently, Bhutan opted for a more conciliatory approach towards China.¹³⁴

Differences in the Foreign Policy Choices of Nepal and Bhutan

Both the Himalayan nations adopted different approaches when it came to dealing with their neighbours. In contrast to Nepal, where the Shah kings diplomatically interacted with both the Indian government and the CCP, Bhutan placed its confidence exclusively in the Government of India (GOI). While Nepal has embraced a policy of “balance of power” in its interactions with neighbouring countries, Bhutan has taken a different approach. Nepal and Bhutan hold significant positions in the foreign policies of both India and China. Throughout history, Nepal's ties with India have been deeply rooted in shared socio-cultural backgrounds. The longstanding relationship between Nepal and India, spanning centuries, is primarily shaped by geographical proximity and historical factors, setting it apart from other considerations. These two countries not only share an open border and unrestricted movement of people but also maintain strong connections through matrimonial and familial bonds, a characteristic that stands out in the context of Asia. India has always tried to counter China's expanding strategic foray

¹³³ Tobgay, n. 131, pp. 63-64.

¹³⁴ Bisht, n. 80, pp. 61-62.

through diplomatic efforts. India has used the pretext of strong historical relations with Nepal to safeguard its security and interests.¹³⁵

Likewise, China has been steadily developing its relationship with Nepal ever since the establishment of diplomatic ties in 1955. Growing security concerns have heightened China's interest in Nepal over time. China's efforts have primarily been directed at addressing issues related to Tibetan refugees and curtailing their anti-China activities within Nepal.¹³⁶

India's interest in Nepal and neighbouring Himalayan states can be traced back to the British policy of extended frontiers. Nepal has historically harboured concerns about the intentions of both India and China, particularly regarding its security. Consequently, Nepal has consistently adhered to a policy of non-alignment and neutrality when it comes to cooperation or conflicts involving India and China. This approach is rooted in Nepal's aspirations to safeguard its sovereignty and avoid becoming entangled in the disputes of major powers. Given its geographical position between India and China, Nepal has endeavoured to delicately balance its relations with these two neighbouring giants. Nepal has employed this policy to secure advantages from both China and India. In alignment with this strategy, Nepal signed the Treaty of Peace and Friendship with India in 1950 and with China in 1960. Nepal has maintained its ties with India to protect its economic and trade interests while simultaneously improving its relationship with China. Often, Nepal has employed the "China card" to counterbalance Indian influence or leverage it in negotiations with India. Hence, through this approach, Nepal has sought to utilise its relationship with China as a means to balance its relationship with India.¹³⁷

¹³⁵ Bawa Singh and Shabaz Hussain Shah, "Nepal's Equidistance Policy towards India and China: Exploring the Shifting Paradigm in the Post-Monarchical Era," in *Nepal's Foreign Policy and Her Neighbors*, eds. Pramod Jaiswal and Geeta Kochhar (New Delhi: G.B. Books, 2016), pp. 53-55.

¹³⁶ *Ibid.*, p. 53-55.

¹³⁷ *Ibid.*, pp. 53-55.

In the case of Bhutan, a faction of the elite was in support of a “balance of power” diplomacy based on ‘equal friendship’ along the same lines as Nepal. Some members of the National Assembly felt that if India-China relations improved, it would diminish the importance of Bhutan for New Delhi and Peking. Therefore, they proposed that Bhutan should make its own efforts to develop ties with China or be left out in the cold.¹³⁸

Following careful consideration, RGOB rejected this line of reasoning. Nonetheless, there remained a split among the ruling elite on this matter. This division between those supporting closer ties with China and those opposing it led to political turbulence in Bhutan during the mid-1960s. On April 5, 1964, Prime Minister Jigme Palden Dorji was assassinated as a result of a power struggle among Bhutan’s ruling elite. This was followed by an attempt to depose King Jigme Dorji Wangchuck (the third king).¹³⁹

Bhutan found it difficult to balance its relationship with two hostile countries. On the one side, Bhutan had a special relationship with India, and on the other side, it had a longstanding border dispute with China, which needed to be settled. While Bhutan aimed to honour its special relationship with India, it also sought to avoid alienating China by aligning too closely with India, as it perceived China as a neighbouring country that frequently employed coercive tactics to achieve its objectives.¹⁴⁰

King Jigme Dorji Wangchuk made his position regarding China clear when he said, “We do not want to be either friends or enemies of China.” Even though Bhutan and the other smaller countries in the region doubted India’s capacity to execute its role as a protector, the fear of communist culture penetrating into Bhutanese territory, coupled with it being militarily at a disadvantage, left Bhutan no choice but to continue to rely on its southern neighbour for

¹³⁸ “Bhutan is in no hurry for closer ties with China,” *Hindustan Times*, November 5, 1979.

¹³⁹ Mathew Joseph C, “China-South Asia Strategic Engagements 2–Bhutan China Relations,” *Institute of South Asian Studies Working Paper*, Number 157 (August 2012), p. 8.

¹⁴⁰ Thierry Mathou, n. 1, pp. 395-396.

security.¹⁴¹ Furthermore, Bhutan had reservations about the Nepali model for a number of reasons. One was that Bhutan's increased empathy for the plight of the Tibetans. Second, Nepal encountered numerous political and economic challenges. Third, Bhutan refused to become a centre of big-power rivalry.¹⁴²

Bhutan learned from Nepal's experience that using a China card against India would only antagonise its southern neighbour. The manner in which the Nepali government carried out its diplomacy raised questions as it was difficult to maintain. Nepal became the centre of big-power politics. This had serious economic and political ramifications for the internal development of Nepal. For instance, by using the China card, Nepal witnessed economic blockades in 1960, 1969, 1989-1990, and 2015-16. These blockades destabilised internal politics and also had a devastating impact on the economy. Therefore, for the Government of Bhutan, Nepal stood as the perfect example of how not to conduct its relations when placed in a difficult geographical location between two rival giants.¹⁴³

Bhutan realised that non-alignment and balance of power were not an option for a country located geographically between two major rival powers. Consequently, Bhutan adopted a strategy that involved addressing India's security interests while simultaneously working to broaden its diplomatic ties with other countries.¹⁴⁴ According to Leo E. Rose, Bhutan's foreign policy rested on the belief that, as long as it took India's strategic interests into account, New Delhi would not obstruct the gradual development of Bhutan's relations with countries other than China.¹⁴⁵ Regarding its relationship with Beijing, Thimphu harboured significant apprehensions about China's strategy

¹⁴¹ Sudha Ramachandran, Hamsini Hariharan, and Shibani Mehta, "India-Bhutan relations: Fostering the friendship," *Takshila Strategic Assessment* (May 2018), pp. 1-9.

¹⁴² Mathou, n. 1, p. 395.

¹⁴³ Nitasha Kaul, "Beyond India and China: Bhutan as a Small State in International Relations," *International Relations of the Asia-Pacific* Volume 22, Issue 2 (May 2022), p. 32.

¹⁴⁴ Mathou, n. 1, p. 395.

¹⁴⁵ Leo E. Rose, "Bhutan's external relations," *Pacific Affairs* Volume 47, Number 2 (Summer 1974), pp. 192-208.

in the Himalayan region and therefore chose to wait for an improvement in India-China relations before actively engaging with China.¹⁴⁶

China's Policy Towards Its Neighbours

The India factor becomes particularly significant at a time when both Chinese and Indian policymakers have placed paramount importance on their neighbouring regions. In this context, it is crucial to examine China's "Periphery Policy." China's approach towards Bhutan is a component of its "periphery policy" (Zhoubian Zhengce) or "good neighbourly policy" (Mulin Zhengce). China often calls its Asian neighbours "periphery countries" (Zhoubian Goujia). China initiated the formulation of this comprehensive regional policy in the early 1980s.¹⁴⁷

China's periphery encompasses all the nations that share its land and maritime borders. However, when Chinese leaders discuss China's periphery, they do not necessarily limit themselves to their immediate vicinity.¹⁴⁸ Yuan Peng, vice president of the China Institute of Contemporary International Relations (CICIR), delineates China's periphery into three concentric circles. The "inner ring" comprises the 14 countries that share land borders with China. The "middle ring" encompasses maritime nations extending from the inner ring as well as regions extending from the West Pacific to the Indian Ocean and including certain parts of Central Asia and Russia that are not immediate neighbours of China. The "outer ring" extends to encompass regions in Africa, Europe,

¹⁴⁶ Mathou, n. 1, pp. 395-396.

¹⁴⁷ Suisheng Zhao, "China's Periphery Policy and its Asian Neighbors," *Security Dialogue* Volume 30, Issue 3 (1999), p. 335.

¹⁴⁸ Jacob Stokes, "China's Periphery Diplomacy: Implications for Peace and Security in Asia," *United States Institute of Peace*, Special Report (May 2020), p. 3.

and the Americas. Collectively, these areas are referred to as the larger periphery.¹⁴⁹

The increasing importance of China's periphery in terms of both national security and economic growth necessitates the maintenance of positive relations with neighbouring countries. China's disputes with nearby regions over territorial and resource matters were hindering its endeavours to enhance political, economic, and security ties with its neighbours.¹⁵⁰

Numerous countries in China's periphery were viewed as potential security threats due to border disputes and their affiliations with foreign powers hostile to China. According to Suisheng Zhao, China's periphery policy serves two primary objectives: firstly, to resolve border disputes through diplomatic discussions and negotiations; and secondly, to prevent the formation of alliances between its neighbouring nations and external powers hostile to China. To achieve the first goal, China prioritises the establishment of secure borders by addressing territorial disputes on land and at sea. To fulfil the second objective, China underscores the development of strategic relationships and the identification of common interests with Asian states as a means of collectively resisting Western pressures.¹⁵¹

In the March 1988 Report on the Work of the Government, Acting Premier Li Peng underscored the significance of cultivating and preserving positive relations with neighbouring countries. China's periphery was initially designed as being of "primary importance" in Chinese foreign policy during the 16th Party Congress in 2002. According to Michael D. Swaine, the CCP devised a strategy that articulated the following approach: "Big powers are key; neighbours are paramount; developing countries are

¹⁴⁹ Yuan Peng, as cited in Michael D. Swaine, "Chinese Views and Commentary on Periphery Diplomacy," *China Leadership Monitor*, Number 44 (2014), p. 44.

¹⁵⁰ *Ibid.*, p. 44.

¹⁵¹ Zhao, n. 147, pp. 236-237.

the foundation; and multilateralism is an important stage.” A year later, the former Premier Wen Jiabao introduced the concepts of “good neighbourhood”, secure neighbourhood, and wealthy neighbourhood.” This concept succinctly elucidated China’s objectives concerning its neighbouring states. ¹⁵²

The significance that China attaches to its periphery was a subject of discussion during the second high-level CCP meeting on foreign policy matters held in October 2013. At the meeting, Xi Jinping highlighted the importance of ensuring an excellent peripheral environment for the development and progress of China. He further added that China should focus on deeper regional economic integration, an increase in cultural influence, enhanced political goodwill, and improving regional security cooperation in its periphery regions. ¹⁵³

With the exception of India and Russia, most of the countries with which China shares its land borders are minor or middle powers. Consequently, with Bhutan, China shares an asymmetric relationship in terms of economic, military, geographical, and demographic capabilities. ¹⁵⁴ Although Bhutan is part of China’s periphery policy, its success in Bhutan has been limited. China’s aims and objectives in Bhutan have largely revolved around contradictory yet complementary interests. ¹⁵⁵

The India factor also becomes crucial as both China and India seek regional and global influence through their economic growth and a mixture of soft and hard power diplomacy. In the 21st century, Asia is projected to play a dominant role, which many have dubbed the “Asian Century.” These

¹⁵² Swaine, n. 149, p. 3.

¹⁵³ Jianwei Wang and Hoo Tiang Boon, “Periphery Diplomacy: Moving to the Center of China’s Foreign Policy,” in *China’s Omnidirectional Peripheral Diplomacy*, eds. Joseph Fewsmith and Zheng Yongnian (Singapore: World Scientific Publishing Co, 2019), pp. 3-4.

¹⁵⁴ Bibek Chand, “China’s Engagement with its Periphery,” *Journal of Asian Security and International Affairs*, Volume 4, Number 2, Special Issue (2017), p. 241.

¹⁵⁵ Jha, n. 2, p. 4.

predictions are based on the increasing significance of Asia in international affairs, particularly evident in the last decade of the 20th century. Apart from China, the most pivotal country in this prospective transformation is India. Consequently, both countries aim to achieve stability and security in their neighbouring regions by focusing on domestic economic development.¹⁵⁶

As Shreya Mishra suggests, in light of this forecast, a fresh narrative has emerged advocating increased collaboration with China and a greater degree of autonomy concerning India.¹⁵⁷ Consequently, the role of India becomes a significant factor to contemplate when analysing China's association with Bhutan. For a long time, China has concentrated on exploiting India's concerns and weaknesses within its neighbouring areas. For example, China has leveraged Pakistan to curb India's influence in the region, and it has employed Nepal to diminish India's sway in the Himalayan region.¹⁵⁸

Similarly, China aims to explore alternative strategic options within India's vicinity. As previously mentioned, Bhutan is the only country in India's neighbouring region that lacks diplomatic relations with China, a situation often attributed to Indian influence.¹⁵⁹ China is well aware of Bhutan's close ties with India and is critical of India's increasing sway over Bhutan, viewing Bhutan as an extension of its periphery. China has consistently been uneasy about the rapid development of friendship between India and Bhutan. Consequently, Bhutan could serve as a means for China to undermine and weaken India's standing within its own neighbouring

¹⁵⁶ David P Fidler, "The Asian Century: Implications for International Law," *Articles by Maurer Faculty*, 399 (2005). p. 24, https://www.repository.law.indiana.edu/facpub/399?utm_source=www.repository.law.indiana.edu%2Ffacpub%2F399&utm_medium=PDF&utm_campaign=PDFCoverPages.

¹⁵⁷ Shreya Mishra, "Young Bhutan's Opinion on its Mega Neighbours," *Observer Research Foundation* (2019), <https://www.orfonline.org/expert-speak/young-bhutans-opinion-on-its-mega-neighbours-57215/>.

¹⁵⁸ William Van Kemenade, "Regional Power India: Challenged by China," in *Détente Between China and India: The Delicate Balance of Geopolitics in Asia* (Netherlands: Clingendael Institute, 2008), pp. 13-14.

¹⁵⁹ *Ibid.*, p.11.

region, especially considering the unique relationship between Bhutan and India. ¹⁶⁰

Beijing has consistently sought to diminish India's role and significance in Bhutan's engagement with China. One of China's key geopolitical objectives is to distance Bhutan from India. As mentioned above, China refused to accept Indian advocacy when it came to Bhutan's border dispute with China. Its firm stand on this matter is what brought Bhutan to the negotiating table. ¹⁶¹ Beijing consistently stresses that Thimphu should pursue an autonomous foreign policy, essentially implying that Bhutan should depart from its historical inclination towards India. Additionally, it's worth noting that, from a security standpoint, the lack of information on Bhutan and Indian military training in Bhutan has always made China curious. As a result, China is eager to expand its presence in Bhutan. ¹⁶² Hence, the influence of India is just one of the several reasons why China is highly motivated to cultivate closer ties with Bhutan.

China has conveyed its dissatisfaction by exerting pressure on Bhutan through territorial claims over Bhutanese regions. Additionally, China is persistently pushing for the establishment of diplomatic relations with Bhutan, which serves a dual purpose for China: firstly, it exerts pressure on Bhutan to pursue a foreign policy that is not influenced by India, and secondly, it grants China a degree of influence in Bhutan, a country often considered to be within India's sphere of influence. ¹⁶³ However, there is a growing perspective that China's territorial disputes with Bhutan represent only a limited aspect of a broader strategy aimed at pressuring the Himalayan state to agree to a boundary

¹⁶⁰ Phunchok Stobdan, "India and Bhutan: The Strategic Imperative," *Institute for Defence Studies and Analyses*, IDSA Occasional Paper Number 36 (2014), p. 27.

¹⁶¹ Nayak, n. 105, p. 66.

¹⁶² *Ibid.*, p. 66

¹⁶³ Pranav Kumar, "Sino-Bhutanese Relations: Under the Shadow of India-Bhutan Friendship," *China Report*, Volume 46, Issue 3 (2010), p. 249.

agreement and intensifying pressure on India.¹⁶⁴ As a result, the role of India is pivotal in shaping the character of China-Bhutan relations.

Economic Needs as a Factor in China-Bhutan Relations

China's emergence as an economic powerhouse has motivated it to utilise economic ties for strategic advantages. China aims to leverage bilateral economic interactions to expand its influence in the South Asian region.¹⁶⁵ China shares land borders with five of the eight South Asian countries: India, Bhutan, Nepal, Pakistan, and Afghanistan. This region plays a central role in China's overarching strategy to connect global regions via both maritime and land routes. Consequently, China's exports to countries such as Bangladesh, Bhutan, the Maldives, Nepal, and Sri Lanka have witnessed notable growth. China's efforts to establish a strategic equilibrium in South Asia further underscore this objective. Additionally, this approach could facilitate China's alignment with members of the South Asian Association for Regional Organisations (SAARC), providing it with a favourable position in South Asia.¹⁶⁶

China's approach towards Bhutan is aligned with its broader South Asian strategy. As part of this strategy, China has put forth a proposal to revitalise the historic Southern Silk Route, aiming to establish connections between its Sichuan and Yunnan provinces and the countries of South Asia.¹⁶⁷ Tim Williams claims that in ancient times, a number of these trans-Himalayan routes connected western and South-western China (Sichuan, Yunnan, and Xinjiang) to South Asia. The development of the region

¹⁶⁴ "China claims Bhutan Land in its 'bid to pressurize India,'" *The Times of India*, July 6, 2020, <https://timesofindia.indiatimes.com/india/china-claims-bhutan-land-in-its-bid-to-pressure-india/articleshow/76804573.cms>.

¹⁶⁵ Anil Sigdel, "China's Growing Footprint in Nepal: Challenges and Opportunities for India," *Observer Research Foundation*, Issue number 260 (October 2018), p. 7, https://www.orfonline.org/wp-content/uploads/2018/10/ORF_IssueBrief_260_India-Nepal_FinalForUpload.

¹⁶⁶ Emily Brunjes, Nicholas M. Levine, Miriam Palmer, and Addison Smith, "China's Increased Trade and Investment in South Asia (Spoiler alert: It's the economy)," *The Robert M. La Follette School of Public Affairs* (2013), p. 11.

¹⁶⁷ Stobdan, n. 160, pp. 25-26.

benefited greatly from these routes. The South West Silk Roads, more commonly called the ancient Tea and Horse Routes, were important from the Tang Dynasty onward. A formal Tea and Horse Bureau managed the tea trade in Sichuan. Similarly, the routes using the Southern Himalayas as the valley system, also referred to as the Salt Routes provided a vital link between the Tibetan plateau and South Asia. The food crops from the valleys were exchanged for wool and salt from the high-altitude Tibetan plateau. This route was also used for long-distance trade in narcotics, textiles, carpets, and dyestuff between South Asia and Eastern Central Asia. Bhutan played a significant role in this long-distance network, most notably in the movement of tea, salt, musk, wool, spices, silk, pearls, metals, etc. ¹⁶⁸

Up until the 1960s, Bhutan served as one of the most efficient trade routes for Tibetan trade with Bengal and Assam. As previously mentioned, Bhutan engaged in routine caravan trade across the challenging terrain of the Himalayan Mountains, connecting Tibet to the north and Bengal to the south, even before British rule in India. ¹⁶⁹ However, after the 1960s, due to the rapid development of the trade routes with India, it appeared that Bhutan would not really benefit from reopening the trade links with Tibet. As noted by Leo Rose in 1977,

“Whole new Bhutanese trade pattern has emerged since 1960 based upon ready access to India as both a market and source of supply, and any change in this trade structure would be highly disruptive to Bhutan’s economy. The removal of the embargo from Tibet, therefore, would have at best a limited impact on Bhutan’s trade system, except possibly in the sparsely populated but highly strategic northern border areas.” ¹⁷⁰

¹⁶⁸ Tim Williams, “Silk roads in the Kingdom of Bhutan and the development of a national heritage inventory,” *Archaeology International*, Volume 19, Number 5 (December 2016), p. 123.

¹⁶⁹ Sarkar and Ray, n. 10, p. 57.

¹⁷⁰ Leo E. Rose, *The Politics of Bhutan* (Ithaca, N.Y.: Cornell University Press, 1977), p. 95.

While these observations hold true, the circumstances have undergone substantial transformations since the 1970s, especially in Tibet. This region has witnessed economic growth and the expansion of urban businesses, primarily due to China's "Western Development Strategy" (WDS). Therefore, in the present context, Bhutan stands to benefit from the reopening of its trade links with Tibet.

Likewise, Bhutan could prove advantageous for China's "Western Development Strategy," enabling Tibet to reclaim a pivotal role in the Himalayan region. This could potentially grant China increased influence in Bhutan.¹⁷¹ This strategy is also called the 'Go West' policy (Xibu Da Kaifa) in China. Since the economic reforms of 1978, China has achieved a high level of GDP growth. However, the rate of economic growth has varied across different regions. The widening regional disparity between the central, eastern, and western regions of China has made it necessary to implement this strategy. It is crucial to highlight that the growing economic inequality stemmed from the Chinese economic reforms initiated in 1979.¹⁷²

The reforms focused mainly on the eastern coastal regions of China. The Special Economic Zones (SEZ) particularly focused on the port cities on the eastern coast of China to attract foreign direct investment. These reforms were highly successful, propelling China to become the world's fastest-growing economy. Nonetheless, they also resulted in an escalation of economic inequality within China.¹⁷³

In June 1999, during a meeting in Xi'an focused on the reform and development of state-owned enterprises (SOEs), Jiang Zemin, who was the then General Secretary of the Central Committee of the CCP and the

¹⁷¹ Jha, n. 2, p. 5.

¹⁷² Pradumna B. Rana and Wai-Mun Chia, "The revival of the Silk Roads (land connectivity) in Asia," *RSIS Working Paper*, Number 274 (May 2014), p. 3.

¹⁷³ *Ibid.*, p. 3.

President of China at the time, officially introduced the concept of Western Development. Subsequently, a year later, a Western development taskforce was established, led by Premier Zhu Rongji and Vice Premier Wen Jiabao, with the inclusion of 19 ministerial-level officials from relevant government ministries and commissions under the State Council as members. In October 2000, this taskforce submitted a report titled “Some Policies and Measures Concerning the Launch of Great Western Development,” marking the formal implementation of the Western development strategy.¹⁷⁴

In March 2000, the Leading Group of the Western Development Office was established under the State Council, operating within the framework of the State Development and Planning Commission. Subsequently, this strategy was incorporated into the outline of the tenth five-year plan (2001-2005) for National Economic and Social Development in China (State Development and Planning Commission 2001). The strategy primarily revolves around three key objectives: reducing regional disparities by fostering economic development and equitable income distribution. Second, it promotes social and political stability in China’s western region by accelerating development in that area. Third, expanding domestic demand by generating new sources of economic growth. So, to summarise the goals of this strategy, it aims to address the economic, regional, ecological, and security concerns of China.¹⁷⁵

The Western Development Strategy focuses on building basic infrastructure such as transport systems, power generation, gas and oil pipelines, telecommunication systems, promotion of education, protection of the environment, creation of jobs, etc. In order to attract private sector investment, including foreign direct investment in the western regions of

¹⁷⁴ Wei Zhang, “Can the strategy of Western Development Narrow Down China's Regional Disparity?” *Asian Economic Papers*, Volume 3, Issue 3 (September 2004) pp. 2-3.

¹⁷⁵ *Ibid.*, pp. 2-3.

China.¹⁷⁶ Hence, this strategy has the potential to contribute to the economic advancement of China's less affluent western provinces by facilitating integration with neighbouring states and beyond. It is in this context that China could derive significant advantages from enhancing its economic engagement with Bhutan.

In addition to its ambitions to establish connections between Sichuan and Yunnan provinces with South Asia, China has also extended the Qinghai-Tibet railway network. This extension now reaches from Lhasa to Shigatse and further extends towards Zangmu, located along the Nepal border. The railway lines up to Shigatse have been operational since 2016. The Lhasa-Nyingchi (near Arunachal Pradesh) line began operation in 2021. This line is being extended further east, all the way to Chengdu, the provincial capital of Sichuan and a significant military and commercial centre in western China. There is also a proposal to extend this railway line up to Yadong, adjacent to Chumbi Valley. The aim behind China's efforts to establish railway connectivity to the Bhutan border is to promote increased cross-border trade and tourism between the two countries in the coming years. Furthermore, construction is underway for highways connecting Lhasa with Golmud and Kunming. All of these transportation routes collectively enable China to expand its economic presence in the Himalayan region's markets.¹⁷⁷

In the present scenario, China wants its three border provinces (i.e., Yunnan, Xinjiang, and Tibet) to act as a connecting link to South Asia. Among these three provinces, Tibet is the most strategically located and has the most economic potential. Hence, China's current approach towards Tibet extends beyond the protection of its sovereignty and territorial integrity. Rather, China wants Tibet to play a bigger role by connecting it

¹⁷⁶ Rana and Chia, n. 172, p. 3.

¹⁷⁷ Stobdan, n. 160, pp. 25-26.

to other provinces and municipalities within China and connecting Tibet to the Himalayan region. It is here that Bhutan, too, can provide a useful gateway to expand its linkages with South Asian countries.¹⁷⁸

In the broader geopolitical context, Bhutan stands out as the missing piece in Beijing's South Asia Strategy. Notably, as the sole country in India's vicinity that has not participated in China's Belt and Road Initiative (BRI), Bhutan holds the potential to serve as a crucial link in advancing China's interests in South Asia. This significance stems from its geographical location south of the Himalayas and its ongoing cultural and commercial ties with China.¹⁷⁹ Bhutan's essential position as a trade corridor and gateway assumes enormous significance as it expands its South Asian market. As a result, China is currently pursuing a policy of economic engagement and regional linkage with Bhutan.¹⁸⁰

As mentioned above, Bhutan focuses on protecting its territorial integrity, sovereignty, and cultural identity. These factors have exerted a notable influence on the evolution of China-Bhutan relations over time. In addition to the mentioned factors, Bhutan's aspirations include achieving self-reliance and economic self-sufficiency. Initially, Bhutan's foreign policy was primarily driven by the imperative of survival in the face of geopolitical constraints.¹⁸¹ Security considerations played a pivotal role in shaping Bhutan's approach to China during the 1950s and 1960s. In subsequent phases, economic requirements have predominantly steered Bhutan's foreign policy decisions. This explains Bhutan's foreign policy shift post-

¹⁷⁸ Antara Ghosal Singh, "In China's Own Words: An Analysis of Chinese Strategic Discourse on Tibet," *Observer Research Foundation*, Occasional Paper 370 (October 2022), pp. 7-11.

<https://www.orfonline.org/research/in-chinas-own-words-an-analysis-of-chinese-strategic-discourse-on-tibet/#:~:text=In%20a%20180%2Ddegree%20turn,in%20advancing%20China's%20South%20Asia>.

¹⁷⁹ Swaran Singh, "Sino-South Asian Ties: Problems and Prospects," *Strategic Analysis*, Volume 24, Number 1 (2000), p. 44, 10.1080/09700160008455194.

¹⁸⁰ Stobdan, n. 160, pp. 25-26.

¹⁸¹ Shivamurthy, n. 95, p. 16.

1970s when the focus was on diversifying its relations beyond India. During this phase, Bhutan also began limited engagement with China.

Since the 1970s, the process of establishing official communication between China and Bhutan has been deliberate and cautious. Notably, the absence of formal diplomatic relations with China has not hindered Bhutan from providing international support to China. In 1971, Bhutan cast a vote in favour of China during the United Nations General Assembly Resolution (UNGA) 2758, which played a pivotal role in reinstating China's rightful seat at the UN. ¹⁸²

China and Bhutan began official interactions through their respective UN missions in New York. In 1974, Bhutan extended invitations to China and several other nations to attend the coronation ceremony of King Jigme Singye Wangchuk (the Fourth King). This invitation was a clear message that Bhutan was in favour of normalising its relationship with China. The Bhutanese Ping Pong team visited China in 1977 and 1979, opening the opportunity for further interactions between the two countries. In 1979, China and Bhutan initiated the practice of exchanging congratulatory messages on their respective national days each year. While this may have appeared to be a formal protocol, it marked the beginning of a new phase in the relationship between China and Bhutan. ¹⁸³ The first formal boundary talks led to a number of high-profile visits, including those by Guru Dilgo Khyentse Rinpoche to China in 1988, Bhutan's participation in the 11th Asian Games in Beijing in 1990, and Bhutanese Princess Sonam Choden Wangchuck attending the 4th World Women's Conference in Beijing in 1995. ¹⁸⁴

Since 1994, the Chinese ambassador to India has been making regular visits to Bhutan, and in 2000, the Bhutanese ambassador to India paid a visit to China.

¹⁸² Singh, n. 5, pp. 284-285.

¹⁸³ Ibid., pp. 284-285.

¹⁸⁴ Ibid., p. 291.

In July 2001, a delegation led by the Bhutanese Foreign Secretary travelled to Beijing and other parts of China. Notably, Raidi, the Chairman of the CCP Standing Committee in the Tibetan Autonomous Region (TAR), visited Bhutan in April 2002. Following this, Bhutan participated in the third annual conference of the Association of Asian Parliaments for Peace in April 2002, which took place in Beijing and the southwestern Chinese city of Chongqing. These interactions signify the increasing engagement between the two countries.¹⁸⁵

The level of visits has seen an increase, particularly at the expert level. Bhutanese experts have been visiting China to participate in seminars related to security and the development of small hydropower. Simultaneously, Chinese experts have been coming to Bhutan to explore opportunities for cooperation in various sectors, including disaster management and environmental conservation audit policy.¹⁸⁶ These visits have not only facilitated discussions on various matters but have also provided a platform for addressing boundary disputes. Since 1984, both countries have engaged in bilateral talks on border disputes, which have become a regular forum for meetings and interactions.¹⁸⁷ Through these border talks, China and Bhutan have not only discussed boundary issues but have also used the platform to exchange ideas on enhancing bilateral relations. Chinese authorities have often praised the longstanding bonds of friendship and cooperation between the two countries.¹⁸⁸

According to Lobzang Dorji, contacts between China and Bhutan have witnessed an increase in various aspects in recent decades. These include cultural, religious, and sports exchanges, as well as participation in regional and international meetings covering topics such as security, hydropower

¹⁸⁵ Ibid., p. 291.

¹⁸⁶ Ibid., p. 291.

¹⁸⁷ Kumar, n. 163, pp. 245-246.

¹⁸⁸ Singh, n. 5, p. 290.

development, tourism, and health. Bhutan has consistently supported China in United Nations Human Rights Council (UNHRC) meetings and opposed Taiwan's participation in UN and World Health Organisation (WHO) affairs, including hosting the 2002 Asian Games.¹⁸⁹

Furthermore, in 2000, both governments reached an agreement to maintain the Bhutanese consulate in China's Macau Special Administrative Region. China also offered scholarships to Bhutanese students in 2001. There has been a bilateral exchange of visits involving the auditing departments of both countries. Additionally, in 2003, the Chinese foreign ministry extended invitations to Bhutanese individuals for business, pilgrimage, and educational purposes to China.¹⁹⁰

In 2005, a Chinese cultural delegation made its inaugural visit to Bhutan with the objective of strengthening the relationship between the two countries. The second visit of the Chinese cultural troupe took place in February 2014.¹⁹¹ In 2015, Aerosun Corporation (a Chinese company) completed the construction of one of the tallest Buddha statues in Thimphu.¹⁹²

Phunchok Stobdan, a former Indian Ambassador, argues that once the democratic process began unfolding in Bhutan, Bhutanese political parties began demonstrating an interest in fostering stronger connections with China. In the context of the 2012 UN Conference in Rio de Janeiro, the Chinese Premier, Wen Jiabao, held a meeting with Bhutan's Prime

¹⁸⁹ Lobzang Dorji, "Tourism can bring China-Bhutan Closer," *Sherubtse College* (2019), https://www.researchgate.net/publication/350955395_Tourism_can_bring_China-Bhutan_closer.

¹⁹⁰ Kumar, n. 163, pp. 245-246.

¹⁹¹ "Press Release," *Ministry of Foreign Affairs and External Trade, Royal Government of Bhutan*, February 14, 2014, <https://www.mfa.gov.bt/press-release-65/>.

¹⁹² Medha Bisht, "India-Bhutan Relations in the Next Two Decades," in *India's Neighbourhood Challenges in the Next two Decades*, Eds. R. Dahiya & A.K. Behuria (New Delhi: Institute for Defence Studies and Analyses, 2012), p. 38.

Minister, Jigme Y. Thinley. During the meeting, both leaders worked towards enhancing bilateral and economic relations. ¹⁹³

At this meeting, both countries deliberated on bilateral matters of shared concern and explored opportunities for multilateral collaboration, including Bhutan's candidature for a non-permanent seat in the United Nations Security Council (UNSC) for the 2013-14 term. China and Bhutan resolved to strengthen their economic and trade ties, foster people-to-people interactions, and promote cultural exchanges. Notably, reports indicated that the Bhutanese Prime Minister entered into an agreement with a Chinese automotive company to procure a fleet of 20 buses. ¹⁹⁴

Kunzang Choden highlighted the historical significance of this meeting, emphasising that it was the first meeting between the heads of the two governments. The Chinese premier told his counterpart, "China is ready to forge formal diplomatic relations with Bhutan on the basis of the five principles of peaceful co-existence." Beijing also expressed its willingness to demarcate the border at an early date based on the principles of good neighbourly relations. In response, Bhutan expressed a strong aspiration to bolster mutual understanding and friendship between the two countries. ¹⁹⁵

Bhutan's foreign policy is therefore motivated by economic demands when risks to national security and sovereignty are minimal. Cutting off ties with Tibet in the 1950s due to threats from China had a negative impact on modern Bhutan's political and economic status. This led Bhutan to economically engage with India. After the disruption of trade with Tibet, Bhutan had to focus on other sectors like tourism, industry, and technology. These were sectors that were neglected in Bhutan as the

¹⁹³ Stobdan, n. 160, pp. 25-26.

¹⁹⁴ Ibid., pp. 25-26.

¹⁹⁵ Kuenzang Choden, "Prime Minister meets Chinese Premier Wen Jiabao," *The Bhutanese*, June 6, 2012, <https://thebhutanese.bt/prime-minister-meets-chinese-premier-wen-jiabao/>.

economy heavily relied on trade. As a result, Bhutan suffered a huge economic setback.¹⁹⁶

According to a World Bank (WB) assessment, Bhutan's public-sector-led hydropower production and sale of electricity to India have contributed significantly to the country's current growth. From the early 1980s onward, Bhutan has experienced robust economic growth, with an annual real Gross Domestic Product (GDP) growth rate of 7.5 per cent. This remarkable growth has positioned Bhutan as one of the world's fastest-growing economies. The revenue generated from hydropower projects has played a pivotal role in the government's efforts to enhance various sectors, including services, healthcare, and education. However, dependence on India for hydropower development has been a setback for Bhutan, as delays in the completion of the hydropower projects have affected revenue and exports. This has led to a deficit, which has been financed by loans from India.¹⁹⁷

Furthermore, the impressive economic progress has been unsuccessful in generating employment opportunities in the country. Even the private sector remains nascent and unable to create jobs. Globalisation in Bhutan is transforming society, economy, and politics. Information and communication technology has introduced the youth to the outside world. This has led to a shift in their perceptions, aspirations, ideals, and priorities. The political and economic views of youth are changing today. Their views are being shaped by global changes. There is a shift from the traditional thinking of the previous generation, where their concerns were mostly regional.¹⁹⁸ This has also been discussed by the former Ambassador

¹⁹⁶ Jha, n. 2, p. 6.

¹⁹⁷ *Country Partnership Framework for the Kingdom of Bhutan for the Period FY2021-24* (Washington, DC: World Bank Group, 2017), pp. 1-3.

<https://documents1.worldbank.org/curated/en/620541608337280651/pdf/Bhutan-Country-Partnership-Framework-for-the-Period-FY2021-24.pdf>

¹⁹⁸ Shivamurthy, n. 95, p. 20.

to Bhutan, V.P. Haran. According to him, “the youth of the country is more inclined towards China due to its economic potential and opportunities, but the older generation seems to still favour India.”¹⁹⁹

At present, the Bhutanese youth, intellectuals, officials, and political leaders have emphasised the need to diversify Bhutan’s foreign policy. They have emphasised Bhutan’s need to move away from its traditional approach of engaging with limited countries. Bhutan is less apprehensive of China today. The rise of China has prompted the private sector in Bhutan to seek stronger economic ties with China.²⁰⁰

Although Bhutan’s economic engagement with China is limited, an analysis of trade statistics data between the two countries from 2017 to 2021 shows that there has been an increase in economic engagement with China. In 2018, after India and South Korea, China was the third-largest exporter of Bhutan.²⁰¹ Prior to 2018, China was in the fourth position after India, South Korea, and Japan.²⁰² Since 2019, there has been a change in this trend, as today China has emerged as the second largest exporter to Bhutan, surpassing South Korea and Japan.²⁰³

¹⁹⁹ Amb V.P Haran, “China Factor in Bhutan: Wednesday Seminar,” *Indian Council of World Affairs*, April 25, 2018, <https://www.icsin.org/uploads/2018/05/10/41fb3a5a6e5274512d6bf2382467b13c>.

²⁰⁰ Shivamurthy, n. 95, p. 23.

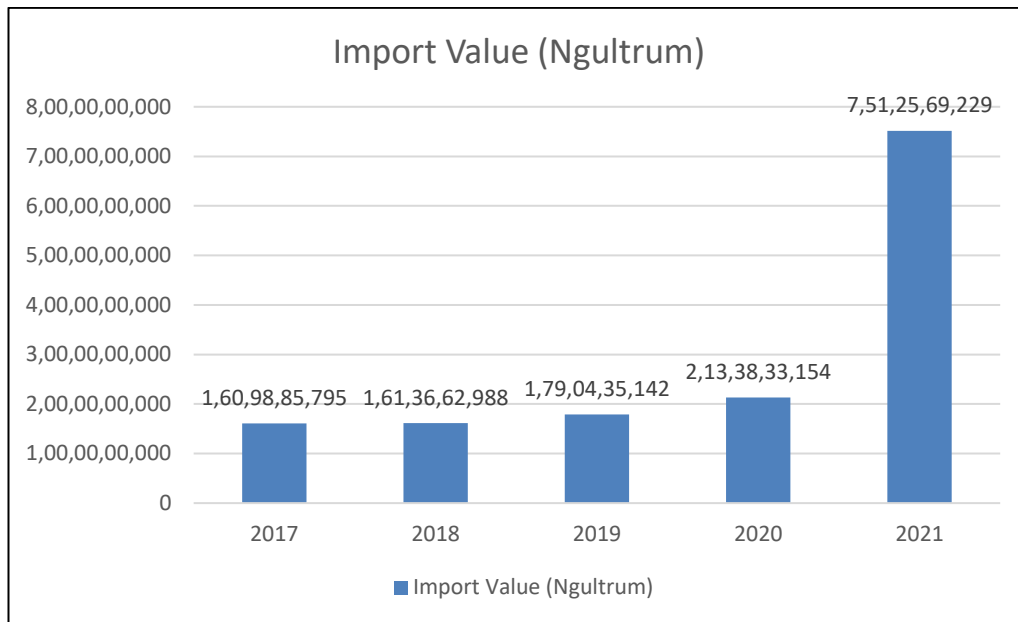
²⁰¹ Department of Revenue and Customs, Ministry of Finance, Royal Government of Bhutan, “Bhutan Trade Statistics 2018,” (2018), <https://www.mof.gov.bt/wp-content/uploads/2019/04/Bhutan-Trade-Statistics-2018>.

²⁰² Department of Revenue and Customs, Ministry of Finance, Royal Government of Bhutan, “Bhutan Trade Statistics 2017,” (2017), <https://www.mof.gov.bt/wp-content/uploads/2018/04/Final-BTS-Publication-2017>.

²⁰³ Department of Revenue and Customs, Ministry of Finance, Royal Government of Bhutan, “Bhutan Trade Statistics 2019,” (2019), <https://www.mof.gov.bt/wp-content/uploads/2020/03/BhutanTradeStatistics2019260320201>.

Figure 2 below shows the value of Bhutan's imports from China from 2017-2021

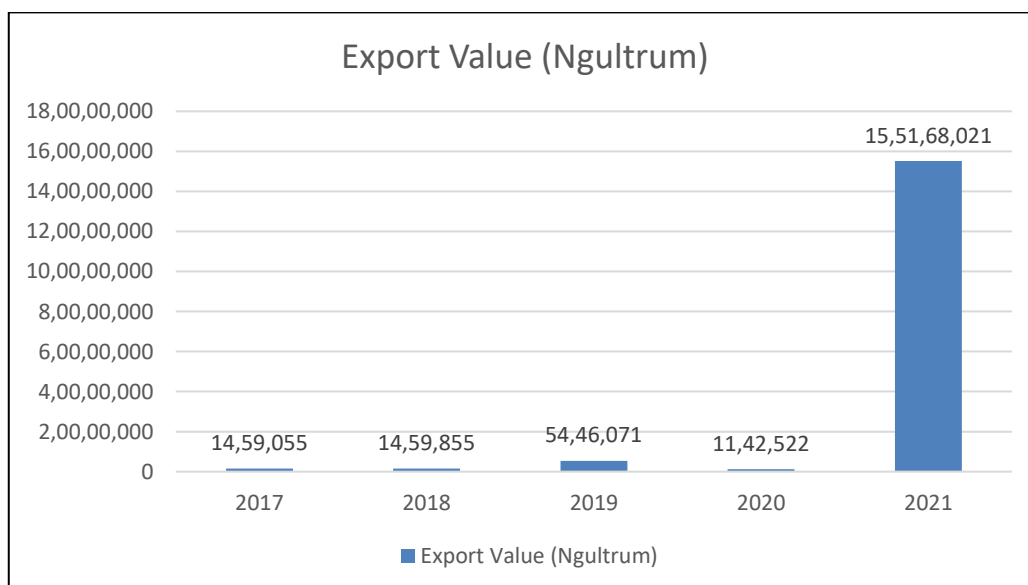
Figure 2



Source: Authors compilation from the Trade Statistics data of Bhutan from 2017 to 2021

Figure 3 below shows the value of Bhutan's exports to China from 2017-2021

Figure 3



Source: Authors compilation from the Trade Statistics data of Bhutan from 2017 to 2021

While China's exports to Bhutan have been increasing rapidly, Bhutan's exports to China have been increasing at a slower pace. However, in 2021, Bhutan's exports to China increased tremendously Figure 2. Subsequently, China is the fifth-largest export destination for Bhutanese products. As per the 2022 trade statistics data for Bhutan, items exported by China to Bhutan mainly comprise computers, broadcasting equipment, office machine parts, telephones, air conditioners, lifting machinery, electric motors, large construction vehicles, video recording equipment, electrical transformers, harvesting machinery, air pumps, stone processing machines, rubber working machinery, electrical control boards, centrifuges, soil preparation machinery, medical equipment, clothing and other textile products, leather footwear, etc. The import of Chinese consumer goods to Bhutan is one-third of Bhutan's total import of consumer goods. Bhutan's exports to China include tea (flavoured and unflavoured), essential oils, plants and parts of plants (including seeds and fruits), perfumes, shaving products, handicrafts, paintings, drawings, and pastels. ²⁰⁴

Thus, from the above discussion, it can be established that Bhutan's interest in economically engaging with China is increasing. Chinese goods are also entering Bhutan through India and Southeast Asian countries. V.P. Haran, while discussing the economic relationship between China and Bhutan said Bhutan is flooded with Chinese products even though there are no direct trade relations. Most of these goods are routed through India and Southeast Asian countries. ²⁰⁵

Considering Bhutan's desire to reduce its reliance on the hydropower sector, the Chinese railway connection near Bhutan's northwestern border could potentially revitalise traditional trade routes between TAR and Bhutan.

²⁰⁴ Department of Revenue and Customs, Ministry of Finance, Royal Government of Bhutan "Bhutan Trade Statistics 2022," (2022), <https://www.mof.gov.bt/wp-content/uploads/2023/04/Bhutan-Trade-Statistics-2022>.

²⁰⁵ Haran, n. 199, p. 3.

This could prove to be an alternative transit route for Bhutan in the future. As a result, Bhutanese find the prospects of reviving this trade corridor appealing, as it has the potential to enhance Bhutan's political and economic standing. According to a Bhutanese scholar, "the economic importance of the railroad—that China has long announced it is building—from Gyantse to Phari (in the sensitive Yadong County, where Chumbi Valley is located) cannot be underestimated."²⁰⁶

When it comes to China, Bhutan has always given more importance to territorial integrity and sovereignty over its economic needs. Bhutan, being a small and peaceful country, will continue to do so. However, given the domestic economic situation, the changing perception of its youth, and increasing Chinese soft power diplomacy, Bhutan is likely to prioritise its economic needs over other factors. In this context, economic and political engagement with China is only going to increase further.²⁰⁷

Tibet as a Factor in China-Bhutan Relations

The Tibetan factor is an important element to be considered while discussing relations between China and Bhutan. This is because, for China, Bhutan is crucial for Tibet and Tibetans. China has consistently regarded Bhutan as an extended border region and desires to maintain a positive relationship due to historical ties, trade connections, and shared racial and ethnic affinities between Tibet and Bhutan.²⁰⁸

As previously stated, China has shown significant interest in the development of its western and central regions. In the western region, there are five autonomous regions—Tibet, Xinjiang, Inner Mongolia, Ningxia, and Guangxi—along with several other provinces. The TAR is a

²⁰⁶ Gopilal Acharya, "When Small Dragon met the big One," *IPA Journal*, July 30, 2017, <https://www.ipajournal.com/2012/07/30/when-the-small-dragon-met-the-big-one/>.

²⁰⁷ Shivamurthy, n. 95, p. 13-28.

²⁰⁸ Jha, n. 2, p. 7.

region that is culturally diverse and has a unique culture.²⁰⁹ Soon after the CCP won the civil war, under the guise of “democratic reforms,” they began to undermine Tibetan Buddhism. This made the Tibetan people more protective of their culture and religious identity.²¹⁰

According to Tsering Togyal, the CCP’s insecurity stems from the fact that an increasing number of Chinese are becoming fascinated by Tibetan Buddhism. This has made the Chinese highly insecure about their legitimacy and control over the Tibetan and Chinese people. In addition, it has also made the Tibetans resent the agenda of the CCP.²¹¹

Furthermore, Chinese leaders over the years have encouraged the migration of the Han Chinese to Tibet. For instance, according to Deng Xiaoping, since Tibet is a big area with a small population, its development by Tibetans alone would not be possible. The Han Chinese should therefore help in the economic development of Tibet. Accordingly, the Chinese leaders have justified the movement of Han Chinese into Tibet as a necessary precondition for the economic development of Tibet.²¹²

Subsequently, Tibet has witnessed three waves of Han migration into its territory. According to Pragya Surana, the first wave was after the Communist regime was established. Until this period, the entry of Han peasants into Tibet was negligible. The second wave started in the 1980s when rapid industrialisation led to the migration of rural Han Chinese for better economic opportunities. The final wave of migration was witnessed with the completion of the Qinghai-Tibet rail link in 2006.²¹³

²⁰⁹ Abanti Bhattacharya, “China and its Peripheries: Strategic Significance of Tibet,” *Institute of Peace and Conflict Studies*, Issue Brief #220 (2013), <https://www.files.ethz.ch/isn/165109/IB220-Abanti-ChinaPeriphery-Tibet>.

²¹⁰ Togyal, n. 64, p. 225.

²¹¹ Ibid., pp. 217-249.

²¹² Bhattacharya, n. 209, pp. 6-7.

²¹³ Pragya Surana, “China Shaping Tibet for Strategic Leverage,” *Centre for Land and Warfare Studies*, Manekshaw Paper, Number 70 (2018), pp. 3-4, https://www.claws.in/static/MP70_China-Shaping-Tibet-for-Strategic-Leverage..

Soon enough, the migrants began dominating the job markets in the cities, largely excluding the local Tibetans from accessing employment opportunities. Due to the large influx of Han Chinese into Tibet, China has been accused of the “Hanization of Tibet.” China has also been accused of its “Sinicization Policy” under the pretext of ethnic unity. As per the Report titled “Human Rights Situation in Tibet,” published by the Tibetan Centre for Human Rights and Democracy, China has been accused of forced cultural assimilation in Tibet. A forced cultural assimilation policy effectively works to undermine and marginalise minority cultures and languages by promoting Han Chinese identity and Mandarin Chinese based on the Beijing dialect. ²¹⁴

The report discussed the role of the Chinese state authorities in human rights violations involving arbitrary detention, torture, and persecution of Tibetan educators and intellectuals; religious repression through the persecution of cultural leaders; demolition of religious structures; and a widespread crackdown on the right to freedom of expression and information. ²¹⁵

Another point to mention here is that China is also making preparations to address potential unrest in Tibet related to the succession of the 14th Dalai Lama. ²¹⁶ The Chinese leaders are conscious of their precarious control over Tibet and the threat that a large-scale protest in Tibet could pose to the image of China as a country with a strong socialist system. So, when it comes to Tibet, China is always insecure, as even in the past, resentment against the Chinese authorities has given rise to pro-independence demonstrations in Tibet. ²¹⁷

²¹⁴ Tibetan Centre for Human Rights and Democracy, “Human Rights Situation in Tibet,” *Annual Report 2021*, p. 8, https://tchrd.org/wp-content/uploads/2022/07/TCHRD-2021-Annual-Report_English.pdf.

²¹⁵ Ibid., pp. 8-9

²¹⁶ Shivamurthy, n. 95, p. 11.

²¹⁷ Bhattacharya, n. 209, p. 10.

China emphasises that the security of the frontiers is vital for the security of the core; the defence of the frontier can be ensured through its development; and the security of the frontier can be ensured by establishing friendly relations with the neighbours.²¹⁸ Therefore, for China, it is essential to increase control over the Tibetan region, as this is primarily important for it to ensure that it exercises greater control over the Chinese periphery.

Naturally, Bhutan becomes important for China, as it does not want Bhutan to become a base for Tibetan separatists to conduct anti-China activities. China is concerned about the possibility of external forces, including India and the USA, using the easy access to Tibet from Bhutan to potentially create instability in Tibet. This concern arises from China's persistent fear of foreign powers attempting to divide the country. China views Bhutan as a crucial element in its control over Tibet due to their shared ethnic, religious, cultural, and historical ties.²¹⁹ Consequently, Beijing believes that having a friendly or even dependent Bhutan would enhance the security of Tibet and mainland China.

Additionally, it is crucial now that President Xi Jinping wants to assure internal unity by eradicating the threat posed by the separatist movement in Tibet. China aims to shift Tibet's former buffer frontiers to Bhutan and Nepal because it views Tibetan politics as unpredictable. Bhutan holds significance for China in this context due to Tibet's security and strategic importance.²²⁰ As a result, the Tibetan factor is a key consideration in China's regional objectives and policies.

While the economic factor is a significant driver of China's engagement with Bhutan, its strategic location suggests that economic considerations alone do not fully capture its importance. By cultivating stronger relations

²¹⁸Ibid., p. 10.

²¹⁹ Stobdan, n. 160, p. 27.

²²⁰ Shivamurthy, n. 95, p. 11.

with Bhutan, China can achieve not only economic gains but also political advantages, making it a multifaceted relationship with strategic implications. However, China accepts the limitations of Bhutan when it comes to its foreign policy options. China does not expect Bhutan to tilt towards China by completely ignoring India's security concerns. It aims at neutralising Bhutan in order to use it as a connecting link to further trade in Tibet and the rest of South Asia in the event of a political or military conflict with India. ²²¹

Chinese policy towards Bhutan has been a combination of both *Cooperation and Escalation*. It can be also described as a "carrot and stick" policy. The carrots are economic assurances and political rapprochements, whereas the sticks are claims over Bhutan's territory or encroachments. Thus, China uses *Cooperation and Escalation* to advance its strategic interests in its periphery. It uses a combination of both to coerce the peripheral countries to adopt a policy position consistent with its aims and objectives in exchange for economic, political, and security benefits. ²²²

According to Pranav Kumar, China has previously extended assistance to Bhutan, which Bhutan chose not to acknowledge or respond to. Additionally, on several occasions, Beijing has attempted to reassure Bhutan that it has no intentions of resorting to threats or aggression against the country. In fact, Premier Chou Enlai conveyed in a communication with the former Indian Prime Minister, Jawaharlal Nehru, that China sought to "live together in friendship with Bhutan without committing aggression against each other".²²⁶ However, despite China's attempts at adopting a persuasive approach, China occasionally claimed Bhutanese territories after committing aggression in Tibet. Therefore, Chinese territorial claims over Bhutan are a major factor influencing their relationship.

Conclusion

²²¹ Jha, n. 2, p. 7.

²²² Kaul, n. 143, p 17.

Finally, looking at overall China-Bhutan relations, we can see that China is making efforts to enhance its economic and political ties with Bhutan, driven by several strategic objectives.²²³ These include the need for Bhutan's support to ensure smooth logistical operations, monitoring of Indian military activities in the Westerns sector, accessing Bhutan's natural resources such as hydropower potential and timber, and utilising Bhutan as a gateway to gain an advantage over India in South Asia. Additionally, maintaining positive and equitable relations with a smaller state like Bhutan allows China to portray itself as a peaceful nation on the global stage, thereby enhancing its diplomatic influence in world politics.²²⁴

In the 21st century, Bhutan is undergoing significant changes, both domestically and externally. On the domestic front, it transitioned from an absolute monarchy to a constitutional democracy in 2007, which has led to a shift from a closed and traditional society to a more open and modern one. Externally, Bhutan is gradually moving from a guided foreign policy to playing a more independent role on the global stage. However, these changes may become more complex due to the growing competitive politics within Bhutan.²²⁵

As China increases its economic and military capabilities, it's impossible for Bhutan to avoid China. This is clear, as, since the 1970s, Bhutan's engagement with China has increased. Although democracy was only introduced in 2007, the democratisation process began in Bhutan much earlier in the 1960s, during the reign of the third King of Bhutan, Jigme Dorji Wangchuck. Thus, we can argue that prior to the 1970s, for almost three decades, the Bhutanese policy towards China was that of a *Strategic Defiance*. This is primarily due to uneasiness among Bhutanese citizens brought on by China's annexation of Tibet, Chinese territorial claims, and regular incursions by Tibetan

²²³ Rajesh Kharat and Chunku Bhutia, "Changing Dynamics of India-Bhutan Relations," in *India in South Asia: Challenges and Management*, ed. Amit Ranjan (Singapore: Springer Singapore, 2019), pp. 53-54.

²²⁴ *Ibid.*, pp. 53-54.

²²⁵ Stobdan, n. 160, p. 38.

herders. In the 1970s, Bhutan's foreign policy underwent a noticeable transformation. The Bhutanese National Assembly began deliberations on the possibility of establishing neutral relations with China instead of relying on India for negotiation or mediation. ²²⁶

Since the 1970s, Bhutan has actively pursued a policy of maintaining neutral relations with China. Despite its special relationship with India, Bhutan has chosen to remain impartial in various instances of disagreement between India and China. ²²⁷ This shift in Bhutan's foreign policy, moving from *Strategic Defiance to a Strategy of limited Engagement*, is driven by the country's desire to establish an independent foreign policy not overly influenced by India, safeguard its security and cultural identity, meet its economic needs, and respond to China's persistent efforts to establish diplomatic and economic ties with Bhutan. ²²⁸ To quote Leo E. Rose, "No doubt the Royal Government of Bhutan wants China as a friendly (or at least non-threatening) neighbour, but one with whom relations are correct rather than intimate." This has been Bhutan's stand when it comes to China. ²²⁹

While some apprehensions regarding China's intentions in the Himalayan region persist among Bhutanese policymakers, Bhutan does not seek to leverage its relationship with China as a means to counterbalance India. Instead, Bhutan's primary focus is on nurturing positive relations with both China and India while ensuring it doesn't compromise India's interests in the region. Consequently, the dynamics of the China-Bhutan relationship are significantly shaped by the broader India-China relationship. ²³⁰

²²⁶ Shivamurthy, n. 95, pp. 6-7.

²²⁷ Ibid., p. 15.

²²⁸ Bisht, n. 80, pp. 57-72.

²²⁹ Kharat and Bhutia, n. 223, pp. 53-54.

²³⁰ Mathou, n. 1, pp. 409-410.

Chapter II

India-Bhutan: Political and Economic Relations

The relationship between nations is frequently described as a battle for dominance and power. Certain bilateral relations coexist happily in the midst of this competition. India and Bhutan have a strong and cordial “special relationship.” This chapter attempts to describe and analyse the relations between the two countries in two parts. The first part focuses on India-Bhutan relations before 1947, and the second part focuses on relations post-1947. In this chapter, the development of political and economic interactions between India and Bhutan has also been thoroughly examined. An assessment of the treaties signed between the two countries and their effects on the relationship as a whole has been conducted. Emphasis has been placed on the various sectors of cooperation, such as development, trade, connectivity, hydropower, and investment. In addition, other areas of cooperation such as security, civil aviation, education, culture, and digital cooperation have been made.

India-Bhutan Relations Before 1947

The historical ties between the two countries can be traced back to the year 747 A.D., when the great Indian saint Guru Padmasambhava introduced Buddhism to Bhutan. This introduction of Buddhism has had a profound influence on all aspects of daily life in Bhutan. Since most Bhutanese follow Buddhism, which originated in India, India is known to them as *Gyagar*, or the holy land.¹ Bhutan has maintained its independence as a Buddhist nation since the early 17th century.² Even today, the basic founding value of Bhutan, the

¹ Lopamudra Bandhyopadhyay, “Indo-Bhutanese Relation: A Historical Perspective,” *Golden India Foundation* (2009), pp. 2-3.

² William J. Long, *A Buddhist Approach to International Relations: Radical Interdependence* (Switzerland: Springer Nature, 2021), pp. 71-72.

concept of Gross National Happiness (GNH), finds its origin in Buddhism.³ Consequently, there are close cultural and religious ties between Bhutan and India.

In addition to these common cultural and religious ties, the medieval period saw the beginning of contacts in other domains, such as politics and economy. Conflicts over the dominance of Bengal's fertile plains frequently erupted between the Mughal Empire and the officials from Bhutan. Amit Ranjan claims that after Aurangzeb's (1648-1707) consolidation of power in India, the Mughal governor Mir Jumla was sent to capture Cooch Behar, which was under the rule of Pran Narayan from the Koch dynasty. However, Pran Narayan managed to escape to Bhutan, where he got asylum. He emerged as a key political ally of Bhutan.⁴ For the Bhutanese, Cooch Behar in India was significantly important since it allowed them to maintain contact with the outside world, as did Rangpur, which is now in Bangladesh. Bhutan maintained these contacts, first with the Indian subcontinent's Mughals and then with the British.⁵

Bhutan consequently became more involved in Cooch Behar's internal issues in the years that followed. For example, in 1680, Bhutan interfered in the internal war of succession in Cooch Behar. These incidents only increased Mughal animosity towards the Bhutanese. Attempts were made by the Mughals to capture more territories. This brought Cooch Behar further closer to Bhutanese rule. However, following Aurangzeb's death in 1707, the Mughal Empire experienced a decline in power and lost its previous influence over various Indian regions. Consequently, the Bhutanese were able to strengthen

³ Van Norren and Dorine Eva, "Gross National Happiness in Bhutan: Is Buddhist Constitutionalism Legitimate in the Age of Secularism? A Post-Colonial View," *Religions* 14, Number 1, 72 (January 2023), pp. 1-3. <https://doi.org/10.3390/rel14010072>.

⁴ Amit Ranjan, "India-Bhutan Relationships: Cordial but Concerns Remain," *Artha Journal of Social Sciences*, Volume 18, Number 4 (2019), p. 89.

⁵ "Love, Hate and Tragedy: A three-part History of Bhutan-Cooch Relations," *Kuensel Online*, November 16, 2021, <https://kuenselonline.com/love-hate-and-tragedy-a-three-part-history-of-bhutan-cooch-relations/>.

their authority and rule over Cooch Behar. ⁶ These historical interactions during the medieval period had a significant impact on the evolution of Bhutan's relationship with India.

The Advent of the British in the Indian Subcontinent

In the mid-1700s, the East India Company (EIC) rose to prominence and ultimately took over Bengal and Bihar after its victory in the Battle of Buxar in 1764. ⁷ At the political level, differences began to arise first because of Cooch Behar and secondly for control over the *Duars* (fertile land in the rivers Brahmaputra and Ganga region in Assam and Bengal). The continuous raids by Bhutan against Cooch Behar compelled the Raja to turn to the British for assistance. This presented an opportunity for Warren Hastings, the then Governor General, to advance the company's influence over the region, both in trade and diplomacy. In exchange for British protection, Warren Hasting agreed to assist Cooch Behar. This situation brought the company and Bhutan into conflict with each other. Both factions fought each other frequently over control of the Duar region at the same time. A conflict arose in 1773, resulting in a victory for the EIC. Subsequently, in 1774, both nations entered into the Treaty of Peace and Commerce. ⁸

During this period, the British were looking for new routes to access Tibet for trade to advance their commercial interests. The need to search for new commercial ventures in the north was prompted by two primary factors: first, the famine of the 1700s caused the British to suffer significant financial losses in the export of grains and the cotton industry, which was vital to Bengal's economy. Second, Prithvi Narayan Shah of the Gurkha dynasty overthrew the

⁶ Ananth Karthikeyan, "The Brief Supremacy of a Mountain Kingdom," *DNA*, October 1, 2017, <https://www.dnaindia.com/analysis/column-the-brief-supremacy-of-a-mountain-kingdom-2549548#:~:text=Bhutan%20defeated%20the%20subsequent%20Mughal,assassinated%20the%20reigning%20child%20king>.

⁷ Ratna Sarkar and Indrajit Ray, "Two Nineteenth Century Trade Routes in the Eastern Himalayas: The Bhutanese Trade with Tibet and Bengal," *Journal of Bhutan Studies*, Volume 15 (Winter 2006), p. 57.

⁸ A.K.J. Singh, *Himalayan Triangle: A Historical Survey of British India's Relations with Tibet, Sikkim, and Bhutan, 1765-1950* (United Kingdom: British Library, 1988), pp. 292-293.

Malla dynasty during this period. The Gurkha dynasty declared that only Nepali traders would be permitted to use the Nepali routes, driving out Indian traders from the Kathmandu Valley. Consequently, the passes via Morung and Demijong (Sikkim) were closed. This closed the traditional trade route between India and Tibet via Nepal. This new development dealt a blow to British commercial interests in the region. The company began to look for new routes to replace those that went through Nepal.⁹

The company turned to Bhutan, as it was near Bengal. As the company's financial resources were diminishing, the primary consideration was trade. Consequently, the route through Bhutan and the Chumbi Valley gained importance for the British. Bhutan's location in the eastern Himalayas, near the Chumbi Valley, offered the shortest route to Tibet. The EIC was also interested in exploring the possibility of establishing commercial links with China through Tibet. Therefore, engaging in commercial relations with Bhutan was advantageous for the company, as it would provide access to markets in the Himalayan kingdoms for its products.¹⁰

Warren Hastings responded by adopting a *conciliatory policy* towards Bhutan. He sent several missions to Bhutan with the aim of making contact and obtaining approval for European merchants to engage in trade in Bhutan and Tibet. Four envoys from the EIC, including George Bogle in 1774, Alexander Hamilton in 1776 and 1777, and Samuel Turner in 1783, were sent to Bhutan for this purpose.¹¹ The British were eventually able to secure the right to trade with Tibet through Bhutanese territory. Thus, Warren Hastings was successful in establishing friendly relations between British India and Bhutan.¹²

⁹ Sarkar and Ray, n. 7, p. 2.

¹⁰ Ibid., p. 2.

¹¹ Ibid., p. 2.

¹² Le Thi Hang Nga, Tran Xuan Hiep, Dang ThuThuy and Ha Le Huyen, "India–Bhutan Treaties of 1949 and 2007: A Retrospect," *India Quarterly*, Volume 75, Issue 4 (2019), p. 444.

Bhutan was permitted to send an annual caravan to Rangpur under the terms of the Treaty of 1774, provided it paid Rs 2000. Bhutan had to guarantee that, in exchange, they would not provide sanctuary to or house criminals in the company's territory.¹³ The main items sold by the Bhutanese traders were China silk, cow tails, tungun ponies, wax, walnuts, musk lac, madder, coarse blankets, silver, stripped woollen cloth, etc. From Bengal, Bhutanese took back indigo, cloves, cardamom, camphor, sugar, broadcloth, copper, goatskins, sandalwood, dried fish, coarse cloth, and tobacco. The British were also able to access Tibet through Bhutan to enhance their commercial interests. A trading post was established by India in Yatung, and it was via the Chumbi Valley in Tibet that Indian traders could access western Bhutan.¹⁴

The commercial ties established post-1774 treaty continued only for a short period as Bhutan became economically less significant for British India when its commercial interests were hurt after the second Gurkha invasion of Tibet in 1792. Since the British had refused to assist Tibet during the first invasion of the Gurkhas, during the second invasion, Tibet asked for China's assistance. The Qing empire immediately came to Tibet's rescue and successfully defeated the Gurkhas. Following this, Tibet's doors were closed to merchants from the company's possession. The British miscalculation in the Tibet-Nepalese war hurt its commercial interest in establishing trade relations with Tibet and the neighbouring countries of Bhutan and Sikkim.¹⁵

Furthermore, on the political front, despite the signing of the Treaty of Peace and Commerce, peace could not be established in the region as Cooch Behar and Bhutan continued to struggle for territorial control. The British failed to

¹³ Peter Collister, *Bhutan and the British* (London: Serindia Publications, 1987), p. 12.

¹⁴ Tashi Choden and Dorji Penjore, *Economic and Political Relations between Bhutan and Neighbouring Countries*, Joint Research Project of the Centre of Bhutan Studies and Institute of Developing Economies Japan External Trade Organisation, Monograph 12, (2004), p. 42.

¹⁵ Singh, n. 8, pp. 296-299.

mediate peace between the two conflicting parties.¹⁶ Furthermore, the question of Duars posed a continuous challenge to the strained relations. Accordingly, the Governor General, Lord Cornwallis, was compelled to change his policy towards Bhutan. The British adopted a *coercive policy*, leading to the annexation of the Assam Duars in 1841 and, subsequently, the Bengal Duars in 1861. This sequence of events culminated in the second Anglo-Bhutanese War in 1864-65.¹⁷

The Bhutanese side was led by Desi Jigme Namgyal, the father of the First King of Bhutan. The war concluded with the signing of the Treaty of Sinchula in 1865. The Bhutanese referred to this treaty as the *Ten-Article Treaty of Rawwa Pani*. Bhutan lost both the Assam and Bengal Duars, along with those valuable resources and revenues. However, one positive consequence of the war was that the internal struggle for control in Bhutan came to an end with Desi Jigme Namgyal consolidating power, which was further strengthened by his son, the First King of Bhutan, Ugyen Wangchuck, in 1907.¹⁸

The war fulfilled two objectives of the British: one, ensuring security as it provided a well-defined and protected border area. So, it would protect the entire frontier from any hostile move on the part of the Bhutanese. Second, the British were able to gain economically as Duars was a fertile region, and so it generated a considerable amount of revenue.¹⁹

Treaty of Sinchula 1865: Impact on British India-Bhutan Relations

The treaty suited the British interest of creating a buffer state with a sovereign government towards which they had little or no accountability but over which

¹⁶ A. Deb, "Cooch Behar and Bhutan in the Context of the Tibetan Trade," *Siliguri College* (1973), p. 84, <https://api.repository.cam.ac.uk/server/api/core/bitstreams/5a75e579-3489-4be6-951d-619535cfeca7/content>.

¹⁷ Joseph C. Mathew, "India-Bhutan Relations: An Overview," *Indian Foreign Affairs Journal*, Volume 2, Number 1 (January-March 2007), p. 89.

¹⁸ Tenzing Lamsang, "Politics: Bhutan-India Relations A Bhutanese Journalist's Perspective," in *India-Bhutan: Friendship Through the Decades and Beyond*, ed. Centre for Escalation of Peace (New Delhi: Centre for Escalation of Peace, 2019), p. 28.

¹⁹ Kapilesh Labh, *India and Bhutan* (Maharashtra: Sindhu Publications Limited, 1974), pp. 21-65.

they exercised significant influence in terms of its foreign relations and trade.²⁰ In addition, the British gained strategically as they were now able to control geographically significant territories like Dewangiri. The British attached importance to Dewangiri as it could be developed as one of the main routes of communication with Tibet. So, they wanted to convert it into a commercial centre.²¹

The treaty had adverse economic consequences for Bhutan since the Duars, a critical gateway and vital part of its economy, were lost to British control. In exchange for surrendering the Assam and Bengal Duars, along with approximately 83 square kilometres of land in Dewangiri in southeast Bhutan, Bhutan received an annual stipend of 50,000 rupees. This territorial loss significantly impacted Bhutan's economy. While the British pledged not to interfere in Bhutan's internal affairs, they exerted control over Sikkim and Cooch Behar. This gave the British government the role of mediator in disputes between Bhutan and Cooch Behar and Sikkim, effectively blocking Bhutan's expansion towards the southwest, which was under British rule.²²

There were mainly two provisions under the treaty against which the Deb Raja of Bhutan protested. These were Articles II and IX of the treaty. Although Article II of the treaty gave the British Commissioner the authority to decide the border, the Bhutanese government still desired to establish its boundaries with British India. Bhutan was apprehensive of the provision of free commerce under Article IX, as they felt that this might again lead to conflict between the two sides. Deb Raja returned the treaty by removing Articles II and IX. However, the British government took a firm stand and threatened to enforce blockades if the government of Bhutan refused to sign the treaty in its

²⁰ Mathew, n. 17, p. 90.

²¹ Labh, n. 19, pp. 96-97.

²² Nga et al, n. 12, p. 445.

entirety. Deb Raja eventually ratified the treaty by agreeing to all its provisions since he had no other option.²³

The treaty represented a significant moment in Bhutan's internal politics and its interactions with British India. It marked the inaugural foreign treaty between the British Indian Empire and Bhutan, formalising their relationship and establishing a foundation for their future interactions.²⁴

Treaty of Punakha 1910: Impact on British India-Bhutan Relations

The deepening ties between Bhutan and British India raised concerns in China. In an effort to counter British imperialistic influence in the region, China claimed sovereignty over Bhutan and started intervening in its internal affairs. Conversely, British India maintained a strict policy of refraining from involvement in Bhutan's domestic affairs. For the British, the main threat first came from Russia and later from China in the Himalayan region. With the signing of the Anglo-Russian Convention of 1907, which established their separate zones of influence in Asia, the Russian threat vanished. Since the Chinese saw the Himalayan region as part of its "natural sphere," the threat it posed in the north and northeast was more permanent.²⁵

Furthermore, the British held a strong position in Sikkim and Nepal in the Himalayan region. The British had direct control over Sikkim's internal affairs and foreign relations. In Nepal's situation, even though it wasn't under the protection of British India, the mere presence of the British Residency in Kathmandu was sufficient to counteract Chinese influence in Nepal. Regarding Bhutan, Bengal handled all political correspondence between Bhutan and the British. Therefore, there was little British influence in Bhutan. This was a

²³ Labh, n. 19, pp. 96-97.

²⁴ Singh, n. 8, p. 332.

²⁵ T. T. Poulouse, "Bhutan's external relations and India," *International & Comparative Law Quarterly* Volume 20, Number 2 (1971), p. 195.

grave concern for the British, as Bhutan was still susceptible to Chinese influence.²⁶

As a result, the British found it more and more impossible to ignore the growing influence of the Chinese, especially as this influence was leading to border incidents. Therefore, the British believed it was crucial to deter China from expanding its influence in Bhutan and the other Himalayan states. The rise to prominence of Tongsa Penlop as the supreme leader of Bhutan made it easier for the British to intervene in Bhutan. He closely allied with the British in India. With his emergence to power in Bhutan, British India saw to it that any further Chinese move towards Bhutan was dealt with by the Political Officer in Sikkim.²⁷

Later in 1904, the British brought Bhutan into direct relations with India. A political agent was appointed to conduct relations with Bhutan. Political relations between Bhutan and British India were conducted through Bengal until 1904. Hence, British India administered relations through its Political Officer in Sikkim, situated in Gangtok.²⁸ Consequently, British policy towards Bhutan was driven by concerns about the Chinese threat to India's northeastern border.

Following the Younghusband mission's success in Tibet, relations between British India and Bhutan saw a significant improvement. In the aftermath of this mission, Bhutan grew closer to the British government in India. In recognition of Bhutan's friendly stance, the British honoured Tongsa Penlop with the prestigious title of Knight Commander, the highest order of the British Indian Empire.²⁹

²⁶ Singh, n. 8, p. 352.

²⁷ Ibid., pp. 350-351, 332.

²⁸ Debamitra Mitra, *Indo-Bhutan Relations: Political Process, Conflict and Crisis* (Kolkata: Academia Excellence, 2010), p. 15.

²⁹ Singh, n. 8, p. 347.

The election of Tongsa Penlop (Ugyen Wangchuk) as the first hereditary leader received recognition from the British government in India. This move was prompted by the growing Chinese assertions over Bhutan. The British aimed to establish Bhutan as a neutral buffer state, necessitating Bhutan to acknowledge India's suzerainty and openly declare that its foreign relations were subject to British India's control. Consequently, a mission was sent in 1909 under Sir Charles A. Bell, a political officer of Bhutan, to negotiate the terms of the treaty with Ugyen Wangchuk, the Monarch of Bhutan.³⁰

Thus, the events that followed led to the signing of the Treaty of Punakha in 1910. Charles Bell not only managed to revise the Treaty of Sinchula but also obtained a commitment from the Bhutanese government to eliminate all trade duties between Bhutan and the Kamrup Districts. Additionally, the Bhutanese monarch pledged to Charles Bell that if China were to interfere in Bhutan's internal affairs, he would promptly inform the British government.³¹

The signing of the treaty had far-reaching consequences for the political, social, and economic aspects of Bhutan's life. It brought Bhutan into a close political alliance with the government of British India. According to Ram Rahul:

The Anglo-Bhutan Treaty of 1910 marked a pivotal moment in Bhutan's history. Bhutan came under the influence and guidance of British India, similar to other Indian states. While the term "protectorate" was not explicitly used in the treaty, Bhutan effectively lost its sovereignty in external affairs and became a de facto protectorate of British India. The treaty effectively safeguarded the northeastern frontiers for the British and acted as a strong barrier against Chinese intrusions into Bhutan. For a brief period, it frustrated Chinese designs. Many reasons prompted Maharaja Ugyen Wangchuk to sign this treaty. Firstly, he was convinced of British military superiority after British success in Tibet in 1904. Secondly, he needed protection from the Chinese expansionist policy in the

³⁰ Labh, n. 19, pp. 169-170.

³¹ Singh, n. 8, pp. 354.

region. Thirdly, he recognised that Bhutan would struggle to preserve its status as an independent sovereign nation without the support of British India.³²

The King of Bhutan had no other alternative but to sign the Treaty of 1910. The treaty significantly increased the involvement of British India in Bhutan, transitioning from the role of mediator to that of an advisor in Bhutan's foreign affairs. This allowed the British to monitor Bhutan's external relations with other nations. This was essential, as the British were aware of the importance of Bhutan's strategic location in the Himalayan region. For British India, Bhutan could now act as a gateway through which they could expand their political, trade, and economic ties with Tibet and neighbouring Himalayan nations. The British maintained their strategy of protecting their northern borders, and their approach to the Himalayan Kingdom was driven by geopolitical considerations. Hence, British policy towards the Himalayan Kingdom was influenced by geopolitical considerations.³³

For Bhutan, British India was inevitably the primary focus of its foreign policy. Ugyen Wangchuk accommodated Bhutanese interests with those of the British by agreeing to be guided by the British in terms of its foreign policy affairs. For both the British and Bhutan, the Treaty of Punakha was an effective strategy to counter Chinese ambitions in the region. So, the Treaty of Punakha effectively addressed the mutual security concerns of both parties. According to Leo E. Rose, "this was nothing more than a *de jure* recognition of the *de facto* reality, for even without this clause, Bhutan would in any case have had to clear any foreign policy innovations or initiatives with the British authorities in New Delhi."³⁴

Even though the treaty proved to be a setback to the Chinese attempts at influencing Bhutan, China continued to interfere in Bhutan, and it continued to

³² Ram Rahul, *Royal Bhutan: A Political History* (Vikas Publishing House Pvt. Ltd, 1977), p. 11.

³³ Mitra, n. 28, p. 20.

³⁴ Leo E. Rose, "Bhutan's external relations," *Pacific Affairs* Volume 47, Number 2 (1974), pp. 192-193.

claim Bhutan as part of the Chinese Empire. In a letter addressed to Bhutan, the Chinese Ambhan ordered the Chinese-Tibetan rupee to circulate in Bhutan. The letter cautioned Bhutan against the British government's intentions. Upon this, the British government stepped in and advised the Bhutanese monarch not to engage with the Chinese. The British trade agent in Yatung was tasked with conveying to the Chinese Ambhan that Bhutan's foreign relations were under the control of British India. Additionally, it was clarified that all future communications with Bhutanese authorities should be channeled through the Political Officer stationed in Sikkim. Nevertheless, China maintained that the treaty did not alter its position regarding Bhutan, which it considered a subordinate state of the Qing dynasty.³⁵

Political Status of Bhutan

The political status of Bhutan vis-à-vis British India was a major point of discussion between the two governments until 1947. The political status of Bhutan has been elaborately discussed by Kapileshwar Labh in his book "India and Bhutan." He contends that Bhutan was not integrated into the British Indian Empire; it retained complete independence in its internal governance. This differentiated Bhutan's status from that of Sikkim, where the British gained authority over internal administration in 1890.³⁶ However, Bhutan's internal affairs remained beyond British control, distinguishing its status from that of other native Indian states. Labh highlights:

While the native Indian states were protectorates, Bhutan was a vassal state of Great Britain. During the 19th century, the British government gradually incorporated the native Indian states, merging them into a collective entity. These Indian states had no independent external relations. However, Bhutan retained its external relations, even though the Treaty of 1910 obligated it to heed the advice of the British government, concerning these matters. Consequently, British treaties with Bhutan, although formalised by the Governor

³⁵ Singh, n. 8, pp. 355-356.

³⁶ Labh, n. 19, p. 182.

General in the Council of India, were essential agreements between distinct foreign nations.³⁷

Similar observations have been made by R.K. Jha in his work, “The Himalayan Kingdom in Indian Foreign Policy.” He argues that a distinction can be made between the native Indian states and Bhutan, as the treaties concluded by the British government were applied to the whole of India, but the same cannot be said in the case of Bhutan. He notes that Bhutan’s legal status before India’s independence can be understood as that of a *semi-sovereign foreign state*, foreign because, from a legal standpoint, it did not fall under the jurisdiction of British India as it was not incorporated into British territory. However, it was considered semi-sovereign because, despite not being formally part of British India, its foreign relations were subject to constraints outlined in the Treaty of 1910.³⁸

When it comes to Nepal, Kapileshwar Labh is of the opinion that the status of Bhutan is not equal to that of Nepal, as there is a British resident in Nepal but not in Bhutan. Nonetheless, Nepal was more independent than Bhutan. The King of Nepal never accepted any foreign titles from the British government, whereas the King of Bhutan received titles accorded to the native Indian states. Furthermore, the King of Nepal never paid homage to or recognised the authority of the British government in India. The King of Bhutan paid homage to the British government and even to the feudatories of the native Indian states. He also attended the Delhi Durbar in 1906 and 1911.³⁹ Debamitra Mitra points out that there was a difference in the way the British government treated the three Himalayan Kingdoms. Nepal was considered an independent

³⁷ Ibid., p. 184.

³⁸ Raj Kumar Jha, *The Himalayan kingdoms in Indian foreign policy* (Ranchi: Maitryee Publications, 1986), pp. 97-98.

³⁹ Labh, n. 19, p. 201.

country; Sikkim was a full protectorate of British India; and Bhutan had a status that fell in between the two.⁴⁰

King Jigme Wangchuk (1905-1952), the eldest son of Ugyen Wangchuk, ascended to the throne of Bhutan in 1926. He declared his intention to continue his father's policy of maintaining friendly relations with British India. The British government, in turn, expected political cooperation from Bhutan and received periodic reports and suggestions from the Political Officer in Sikkim to ensure continued cordial relations between Bhutan and British India.⁴¹

All the Bhutanese authorities during this period were friendly to the British government, as they were dependent on the British for financial aid and security. Bhutan followed a closed-door policy to preserve its culture and sovereignty. Bhutan was able to achieve its objectives through this policy, but it hurt its economy. Its rich natural resources remained untapped, and the economy was stagnant. Further, the impact of the Second World War made matters worse for the Bhutanese economy. British India came to Bhutan's rescue and increased its subsidy by Rs. 1 lakh for the duration of the war.⁴²

The British maintained their policy of not interfering in Bhutan's domestic affairs while managing and overseeing its foreign relations until they withdrew from the Indian subcontinent in 1947. This strategy of extended frontiers laid the foundation for Independent India's relationship with Bhutan.

⁴⁰ Mitra, n. 28, p. 2.

⁴¹ Labh, n. 19, p. 207.

⁴² Ibid., p. 207.

India-Bhutan Relations After 1947

Political Relations

After independence, India faced the challenge of redefining its relationship with the Himalayan states. This remained extremely significant for India's security policy. India had two choices when it came to the Himalayan region. First, continue with the traditional British security framework that bound Nepal, Bhutan, and Sikkim to the British Raj. Second, to annex them and integrate them into Indian territory. Sardar Vallabhai Patel was of the opinion that these kingdoms needed to be treated as princely states and should be brought under Indian control. In contrast to the stance of Sardar Vallabhai Patel, former Prime Minister Jawaharlal Nehru viewed the Himalayan kingdom as part of India's security perimeter, and instead of annexing them, he thought it was necessary to bind them into a strong economic interdependence.⁴³

Independent India continued with the British foreign policy of safeguarding the extended frontiers. Therefore, maintaining stability in the entire Himalayan region, encompassing countries like Nepal, Bhutan, Sikkim, and the northeastern states, became a crucial concern for India due to security considerations. Bhutan, in particular, holds strategic significance for India as it shares its western border with the Siliguri Corridor and its eastern border with Arunachal Pradesh. Thus, India included Bhutan and the other Himalayan states under its northern security framework.⁴⁴

⁴³ Debamitra Mitra, *India, China and the Himalayan Buffers* (Germany: Lambert Academic Publishing, 2016), p. 2.

⁴⁴ Dorji Penjore, "Security of Bhutan: Walking Between the Giants," *Journal of Bhutan Studies* (2004), p. 122.

In 1950, Nehru stated,

“From time immemorial the Himalayas have provided us with magnificent frontiers...We cannot allow that barrier to be penetrated, as it is also the principal barrier to India”.⁴⁵

The Indian government’s objective was to ensure the sovereignty and independence of both Nepal and Bhutan to counteract Chinese influence in the region. However, independent India was more concerned about Bhutan, as it shared strong cultural ties with Tibet. This was underscored by the Bhutanese king during discussions with the Cabinet Mission about Bhutan’s political status after India gained independence. The king emphasised that Bhutan should not be regarded as an Indian state; instead, its cultural affinity was closer to Tibet and China than to India. Therefore, Bhutan appeared to be more susceptible to external pressures than Nepal.⁴⁶

Similarly, the Royal Government of Bhutan (RGOB) was apprehensive that the political changes in India would affect the existing agreements between Bhutan and Britain.⁴⁷ This apprehension also stemmed from the fact that, unlike Nepal, Bhutan had remained aloof from the political developments within India during the freedom struggle. It had nurtured close ties only with the British government and not with Indian leaders.⁴⁸ Following India’s independence in 1947, India and Bhutan agreed to continue the relationship as it did under British rule. Therefore, the treaty signed by British India continued to guide the relationship between the two countries. The foreign policy approach adopted by the former Prime Minister significantly influenced the development of India’s ties with Bhutan.⁴⁹

⁴⁵ “Jawaharlal Nehru, “Speeches 1949-1953,” *Publications Division*, New Delhi, Government of India, 3rd ed, 1963, p. 252.

⁴⁶ Singh, n. 8, p. 397.

⁴⁷ Mitra, n. 28, 16.

⁴⁸ Rose, n. 34, p. 193.

⁴⁹ Mitra, n. 43, p. 2.

In April 1948, a delegation from Bhutan, led by Raja Sonam T. Dorji, visited India to engage in discussions regarding their relationship with the newly independent India. The Bhutanese delegation expressed its intention to renew the treaty that had been previously signed between Bhutan and British India. Furthermore, they sought India's recognition of Bhutan's independence and the return of the Dewangiri hill strip. In response, the Indian government assured Bhutan that it would uphold Bhutan's independence as long as Bhutan maintained a similar relationship to the one it had with British India. Both countries found it necessary to maintain friendly and peaceful relations due to security concerns.⁵⁰

This led to the formalisation of the Treaty of Perpetual Peace and Friendship on August 8, 1949. This treaty acknowledged Bhutan's sovereignty while also retaining the British period provision of 1910, which stipulated that India would guide Bhutan's external relations. Concerning Bhutan's internal governance, the Government of India (GOI) chose to maintain the policy of non-interference, aligning with the previous British policy. To accommodate Bhutan's interests, the Indian government took steps such as conceding territory and increasing the annual subsidy. The Indian government offered to exchange the 32 square miles of land in Dewangiri district, which the British government had annexed. Furthermore, the annual subsidy was increased, and India significantly extended its economic, infrastructural, and technical assistance. All these attempts were made to ensure that Bhutan remained part of the structure of India's northern frontier.⁵¹

China initially did not indicate any sign of resentment against the signing of the treaty. This was evident from the official exchanges between India and China. During this period, India's ties with China became more amicable, and both nations pursued a path of peaceful coexistence. As a result, from 1949 to

⁵⁰ Ibid., p. 26.

⁵¹ Ibid., p. 26.

1959, China did not raise any concerns about India's unique relationship with Bhutan.⁵² Given this positive shift in Sino-Indian relations, neither Bhutan nor India perceived China as an immediate source of threat. So, Bhutan continued with its economic and political relations with Tibet.⁵³ However, later, China toughened its stance following aggression in Tibet. This soon extended to China once again, claiming Bhutan and other states in the Himalayan region.⁵⁴

It is to be noted that even after signing the treaty, Bhutan was initially reluctant to establish close ties with India. It continued with its traditional policy of maintaining distant relations with India. One reason for Bhutan's policy position was that the 1949 Treaty was just as unclear regarding Bhutan's status as an independent and sovereign nation as the 1910 Treaty with the British had been. Second, Chinese activities in Tibet added to Bhutan's apprehensions against India. Bhutan feared being assimilated into India. Thus, Bhutan remained aloof from the outside world.⁵⁵

Bhutan changed its foreign policy after the invasion of Tibet, as once again both India and Bhutan saw China as a common threat. After King Jigme Dorji Wangchuk became the monarch of Bhutan in 1952, he visited India in 1954; this visit added a new chapter to their relationship. The visit helped improve mutual understanding between the two nations.⁵⁶ Subsequently, in 1955, he extended an invitation to an Indian delegation to visit Paro, Bhutan. This delegation was led by then-Foreign Minister Ratan Kumar Nehru. On September 23, 1958, Prime Minister Nehru expressed India's purpose and attempted to conserve and support the independent status of Bhutan.⁵⁷

⁵² Labh, n. 19, pp. 212.

⁵³ Ibid., p. 370.

⁵⁴ Poulouse, n. 25, p. 200.

⁵⁵ Labh, n. 19, p. 210.

⁵⁶ Ibid., p. 210-217.

⁵⁷ Sonam Tobgye, "The Development of Bhutan's Relation with India," *Kuensel Online*, February 9, 2019, <https://kuenselonline.com/the-development-of-bhutans-relations-with-india/>.

These visits paved the way for many such visits, which helped to give a deeper understanding of the bilateral relationship. The close and enduring partnership between the two nations today has its roots in the shared vision of the former Prime Minister Jawaharlal Nehru and the Monarch of Bhutan, Jigme Dorji Wangchuck. The vision focused on the two countries working together in a partnership based on mutual trust, respect, and shared political interests. Successive governments have focused on these principles when it comes to bilateral relations.⁵⁸

Since the 1954 visit, several formal and informal visits have taken place between the dignitaries of both countries. In 1968, during the king's visit to New Delhi, Dr. Zakhir Hussain, the President of India, conveyed to King Jigme Dorji Wangchuck that the Indo-Bhutanese relationship had reached a level where Bhutanese living in India were not considered foreign nationals. Citizens of Bhutan could enter India without restrictions, live in any region of the country, and pursue any profession they wished. Dr. Hussain expressed his wish that the people of Bhutan would view India as a second home, a place away from their own.⁵⁹

These visits played a significant role in shaping relations between the two countries centred on peace and friendship. This was evident when, in November 1962, India became the first country to endorse Bhutan as an observer at the 14th meeting of the Consultative Committee of the Colombo Plan for Cooperative Economic Development in South and South East Asia, Australia.⁶⁰ In 1973, Bhutan joined the Non-Aligned Movement (NAM) with India's support, and India also advocated for Bhutan's membership in the United Nations (UN). In 1968, India appointed a resident representative in

⁵⁸ "Ambassador's Speech on India-Bhutan Relations delivered at the Royal Thimphu College," *Embassy of India Thimphu, Bhutan*, March 22, 2017, <https://www.indembthimphu.gov.in/adminpart/uploadpdf/54555Amb%20Speech-India-Bhutan%20relations%20-1-%20-1>.

⁵⁹ Dr. Zakhir Hussain, "Speeches on Bhutan," *Foreign Affairs Records*, New Delhi, Ministry of External Affairs Publications, 1968, pp. 27-29.

⁶⁰ Mitra, n. 28, p. 18.

Thimphu, leading to the establishment of diplomatic relations between the two countries. Prior to this, India and Bhutan relations were overseen by the political officer in Sikkim. ⁶¹

Following the death of King Jigme Dorji Wangchuck, his son, King Jigme Singye Wangchuck, assumed the throne in 1974. That same year, he made a visit to New Delhi. During his visit to India, he held meetings with India's President, F.A. Ahmad, and Prime Minister, Indira Gandhi. King Jigme Singye Wangchuck reiterated his dedication to upholding his father's principles to enhance the bond between India and Bhutan. During the visit, India extended offers of economic and developmental aid to Bhutan. ⁶²

In 1976, the King of Bhutan once again visited New Delhi to underscore the significance of India-Bhutan relations. He expressed his deep appreciation for the friendship, generosity, and understanding that the Indian government had extended to his government and people. ⁶³ With the emergence of the new government led by the Janata Party in 1977, a policy of "Beneficial Bilateralism" was adopted. This policy aimed to maintain open and friendly relations with neighbouring countries, built on mutually advantageous cooperation and collaboration. The policy had three key components: (i) fostering personal rapport; (ii) facilitating economic accommodation; and (iii) adhering to political neutrality and non-interference in internal affairs. This approach prioritised the enhancement of India's relationship with its neighbouring countries. ⁶⁴

In November 1977, Atal Behari Vajpayee, the former Indian Foreign Minister, embarked on a visit to neighbouring countries, including Bhutan. During this visit, he emphasised India's strong commitment to enhancing its relations with

⁶¹ Ranjan, n. 4, p. 90.

⁶² Rajesh S. Kharat, *Foreign Policy of Bhutan* (New Delhi: Manak Publications, 2005), p. 91.

⁶³ *Hindustan Times*, August 14, 1976.

⁶⁴ Rajesh S. Kharat, "Indo-Bhutan Relations Strategic Perspectives," in *Himalayan Frontiers of Indian Historical, geo-political and strategic perspectives*, ed. K. Warikoo (London and New York: Routledge Taylor and Francis Group, 2009), p.147.

neighbouring countries. He assured the Bhutanese government that the Janata government, under his leadership, was dedicated to addressing any misunderstandings in India's relationships with its neighbours. The Indian government would take proactive measures to prevent any political tensions and instead focus on strengthening mutual trust and confidence. One significant outcome of this visit, as pointed out by Rajesh Kharat, was the simplification of the process for Bhutanese students receiving foreign scholarships. Previously, they had to obtain a 'P' form from India for travel to these countries, but the GOI eased this documentation requirement, making it more convenient for Bhutanese students.⁶⁵

Subsequently, in March 1978, the King of Bhutan visited New Delhi. During this visit, the King expressed gratitude for the substantial support and aid provided to Bhutan in its endeavours to modernise and achieve economic self-sufficiency. However, in July 1978, Bhutan raised concerns about the interpretation of Article II of the 1949 Treaty of Perpetual Peace and Friendship.⁶⁶

Bhutanese Interpretation of the 1949 Treaty: Impact on India-Bhutan Relations

The India-Bhutan treaty is supposed to have played a critical role in preventing the Chinese forces stationed in Tibet from entering Bhutanese territories. But this treaty had made Bhutan apprehensive about its interpretation. According to Swaran Singh, Bhutan was anxious that India one day could misuse the same treaty to occupy Bhutan in the name of ensuring protection from China.⁶⁷ Furthermore, both India and Bhutan interpreted the treaty differently. India viewed the provision in the treaty regarding advice in cases of external matters as an obligation of Bhutan. According to the Indian

⁶⁵ Ibid., p.147.

⁶⁶ Ibid., p. 147.

⁶⁷ Swaran Singh, *China-South Asia, Issues, Equations, Policies* (New Delhi: Lancer's Books, 2003), p. 253.

interpretation, Bhutan could not establish direct relations with a third country without India's concurrence. Prem Nath looked at the Chinese attempts at establishing direct contacts with Bhutan in 1943, 1947, 1951, and 1953 as a deliberate violation of the treaties of 1910 and 1949.⁶⁸ As for Bhutan, it contended that although it has to consult India when it comes to its external relations, the advice given by India is not obligatory.⁶⁹

Bhutan's position on the 1949 treaty was made clear in 1959 when the Bhutanese Prime Minister Jigme Dorji suggested that Bhutan was not obligated to unquestionably follow all the advice provided by the Indian government concerning its foreign affairs, as outlined in Article II of the Indo-Bhutan Treaty.⁷⁰ T.T. Poulouse argues that the small state of Bhutan has been obsessed with "status consciousness." This clarifies why Bhutan has made several efforts to assert its sovereignty whenever there is room for manoeuvring between the two powerful neighbours, India and China. Bhutan believed that, according to the Indo-Bhutanese Treaty of 1949, it possessed the authority to establish diplomatic ties with other nations, and India's guidance in this regard was not obligatory.⁷¹ It is pertinent to mention a statement given by the acting Prime Minister of Bhutan, Lhendup S. Dorji: "Bhutan is contemplating having independent relations with foreign countries...there is no bar to Bhutan's participation in independent foreign relations since it is a sovereign country," Here he added that he would be visiting France, Britain, Canada, New Zealand, Australia, and Japan soon in this connection.⁷²

This matter was also deliberated during the 50th session of the National Assembly of Bhutan in 1979. In this session, an elected people's representative, Chimi, inquired about the extent of India's influence over Bhutan's foreign

⁶⁸ Prem Nath, "The Winds of Change in Bhutan," *Motherland (Delhi)*, February 20, 1972.

⁶⁹ Nitasha Kaul, "Beyond India and China: Bhutan as a Small State in International Relations," *International Relations of the Asia-Pacific*, Volume 22, Issue 2 (May 2022), p. 311.

⁷⁰ "Bhutan," *The Times of India*, February 3, 1961.

⁷¹ T.T. Poulouse, n. 25, p. 204.

⁷² *The Hindu*, August 10, 1964.

policy. The king, while elaborating on the foreign minister's response, mentioned that it was customary practice for friendly nations to engage in periodic consultations on shared concerns. He emphasised that while Bhutan might engage in discussions with India regarding foreign policy matters, Bhutan had the prerogative to make decisions in alignment with its own national interests.⁷³

The Bhutanese perspective and interpretation of the treaty meant that Bhutan would engage in consultations with India, but ultimately, as a sovereign nation, it retained the authority to decide whether to heed the advice provided. In 1979, King Jigme Singye Wangchuk (the Fourth King) proclaimed the necessity for a revision of the 1949 Indo-Bhutanese Treaty, with a focus on safeguarding the interests of both countries. This revision was deemed essential to prevent any ambiguity regarding the treaty's provisions.⁷⁴

According to Subrata Kumar Mitra, Bhutan's desire to depict itself as an independent and separate nation stemmed from its unease due to the increasing differences between the Indian government and its Chinese counterpart. He also contends that there exists a noticeable disparity between India's view of the Chinese threat to Bhutan and Bhutan's own assessment of the situation. Consequently, Bhutan made an effort to remain neutral when it came to India's border dispute with China concerning the McMahon line. It adopted a neutral stance. Additionally, the then-Prime Minister established that Bhutan did not want to upset the Chinese government by supporting India's position.⁷⁵

As previously discussed, India's loss in the 1962 War underscored for Bhutan the importance of not depending solely on India. Further, the developments in

⁷³ "Proceedings and Resolutions adopted during the 50th Session of the National Assembly," *Matters Relating to the Ministry of Foreign Affairs*, Section 63, held from June 15, 1979 to July 4, 1979, pp. 27-28, https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/50th_Sessions.pdf.

⁷⁴ *The Times of India*, September 11, 1979.

⁷⁵ Subrata K. Mitra and Srikanth Thaliyakkattil, "Bhutan and Sino-Indian Rivalry: The Price of Proximity," *Asian Survey* Volume 58, Number 2 (2018), pp. 244-245.

Sikkim in the 1970s also worried some sections of the people in Bhutan. It became more evident to Bhutanese policymakers that they could not afford to antagonise China. Bhutan continued to tilt more towards India, but it realised that it needed to diversify its relations with China and other countries.⁷⁶ In response to the growing Chinese influence in Bhutan, India took action by halting its assistance to the landlocked country. This led to chaos and resentment against India in Bhutan. The Indian government's miscalculated moves led to the rise of national sentiment in Bhutan. Bhutan expressed its dissatisfaction with the action of the Indian authorities by passing a resolution in the National Assembly, stating that it preferred no aid at all over aid that was subject to such interruptions.⁷⁷

Bhutan started to exhibit a more assertive and independent stance in its foreign relations, directly challenging the provisions of Article II of the 1949 treaty. During the 1960s, Bhutan initiated direct negotiations with a Swedish company regarding the establishment of a paper company within its borders. Additionally, Bhutan extended invitations to French nuns to assist in developing medical services. This shift in approach led to a reduction in Bhutan's reliance on India's economic assistance as it actively sought support from other international donors.⁷⁸

Bhutan opted to gradually expand its external engagements beyond its relationship with India. It actively participated in regional and international organisations like the South Asian Association for Regional Cooperation (SAARC) and the Non-Alignment Organisation, making its presence and opinions known. Bhutan also began accepting economic assistance from various organisations, including the United Nations Development Programme (UNDP), the United Nations International Children's Emergency Fund (UNICEF), the United Nations Educational, Scientific, and Cultural

⁷⁶ Ibid., p. 246.

⁷⁷ Dick Wilson, "Himalayan Federation the Answer?" *The Guardian*, December 14, 1964.

⁷⁸ Nga et al, n. 12, pp. 448.

Organisation (UNESCO), the International Labour Organisation (ILO), and the International Monetary Fund (IMF).⁷⁹

In its relationship with India, Bhutan asserted its autonomy. Bhutan did not consistently align with India's stance in various regional and international forums. For instance, at the NAM summit in Havana, Bhutan differed from India on the issue of admitting the Republic of Kampuchea to the United Nations. Bhutan also held a distinct position from India on the matter of landlocked countries at the United Nations Conference on Trade and Development (UNCTAD) in Manila. Furthermore, at the UN, Bhutan voted alongside other South Asian states, excluding India, against the deployment of Soviet troops in Afghanistan.⁸⁰

In 1968, Bhutan implemented restrictions to prevent unauthorised foreigners from entering the country, which included Indian nationals. A year later, in 1969, Bhutan introduced its own national currency. Then, in 1970, Bhutan established its own foreign affairs department.⁸¹ In 1974, during the coronation ceremony of the King of Bhutan, Jigme Singye Wangchuck (the Fourth King), Bhutan extended invitations to more than 150 foreign delegates from various countries, including China, the USA, Australia, New Zealand, Britain, France, the Soviet Union, Canada, and Switzerland. This marked the first time that Bhutan opened its doors to the international community.⁸² The presence of these major powers in Bhutan signified its independence and sovereignty. During the same year, Bhutan made two requests to the Indian government. First, it sought permission to open offices in Bonn, London,

⁷⁹ Medha Bisht, "Bhutan's Foreign Policy Determinants: An Assessment," *Strategic Analysis*, Volume 36, Number 1 (2012), pp. 61-62.

⁸⁰ *Ibid.*, p. 61-62.

⁸¹ Subham, "Understanding India-Bhutan Relations," *One India*, June 18, 2019.

<https://www.oneindia.com/feature/understanding-india-bhutan-relations-1467521.html>.

⁸² Rajesh kharat and Chunku Bhutia, "Changing Dynamics of India-Bhutan Relations," In *India in South Asia: Challenges and Management*, ed. Amit Ranjan (Singapore: Springer Singapore, 2019).

Paris, and New York to issue visas, with the aim of promoting tourism in Bhutan. Second, Bhutan expressed its desire to resume trade with Tibet.⁸³

In 1974, during the 29th session of the UNGA, Bhutan supported the resolution sponsored by Pakistan and several other countries that South Asia be declared a nuclear-free zone. As per Bhabani Sen Gupta, Bhutan was resolute in its stance, regardless of India's publicly expressed disapproval, when observing Pakistan's recurring achievements in the UNGA starting in 1974.⁸⁴

In 1979, Bhutan's diplomatic mission in India underwent a name change to the Royal Bhutanese Embassy. Many Indians perceived this move as a deviation from the terms of the 1949 Treaty between the two countries. Despite this, Bhutan continued on its path to forge relations with other nations while still maintaining its close ties with India. One noteworthy instance of Bhutan's independent foreign policy was that it was one of the first countries to recognise Bangladesh. It established diplomatic relations with Bangladesh without consulting India in 1971-72. Bhutan also signed trade agreements with both Bangladesh and Nepal. In 1981, India gave in to Bhutan's request to establish bilateral relations with China by sending a diplomatic note to the Chinese embassy in India. In 1984, Bhutan initiated boundary negotiations with China, further demonstrating its growing engagement with the international community.⁸⁵

Bhutan deliberately made the decision to abstain from establishing diplomatic relations with the five permanent members of the United Nations Security Council (UNSC). Since Bhutan is extremely conscious of its ethnocultural identity, it wants the process of dealing with the larger international community to be gradual. This was essential given that it had just emerged

⁸³ *The Statesman*, November 13, 1974.

⁸⁴ B.S. Gupta, "Slow, steady pace of change," *The Tribune*, April 16, 1984.

⁸⁵ Subham, n. 81.

from its policy of self-isolation, and so it was necessary to avoid getting dragged into global power politics. India has benefited from its stance towards the five permanent UNSC members. Beyond the permanent five, Bhutan has, though, sought to cultivate amicable ties with countries eager to offer unconditional economic cooperation.⁸⁶

All these instances depict Bhutan's belief that it wasn't obligatory to seek India's counsel on every aspect of its foreign policy. These instances demonstrated that Bhutan had the capacity to adopt an autonomous foreign policy position without necessarily adhering to India's guidance, in line with the provisions of Article II of the Indo-Bhutan Treaty of Friendship. Former Bhutanese Foreign Minister Dawa Tshering characterised Bhutan's independent foreign policy stance as a gradual process of dismantling the political and psychological constraints imposed by various countries in the region.⁸⁷

Revision of the 1949 Treaty with the Advent of Democracy in Bhutan: Impact on India-Bhutan Relations

In response to the shifting dynamics in Bhutan's neighbourhood, King Jigme Dorji Wangchuck (the Third King) acknowledged the unavoidable necessity of embracing democracy. To address the swift transformations in the contemporary world, he implemented a series of economic and political changes and reforms within Bhutan. Soon after his coronation, he established a National Assembly (Tshogdu) of 138 members, comprising representatives of the people, monastics, and government, to redistribute political power among

⁸⁶ Tobgye, n. 57.

⁸⁷ Dawa Tshering, as cited in S.D. Muni, "Bhutan Steps Out," *The World Today*, Volume 40, Number 12 (1984), p. 519.

the relevant groups. This was the first step towards the democratisation of Bhutan. ⁸⁸

The second reform was the establishment of a Royal Advisory Council (Lodoe Tshogde) in 1965. This eight-member body had to advise the King and the government on important matters. Another significant change implemented in 1969 was the provision that required the monarch to step down from the throne if a vote of no-confidence in his performance in office was passed by two-thirds of the members of the National Assembly. The efforts of the Third King at decentralisation and devolution were carried forward by his successor, Jigme Singye Wangchuck (the Fourth King), who introduced a constitutional monarchy and parliamentary democracy. Bhutan saw its first democratic elections in 2008. The Indian government supported the reforms introduced by the RGOB. ⁸⁹

India supported Bhutan throughout the entire phase of the transition. The Election Commission (EC) of India helped train the Bhutanese people, conducted a series of mock drills, and supplied materials, including Electronic Voting Machines (EVMs). ⁹⁰ India welcomed the transition to a democratic constitutional monarchy in Bhutan. According to Michael Hutt, although there is no recorded evidence of a direct push for democracy by the Indian government to introduce democratic reforms in Bhutan, it is noteworthy that India's aid to Bhutan increased by 50 per cent immediately after the process of constitution-making was initiated. ⁹¹

⁸⁸ Yedzin W. Tobgay, "Indo-Bhutanese Relations," in *Linking India and Eastern Neighbours: Development in the Northeast and Borderlands*, Eds. H. Srikanth and M. Majumdar (New Delhi: SAGE Publishing India, 2021), pp. 64–65.

⁸⁹ *Ibid.*, p. 64–65.

⁹⁰ "India's poll panel to assist Bhutan in 2008 elections," *Hindustan Times*, May 24, 2006, <https://www.hindustantimes.com/india/india-s-poll-panel-to-assist-bhutan-in-2008-elections/story-CSqg2VICOO5LPk2ieOkstM.html>.

⁹¹ Michael Hutt, "Nepal and Bhutan in 2005: Monarchy and Democracy, Can They Co-exist?" *Asian Survey*, Volume 46, Number 1 (2006), p. 123.

Following the establishment of democracy in Bhutan in 2008, there was a need for a reevaluation of India-Bhutan relations to adapt to this new phase within Bhutan. Given the changing geopolitical landscape in the Himalayan region and Bhutan itself, there was a pressing requirement to revise the Treaty of 1949. The transition to democracy led to the revision of this Treaty, which took place during the visit of King Jigme Khesar Namgyel Wangchuck (the Fifth Druk Gyalpo) to India in 2007. The updated treaty was signed by India's External Affairs Minister, Pranab Mukherjee, and the then-crowned prince and now King of Bhutan, Jigme Khesar Namgyal Wangchuck. This revised treaty was designed to align with the contemporary dynamics of India-Bhutan relations and set the groundwork for their future development in the 21st Century.⁹²

The treaty of 2007 accommodated the interests of both the countries. On the one hand, it protects India's security interest, and on the other hand, it explicitly recognises Bhutan's sovereignty. This is evident as, according to Article II of the Treaty,

“In keeping with the abiding ties of close friendship and cooperation between Bhutan and India, the Government of the Kingdom of Bhutan and the Government of the Republic of India shall cooperate closely with each other on issues relating to their national interests. Neither Government shall allow the use of its territory for activities harmful to the national security and interest of the other.”⁹³

The aforementioned provision grants Bhutan ample room to independently manage its foreign relations without the need for India's direction. Bhutan is no longer obligated to seek India's guidance in matters concerning its foreign policy.⁹⁴ Although, according to Rajiv Sikri, it is likely that, in practice, Bhutanese policymakers will keep India's interests in mind while framing

⁹² Nga et al, n. 12, p. 450.

⁹³ “India-Bhutan Friendship Treaty,” *Ministry of External Affairs, Government of India*, <https://mea.gov.in/Images/pdf/india-bhutan-treaty-07.pdf>.

⁹⁴ *Ibid.*

foreign policy. This is primarily because their relationship is bound by close historical ties. Another important factor is that the treaty envisions strong collaboration in areas of national importance and prohibits both nations from allowing their territories to be used for actions detrimental to their respective national security and interests.⁹⁵

Moreover, the treaty placed increased emphasis on fostering cultural cooperation between the two countries. This collaborative effort extended to various other domains, including education, healthcare, sports, and science and technology. According to Article VII of the Treaty,

“The Government of Bhutan and the Government of India agree to promote cultural exchanges and cooperation between the two countries. These shall be extended to such areas as education, health, sports, science and technology.”⁹⁶

Consequently, the treaty’s primary objective was to enhance bilateral cooperation, ensuring mutual and enduring advantages for both countries. The signing of this treaty laid the groundwork for a more equitable relationship. The revision of the treaty marked a significant evolution in Bhutan and India’s relationship, reconfirming the bonds of friendship and trust between them and, consequently, bolstering the overall ties between the two countries.⁹⁷

Furthermore, regular meetings and high-level dialogues have significantly enhanced the relationship between Bhutan and India. In an expression of goodwill towards the new Bhutanese administration, Prime Minister Lyonchen Jigme Thinley made an official visit to India in June 2009. That same year, President Pratibha Patil reciprocated the visit by travelling to Bhutan, where she received an invitation to attend the coronation ceremony of the current King of Bhutan as a special guest. In June 2009, India’s External Affairs Minister, S.M. Krishna, made his inaugural official trip to Bhutan.

⁹⁵ Rajiv Sikri, *Challenge and strategy: Rethinking India's Foreign Policy* (New Delhi: SAGE Publications India, 2009), p. 89.

⁹⁶ Ministry of External Affairs, n. 93.

⁹⁷ Tobgye, n. 57.

Additionally, notable Indian figures such as Former Foreign Secretary Smt. Nirupama Rao, Chief Electoral Officer Navin Chawla, and Comptroller and Auditor General Vinod Rai also visited Bhutan during that year. Bhutan's Minister of Economic Affairs, Lyonpo Khandu Wangchuck, conducted a visit to India in January 2010, and the top Election Commissioner of Bhutan, Dasho Kunzang Wangdi, travelled to India the same year.⁹⁸

At the invitation of the President of India, Pranab Mukherjee, King Jigme Khesar Namgyal Wangchuck of Bhutan served as the chief guest for the 64th Republic Day celebrations in 2013. In January 2014, His Majesty the King made a formal diplomatic visit to India. Additionally, he made a private visit to India as the chief guest for the 167th Founders Day celebration of Lawrence School in Sanawar, Himachal Pradesh. Following his appointment as the Prime Minister of Bhutan, Lyonchhen Tshering Tobgay embarked on his first official visit to India in 2013. Prime Minister Tobgay later visited India once again, leading a six-member delegation to attend the swearing-in ceremony of Prime Minister Narendra Modi.⁹⁹

After his election as the new Prime Minister of India, Narendra Modi decided to make Bhutan his inaugural foreign visit. He was accompanied by several high-ranking officials, including the External Affairs Minister, the National Security Adviser, and the Foreign Secretary. On June 16, 2014, Narendra Modi delivered a speech to the joint session of the Bhutanese Parliament during this visit. He also took part in the inauguration of the Supreme Court Building, which was constructed with India's assistance. Additionally, he laid the foundation of the 600 MW Kholongchhu Hydropower Project, announced the doubling of the Nehru-Wangchuck scholarship to Indian Rupee (INR) 2

⁹⁸ Tuhina Sarkar, "India-Bhutan Relations," *The Indian Journal of Political Science*, Volume 73, Number 2 (April-June 2012), p. 350.

⁹⁹ "India Bhutan Relations," *Ministry of External Affairs, Government of India*, May, 2018, pp. 1-2, https://www.mea.gov.in/Portal/ForeignRelation/Bhutan_May_2018.pdf.

crore per year, and revealed plans for the construction of an e-Library project that would cover 20 districts of Bhutan. ¹⁰⁰

Following the Indian Prime Minister's visit, President Pranab Mukherjee of India travelled to Bhutan in November 2014. During this visit, discussions encompassed a range of regional and international topics of mutual concern and interest. The President of India delivered a lecture on "India Bhutan Relations" and inaugurated three projects supported by the GOI: the School Reform Programme, the enhancement of the East-West Highway, and the Power Training Institute. Additionally, he announced an annual allocation of INR 2 crore for the Ambassador's Scholarship Programme, up from the previous INR 1 crore. Furthermore, three Memorandums of Understanding (MOUs) were signed between the two countries in the field of education, and an MOU on the establishment of Nalanda University was also signed during this visit. ¹⁰¹

Upon the invitation of India's Prime Minister Narendra Modi, Bhutan's Prime Minister, Lyonchhen Tshering Tobgay, conducted an official visit to India in January 2015. During the visit, he participated in the inaugural Vibrant Gujarat Summit alongside various other dignitaries. The two prime ministers engaged in comprehensive discussions that covered bilateral relations as well as regional and global topics of mutual importance. Additionally, Prime Minister Tobgay visited Bodhgaya, where he received a sapling from the Maha Bodhi tree as a symbolic gesture. ¹⁰²

In November 2015, Bhutan's Prime Minister Tobgay had the honour of being the Chief Guest at the 2nd India Ideas Conclave, which had the theme "Learning from Civilization" and was held in Goa. In 2016, Prime Minister Tobgay made three visits to India: firstly, in January, he visited West Bengal

¹⁰⁰ Ibid., p. 1-2.

¹⁰¹ Ibid., p. 1-2.

¹⁰² Ibid., p. 1-2.

to participate in the 2nd Bengal Global Business Summit. Secondly, he returned to West Bengal in May 2016 to attend the swearing-in ceremony of the Chief Minister of West Bengal, Mamata Banerjee. Thirdly, in October 2016, he visited India once more to participate in the BIMSTEC-BRICS (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation- Brazil Russia India China and South Africa) Outreach Summit in Goa. Additionally, Prime Minister Tobgay attended the opening of the Namami Brahmaputra River festival in March 2017 in Guwahati, where he served as the Guest of Honour. ¹⁰³

The 2016 SAARC summit, originally scheduled to be held in Islamabad, Pakistan, faced a boycott from India due to concerns about cross-border terrorist attacks. Bhutan, in a show of solidarity and loyalty to its neighbour, also chose to boycott the summit. Bhutan conveyed its inability to participate in the session in a letter to the SAARC chair in Nepal, expressing shared concerns with other member countries regarding the worsening regional peace and security situation due to terrorism. These developments underscore the robust and supportive relationship between the two countries. ¹⁰⁴

In 2018, India and Bhutan marked the 50th anniversary of their diplomatic relations. After Prime Minister Modi's re-election in 2019, he conducted a state visit to Bhutan on August 17-18, 2019. During this visit, the Indian Prime Minister held meetings with His Majesty the King, His Majesty the Fourth King, and the Prime Minister of Bhutan, Lotay Tshering. They engaged in comprehensive discussions covering all facets of the bilateral relationship. Subsequently, Prime Minister Modi visited Bhutan once more to participate in the celebration of the 114th National Day on December 17, 2021. This visit held great significance as he was honoured with Bhutan's highest civilian award, the Order of the Druk Gyalpo. He became the first foreign

¹⁰³ Ibid., p. 1-2.

¹⁰⁴ Monja Sauvagerd, "India's Strategies on its Periphery: A Case Study in the India-Bhutan Relationship," *ASIEN: The German Journal on Contemporary Asia*, Nr.146 (January 2018), p. 70.

recipient of this prestigious award, which acknowledges his outstanding contribution to strengthening the bilateral relationship.¹⁰⁵

There has also been a notable increase in political interactions at the ministerial level and the convening of various bilateral mechanisms. For instance, in January 2022, Bhutan's Minister of Economic Affairs, Lyonpo Loknath Sharma, visited India. India's External Affairs Minister, Jaishankar, visited Bhutan in April 2022. This was followed by the visit of India's Minister of State for Health and Family Welfare, Dr. Bharati Pravin Pawar, in September 2022, as well as the visit of India's Secretary of Power, Alok Kumar, in October 2022. Furthermore, India's Foreign Secretary, Vinay Kwatra, visited Bhutan in January 2023. On the Bhutanese side, a parliamentary delegation from Bhutan visited India in February 2023. This was followed by the visit of Bhutan's Finance Minister, Lyonpo Namgay Tshering, to participate in the Asia Economic Dialogue in February 2023; the visit of Bhutan's Foreign Minister, Dr. Tandi Dorji, to attend the Raisina Dialogue in March 2023; and the visit of Bhutan's Minister of Home and Cultural Affairs, H.E. Ugyen Dorji, in March 2023.¹⁰⁶

To sum up the political relations between India and Bhutan, it is necessary to mention the statements of the foreign ministers of both countries. Foreign Minister Damcho Dorji notes, "Bhutan-India relations have been shaped by history, culture, and geopolitical realities as also by the wise and visionary leadership of the two countries and the belief of their peoples in a shared destiny". In response, Indian External Affairs Minister Sushma Swaraj emphasised that "India-Bhutan relations is built on shared values and priorities, utmost trust and understanding, mutual respect, and sensitivity to each other's interests." This strong political relationship has formed the basis

¹⁰⁵ "India-Bhutan Relations," *Embassy of India, Thimphu, Bhutan*, March 7, 2023, <https://www.indembthimphu.gov.in/>.

¹⁰⁶ Ibid.

for another mutually beneficial aspect of their relationship, which is their economic ties.¹⁰⁷

Economic Relations

While independent India adopted the policy of extended frontiers, there were notable distinctions in the Indian approach compared to that of the British. Though both British and independent India's foreign policies regarding Bhutan have mostly focused on security parameters, the Indian government has been sensitive to the economic concerns of the Bhutanese. The British were satisfied as long as Bhutan was politically stable and did not create any difficulties for them. Their only attempt at establishing trade relations with Bhutan was to explore routes via Bhutan to trade with Tibet. Unlike the British, the Indian government has helped Bhutan modernise by focusing on its socio-economic development.¹⁰⁸

India's importance to Bhutan can be understood through a speech addressed in the 26th Session of the UNGA on September 21, 1971, by His Royal Highness Namgyel Wangchuck, Representative of His Majesty the King and leader of the Bhutanese delegation. He said:

“It was with India's support that Bhutan was able to progress so quickly from a ‘hermit kingdom’ to a full-fledged and active member of the international community. Bhutan and India have been cooperating closely in the international arena and supporting each other's positions on all issues of mutual concern and interest”.¹⁰⁹

Development Assistance

As mentioned earlier, Bhutan followed a policy of isolation until 1959. Internally, the economic life in Bhutan was confined to agriculture and

¹⁰⁷ “Bhutan, India celebrates 50 years of diplomatic relations,” *Kuensel Online*, January 14, 2018, <https://kuenselonline.com/bhutan-india-celebrate-50-years-of-diplomatic-relations/>.

¹⁰⁸ Lamsang, n. 18, p. 31.

¹⁰⁹ Tobgye, n. 58.

forestry-based activities. Externally, Bhutan had very limited contact with British India and Tibet. This was because Bhutan, since ancient times, has been very particular about protecting its distinct culture and identity. Bhutan chose to avoid contact with other countries to prevent any form of foreign influence on its tradition and culture. However, many factors contributed to the change in Bhutan's foreign policy. The imperative to adapt to the modern globalised world, the Chinese occupation of Tibet in 1959, and economic requirements compelled Bhutan to shift away from its policy of isolation.¹¹⁰

Therefore, with the occupation of Tibet, Bhutan realised the importance of modernisation for its security and stability. Bhutan changed its traditional policy and focused on development on modern lines with financial and technical assistance from India.¹¹¹ The option of taking assistance from India was officially presented to Bhutan during a visit by Jawaharlal Nehru in September 1958. The primary focus of discussion between the Prime Minister of India and the King of Bhutan revolved around economic development. Prime Minister Nehru underscored the significance of constructing roads to foster internal connectivity within Bhutan and enhance its links with India. He also extended offers of technical aid and various forms of support to facilitate Bhutan's development. In the subsequent year, during the visit of Bhutan's prime minister to New Delhi, India agreed to provide assistance to Bhutan in the form of both technical and financial aid for the construction of five all-weather roads.¹¹²

As a result, India started Project DANTAK in 1961. Under the project, a network of important infrastructure, such as roads, airports, educational and health facilities, and microwave links with the outside world, has been successfully established. The development of these infrastructural projects was

¹¹⁰ Chokey Namgyal Bhutia, "Bhutan in SAARC and BIMSTEC," *Journal of Bhutan Studies*, Volume 42 (Summer 2020), p.101.

¹¹¹ Labh, n. 19, pp. 210-217.

¹¹² Valentine J. Belfiglio, "India's Economic and Political Relations with Bhutan," *Asian Survey*, Volume 12, Number 8 (August, 1972), p. 676.

welcomed by Bhutan, as it realised that progress cannot be achieved without a strong infrastructural base.¹¹³ With the Border Roads Organisation (BRO), Bhutan undertook the construction of Phuentsholing-Paro Road (180km); Confluence-Thimphu Road (38km); Sarpang-Tsirang Road (60km); Tshalemaphé-Wangdue Road (64km); the approach road to Tala (8km); Lobesa-Punakha Road (13km); Trashigang-Rangjung Road (12km); and Wangdue-Tongsa-Baykar-Mongar-Trashigang Road (380km), etc. These roads helped improve connectivity within Bhutan, which consequently boosted internal trade and movement. Connectivity plays an imperative role in ensuring socioeconomic development and progress in Bhutan. Subsequently, this led Bhutan to allocate a large share of its national budget to the construction of roads. For instance, in the 2015 plan budget, out of Nu 174.7 million, Nu 62 million went to the building of roads.¹¹⁴

Besides road connectivity, DANTAK has met the requirements of the Bhutanese population by ensuring the completion of other infrastructural facilities such as the Paro Airport, Yonphula Airfield, Thimphu-Trashigang Highway, hydropower infrastructure, Sherubtse College, Kanglung, India House Estate, education, and medical facilities.¹¹⁵ Additionally, in the field of communication, India has played a role in aiding Bhutan in the establishment of telephone facilities. The BRO and the GOI have collaborated to provide telephone connectivity between significant towns in eastern and western Bhutan. This project has been instrumental in bringing about significant advancements in Bhutan's socio-economic development.¹¹⁶

¹¹³Ibid., p. 677.

¹¹⁴ "Infrastructure Development in Bhutan A Journey through Time," *Ministry of Works and Human Settlement, Royal Government of Bhutan*, (2015), pp. 4-5, https://www.moit.gov.bt/wp-content/uploads/2014/03/Final_MoWHS_Magazine_2015-1.pdf.

¹¹⁵ "Project DANTAK Completed 60 years in Bhutan," *Ministry of Defence, Government of India*, April 26, 2021, <https://pib.gov.in/PressReleasePage.aspx?PRID=1714170#:~:text=Project%20DANTAK%20is%20commemorating%20its,Simtokha%20on%20April%2024%2C%202021..>

¹¹⁶ Belfiglio, n. 112, p. 677

India has become Bhutan’s most substantial donor, starting with its inaugural five-year plan in 1961. The initial two five-year plans (1961-1966 and 1967-1972) were entirely financed by India, and subsequently, India has continued to provide financial aid for each successive five-year plan. To date, Bhutan has completed eleven five-year plans with India’s support. Moreover, India has also made contributions to Bhutan’s development outside of these five-year plans. ¹¹⁷

Given below in Table 1 is a plan-wise allocation made by the RGOB, showing India’s contribution:

Table 1:

Year	Total Allocation	India’s Contribution	% of India’s Contribution
1961-1966 (1 st plan)	10.72	10.72	100%
1966-1971 (2 nd plan)	20.22	20.22	100%
1971-1976 (3 rd plan)	47.52	42.66	90%
1976-1981 (4 th plan)	110.62	85.30	77%
1981-1987 (5 th plan)	444.05	134.00	30.2%
1987-1992 (6 th plan)	950.00	400.00	42.1%
1992-1997 (7 th plan)	2350.00	750.00	31.9%
1997-2002 (8 th plan)	4000.00	1050.00	26%
2002-2008 (9 th plan)	8900.00	2610.14	29.33%
2008-2013 (10 th plan)	14900.00	3400.00	23%
2013-2018(11 th plan)	21300.00	4500.00	21%
2018-2023(12 th plan)	31000	4500	14.52%

Source: “Economic and Commercial”, Embassy of India, Thimphu, Bhutan

¹¹⁷“Economic and Commercial,” *Embassy of India Thimphu, Bhutan*, <https://www.indembthimphu.gov.in/pages.php?id=4>.

The first five-year plan mainly focused on creating basic infrastructure such as roads, agriculture, livestock, modern health, and education. The second five-year plan continued to expand basic infrastructure. Both of these plans laid the groundwork for Bhutan's contemporary economic development. The subsequent plans focused on other sectors such as information and communication, hydropower, improving income and quality of life, and encouraging the growth of the private sector.¹¹⁸

India has committed to offering Bhutan a comprehensive package valued at INR 4500 crore within the framework of the 12th five-year plan. This package encompasses INR 2800 crore allocated for 82 Project Tied Assistance (PTA) projects, INR 850 crore dedicated to 524 High Impact Community Development Projects (HICDPCs/Small Development Projects), and INR 850 crore designated for Programme Grant/Development Subsidy. In addition, India has earmarked INR 100 crore to facilitate tariff adjustments for the Mangdechhu Hydro project and INR 400 crore to support the Transitional Trade Support Facility.¹¹⁹

Project Tied Assistance initiatives encompass a diverse array of sectors, including agriculture, irrigation, Information and Communication Technology (ICT), media, health, tertiary education, school education, scholarships, labour and human resource development, roads, energy, urban development, the judiciary, culture, constitutional offices, and media. High-Impact Community Development Projects include the construction of irrigation canals, basic healthcare facilities, drinking water supply networks, and various other forms

¹¹⁸ Dasho Penjore, "Economic Life: 50 Years of Indo-Bhutan Economic Cooperation," in *India-Bhutan: Friendship Through the Decades and Beyond*, eds. Centre for Escalation of Peace (New Delhi: Centre for Escalation of Peace, 2019), pp. 46-47.

¹¹⁹ "Government of India provides a grant of Nu. /Rs. 1.204 billion towards key development projects in Bhutan", *Embassy of India, Thimphu, Bhutan*, <https://www.indembthimphu.gov.in/event.php?id=743>.

of rural infrastructure. Both of these initiatives directly influence the well-being and livelihoods of the Bhutanese population.¹²⁰

Bhutan understood the drawbacks of being totally dependent on one country, especially considering its geographical limitations. Bhutan, therefore, concentrated on strengthening and broadening its global footprint while preserving friendly ties with India. Approaching the end of the 1960s, efforts were made in this direction.¹²¹ As was previously said, Bhutan attempted to promote its independence both domestically and internationally. According to S.D. Muni, this was Bhutan's attempt at trying to come out of the shadow of India, as it has remained a dominant influence in Thimphu since the British era.¹²²

With the creation of its own Planning Commission in 1971, Bhutan was able to deploy resources outside of India. Bhutan was able to increase its trade and economic ties with other countries as a result. These resources, primarily sourced from UN agencies, played a substantial role in funding Bhutan's third five-year plan and subsequent plans.¹²³ According to S.K. Mitra, India assisted Bhutan in its endeavour to establish an international presence, primarily driven by economic considerations. This approach aimed to distribute the financial responsibilities among various institutions and countries. However, it's important to note that Bhutan still maintains significant economic dependence on India in various aspects.¹²⁴

In addition to the GOI, Bhutan currently obtains grants from various other sources, including the European Union (EU), the United States of America (USA), Austria, and other international organisations like the Asian

¹²⁰ Dipanjan Roy Chaudhury, "India renews commitment to Bhutan's 12th five-year plan," *The Economic Times*, November 29, 2019, <https://economictimes.indiatimes.com/news/economy/foreign-trade/india-renews-commitment-to-bhutans-12th-five-year-plan/articleshow/72299153.cms?from=mdr>.

¹²¹ Bhutia, n. 110, p. 102.

¹²² S.D. Muni, "Bhutan's South Asian Initiatives," *Strategic Analysis*, Volume 7, Number 12 (1984), p. 1005.

¹²³ Sukhdev Shah, "Developing Bhutan's economy: limited options, sensible choices," *Asian Survey*, Volume 29, Number 8 (1989), pp. 818-819.

¹²⁴ Mitra, n. 75, p. 247.

Development Bank (ADB), the World Bank (WB), the World Health Organisation (WHO), and the United Nations Development Programme (UNDP), among others.¹²⁵

Table 2 below gives a summary of the external grants received by Bhutan from the financial year 2019-20 to 2021-22.

Table 2:

Sl No.	Particulars	Nu. In Millions		
		2019-20	2020-21	2021-22
1)	Government of India	11,443.955	10,323.622	9,644.394
2)	Other Donors	4,981.795	4,558.667	3939.115
	Total	16,425.750	14,882.289	13,583.509

Source: Annual Financial Statements of the Royal Government of Bhutan, 2021, Department of Public Accounts, Ministry of Finance.

As evident from the data provided in Table 2, Bhutan relies significantly on external financial support from both bilateral and multilateral sources to fuel its economic development. Nevertheless, it is crucial to emphasise that India remains the most substantial contributor to Bhutan's socio-economic advancement.

In 2019, Jigme Khesar Namgyel Wangchuck, the current Monarch of Bhutan, introduced the Gyalsung programme, also known as National Service. This is a form of one-year mandatory conscription service for all youth above the age of 18 and upon completion of grade twelve. However, unlike the conscription service prevalent in other countries, the Gyalsung, or National Service, will include 3 months of military training and 9 months of specialised training¹²⁶

¹²⁵ Ministry of Finance, Government of India, "National Budget Financial Year 2021-22," (May 2021), <https://www.indiabudget.gov.in/budget2021-22/index.php>.

¹²⁶ Usha Drukpa, "The first batch of Gyalsung is expected to commence in 2024," *The Bhutanese*, November 14, 2022, <https://thebhutanese.bt/the-first-batch-of-gyalsung-is-expected-to-commence-in-2024/>.

in various fields such as home construction technologies, computing, and entrepreneurship to focus on the development of skills in agriculture. India, being Bhutan's largest development partner, has committed to investing \$2 billion in the form of assistance grants for the development of Gyalsung Infra centres across the country for the training of the youth.¹²⁷

According to Dasho Penjore, "With the support and assistance from the GOI, Bhutan today has reached a stage of graduating from the group of least developed countries".¹²⁸

Trade Relations

The decision to close its northern borders in 1959 had adverse economic consequences for Bhutan. Bhutan had the potential to gain from the provisions of the 1949 Treaty of Perpetual Peace and Friendship, which facilitated unrestricted trade between Bhutan and India. Article V of the treaty acknowledges:

"There shall, as heretofore, be free trade and commerce between the territories of the Government of India and of the Government of Bhutan; and the Government of India agrees to grant the Government of Bhutan every facility for the carriage, by land and water, of its produce throughout the territory of the Government of India, including the right to use such forest roads as may be specified by mutual agreement from time to time."¹²⁹

The two countries also entered into an Agreement on Trade, Commerce and Transit in 1972. Subsequently, this treaty has undergone five revisions, with the most recent one taking place in 2016. This treaty establishes a framework for free trade between the two countries with the aim of enhancing bilateral

¹²⁷ "India pledges to invest Rs 2 billion in Bhutan's Gyalsung Infra Project," *The Indian Express*, February 26, 2023, <https://economictimes.indiatimes.com/news/india/india-pledges-to-invest-rs-2-billion-in-bhutans-gyalsung-infra-project/articleshow/98251828.cms>.

¹²⁸ Penjore, n. 118, pp. 48-49.

¹²⁹ "Treaty of Perpetual Peace and Friendship between the Government of India and the Government of Bhutan," *Ministry of External Affairs, Government of India*, August 8, 1949, <https://mea.gov.in/bilateral-documents.htm?dtl/5242/treaty+or+perpetual+p>.

trade for the mutual advantage of both. It is noteworthy to highlight Article II of the Agreement on Trade, Commerce and Transit. According to Article II:

“Notwithstanding Article-1, the Royal Government of Bhutan may, henceforth, impose such non-tariff restrictions on the entry into Bhutan of certain goods of Indian origin as may be necessary for the protection of industries in Bhutan. Such restrictions, however, will not be stricter than those applies to goods of third country origin.”¹³⁰

Trade relations between the two countries improved significantly with better road connectivity and an increase in development activities in Bhutan. Table 3 below provides information about the specific entry and exit points in India used for imports and exports from Bhutan, as stipulated in Article V of the 1949 Treaty.

Table 3:

1.	Jaigaon	road route
2.	Chamuchi	road route
3.	Ulta Pani	road route
4.	Hathisar (Gelephu)	road route
5.	Darranga	road route
6.	Kolkata	air and sea route
7.	Haldia	sea route
8.	Dhubri	riverine route
9.	Raxaul	road and rail route
10.	Panitanki	road route
11.	Changrabandh	road route
12.	New Delhi	air route

¹³⁰ “Agreement on Trade, Commerce and Transit between the Government of the Republic of India and the Royal Government of Bhutan,” *Ministry of Commerce and Industry, Government of India*, November 12, 2016, https://commerce.gov.in/wp-content/uploads/2020/05/MOC_636404697883366996_Agreement_between_India_Bhutan_12th_Nov_2016.pdf.

13.	Mumbai	sea and air route
14.	Chennai	sea and air route
15.	Phulbari	road route
16.	Dawki	road route
17.	Dalu	road route for export and import of Bhutanese cargo from and to Bangladesh
18.	Gasupara	road route for export of Bhutanese cargo to Bangladesh
19.	Loksan	road route on a seasonal basis
20.	Kulkuli	road route on a seasonal basis
21.	Nagarkata	road route on a seasonal basis

Source: Press Intelligence Bureau, Ministry of Commerce and Industry, Government of India

Table 4 below shows the region-wise import and export of Bhutan with India and other countries.

Table 4:

Region/ Checkpost	Export to		Import to	
	India	Other countries	India	Other Countries
Gelephu Region	1,082,496,484	775,907,375	7,501,845,788	239,222
<i>Gelephu CP</i>	1,082,496,484	775,907,375	7,501,845,788	239,222
Paro Region	288,720	120,136,388	203,543,799	6,415,434,992
<i>Paro Air Cargo</i>	38,720	37,838,193	201,409,353	6,359,979,530
<i>Paro Air Terminal</i>	250,000	82,298,195	2,134,446	55,455,462
Phuentsholing Region	16,748,164,553	3,904,810,214	64,246,255,080	25,101,195,193
<i>Lhamoi Zingkha</i>	554,360	-	7,474,698.12	-
	15,891,359,427	1,97,943,174	16,619,203,677	-

Region/ Checkpost	Export to		Import to	
	India	Other countries	India	Other Countries
<i>CP</i> <i>Pasakha MDP</i> <i>Phuentsholing</i> <i>MDP</i>	856,250,766	1,927,867,040	47,619,576,705	25,101,195,193
Samdrup Jongkhar Region	4,950,355,957	1,009,993,948	9,523,754,471	88,036,441
<i>Jomotshangkha</i>	27,882,015	-	5,789,290	-
<i>CP</i>	3,010,228,624	460,756,676	2,042,138,205	-
<i>Phuntsho</i>	1,130,100,058	25,514,751	1,602,569,768	-
<i>Rabtenling CP</i>	783,145,260	523,722,521	5,873,257,207	88,036,441
<i>Pelzomthang ICP</i>				
<i>Samdrup</i>				
<i>Jongkhar ICP</i>				
Samtse Region	3,917,161,325	1,741,970,769	3,568,426,324	137,334,944
<i>Bhimtar CP</i>	153,519,855	-	173,974,370	-
<i>Gemtu CP</i>	496,366,061	206,593,050	772,415,929	-
<i>Jitty CP</i>	323,200	4,751,039	163,458,854	-
<i>Pugli CP</i>	2,859,182,769	238,953,604	154,097,660	-
<i>Saamtse MDP</i>	407,769,440	1,291,673,076	2,304,479,511	137,334,944
Thimphu Region	59,950	144,384,345	49,398,895	1,965,877,719
<i>Transit Office</i>	59,950	16,416,932	14,110,327	630,049,039
<i>(GPO)</i>	-	127,967,413	35,288,568	1,326,828,681
<i>Transit Office</i>				
<i>(DHL)</i>				
Grand Total	26,698,526,989	7,697,203,039	85,093,224,356	33,699,118,511

Source: Bhutan Trade Statistics, 2022, Department of Revenue and Customs, Ministry of Finance, Royal Government of Bhutan

As per the data given above Table 4, it is clear that Jaigaon-Phuentsholing is the most important road link between the two countries. This point is used the most as Phuentsholing is the largest commercial hub in Bhutan. For

Phuentsholing, Jaigaon in India has direct connectivity and has been a free trading town. Over 90 per cent of the trade transpires through this particular location. It is strategically positioned near Siliguri and is linked to various other regions of India via highways connecting to Siliguri and Kolkata. Further, it is geographically close to Kolkata and Haldia seaports. Other than the Calcutta port, Bhutan can access the Mongla and Chittagong ports in Bangladesh. However, it requires transiting through Indian territory with an additional set of border crossing formalities. Consequently, the Jaigaon-Phuentsholing point is frequently used and is convenient for large-scale trade and commerce.¹³¹

Besides large-scale trade and commerce, local-level communities on both sides also benefit from small-scale trade transactions. According to a study conducted on the Dadgiri-Gelephu Thursday weekly market, many Bhutanese cross the border and purchase Indian consumer goods as they are cheaper and of better quality than those available in Bhutan. Moreover, a few Bhutanese nationals buy the products from these markets in bulk and then resell them in Bhutan. Simultaneously, many Indian vendors cross over to Gelephu every Saturday to sell their commodities.¹³²

In addition, the towns of West Bengal and Assam within 15 kilometre of Bhutan are entirely dependent on Bhutan for their livelihood. Many of the residents of these towns legally cross the border and work as daily labourers in Bhutan. They earn their livelihood by working as plumbers, welders, masons, construction workers, porters, electricians, teachers, and accountants. The most common work destinations in Bhutan are Gelephu, Thimphu, Tsirang, and Sarvang.¹³³ Furthermore, numerous individuals from India obtain licences

¹³¹ Debamitra Mitra, "Yam between Two Boulders: Re-Assessing India–Bhutan Relationship," *Jadavpur Journal of International Relations*, Volume 17, Number 2 (2013), pp. 185-203.

¹³² Deepanshu Mohan, Tanuja Raghunath and Sanjana Medipally, "Governing dynamics of cross-border trade: a case study from the Indo-Bhutan border region," *South Asia Democratic Forum (SADF)*, Number 29, Issue 2406-5633 (2017), pp. 8-9.

¹³³ Mitra, n. 131, pp. 196-197.

from Bhutan's Ministry of Trade and Industry to engage in small-scale trading and service-related activities within Bhutan. These activities encompass operating small shops involved in various goods such as groceries, automotive parts, furniture, and scrap dealing. Additionally, Indians residing in Bhutan are involved in businesses like hotels, restaurants, saloons, tailoring, and cobbling services.¹³⁴

These activities are prevalent due to the unrestricted and permeable border shared by both countries. Bhutanese currency is readily accepted not only in border towns but also extends beyond 15 kilometres of the Bhutan-West Bengal-Assam border, encompassing towns such as Hasimara, Madarihat, Banarhat, Alipore, Cooch Behar in West Bengal, and Bongaigaon and Dhupgiri in Assam. The Indian rupee similarly maintains extensive circulation throughout Bhutan.¹³⁵ This distinguishing characteristic clearly displays the close economic and financial relations shared by both countries. The free flow of the Indian (Rupee) and Bhutanese (Ngultrum) currencies across the borders has been possible as the currencies are pegged at par (1:1). This makes trading easier as it reduces the transaction cost of trading and also creates a stable exchange rate. In fact, the Indian currency is one of the most important currencies in its international reserves.¹³⁶ Thus, we can see the flow of Bhutanese Ngultrum and Indian rupee across the Indo-Bhutan border and how this arrangement is mutually beneficial for the local economies of both countries.

¹³⁴ Choden and Penjore, n. 14, pp. 117-118.

¹³⁵ Mitra, n. 131, pp. 196-197.

¹³⁶ Tobgay, n. 88, pp. 68-69.

Table 5 below gives a picture of the bilateral trade between Bhutan and India (excluding electricity) from the years 2014-15 to 2021-22.

Table 5: (In USD million)

Year	India's Export to Bhutan	India's Import to Bhutan	Trade Balance	Total Trade
2014-15	333.9	149.9	184	483.8
2015-16	469	281.3	187.7	750.3
2016-17	509.3	307.8	201.5	817.1
2017-18	546.12	377.99	168.13	924.11
2018-19	657.33	370.96	286.37	1028.29
2019-20	738.6	405.73	332.87	1144.33
2020-21	701.02	433	268.02	1134.02
2021-22	885.81	545.04	340.77	1430.85

Source: Department of Commerce, Ministry of Commerce, Government of India, 2021

The table above illustrates the growth in trade between India and Bhutan. Starting from 2014, bilateral trade between the two countries has more than doubled, surging from USD 483.8 million in the financial year 2014-15 to USD 1430.85 million in the financial year 2021-22. This significant increase in trade can be attributed to expanding economic development and deeper commercial collaboration between the two countries.¹³⁷

India has consistently held the position of being Bhutan's primary trading partner. India serves as the most crucial market for Bhutan's exports and the leading origin for its imports. Below are the import and export values for the top five countries Table 6.

¹³⁷ Ministry of Commerce and Industry, Government of India, "Trade Statistics," <https://commerce.gov.in/trade-statistics/latest-trade-figures/>.

Table 6 below shows the import value of Bhutan's top 5 importers for 2022.

Table 6: Value in Nu

Sl. No.	Country Name	Import Value
1	India	85,093,224,356
2	China	15,824,771,757
3	Thailand	3,322,269,424
4	Singapore	2,879,889,067
5	Hong Kong	1, 865,897,641

Source: Bhutan Trade Statistics 2022, Ministry of Finance, Royal Government of Bhutan

Table 7 below shows the export value of Bhutan's top 5 exporters for 2022.

Table 7: Value in Nu

Sl. No.	Country Name	Export Value
1	India	26,698,526,989
2	Bangladesh	4,664,994,260
3	Italy	1,742,278,516
4	Nepal	462,434,218
5	South Korea	157,331,412

Source: Bhutan Trade Statistics 2022, Ministry of Finance, Royal Government of Bhutan

The data presented in both Table 6 and Table 7 underscores Bhutan's substantial reliance on India for its trade, with India serving as Bhutan's primary destination for both exports and imports. Additionally, Bhutan has witnessed a rise in trade with neighbouring countries in the region, including Bangladesh and Nepal. Bhutan's participation in free trade agreements like the South Asian Free Trade Area (SAFTA) and the Bay of Bengal Multi-Sectoral

Technical and Economic Cooperation (BIMSTEC) has facilitated its integration into the regional market. ¹³⁸

Apart from electricity, Bhutan's significant exports to India encompass items such as ferrosilicon, boulders, semi-finished products of iron or nonalloy steel, and dolomite lumps, among others. The collective export value for these goods amounts to 43,512.58 million Nu, with electricity alone accounting for 27,523.03 million Nu, as indicated in Table 8.

Table 8 below shows the top ten exports from Bhutan to India in 2020.

Table 8:

Sl. No	Bhutan Trade Classification Code	Commodity description	Value in million Nu.
1	2716.00.00	Electricity	27,523.03
2	7202.21.00	Ferro-Silicon	7,232.17
3	7207.19.00	Semi-finished products of iron or non-alloy steel	1,820.47
4	2523.29.30	Portland pozzolana cement	1,214.22
5	0908.21.00	Cardamoms (Neither crushed nor ground)	354.00
6	2517.10.00	Pebbles, gravel, broken or crushed	113.49
7	2520.10.00	Gypsum, anhydrite	271.61
8	2523.29.10	Ordinary Portland cement	564.41
9	2849.20.00	Silicon Carbide	397.03
10	2518.10.30	Dolomite lumps and slab	322.29
Other commodities		3699.86	
Total		43,512.58	

Source: Bhutan Trade Statistics, 2020, Department of Revenue and Customs, Ministry of Finance, Royal Government of Bhutan

¹³⁸ Bhutia, n. 110, p. 111.

Among the top ten commodities consistently exported to India, key items have included ferrosilicon, Portland pozzolana cement, dolomite (chips), semi-finished iron products with a rectangular cross section, and silicon carbide since 2013, as detailed in Table 9.¹³⁹

Table 9 below shows the top ten commodities imported by Bhutan from India in 2020.

Table 9:

Sl. No	Commodity description	Value in million Nu.
1	Other light oils and preparation (Diesel)	4664.32
2	Semi-milled or wholly milled rice	2382.19
3	Wood Charcoal	2,051.00
4	Ferrous products	1,886.05
5	Passenger cars	1,665.98
6	Motor spirit (gasoline)	1590.18
7	Telephone (mobile/cellphones)	1,524.25
8	Coke and semi-coke	1481.30
9	Soya-bean oil	968.05
10	Motor vehicle for transport of goods	868.10

Source: Bhutan Trade Statistics, 2020, Department of Revenue and Commerce, Ministry of Finance

Mainly petroleum fuel, industrial raw materials, rice, and motor vehicles of all types are the dominant commodities imported to Bhutan.¹⁴⁰

India and Bhutan met at the level of Commerce Secretaries in November 2021 to discuss trade and transit-related matters. In the course of the meeting,

¹³⁹ Ministry of Finance, Royal Government of Bhutan, "Bhutan Trade Statistics 2020," (2020), p. 8, <https://www.mof.gov.bt/publications/reports/bhutan-trade-statistics/>.

¹⁴⁰ Ibid., p. 9.

B.V.R. Subrahmanyam, Secretary, Department of Commerce, Ministry of Commerce and Industry, GOI, and H.E. Dasho Karma Tshering, Secretary, Ministry of Economic Affairs, RGOB, addressed issues related to trade and transit, measures to further strengthen trade, areas of shared interests, and strategies for boosting trade connectivity was discussed extensively during the meeting.¹⁴¹ This shows the commitment from both sides to engage proactively to strengthen trade and economic relations by finding an early resolution to the issues impacting bilateral trade.

India and Bhutan Connectivity

The Look East Policy (LEP) has allowed India to take advantage of new opportunities in trade and investments through regional integration. Under the administration of the Narasimha Rao government (1991-1996), this policy was implemented in 1991. The changes in the global landscape, such as the financial and economic crisis in India and the collapse of the Soviet Union, which had been a key strategic and economic partner of India, forced India to reevaluate its foreign policy. After the end of the Cold War, South and Southeast Asia could no longer be regarded as separate strategic arenas. Consequently, during Narasimha Rao's Government, India aimed to establish stronger strategic connections with countries in Southeast Asia. The primary objective of this policy was to enhance strategic, political, and economic relations with each Southeast Asian nation as well as with the Association of the Southeast Asian Nations (ASEAN).¹⁴²

Successive governments, including those led by Atal Bihari Vajpayee (1998-2004) and Manmohan Singh (2004-2014), have consistently pursued the Look East Policy (LEP). The current government, under Narendra Modi's

¹⁴¹ "India, Bhutan to have 7 more entry/exit points for trade: Government," *The Indian Express*, November 3, 2021, <https://www.newindianexpress.com/world/2021/nov/03/india-bhutan-to-have-7-more-entryexit-points-for-trade-government-2379340.html>.

¹⁴² Zulafqar Ahmed, "India's Act East Policy and North East India: A Critical Review," *International Journal of Research in Social Sciences*, Volume 9, Issue 9 (2019), pp. 1-11.

leadership, has strengthened this approach with the Act East Policy (AEP). India's North Eastern Region (NER) plays a crucial role as a "gateway" to the Southeast Asian region, given its extensive international borders with Nepal, Bhutan, China, Myanmar, and Bangladesh. With its borders adjoining multiple international countries, India's northeast acts as a conduit for facilitating trade and business within the country. Bhutan stands to benefit from India's Act East Policy through these regional developments.¹⁴³

India and Bhutan have been working to enhance trade and economic relations by prioritising improved connectivity. A significant step in this direction was the temporary opening of an alternative bypass road from Jaigaon in India to Pasakha in southern Bhutan in 2020. This will lessen traffic congestion at the border between Jaigaon and Pheuntsholing. Through this new route, vehicles will have to travel six kilometres less than the earlier route.¹⁴⁴ Furthermore, Assam will be connected to the Indo-Bhutan border by National Highway (NH) 152, which is 38 kilometres long. The highway starts near Patacharkuchi, connecting Hajua in the state of Assam, and ends at the Indo-Bhutan border. In addition, two new national highways will be constructed to connect the Indo-Bhutan border with India's East-West Corridor.¹⁴⁵ These initiatives will promote increased economic growth and regional connectivity.

Both Bhutan and India are members of BIMSTEC, a regional multilateral organisation that aligns with India's key foreign policy priorities, including the Neighbourhood First Policy and the Act East Policy. BIMSTEC focuses on connecting South and Southeast Asia and promotes cooperation in various sectors, including tourism, environment, disaster management, counter-terrorism, transnational crimes, climate change, cultural cooperation, energy, agriculture, poverty alleviation, fisheries, public health, people-to-people

¹⁴³ Ibid., p. 1-11.

¹⁴⁴ Dipanjan Roy Chaudhury, "Facilitating Connectivity: India and Bhutan launch Jaigaon-Ahllay trade route," *The Economic Times*, July 17, 2020, <https://economictimes.indiatimes.com/news/politics-and-nation/india-and-bhutan-launch-jaigaon-ahllay-trade-route/articleshow/77008095.cms?from=mdr>.

¹⁴⁵ "Act East Policy," *Assam State Portal, Government of Assam*, <https://assam.gov.in/business/438>.

contacts, technology, trade and investment, and transport and communication.¹⁴⁶

In June 2015, the Transport Ministers of Bangladesh, Bhutan, India, and Nepal signed the Motor Vehicles Agreement (MVA) in Thimphu, Bhutan. This agreement aims to facilitate the smooth movement of people and goods across national borders, eliminating the need for transshipment of goods at the border. This streamlines trade transactions, reducing both time and costs. The agreement also includes provisions for online licensing, electronic tracking of cargo vehicles, and the electronic delivery of all cargo vehicles to all land ports.¹⁴⁷

The agreement has already been signed by Bangladesh, India, and Nepal, and its implementation is currently underway. After ratifying the accord, Bhutan will join the other three. While Bhutan has not yet ratified the agreement, India and Bhutan have initiated efforts to enhance connectivity through the South Asia Sub-Regional Economic Cooperation (SASEC). This programme, funded by the ADB, seeks to establish project-based partnerships among India, Bhutan, Bangladesh, Myanmar, Nepal, the Maldives, and Sri Lanka to improve cross-border infrastructure connectivity for energy and transportation, ultimately fostering regional economic prosperity.¹⁴⁸

The green energy established as part of the SASEC Agreement have two primary components: power trade and expanding access to renewable energy for disadvantaged communities. Bhutan's participation in this energy cooperation is significant, as it can help address the energy deficits faced by India, Nepal, and Bangladesh. Bhutan's substantial energy potential can be effectively harnessed to meet the energy needs of the entire South Asian sub-

¹⁴⁶ Nisha Taneja, Samridhi Bimal, Taher Nadeem and Riya Roy, "India-Bhutan Economic Relations," *Indian Council for Research on International Economic Relations*, Working paper 384 (August 2019), p.9.

¹⁴⁷ *Ibid.*, p.9.

¹⁴⁸ "South Asia Sub Regional Economic Cooperation Operational Plan 2016-2025 Update," *Asian Development Bank* (2020), pp. 1-5. <https://www.adb.org/sites/default/files/institutional-document/551061/sasec-operational-plan-2016-2025-update.pdf>.

region. Therefore, the SASEC programme will facilitate faster and less costly trading mechanisms among the member countries. In addition, it also focuses on developing industrial and economic corridors, which in turn will strengthen regional economic cooperation.¹⁴⁹

Bhutan and Bangladesh signed the landmark Traffic in Transit Agreement in May 2023. The agreement allows Bhutan to access the Mongla, Payra, and Chittagong ports of Bangladesh to conduct trade with other countries. This will help Bhutan reduce its reliance on Indian ports to a certain extent. India has adopted a constructive stance in fostering more bilateral collaboration. Initiatives to improve connectivity between its neighbours via Indian territory have long been supported by India. The successful implementation of the agreement is expected to enhance economic relations between the two countries and facilitate regional connectivity.¹⁵⁰

Hydropower Cooperation

Hydropower is the backbone of the Bhutanese economy. The rugged terrain, along with its geographical location as a landlocked country, does not provide much economic advantage to it. Given this limitation, the landmark decision of the government to exploit its water resources for the production of electricity has changed the economic landscape for Bhutan. Bhutan's diverse and steep topography, with its fast-flowing rivers at varying altitudes, has naturally positioned it as a prime location for hydropower generation.¹⁵¹

Moreover, Bhutan's strong relationship with India has facilitated the harnessing of its hydropower potential. Bhutan has benefited from India's financial and technical assistance in the development of several hydropower

¹⁴⁹ Mihir Bhonsale, "Bhutan: Prospects of powering the sub-region," *Observer Research Foundation* (October 2013), <https://policycommons.net/artifacts/1354598/bhutan/1966757/>.

¹⁵⁰ Tshering Dema, "Bhutan-Bangladesh Traffic-in-Transit Agreement to bolster trade," *The Bhutanese*, June 10, 2023, <https://thebhutanese.bt/bhutan-bangladesh-traffic-in-transit-agreement-to-bolster-trade/>.

¹⁵¹ Sonam Tshering and Bharat Tamang, "Hydropower-Key to sustainable, socio-economic development of Bhutan," *United Nations Symposium on Hydropower and Sustainable Development* (October 2004), p. 27.

projects. As a result, India has been able to import low-cost, clean energy from Bhutan to meet its energy needs. Consequently, hydropower makes a significant contribution to Bhutan's GDP. The hydropower sector has been Bhutan's main source of revenue over the last four decades. It has helped Bhutan meet its socio-economic development goals. India is a power-deficient country, and Bhutan has enormous hydropower potential. Thus, this mutually beneficial arrangement has been upheld by many experts as a perfect example of a win-win situation for both countries.¹⁵²

In 1961, India and Bhutan signed one of the first agreements on hydropower. The agreement focused on harnessing electricity from the transboundary river, Jaldhaka. In 1967, Bhutan began importing electricity from the Jaldhaka hydropower plant in West Bengal, India. A significant milestone in their partnership occurred with the inauguration of the 336 MW Chukha Hydropower Project. Bhutan's first megapower project was to be developed under an Intergovernmental (IG) model where the two governments establish an authority that gets 100 per cent financing through a mixture of loans and grants from the GOI for the construction. The loan was structured with a 5 per cent interest rate and a 15-year repayment period after the project's commissioning. Bhutan embraced this hydropower development model as it paved the path towards achieving economic self-sufficiency.¹⁵³

Under this initiative, both governments had the aspiration to export any excess power, constituting over 75% of the total energy production, to India. This arrangement aimed to generate revenue for Bhutan, which could then be channeled into the nation's socio-economic advancement and development.¹⁵⁴ According to the Bhutanese Ministry of Finance, in the 1990s, the Chukha

¹⁵² Medha Bisht, "India-Bhutan Power Cooperation: Between Policy Overtures and Local Debates," *Institute for Defence Studies and Analyses*, Issue Brief (October 2011), pp. 2-3.

¹⁵³ "Bhutan-India Hydropower Relations," *Royal Bhutanese Embassy New Delhi, India*, <https://www.mfa.gov.bt/rbedelhi/bhutan-india-relations/bhutan-india-hydropower-relations/>.

¹⁵⁴ U Saklani and C Tortajada, "India's Development Cooperation in Bhutan's Hydropower Sector: Concerns and Public Perceptions," *Water Alternatives*, Volume 12, Issue 2 (2019), p. 741

hydropower project, besides meeting domestic demands, exported 75.70% of its electricity to India. The project generated 1,943.70 MU, out of which 1,472.20 MU were exported to India in 1999. It featured as the country's top source of revenue generation, contributing 1,244.62 million (35.4% of the total revenue) in the financial year 1998-99.¹⁵⁵ The success of the Chukha hydropower project paved the way for several other projects that have been developed or are currently in the process of development in Bhutan.¹⁵⁶

Following are the hydropower projects that have been developed or are under development under Indo-Bhutan cooperation.

Table 10 below gives a list of hydropower plants in operation in Bhutan.

Table 10:

Sl. No	Power Plant	Installed Capacity (MW)	Total cost (Rs. Cr)	Funding pattern (Rs. Cr%)		Year of Commissioning
				Loan	Grant	
1	Chukha	336	246.00	98.40 (40%)	147.60 (60%)	1986-88
2	Kurichhu	60	555.00	222.00 (40%)	333.00 (60%)	2001-02
3	Tala	1020	4125.85	1650.34 (40%)	2475.51 (60%)	2006-07
4	Mangdecchu (MHPA)	720	5044.89	3531.42 (70%)	1513.47 (30%)	2019-20
Total		2136				

Source: "Note on Cooperation with Bhutan," Central Electricity Authority, Government of India

¹⁵⁵ Royal Government of Bhutan, *Action Programme for the Development of Bhutan, 2001-2010* (2001), pp.15-16.

¹⁵⁶ "Bhutan-India Hydropower Relations," *Royal Bhutanese Embassy New Delhi, India*, <https://www.mfa.gov.bt/rbedelhi/bhutan-india-relations/bhutan-india-hydropower-relations/>.

As can be seen from the above Table 10, the first three hydropower projects have been constructed on a 60% grant and a 40% loan. In the Mangdecchu project, there was a change in the pattern of funding; India reduced the grant amount to 30% and increased the loan amount to 70%. All these projects are to be constructed under the IG model, which means that they will be taken over by Druk Green Power Corporation (DGPC), Bhutan's state-owned enterprise, when they are commissioned. Bhutan has benefited immensely from the generation of electricity from the above hydropower projects. According to Dasho Penjore, the collaboration in hydropower has enabled Bhutan to achieve universal electrification, ensuring that even the remote and hard-to-reach areas of the country have access to electricity. Therefore, cooperation in hydropower has become a significant cornerstone of India-Bhutan relations.¹⁵⁷

Following the successful implementation of the Chukha, Kurichhu, and Tala hydropower projects, the energy cooperation between the two countries was further solidified in 2006 with the signing of the Agreement on Cooperation in the Field of Hydroelectric Power. This agreement serves as a crucial framework for their future collaboration in the hydroelectric power sector. Additionally, in May 2008, a protocol to the 2006 agreement was signed, and both parties agreed to expand their power generation capacity from 5,000 MW to 10,000 MW by the year 2020. The ten hydropower projects identified under the 2008 commitment are Punatsangchu I, Punatsangchu II, Mangdechhu, Bunakha, Sunkosh, Chamkarchhu, Kuri-gongri, Kholongchhu, Wangchhu, and Amochhu. Six of these projects are to be constructed under the IG model, and the rest four are to be constructed under the Joint Venture (JV) model with a partnership between the DGPC and different Indian Public Sector Undertakings (PSUs).¹⁵⁸

¹⁵⁷ Penjore, n. 118, p. 50.

¹⁵⁸ Royal Bhutanese Embassy, n. 157.

Under the JV model, both will have equal representation on the board of the JV company, with each JV company nominating three to five members on the board, including one representative from the GOI and RGOB. The chairman of the board will be selected by the RGOB, but they will not possess a decisive vote.¹⁵⁹

Table 11 below gives a list of hydropower projects in Bhutan under the 2008 Commitment.

Table 11

Sl No.	Projects	Installed Capacity (MW)	Mode	Type of Project	Status
1	Punatsangchu I	1200	IG	Run-of-the-river	Under construction
2	Punatsangchu II	1020	IG	Run-of-the-river	Under construction
3	Kholongchhu	600	JV	Run-of-the-river	Under construction
4	Bunakha	180	JV	Reservoir based	Under planning
5	Wangchhu	570	JV	Run-of-the-river	Under planning
6	Chamkharchhu I	770	JV	Run-of-the-river	Under planning
7	Sunkosh	2585	IG	Reservoir based	Under planning
8	Amochu	540	IG	Reservoir based	Under planning
9	Kuri Gongri	2640	IG	Reservoir based	Under planning
10	Mangdechhu	720	IG	Run-of-the-river	Under planning

Source: Authors own compilation from the “Note on Cooperation with Bhutan”, Central Electricity Authority, Government of India

¹⁵⁹ “Intergovernmental Agreement between the Government of the Republic of India and the Royal Government of Bhutan Concerning Development of Joint Venture Hydropower Projects Through the Public Sector Undertakings of the Governments,” *Ministry of External Affairs, Government of India*, April 22, 2014, p. 4, <https://www.mea.gov.in/Portal/LegalTreatiesDoc/BT14B1839.pdf>.

With the change from the IG model to the JV model for the development of hydropower projects, it was expected that corporate entities would be able to implement the projects much faster. An empowered group with representatives from both governments was formed to create a Detailed Project Report (DPR) and choose organisations to execute the projects. So far, under the 2008 commitment, only Mangdechhu project has been completed.¹⁶⁰

Table 12 below shows Bhutan’s balance of trade with India (including electricity) from 2017 to 2022.

Table 12: Amount in Million Nu.

Trade	2017	2018	2019	2020	2021	2022
Export	31,618	32,170	39,810	43,513	50,844	49,173
Import	53,973	60,107	56,659	51,379	71,236	85,093
Balance of Trade	22,355	27,937	16,849	7,866	20,392	35,920

Source: Bhutan’s Trade Statistics 2022, Department of Revenue and Customs, Ministry of Finance, Royal Government of Bhutan.

The export of hydropower accounts for the largest share of Bhutan’s GDP. Hydropower accounts for 63% of the country’s exports. Thus, we can say that India’s support in the development of this sector is the centrepiece of India and Bhutan’s economic relations.¹⁶¹ In this context, it is important to quote the former Prime Minister of Bhutan, Tshering Tobgay: “We have a role model relationship politically, but in terms of economic cooperation, the centrepiece is hydropower, so we work together, we invest together to build our power stations”.¹⁶²

¹⁶⁰ Ibid.

¹⁶¹ Ibid.

¹⁶² “Bhutan PM Tshering Tobgay: Bhutan-India ties role model political relationship,” *Press Trust of India*, March 19, 2015, <https://www.india.com/news/world/bhutan-pm-tshering-tobgay-bhutan-india-ties-role-model-political-relationship-321366/>.

India's Foreign Direct Investment in Bhutan

Bhutan initially adopted a cautious approach towards Foreign Direct Investment (FDI) due to concerns about its potential impact on the country's culture and traditional way of life. Consequently, Bhutan had limited foreign investments, with its first FDI policy introduced in 2002 and implemented in 2005. This policy has undergone multiple revisions, with the most recent one in 2019 aligning Bhutan's economy with changing global investment dynamics. In 1972, the State Bank of India (SBI) initiated Indian investment in Bhutan by acquiring a 40% equity stake in the Royal Bank of Bhutan (RBOB). This move made Bhutan an attractive destination for FDI from various countries, with India being the primary contributor. From April 2000 to May 2023, India's FDI into Bhutan amounted to 87 million US dollars.¹⁶³

The number of FDI projects in Bhutan has notably risen over time, and several factors have contributed to this trend. These factors include the country's political and economic stability, a peaceful and secure environment, the presence of a free trade agreement, a double tax avoidance agreement, geographical proximity, and favourable political relations. These elements have collectively influenced the increase in FDI projects within Bhutan.¹⁶⁴

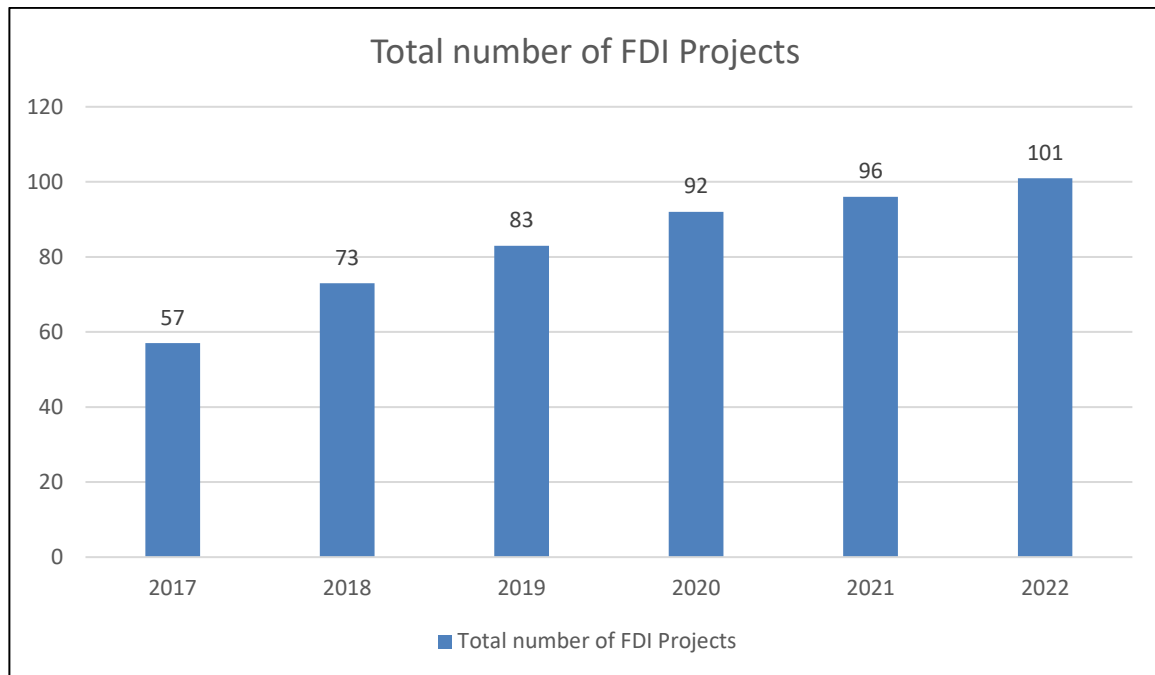
¹⁶³ "Overseas Direct Investment Data from April 2000 to May 2023," *Department of Economic Affairs, Government of India*, June 13, 2023.

<https://dea.gov.in/sites/default/files/ODI%20Factsheet%20May%20%202023>.

¹⁶⁴ Penjore, n. 118, p. 60.

Figure 4 below shows the total number of FDI projects in Bhutan from 2017 to 2022.

Figure 4



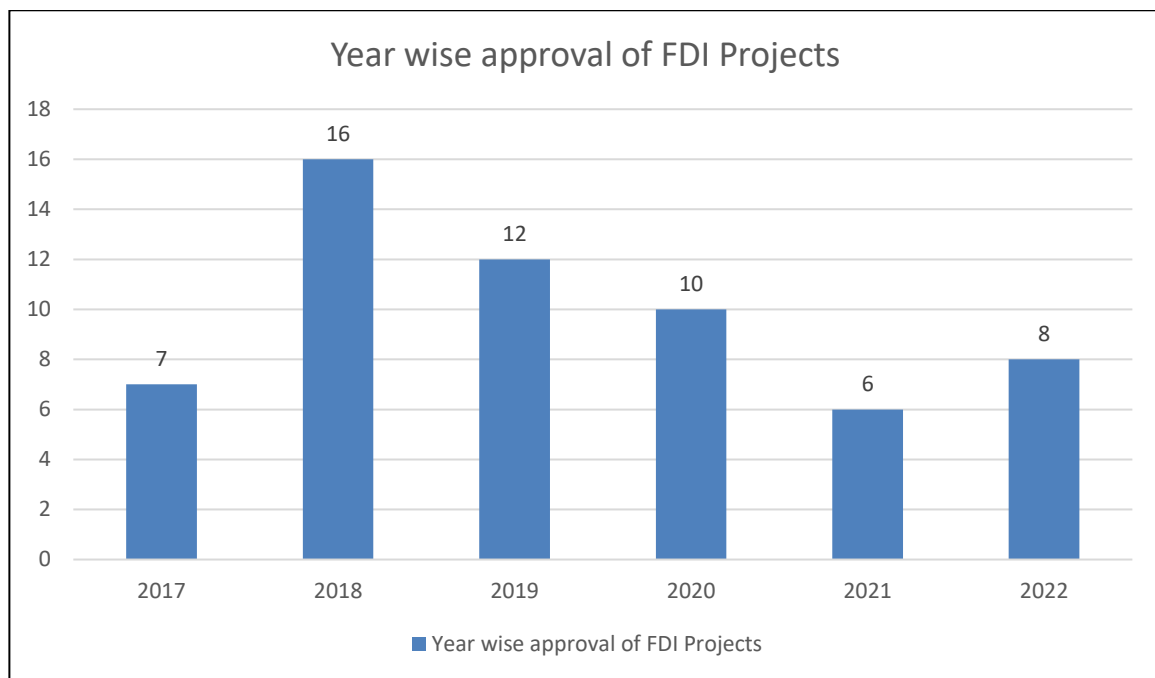
Source: FDI Annual Report 2022, FDI Division, Department of Industry, Ministry of Economic Affairs

The data presented in Figure 1 clearly illustrates the upward trend in the total number of FDI projects in Bhutan. This trend is evident as the total number of projects increased from 57 in 2017 to 73 in 2018. Furthermore, there was continued growth, with the total number of projects rising from 83 in 2019 to 92 in 2020 and further to 96 in 2021. As of 2022, the total number of projects has reached 101.¹⁶⁵

¹⁶⁵ Ministry of Economic Affairs, Royal Government of Bhutan, "FDI Annual Report 2022," (2022), pp. 1-2, <http://www.moice.gov.bt/wp-content/uploads/2023/03/FDI-Annual-Report-2022>.

Figure 5 below shows the year-wise approval of projects from 2017 to 2022.

Figure 5



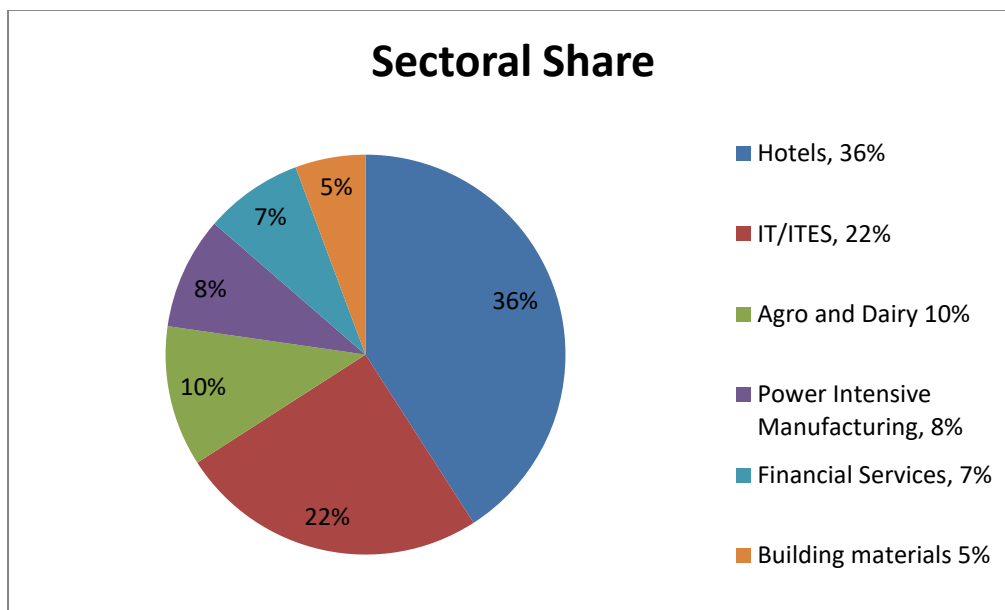
Source: FDI Annual Report 2022, FDI Division, Department of Industry, Ministry of Economic Affairs

The number of projects and capital investments in FDI in Bhutan dropped by a third in 2020 due to the pandemic. The trend in the country is similar to the global trend. However, in 2022, there will be an increase in the number of FDI projects approved. ¹⁶⁶

¹⁶⁶ Ibid.

Figure 6 below shows the sectoral share of FDI in Bhutan.

Figure 6



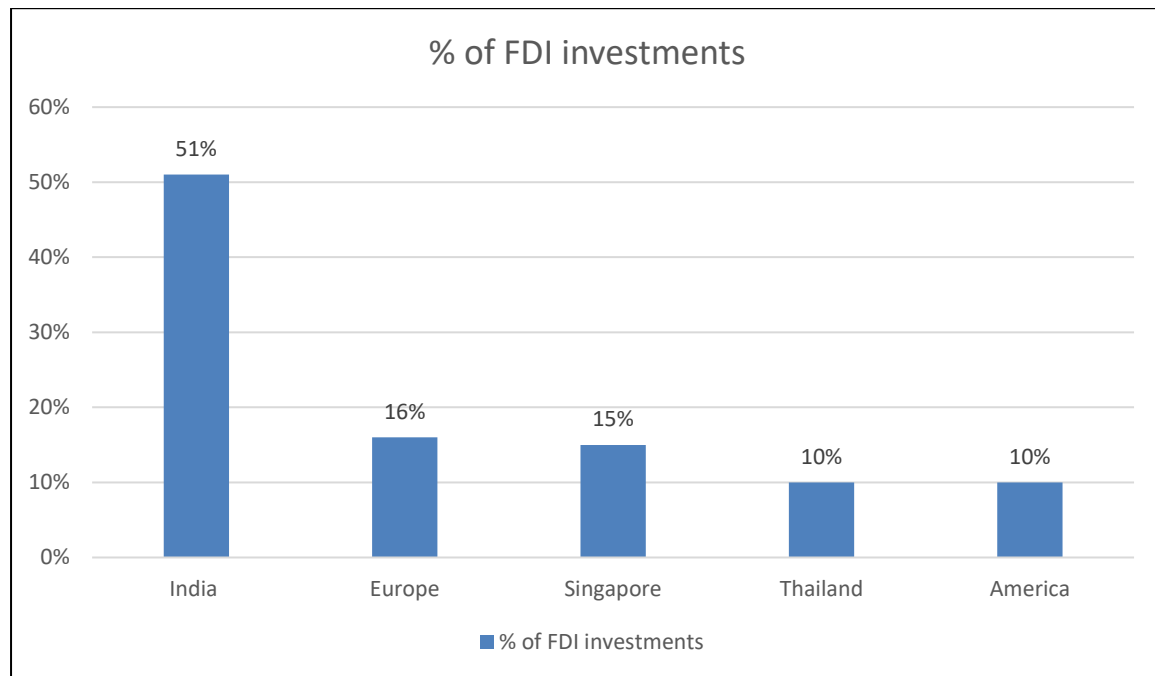
Source: FDI Annual Report 2022, Department of Industry, Ministry of Economic Affairs

Other sectors like hydropower related received 2%, pharmaceuticals 3%, TVET (Technical and Vocational Education and Training) 2%, gases 2%, and others 4%. As per the data shown in Figure 3, the hotel sector remains the sector with the highest number of FDI received to date (36%), followed by IT/ITES (Information Technology/Information Technology Enabled Services) with 22%. The hotel sector remains an important source of FDI because of the tourism industry in Bhutan. The tourism industry is one of the most important economic sectors, contributing greatly to the development of the country. Bhutan began welcoming tourists only in 1974. As per the data from Bhutan Tourism Monitor, India remains the primary source of visitor arrivals. Among international visitors, the major source markets include the United States, China, Singapore, Thailand, the United Kingdom, and Germany.¹⁶⁷

¹⁶⁷ Tourism Council of Bhutan, Royal Government of Bhutan, "Bhutan Tourism Monitor 2018," (2018), p. 17. https://www.tourism.gov.bt/uploads/attachment_files/tcb_xx8r_BTM%202018%20final.

Figure 7 below shows the percentage share of the top 5 FDI investments in Bhutan.

Figure 7



Source: FDI Annual Report 2022, Department of Industry, Ministry of Economic Affairs

According to the FDI Annual Report 2022, the majority of FDI projects in Bhutan, approximately 67%, come from Asian investors. Europe contributes 16% of the FDI projects, while America accounts for 10%. Within Asia, India is the leading source of FDI in Bhutan, contributing 51%. Followed by Singapore at 15% and Thailand at 10%.¹⁶⁸

The economic relationship between India and Bhutan has been fittingly characterised by King Jigme Singye Wangchuck as a partnership between “two natural economic allies.”¹⁶⁹

¹⁶⁸ Ministry of Economic Affairs, n. 165, pp. 1-2.

¹⁶⁹ Madhu Rajput, “Indo-Bhutan Relations: A Critical Analysis,” *Indian Journal of Political Science*, Volume 75, Number 1 (2014), p. 151.

Other Areas of Cooperation

There are several other areas of cooperation, such as security, civil aviation, education, culture, and digital cooperation, that have strengthened the relationship between the two countries. Although there is no defence agreement between the two countries, India has unilaterally declared on several occasions that aggression against Bhutan will be considered aggression against India. Bhutan's defence has been a shared responsibility between the GOI and the RGOB. This arrangement is based on the principles outlined in Article II of the 1949 treaty, which places an obligation on India to safeguard Bhutan's security in the event of aggression against Bhutan. ¹⁷⁰

Security Cooperation

In 1961, the King of Bhutan (the Fourth King) visited New Delhi to discuss defence and economic matters. During these discussions, Bhutan sought Indian assistance in the event of a potential Chinese attack. In response, India agreed to provide support by training and equipping the Royal Bhutanese Army (RBA). To facilitate this cooperation, both governments decided to establish an Indian Military Training Team (IMTRAT) base in Bhutan, which would offer training to Bhutanese security forces. This arrangement was mutually beneficial as it served the security interests of both countries. Factors such as the Chinese occupation of Tibet, the Sino-Indian War of 1962, and the growing Chinese threat underscored the strategic importance of Bhutan's location from India's security perspective. Furthermore, India's military presence in Sikkim to the west and Arunachal Pradesh to the east of Bhutan also contributed to Bhutan's defence. ¹⁷¹

Apart from receiving training at IMTRAT, Bhutanese defence personnel also undergo training at the National Defence Academy (NDA) in Pune and the

¹⁷⁰ Belfiglio, n. 111, p. 684.

¹⁷¹ Penjore, n. 44, pp. 119-120.

Indian Military Academy (IMA) in Dehradun, India. ¹⁷² Additionally, India and Bhutan regularly engage in discussions related to border management and security. These discussions cover various topics, including perceived threats in the region, security and border management issues, the sharing of sensitive information, and control of entry and exit points along the India-Bhutan border. These meetings contributed to enhanced security cooperation between the two countries. ¹⁷³

Bhutan also plays a crucial role in ensuring security for India, particularly concerning the insurgency situation in India's northeastern states. Several insurgent groups in this region have been advocating for independence from India. Groups like the United Liberation Front of Assam (ULFA), the National Democratic Front of Bodos (NDFB), and the Kamtapuri Liberation Organisation (KLO) operated from the dense jungles of southeastern Bhutan to create instability in India. Given the close relationship between India and Bhutan, Bhutan took India's security interests into consideration. Between 1995 and 2003, Bhutanese authorities attempted negotiations with these insurgent groups to resolve the issues peacefully. However, when these negotiations failed, Bhutan conducted a military operation in 2003 to eliminate these militant outfits. What made this operation unique was the direct involvement of the King of Bhutan (the Fourth King), who personally led the armed forces to root out the militants. This operation exemplified the exceptional and special relationship shared between India and Bhutan. ¹⁷⁴

Cooperation in the fields of Civil Aviation, Education and Culture

Cooperation between India and Bhutan extends to various fields, including civil aviation. This collaboration traces back to 1983, when Bhutan's national

¹⁷² Ibid., pp. 119-120.

¹⁷³ "Pillars of India-Bhutan ties: Mutual benefit, cooperation and shared values," *The Print*, April 26, 2022, <https://theprint.in/world/pillars-of-india-bhutan-ties-mutual-benefit-cooperation-and-shared-values/932372/>.

¹⁷⁴ Choden and Penjore, n. 14, p. 123.

airline, Druk Air, initiated commercial operations in India, operating flights from Paro to Kolkata and later from Paro to Delhi in 1988. In September 1991, both countries signed an Air Service Agreement, granting Druk Air fifth freedom rights. This agreement enabled Druk Air to board passengers and cargo in India and deplane them in a third country. Subsequently, in a 1988 agreement, concessional terms were established for granting these rights to Bhutan. In the same year, Druk Air secured fuel from the Indian Oil Company at bonded rates, and this agreement continues to this day. By 2000, the Indian Ministry of Civil Aviation permitted Bhutan to use Bagdogra Airport for refuelling and technical halts during adverse weather conditions. ¹⁷⁵

India and Bhutan also share a significant level of interaction in the fields of education and culture. Numerous scholarships are available for Bhutanese students to pursue higher education in India, including the Nehru Wangchuk Scholarship, established in 2010, and the Bhutan ICCR (Indian Council for Cultural Relations) Scholarship Scheme, initiated in 2012. These scholarships support Bhutanese students pursuing undergraduate and postgraduate studies in India. Additionally, each year, ten slots are allocated for Bhutanese students at the 6th standard level to attend Sainik Schools in India, with the Indian government fully funding their education up to the 12th standard. Furthermore, India and Bhutan collaborate in the fields of space, science, and technology. ¹⁷⁶

A significant number of Indian educators are involved in teaching Bhutanese students, with many of them assigned to remote areas of Bhutan. Sherubtse College, located in eastern Bhutan and affiliated with the University of Delhi, is a prominent higher education institution in the country. ¹⁷⁷ Under the bilateral cultural exchange programme, regular interactions occur between

¹⁷⁵ Ibid., p. 120.

¹⁷⁶ "India-Bhutan Relations," *Ministry of External Affairs, Government of India*, https://www.mea.gov.in/Portal/ForeignRelation/India-Bhutan_Relations.pdf.

¹⁷⁷ Choden and Penjore, n. 14, p. 120.

artists from India and Bhutan. Additionally, an art camp, part of the India-Bhutan Cultural Exchange Programme, is jointly organised by institutions such as the Centre for Escalation of Peace (CEP) in New Delhi, the Royal Office for Media in Thimphu, the Voluntary Artists Studio in Thimphu, and the Indo-Bhutan Foundation in Thimphu. These art camps, which promote cultural exchange, have taken place on three occasions. The first camp was held from June 14 to June 18, 2016, in Thimphu and Paro, Bhutan. The India-Bhutan Cultural Exchange and Art Camp offer a unique platform for artists from both countries to explore each other's traditional art and culture through collaborative interactions.¹⁷⁸

Digital Cooperation

The lack of proper infrastructure to facilitate cross-border payments between the two nations was emerging as a major hindrance to trade and tourism. Physical currency was used to complete a sizable amount of transactions, which is typically unrecorded in the conventional banking system. Additionally, high transaction costs and a lack of sufficient vending machines were creating a hindrance to trade and tourism between the two countries. To overcome these challenges, the partnership has moved to cooperation in the financial sector. The BHIM UPI (Bharat Interface for Money-Unified Payments Interface) was collaboratively introduced in Bhutan in July 2021, marking a significant step in strengthening financial connections between the two countries. This initiative is expected to have a positive impact on the tourism sector, as a digitally integrated payment system can streamline financial transactions. Additionally, it will facilitate convenient and efficient

¹⁷⁸ "India Bhutan Cultural Exchange and Art Camp," *Centre for Escalation of Peace*, https://www.cepeace.org/India-bhutan_cultural_exchange.

payment methods for enhancing trade and commerce between India and Bhutan.¹⁷⁹

Additionally, this will guarantee Bhutan's equitable economic transition and financial inclusion. Bhutan was the first country in India's immediate neighbourhood to accept mobile-based payments using BHIM software, and it was also the first foreign country to embrace UPI standards for its QR deployment, according to the National Payment Corporation of India (NPCI). Furthermore, it is the second country after Singapore where merchant locations accept BHIM-UPI. This will help to strengthen Bhutan's economy. Cashless transactions between the nationals of both countries will guarantee a greater degree of financial system integration.¹⁸⁰

In addition to the aforementioned areas of collaboration, Bhutan's determination to combat the COVID-19 pandemic was reinforced by Indian medical aid during the outbreak. Following the non-reciprocity principle, a key component of the "Neighbourhood First" policy, Bhutan was the first country to receive Covishield vaccines made in India as part of the Indian government's Vaccine Maitri Initiative. Bhutan received the first consignment of 1,50,000 vaccines in January 2021. After two months, Bhutan received the second consignment of 400,000 vaccines from India. Other than vaccines, Bhutan received around 13 consignments of medical supplies and medical equipment, which included one portable X-ray machine and essential medicines. In March 2021, six units of portable digital X-ray machines were handed over to the Bhutanese government.¹⁸¹

During the initial period of the pandemic, Bhutan witnessed a disruption in food supplies. Taking into consideration Bhutan's vulnerability in terms of

¹⁷⁹ "Launch of BHIM UPI in Bhutan," *Embassy of India Thimphu, Bhutan*, Press Release, July 13, 2021, https://www.indembthimphu.gov.in/adminpart/PressRelease_BHIM.pdf.

¹⁸⁰ Ibid.

¹⁸¹ "India-Bhutan Relations," *Embassy of India Thimphu, Bhutan*, June 20, 2021, https://mea.gov.in/Portal/ForeignRelation/Bhutan_2021.pdf.

food security, the Indian government ensured the uninterrupted flow of essential goods to Bhutan. In July 2020, India opened a new route through Ahlay in order to expedite the movement of trucks carrying raw materials and essential commodities. This new route will provide easy connectivity and ensure an increase in trade with Bhutan. ¹⁸²

The strong relationship between India and Bhutan is evident in various regional, sub-regional, and international initiatives. In November 2011, both countries participated in a sub-regional effort known as the ‘Climate Summit for Living Himalayas,’ held in Thimphu. In this initiative, Bangladesh, Bhutan, India, and Nepal signed an agreement to collaborate in addressing climate change challenges, ensuring food, energy, and water security in the Eastern Himalayas, preserving biodiversity, and sustaining ecosystem services. ¹⁸³ Bhutan has also consistently supported India’s stance on numerous global issues. These include voting on matters like the Comprehensive Test Ban Treaty (CTBT), advocating for a nuclear weapons-free zone in South Asia, endorsing India’s aspiration for permanent membership in the UN, and participating in various negotiations within international bodies such as the World Trade Organisations (WTO), SAARC, and BIMSTEC. ¹⁸⁴

Conclusion

The foundation for a strong Indo-Bhutan friendship has been laid by the leaders of the two countries and nurtured through government-to-government collaboration. This has helped Bhutan in the modernisation of its economy, education system, and defence capability. Simultaneously, maintaining close ties with Bhutan aligns with India’s geostrategic interests, especially after the

¹⁸² Mihir Bhonsale, “Bhutan: The significance of opening new trade routes,” *Observer Research Foundation* (2020)

https://scholar.google.com/scholar?hl=en&as_sdt=0%2C5&q=bhutan%3A+the+significance+of+opening+new+trade+routes+&btnG=

¹⁸³ United Nations Development Programme, “Climate Summit for a Living Himalayas,” (2011), https://info.undp.org/docs/pdc/Documents/BTN/00061424_Bhutan%20Climate%20Summit_donor_brief.pdf.

¹⁸⁴ Choden and Penjore, n. 14, p. 121.

1962 Sino-Indian War. Bhutan shares a border with the Siliguri Corridor, a crucial link connecting mainland India to the northeastern states. The northeastern region has historically experienced insurgent activities against the Indian government, making India wary of potential Chinese incursions into the corridor.¹⁸⁵

Similarly, for Bhutan, the Siliguri Corridor serves as its primary access point to the outside world. As a result, development and security cooperation have become the twin pillars of the India-Bhutan relationship. India's concerns about growing Chinese influence in its neighbouring countries, such as Nepal, Pakistan, and Sri Lanka, have complicated its regional relationships. However, the India-Bhutan relationship remains cordial and friendly, with mutual respect for sovereignty. To sum up, the India-Bhutan relationship is characterised by trust, goodwill, understanding, and cooperation across various domains. As Former Foreign Minister of Bhutan, Dawa Tshering, said in an interview with *The Tribune* on March 11, 1996, "The Indo-Bhutan ties are a model in international relations today. India is a big power, and Bhutan is a small landlocked country. Still, we get along very well."¹⁸⁶

¹⁸⁵ Long, n. 2, pp. 73.

¹⁸⁶ *The Tribune*, March 11, 1996.

Chapter III

China-Bhutan Relations: Boundary Negotiations

Territorial disputes involve either a disagreement between two states as to where the common boundary between the two should be fixed or, essentially, the disagreement can be the outcome of one country contesting its sovereign claims over some or all of another country's territory. International law binds sovereignty and territory closely together. Sovereignty needs territory on which it is to be exercised, and territory would be meaningless for all practical reasons unless it was under some recognised sovereignty. While territory is an area (comprising land, air, and water) under a state's jurisdiction, a boundary can be defined as a line separating one territory, state, or region from another. So, territorial disputes arise when there is disagreement over the boundary line. This disagreement can range from a small section of territory to the entire length of the border. For a modern state to function, the state boundaries must be well-defined. In other words, territorial disputes arise when sovereignty claims over land or maritime borders by more than one state overlap. ¹ The first part of the chapter briefly focuses on China's territorial disputes with neighbouring countries and the different approaches adopted by China when it comes to settling territorial disputes. This is essential to understanding China's approach to territorial disputes with Bhutan. The second part of the chapter assesses the relevance of Chumbi Valley for India, China, and Bhutan. An examination of the 1890 Convention signed between Great Britain and China relating to Sikkim and Tibet has been made in order to understand the background of the border dispute between China and Bhutan. In the third part of the chapter, a detailed analysis of the 24 rounds of boundary negotiation between China and Bhutan has been done. Finally, the chapter ends by looking at the several patterns in China and Bhutan relations.

¹ Paul Huth, *Standing Your Ground: Territorial Disputes and International Conflict* (Ukraine: University of Michigan Press, 2009), p. 19.

Approaches to Territorial Disputes

Once the territorial dispute is recognised, there is a variation in how the states comprehensively approach the dispute.² Paul Huth has put forward three strategies when it comes to dealing with territorial disputes. First is the *Delaying Strategy*, which involves doing nothing except maintaining the state's claims through public statements and declarations. Under this strategy, a country justifies its claims through historical documents, ancient conventions, and maps. All of this is done to legitimise its territorial claims. The second is the *Escalation Strategy*, which involves using threats or force on the disputed territories. Under this strategy, a country uses its military and economic strength as a tool to influence the outcome of territorial disputes. Third is the *Cooperation Strategy*, which involves giving up the claims entirely or dividing the disputed territory to benefit the contesting parties through diplomacy and negotiations.³

The states calculate the costs and benefits of each strategy and then choose one from among the three. While the *Delaying Strategy* is the most frequently employed among the three strategies, it is generally regarded as the least expensive option. This approach enables the disputing state to solidify its claims and enhance its authority over the contested territory. The other two strategies are less appealing as they come with a lot of risks. For instance, the *Cooperation Strategy* can carry a lot of challenges both domestically and internationally. Similarly, the *Escalation Strategy* risks the possibility of military defeat along with a huge burden in terms of human and material costs.⁴

Hence, disputes between states can sometimes be resolved through peaceful means, while in other cases, military force is employed. States tend to opt for

² Sana Hashmi, *China's Approach Towards Territorial Disputes: Lessons and Prospects* (India: KW Publishers Pvt Limited, 2016), pp. 23-24.

³ Huth, n. 1, pp. 38-39.

⁴ *Ibid.*, pp. 38-39.

peaceful resolution when they are allies and share common security interests, as the cost of conflict is higher under such circumstances. Secondly, disputes are more likely to be settled peacefully when both involved states are democracies. Thirdly, disputes are more likely to reach a peaceful resolution when the contested territory is of lower value. Lastly, states with greater military capabilities are more inclined to make the necessary concessions to settle disputes. Given that alliances and democratic partnerships are relatively infrequent, it appears that the value of the disputed territory and military strength are the predominant factors influencing peaceful settlements.⁵

However, in the majority of instances, territorial disputes have been the primary catalyst for armed conflicts between countries. Even if not war, the states indulge in frequent clashes and violations across the border. In fact, armed conflict is highest over the issue of conflicting territorial claims. Vasquez has suggested that territorial disputes have been associated with between 80 and 90 per cent of all wars.⁶ The decision to delay, cooperate, or use force to pursue their territorial claims has an impact on peace and stability when it comes to international relations.⁷ In the case of all three approaches, territorial disputes may exist for decades or more before they are finally resolved.⁸ Thus, we can argue that how territorial disputes are settled will have a profound effect on relations between neighbours.

Therefore, the question of territorial integrity has and will always remain crucial to nation-states. This primarily becomes fundamental for countries that have gained independence from their colonisers in the 20th Century.⁹ This does not mean that countries like Bhutan, which were never colonized, are not

⁵ Maris Taylor Fravel, "Territorial and Maritime Boundary Disputes in Asia," in *The Oxford Handbook of the International Relations of Asia*, Eds. Saadia Pekkanen, Rosemary Foot and John Ravenhill (Oxford: Oxford University Press, 2014), p. 5.

⁶ John A. Vasquez, *The War Puzzle Revisited* (United Kingdom: Cambridge University Press, 2009), p. 137.

⁷ Maris Taylor Fravel, *Strong Borders, Secure Nation: Cooperation and Conflict in China's Territorial Disputes* (Princeton: Princeton University Press, 2008), pp. 13-15.

⁸ *Ibid.*, pp. 13-15.

⁹ Akshat Upadhyay, "China's Border Wars," *Journal of United Service Institution of India*, Volume CXLII, Number 591 (2013), pp. 1-18, file:///C:/Users/dell/Downloads/Chinas_Border_Wars_pdf.pdf.

concerned about protecting their territorial integrity. In fact, Bhutan places significant importance on its independence, sovereignty, and territorial integrity, considering them fundamental pillars of Gross National Happiness (GNH). This stance has evolved due to historical security challenges from both Tibet in the north and British India in the south, leading to conflicts to safeguard its territorial independence in the past.¹⁰ Although there haven't been direct military confrontations between China and Bhutan over disputed territories, China's actions in the region have raised concerns regarding Bhutan's sovereignty. China has employed various strategies, including *Delaying, Escalation, and Cooperation*, in its approach to territorial disputes with Bhutan. In this context, it is essential to briefly discuss China's territorial disputes and the different strategies adopted by China when it comes to settling its disputes.

China's Territorial Disputes

As the concept of modern nation-states came into prominence, the priority of the nation-states was to effectively deal with boundary disputes. The Treaty of Westphalia was a defining moment in this matter, as after the treaty, it was accepted that the boundaries drawn around the territory comprised a single political and legal entity over which the state could exercise sovereignty. The treaty recognised the independence and territorial integrity of individual states, both large and small. In the 17th century, Europe was the hotspot for boundary disputes, but the focus shifted to Asia in the latter half of the 20th century. Within Asia, China emerged as a prominent player, especially in terms of the number of territorial disputes it was involved in.¹¹

After the founding of the People's Republic of China (PRC) in 1949, the new Chinese leadership contested earlier negotiated boundary disputes, arguing that they were the result of "unequal treaties." China claimed that a disunited,

¹⁰ Dorji Penjore, "Security of Bhutan: Walking Between the Giants," *Journal of Bhutan Studies* (2004), p. 108.

¹¹ Hashmi, n. 2, p. 26.

fragmented, and weak China was coerced into signing settlements by its powerful neighbours and imperialist countries. As such, China refused to recognise these settlements. Raised its claims over territories that were supposed to have been settled. Over the years, China has justified the conflicts that have arisen between it and its neighbours in an attempt to reclaim the territories in order to reunify them with the Chinese homeland.¹² Some of the land borders of China have been delineated through land boundary agreements, but these agreements often lacked the necessary detailed maps and precise language to definitively establish the border's location. Additionally, physical boundary markers were infrequently installed along these land borders for demarcation.¹³

Consequently, one of the significant challenges faced by the PRC was the relatively ambiguous and undefined nature of its borders. This gave rise to several conflicts between China and its neighbouring countries.¹⁴ Another point to mention here is that, as per international norms, these treaties can be abrogated based on mutual consensus. However, the problem arises if one party tries to abrogate it unilaterally. This has been the case with China, as it has tried to unilaterally alter the status quo, which has complicated its relationship with its neighbours.¹⁵

China has a land border of approximately 20,000 kilometres and a coastline of about 18,000 kilometres. China shares land borders with 14 countries, namely: India, Bhutan, Afghanistan, Kazakhstan, Kyrgyzstan, Laos (People's Democratic Republic), Mongolia, Myanmar, Nepal, North Korea, Pakistan, Russia, Vietnam, and Tajikistan. It also shares maritime boundaries with nine countries, namely, Indonesia, Brunei, Malaysia, the Philippines, Vietnam, North Korea, South Korea, Japan, and Taiwan. It is quite natural for a country

¹² Ibid., p. 27.

¹³ Fravel, n. 5, pp. 50-51.

¹⁴ Hashmi, n. 2, p. 26.

¹⁵ Dinesh Mathur, "Chinese Perceptions of Various Territorial Disputes," *Claws Journal*, Volume 1 (Summer 2008), pp. 134-150.

with a large number of neighbours to disagree with the delineation of its borders. China has a history of territorial disputes within its mainland and islands in the adjacent waters. These disputes have at times led to both high-intensity and low-intensity conflicts, while some have been peacefully resolved.¹⁶

Since 1949, China has engaged in 23 territorial disputes with its neighbouring countries, both on land and at sea. Of these, 17 disputes have been resolved by China. Many of these disputes were settled in the early 1960s or the early to mid-1990s. For instance, between 1960 and 1964, China resolved disputes with countries such as Burma, Nepal, North Korea, Mongolia, Pakistan, and Afghanistan. During the period from 1991 to 1999, China signed agreements to expedite the resolution of border disputes with countries including Laos, the SU, Vietnam, India, Russia, Kazakhstan, Kyrgyzstan, Bhutan, and Tajikistan. Additionally, territorial disputes concerning Hong Kong and Macao were settled in the early 1980s, with China not making any concessions over its territorial sovereignty and retaining control of the contested areas.¹⁷

China has resolved most of these territorial disputes through a peaceful process of mediation based on mutual understanding.¹⁸ China has compromised and offered significant concessions in fifteen of its territorial disputes with its neighbours. For instance, it has compromised with Burma, Nepal, Pakistan, Mongolia, Afghanistan, Kazakhstan, Kyrgyzstan, Tajikistan, Laos, etc. So, in the aforementioned cases, China has used the *Cooperation Strategy* to settle its territorial disputes. China has offered concessions in these disputes, as the cost of a conflict outweighed the value of the land at stake. Furthermore, China's strong military capability gives it greater leverage in disputes over its land borders. So, the low value of the contested land and its

¹⁶ Hashmi, n. 2, p. 33.

¹⁷ Fravel, n. 5, pp. 46–83.

¹⁸ Nie Hongyi, "Explaining Chinese Solutions to Territorial Disputes with Neighbour States," *Chinese Journal of International Politics*, Volume 2, Number 4 (Winter 2009), pp. 539–575.
<https://www.jstor.org/stable/48615735>.

strong military capability are the primary reasons why China chose to compromise in these disputes. However, these are not the only reasons why China has chosen to compromise in these disputes. Internal threats to the regime and security are also other factors that influenced China's decision to compromise in many of its territorial disputes.¹⁹

Kacowicz defines peaceful change in international relations as “the process of using procedures and mechanisms different from the use of force, violence, and even unilateral threats of force.” Therefore, it is an outcome of cooperation, negotiation, and bargaining among or between the parties concerned. He examines the conditions that determine compromise in territorial disputes instead of escalation and delay. He argues that peaceful territorial changes are most likely to occur under an asymmetrical distribution of power, a similar type of political regime among the states involved in the conflict, convergence on norms and international law, mediation by third parties, threats from third parties involved in the mediation process, the threat of war as one of the major considerations in ensuring a change without war, and recent experience of war.²⁰

China has resorted to military force in three territorial disputes involving India, the USSR, and Vietnam. The land boundary dispute between India and China led to a war in 1962. Since then, the China-India border has seen numerous violations and clashes, drawing significant national and international attention due to the two countries status as major powers in Asia.²¹ Of all the territorial disputes and border negotiations that China has encountered since its formation in 1949, it is with India that it has had the most protracted and difficult negotiations, and a compromise has not been reached despite several attempts by successive political leaderships in both

¹⁹ Fravel, n. 5, pp. 46–83.

²⁰ Arie Marcelo Kacowicz, *Peaceful territorial change* (Princeton: University of South Carolina Press, 1994), pp. 3–5.

²¹ Fravel, n. 5, pp. 46–83.

countries. Therefore, the primary source of tension between the two countries has been the undemarcated border.²²

In 1969, a border conflict broke out between the PRC and the Soviet Union on Zhenbao Island. This conflict nearly escalated into a full-scale war with global implications. Disagreements over the sharing of territories between China and Vietnam also led to a brief war in 1979, resulting in an impasse and subsequent border clashes throughout the 1980s. Tensions persist in the South China Sea, where China has yet to resolve offshore island disputes. China has used force in disputes with South Vietnam over Paracel and Spratly, with Vietnam over South Johnson Reef, with the Philippines over Mischief Reef and Scarborough Shoal, and with Japan over the Senkaku Islands or Diaoyudao Islands. Additionally, China's disputes with Taiwan and Bhutan remain unresolved. In contrast to most land disputes where China has compromised, in cases involving offshore islands, China has consistently employed the *Delaying Strategy* to impede the settlement process.²³

In this context, Fravel notes that China resorts to the use of force primarily in territorial disputes where there is a decline in its bargaining power. First, China has used force in disputes involving potent military adversaries, meaning states are capable of challenging China's otherwise robust territorial claims. As previously mentioned, this has occurred in conflicts with India, the SU, and Vietnam. Second, China has resorted to force in disputes where the validity of its claim is relatively weak, particularly when it has minimal or no control over the contested areas. This is exemplified in disputes concerning the South China Sea.²⁴

²² Sujit Dutta, "Sino-Indian Diplomatic Negotiations: A Preliminary Assessment," *Strategic Analysis*, Volume 22, Issue 12 (1999), pp. 1821.

²³ Fravel, n. 5, pp. 46-83.

²⁴ Maris Taylor Fravel, "Power shifts and escalation: explaining China's use of force in territorial disputes," *International Security*, Volume 32, Number 3 (Winter 2007/2008), p. 56.

Fravel's argument revolves around the concept of "claim strength," which he defines as the capacity of each side to exert control over the disputed territory. This is pivotal because a state's claim strength empowers its leaders to negotiate with leverage in territorial dispute settlements. When one party enhances its claim strength within a dispute, the opposing state interprets it as a weakening of their bargaining position. States are highly responsive to such perceived declines in their position, and, in an effort to rectify the situation, they resort to issuing threats or employing force to compel the adversary to alter their conduct. ²⁵

Paul Huth notes that domestic compulsions are often strong and compelling reasons for leaders to not compromise on certain territorial disputes. This largely relates to the strategic, economic, and political importance of the disputed territory or because of a historical reason such as hostility and mistrust towards the opposing state. However, states are more likely to settle disputes with economic value over strategic value. This is because an unsettled dispute with strategic value can often be used as a bargaining chip against the opposing state to obtain strategic gains. ²⁶

From the above instances, it is clear that China has employed a mixture of *Delaying, Escalation and Cooperation Strategies* to manage and settle territorial disputes. A combination of these strategies allows China to pursue its interest in territorial disputes. It also helps China maintain flexibility in its approach. The choice of strategy used by China in territorial disputes can be influenced by its broader national, strategic, and economic concerns in the particular region. Therefore, according to Sana Hashmi, the general trend suggests that although China has compromised in most cases, its approach depends upon which country it is dealing with and what is at stake. ²⁷

²⁵ Fravel, n. 5, pp. 28-31,38.

²⁶ Huth, n. 1, pp. 39-64.

²⁷ Hashmi, n. 2, p. 34.

China has successfully resolved its land boundary dispute with twelve of its fourteen neighbouring countries. Bhutan and India are the only two countries that still have unresolved land boundary disputes with China.²⁸

Bhutan's Territorial Disputes

China has ongoing border disputes with multiple countries, while Bhutan currently has border disputes only with China. Bhutan successfully resolved its border issues with India through negotiations held in Thimphu in 1971 and in New Delhi in 1972. These negotiations led to the demarcation of Bhutan's borders with the Indian states of West Bengal, Assam, and Arunachal Pradesh. However, issues started to arise in 1974 when the inhabitants of Tawang dismantled the boundary pillars along the India and Bhutan border and began illegally grazing their cattle inside Sakten Dungkhag on the pasture lands of Dremling, Pengsa, and Zawangteng in Bhutan. The issue of illegal intrusion was resolved in 2006 when India and Bhutan signed and finalised maps, effectively settling the boundary issue.²⁹

Bhutan is a small landlocked country in South Asia, with a land area of approximately 47,000 square kilometres. It extends about 170 kilometres from north to south and approximately 300 kilometres from east to west. Situated in the eastern Himalayas, Bhutan shares its borders with India and China. To the north, it borders the Chumbi Valley of the Tibetan Autonomous Region (TAR) of China, while to the south, it shares borders with the Indian plains of Jalpaiguri district in west Bengal and the Kamrup, Golpara, and Darrang Districts of Assam. To the west, Bhutan is bordered by the Indian state of

²⁸ Upadhyay, n. 9, pp.1-18.

²⁹ "Proceedings and resolutions adopted during the 80th Session of the National Assembly," *Bhutan-China Boundary Talks*, Section 10(2), held on June 25, 2002, pp. 41-44, https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/80th_Session.

Sikkim, and to the east, it shares its borders with the Kameng district of Arunachal Pradesh in India.³⁰

Bhutan has historically maintained strong cultural, political, religious, and economic connections with its northern neighbour, Tibet. However, the occupation of Tibet by China resulted in increased geographical proximity between China and Bhutan, as the buffer state between them ceased to exist. China and Bhutan now share a 470-kilometre-long border.³¹ There are four disputed areas between China and Bhutan. Historically, Beijing has laid claim to 764 square kilometres within Bhutan. The dispute extends from Jakarlung and Pasamlung in Central Bhutan (495 square kilometres), located near the TAR, and Doklam, Sinchulungpa, Yak Chu and Charithang Chu, Dramana, and Shakhatoe in western Bhutan (269 square kilometres), near the China-Bhutan-India tri-juncture.³²

China is asserting significant claims in the Western sector, especially near the tri-junction of Bhutan, India, and China. One area of particular interest to China in the western sector is the Doklam Plateau, also known as Zhonglam or Donglang.³³ This plateau spans approximately 89 square kilometres and sits at an elevation of 4,000-5,000 metres. Doklam is characterised by its harsh, cold, and barren environment. It is positioned adjacent to the Chumbi Valley in the TAR to the north, Bhutan's Ha Valley to the east, and the Indian state of Sikkim to the west. In this context, it is important to assess the significance of the Chumi Valley.³⁴

³⁰ Rajesh Kharat, "Indo-Bhutan Relations Strategic Perspectives," in *Himalayan Frontiers of Indian Historical, Geo-political and Strategic Perspectives*, ed. K. Warikoo (London and New York: Routledge Taylor and Francis Group, 2009), p. 137.

³¹ John Pollock, "Bhutan and the Border Crisis with China," *LSE South Asia Centre*, July 19, 2021, <https://blogs.lse.ac.uk/southasia/2021/07/19/bhutan-and-the-border-crisis-with-china/>.

³² *Ibid.*

³³ Wini Fred Gurung and Amit Ranjan, "China's Territorial Claims and Infringement in Bhutan: Concerns for India," *ISAS Working Paper*, No. 341 (2021), p. 2

³⁴ Mohammed Badrul Beena, "The Doklam Stalemate," *World Affairs: The Journal of International Issues*, Volume 23, Number 1 (January-March 2019), pp. 60-69.

Relevance of Chumbi Valley

As previously discussed, one of the territorial disputes between China and Bhutan concerns the Doklam Plateau, situated in the Chumbi Valley. Chumbi Valley is a Valley in Tibet at the intersection of India, Bhutan, and China in the Great Himalayan Range. It was formed by the passage of the Amo (Torsa) River, which rises below Tang Pass and flows south into Bhutan; the Valley has an average elevation of 9,500 feet (2900 metres). Formerly in Sikkim, Chumbi Valley became part of Tibet in 1792. Since 1951, the Valley has been under the control of the PRC. ³⁵

The Chumbi Valley has played a pivotal role in shaping the history of the area, serving as a significant hub for cultural and social interactions between Tibet in the north and the southern regions. For instance, through these socio-cultural exchanges, Tibet influenced the demography and culture of Sikkim and Bhutan in the south. In addition, it has also served as a trade corridor connecting British India to Tibet. ³⁶

The British were primarily interested in this route as it provided access to Tibet and, if possible, to China. The passes of Nathu-la (14,140 feet) in Sikkim and Jelep-la (14,390 feet) in Kalimpong served as the two most important gateways to the valley. Of these two, Jelep-la was used more frequently as it opened out into the Mochu Valley near Chumbi. The road from this Valley directly led to Lhasa, the capital of Tibet. Other than Nathu-la and Jelep-la, there are two other passes, which are Yak-la (14,400 feet), which is close to Nathu-la, and Cho-la (14,550 feet), which leads more directly to Chumbi than any of the above and formerly was the main route from Sikkim to Phari in Chumbi. ³⁷

³⁵ "Chumbi Valley," *Encyclopaedia Britannica*, <https://www.britannica.com/place/Chumbi-Valley>.

³⁶ Karubaki Datta, "Tibet trade through the Chumbi Valley-growth, rupture and reopening," *Vidyasagar University Journal of History*, Volume 2 (2013-14), pp. 123-140.

³⁷ *Ibid.*, pp. 123-140.

Trade between India and Tibet experienced significant expansion during the British colonial era. Extensive trade in wool, yak tails, and borax passed through the Chumbi Valley to British India. The trade carried out initially was informal, as no official permission was given to the British to conduct trade with Tibet. The situation changed with the success of the Younghusband Mission under Colonel Francis Younghusband. From 1903-04, there was an official British presence in Tibet.³⁸

As part of this mission, Tibet was coerced into setting up three British Trade Agencies within its territory. These trade agencies were located in Yatung in the Chumbi Valley, Gyantse in central Tibet, and Gartok in western Tibet. The Gyantse Agency was the most famous among them all as it was close to the capital, Lhasa. These three trade agencies played significant roles until the British Mission was established in Lhasa in 1936-37.³⁹

Today, Chumbi Valley has assumed a different geostrategic importance. Since 1951, control over Chumbi Valley has given China a strategic advantage in the region. The location has become strategically significant because the Doklam Plateau in the Chumbi Valley is geographically near India's Siliguri Corridor.⁴⁰ The Siliguri Corridor, often referred to as the "chicken neck" by some analysts, is a narrow strip of land located in the West Bengal state of India. It is surrounded by three neighbouring countries: Nepal, Bhutan, and Bangladesh. The city of Siliguri, situated within this corridor, holds considerable economic and political importance for the countries in the surrounding region. There are major connectivity linkages, such as roads and railway networks, that run through the corridor. These networks play a vital role in serving as the only

³⁸ Ibid., pp. 123-140.

³⁹ Ibid., pp. 123-140.

⁴⁰ Utkarsh Srivastava, "Sikkim standoff: Strategic importance of Siliguri Corridor and why India should be wary of China," *Firstpost Online*, July 7, 2017, <https://www.firstpost.com/india/sikkim-standoff-strategic-importance-of-siliguri-corridor-and-why-india-should-be-wary-of-china-3785967.html>.

link connecting India's mainland to the northeastern region of India and in sustaining the armed forces posted in northeast India. ⁴¹

Consequently, the corridor is crucial for India, as the northeastern region is often considered a region of turbulence, mainly due to political instability and insurgency movements. In addition, it also guarantees security assurances in a situation of increasing tension and hostilities between China and India. ⁴² Thus, Chumbi Valley is of significant relevance to India. According to Karubaki Datta, Chumbi Valley is often described as a "dagger drawn at India's heart." ⁴³

China has maintained its stance regarding the Doklam region for several reasons. Firstly, the disputed territory shares a border with Tibet, and Tibet has consistently played a significant role in shaping China's relationships with its neighbouring countries, including India, Bhutan, and Nepal. Secondly, the Doklam Plateau is situated just east of India's defences in Sikkim. Gaining access to this plateau would provide China with strategic advantages, including a commanding view of the Chumbi Valley and oversight of the Siliguri Corridor to the east. ⁴⁴

Chinese access to this corridor can put the Indian military in a vulnerable position, as China can cut off the link between mainland India and its northeastern states. Thus, gaining access to the Doklam Plateau puts China at an advantage, given that it has a dispute with India over Arunachal Pradesh and Ladakh. As a result, China wants Bhutan to compromise on the Western sector. ⁴⁵ Hence, the primary issue between China and Bhutan revolves around

⁴¹ Ibid.

⁴² Ibid.

⁴³ Datta, n. 36, pp. 123-140.

⁴⁴ Hasmi, n. 2, p. 188.

⁴⁵ Wini Fred Gurung and Amit Ranjan, "China's Territorial Claims and Infringement in Bhutan: Concerns for India," *ISAS Working Papers* Number 341 (April 2021), p. 7.

establishing the precise location of the tri-junction point where the borders of China, Bhutan, and India meet. ⁴⁶

Background of the Boundary Dispute between China and Bhutan

During the 1950s and 1960s, Bhutan had concerns about China's motives and intentions. Firstly, this was due to the occupation of Tibet and the treatment of the Buddhists residing there. Bhutan was particularly sensitive towards the Tibetans, as despite their political differences, both shared close historical, cultural, and religious similarities. ⁴⁷ Second, soon after Tibet's occupation, Chinese propaganda openly declared that Bhutan was a part of Tibet and should eventually be reunited with China. China supported its claims by presenting an 11,000-word document to the Indian Embassy in Beijing, reaffirming its assertions over around 50,000 square miles of Indian territory, including over 300 square miles of Bhutanese land. ⁴⁸ In 1961, this issue was deliberated in the Bhutanese National Assembly, where the members expressed their dissatisfaction with the inconsistencies in the boundaries of Bhutan as depicted on Chinese maps. ⁴⁹

According to Sana Hashmi, unlike other modern nation-states, China does not follow the Westphalian conception of sovereignty. Rather, China bases its territorial claims on historical grounds. China believes that even if the world has changed, the past should determine the present and the future. That is to say, boundaries should be determined based on who controlled the land in the past and whether that control was based on justified grounds. ⁵⁰

Based on the above discussion, it can be observed that the Chinese consistently supported their claim by referencing their historical rights over Bhutan and

⁴⁶ Hasmi, n. 2, p. 188.

⁴⁷ "Asia's Other Dragon: Bhutan's Role in Eastern Himalayan Security Affairs Introduction," *European Foundation for South Asian Studies*, November 24, 2020, <https://policycommons.net/artifacts/1965574/asias-other-dragon/2717339/>.

⁴⁸ "Bhutan Sends a Protest to Red China in Border," *New York Times*, March 17, 1960.

⁴⁹ Prem Nath, "Winds of Change in Bhutan," *Motherland (Delhi)*, February 20, 1972.

⁵⁰ Hashmi, n. 2, p. 33.

the neighbouring Himalayan region.⁵¹ As mentioned in the previous section, the Chinese Ambassador stationed in Lhasa asserted that Bhutan served as the southern gateway to the Chinese empire. China contended that Bhutan was under the authority of the Tibetan government and, consequently, fell under the jurisdiction of the Qing dynasty in China.⁵²

Convention of 1890

In order to understand the context of the boundary dispute between China and Bhutan, it is essential to delve into the background of the 1890 Convention. The Convention was concluded on March 17, 1890, in Calcutta, and it marked an agreement between British India and the Qing dynasty of China. Its primary objectives were to delineate the boundary between Sikkim and Tibet and to formally establish Sikkim as a protectorate under British rule.⁵³ The convention was the outcome of two events: first, to contain the growing threat from Russia in the 19th century. The second event was the Tibetan invasion of Lingtu in 1886, which took place 18 kilometres inside the Sikkim border. The British had to resort to force to drive the Tibetan army from Lingtu.⁵⁴

However, the issue remained unresolved, as the Tibetans were gearing up for another potential conflict with British India. Consequently, the Qing dynasty sent Sheng Tai, the Chinese Ambassador stationed in Lhasa, to Calcutta for negotiations. A treaty was ultimately signed between China (represented by Sheng Tai) and British India (represented by the then Governor General, Lord Lansdowne) to address the boundary between

⁵¹ Mohak Gambhir, "China's Rising Pressure on Bhutan's Borders is aimed at India," *Centre for Land and Warfare Studies*, <https://www.claws.in/chinas-rising-pressure-on-bhutans-borders-is-aimed-at-india/>.

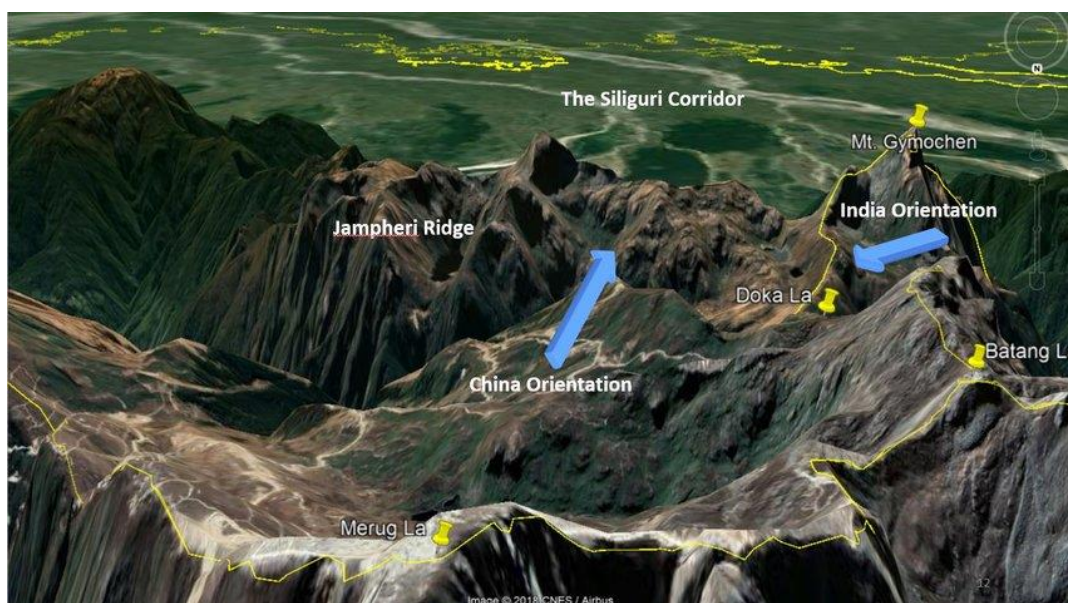
⁵² Teshu Singh, "India, China and the Nathu La Understanding Beijing's Larger Strategy towards the Region," *Institute of Peace and Conflict Studies*, Issue Brief#204 (January 2013), pp. 1-2.

⁵³ "Convention between Great Britain and China Relating to Sikkim and Tibet," *Treaties and Conventions Related to Tibet*, [382], March 17, 1890, <http://www.tibetjustice.org/materials/treaties/treaties9.html>.

⁵⁴ Yi Meng Cheng, "Expedition turned Invasion: The 1888 Sikkim Expedition through British, Indian and Chinese eyes," *Journal of the Royal Asiatic Society*, Volume 31, Issue 4 (October 2021), pp. 803-829.

Sikkim and Tibet.⁵⁵ The convention serves as the foundation of the border dispute between China and Bhutan. Article I of the convention laid down that:

“The boundary of Sikkim and Tibet shall be the crest of the mountain range separating the waters flowing into the Sikkim Teesta and its affluents from the waters flowing into the Tibet Mochu and northwards into other rivers of Tibet.” The line commences at Mount Gipmochi on the Bhutan frontier, and follows the above-mentioned water-parting to the point where it meets Nipal territory”.⁵⁶



Source: Google Earth image/Anirudh Kanisetti.

What seems clear from the image above is that, as per the Chinese perspective, the initial reference point for the Sikkim-Tibet border is Mount Gipmochi, which is also referred to as Gamochen or Gymoche, and it lies along the Bhutan border. China asserts that the tri-junction lies farther south at Mount Gipmochi (near the Jampheri Ridge), which is currently under Bhutanese control. According to Chinese assertions, Doklam is situated in Tibet’s Xigaze region, adjacent to Sikkim. Conversely, India and Bhutan contend, based on

⁵⁵ B. R. Deepak, “The Doklam standoff: What could be done,” *South Asia Democratic Forum Comment*, Issue 98 (2017), p. 2.

⁵⁶ Convention between Great Britain and China Relating to Sikkim and Tibet, n. 53.

their surveys, that the watershed between the Teesta and Amu Chu rivers is at Batang La. They argue that the tri-junction is near Batang La, approximately 6.5 kilometres north of Mount Gipmochi. China's claim that the Doklam Plateau is on the Chinese side of the China-Bhutan border is based on this interpretation.⁵⁷

The confusion about the exact location of the tri-junction has increased further due to the following reasons: first, the convention did not provide any maps, which leaves much to the imagination. Second, it is difficult to rely on the 1890 convention as it is based on cartographic surveys conducted in the 19th century.⁵⁸ Third, there was a problem in locating Mount Gipmochi because several old maps indicated the starting point of the border as a place called Gyemochen. As noted by Manoj Joshi, Gyemochen is documented in a 1937 Survey of India map and a 1955 U.S. military map. Additionally, a British map from 1923 labels the same feature at 14518 feet as Gipmochi. However, a map from 1910 mentions a location called Giamochi but also depicts the tri-junction around Batang La.⁵⁹

As M. Taylor Fravel has noted, the problem began with the 1890 Convention trying to square the circle. On one hand, it stated that the border's starting point was Mount Gipmochi; on the other, it also indicated that the boundary would align with the watershed. But Gipmochi was not the beginning of the watershed, and the British themselves printed maps in 1807 and 1913 showing the border beginning in Batang La. Both sides have chosen the starting points

⁵⁷Ananth Krishnan, "China says 1890 treaty backs claims to Doklam Plateau at tri-junction," *India Today*, July 2, 2017, <https://www.indiatoday.in/world/asia/story/china-1890-treaty-doklam-plateau-tri-junction-bhutan-sikkim-1021913-2017-07-02>.

⁵⁸ Richard M. Rossow, Joseph S. Bermudez Jr and Kriti Upadhyaya, "A Frozen Line in the Himalayas," *Centre for Strategic and International Studies* (August 2020), pp. 1-11.

⁵⁹ Manoj Joshi, *Understanding the India-China Border: The Enduring Threat of War in High Himalaya* (United Kingdom: Hurst Publishers, 2022), p. 472.

of the border as per their interests, but the wording of the treaty and its intent have left room for disagreement and ambiguity.⁶⁰

That said, China uses the convention as a basis to legitimise its claims over Doklam. To support its claims regarding Doklam, Foreign Ministry Spokesperson Lu Kang stated in a press conference on June 30, 2017, that Doklam had consistently served as the traditional grazing land for the border inhabitants of Yadong in the TAR. Prior to 1960, if Bhutan's border inhabitants wished to graze their livestock in Doklam, Sinchulungpa, and Shakhatoe, they were required to obtain permission from China and pay a grass tax to Chinese authorities.⁶¹ China contends that some of the grass tax receipts are still preserved in the Tibetan Archives. Additionally, Beijing argues that during the Qing dynasty, the High Commissioner of the Government in Tibet established a landmark along the traditional customary line between China and Bhutan, situated to the south of Doklam.⁶²

However, the Bhutanese government has denied Chinese declarations over Doklam as these lands are within Bhutan, and so there has never been any question of paying taxes to the Tibetans. This matter was also raised in the Bhutanese National Assembly, where the representatives expressed their views on this issue. It was discussed that the Tibetans had never claimed these lands, and there had never been any dispute over them during the past many years. Therefore, there was no reason at all why a dispute should now arise concerning those lands with the Chinese government.⁶³

⁶⁰ Maris Taylor Fravel, "Danger at Dolam," *Indian Express*, July 18, 2017, <https://indianexpress.com/article/opinion/columns/danger-at-dolam-plateau-doklam-stand-off-india-china-4755269/>.

⁶¹ "Foreign Ministry Spokesperson Lu Kang's Regular Press Conference," *Embassy of the People's Republic of China in Nepal*, June 30, 2017, http://np.china-embassy.gov.cn/eng/fyrth/201707/t20170701_1595188.htm.

⁶² Suneel Kumar, "China's Revisionism Versus India's Status Quoism: Strategies and Counter-strategies of Rivals in Doklam Standoff," *Jadavpur Journal of International Relations*, Volume 24, Issue 1 (2020), pp. 73-100.

⁶³ "Proceedings and resolutions adopted during the 52nd Session of the National Assembly," *Regarding Pasture-land along the Northern Borders in Ha District*, Section 41, held from June 10, 1980 to June 24, 1980, p. 27, https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/52nd_Session.pdf.

Chinese Claims and Border Intrusions

Despite the Bhutanese government's denial of the claims, the Chinese government used the Tibetan archives as a justification. The Chinese herders continued to demand grazing fees from the Bhutanese. In addition, the Tibetans would annually enter Bhutan for the purpose of gathering medicinal plants and allowing their yaks to graze on Bhutan's pastures. This was particularly concerning for the inhabitants of Haa and Paro, as these pasture lands had been traditionally used by them and their livelihood was largely dependent on yaks. ⁶⁴

Based on these historical claims, modern Chinese foreign policy was formulated by Mao Zedong. He envisioned the "Five Finger and Palm Strategy" for contemporary China, wherein Tibet represented the palm and the five fingers symbolised Ladakh, Nepal, Sikkim, Bhutan, and Arunachal Pradesh. ⁶⁵ In 1960, the Chinese leaders discussed the idea of liberating Bhutan and other Himalayan regions from what they viewed as imperialist India. Consequently, there was a need to reunite these regions and introduce them to communist ideology. Therefore, the Chinese plan to create a "Himalayan Federation" consisting of Tibet, Ladakh, Nepal, Sikkim, Bhutan, and India's North-East Frontier Agency (NEFA) emerged as a strategy to expand Chinese influence south of the Himalayas within the region. ⁶⁶

In response to the Chinese proposal of establishing a Himalayan confederation, Bhutanese former Prime Minister, Mr. Jigme Dorji, during his visit to London for trade discussions, stated several reasons for advising his government against the Chinese proposal. First, joining the confederation needs to be

⁶⁴ "Proceedings and resolutions adopted during the 73rd Session of the National Assembly," *Bhutan-China Boundary Talk*, Section 16(VIII), held from August 10, 1995 to September 2, 1995, pp. 79-82, https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/73rd_Session.pdf.

⁶⁵ Singh, n. 52, pp. 1-2.

⁶⁶ Tashi Choden and Dorji Penjore, *Economic and Political Relations between Bhutan and Neighbouring Countries*, Joint Research Project of the Centre of Bhutan Studies and Institute of Developing Economies Japan External Trade Organisation, Monograph 12 (2004), p. 168.

seriously considered, keeping in mind Indian concerns, as the Government of India (GOI) has been very generous in assisting Bhutan. Second is the lack of military strength to stand against China and India. Third, the likely dominance of Nepal in such a confederation as the Nepalis were widespread across the Himalayan border. Thus, he argued that such a confederation would have serious repercussions for India and Bhutan.⁶⁷

Through the “Five Finger and Palm Strategy,” China was able to create an artificially generated border dispute. With Tibet falling under Chinese control, Bhutan assumed a fresh role as a buffer region between India and China, underscoring its significance for China.⁶⁸ As opposed to the Chinese maps, the McMohan Line and Indian maps showed the 300 square miles of Bhutanese territory as belonging to Bhutan. These assertions provided Bhutan with ample reasons to exercise caution regarding China’s intentions. In response to the Chinese maps, Bhutanese Prime Minister Jigme Dorji stated that “Bhutan does not recognise any Chinese claims on Bhutanese territories.”⁶⁹

Former Prime Minister Jawaharlal Nehru discussed the problem of inaccuracies in Chinese maps with his Chinese counterpart, Chou En-Lai. The Indian Government asserted that, according to the 1949 Treaty, it held the exclusive authority to address matters concerning Bhutan’s external relations with other governments. India insisted that the China-Bhutan border question is an integral part of the Sino-India border dispute, so Bhutan should approach China through India. Since Bhutan and China had no diplomatic relations, all communications from Thimphu to Beijing were routed through New Delhi.⁷⁰

Bhutan too expressed a preference for addressing the dispute with China during the Sino-Indian border talks in 1961. Nonetheless, the matter was

⁶⁷ George Patterson, *Pakistan Times*, September 1, 1962.

⁶⁸ Singh, n. 52, pp. 1-2.

⁶⁹ “Bhutan Sends a Protest to Red China on Border,” *New York Times*, March 17, 1960.

⁷⁰ “China claiming sizeable Bhutan territory, Jawaharlal Nehru tells Zhu Enlai in his 1959 letter,” *The Economic Times*, July 12, 2018, <https://economictimes.indiatimes.com/news/defence/china-claiming-sizeable-bhutan-territory-jawaharlal-nehru-tells-zhu-enlai-in-his-1959-letter/articleshow/59443442.cms?from=mdr>.

never brought up for discussion in the Sino-Indian border talks because the Chinese refused to acknowledge Indian rights and insisted on direct dealings with Bhutan.⁷¹ China did not recognise India as a competent authority to represent Bhutan in its external affairs. In fact, Chou En-Lai expressed hopes that both China and Bhutan could engage in direct bilateral talks over the border issue without India acting as a mediator. This demonstrated China's intent to keep the discussions about the China-Bhutan border separate from the China-India border talks.⁷² Furthermore, China did not acknowledge the concerns raised by the Indian and Bhutanese governments regarding inaccuracies in Chinese maps. Since the border between Bhutan and Tibet remained undefined, China extended its borders beyond Tibet. In the course of the military campaign against Tibet in 1959, China took control of eight Bhutanese enclaves located within Tibet, namely Khangri, Tarchen, Tsekhor, Diraphu, Dzong, Tuphu, Jangehe, Chakip, and Kocha.⁷³

For centuries, Bhutan had exercised semi-control over these enclaves in Tibet. Bhutan had appointed officers who looked after the administration of these villages, collected taxes, and administered justice. Consequently, these enclaves were recognised by the Tibetan authorities as part of Bhutanese territory. The Chinese occupation constituted a breach of Bhutan's rightful jurisdiction over these villages. In response to the Bhutanese government's request, India brought up this matter with the Chinese government. India requested that China restore authority over these villages to Bhutan.⁷⁴

China ignored the requests made by the Indian government. This period saw a rise in Chinese incursions into Bhutanese territories. The Chinese intrusions

⁷¹ Thierry Mathou, "Bhutan-China Relations: Towards a New Step in Himalayan Politics," *The Spider and the Piglet: Proceedings of the First International Seminar on Bhutanese Studies*, Centre for Bhutan Studies Thimphu (2004), p. 395.

⁷² Paul J. Smith, "Bhutan-China Border Disputes and Their Geopolitical Implications," in *Beijing's Power and China's Borders: Twenty Neighbors in Asia*, Eds. Bruce A. Elleman, Stephen Kotkin & Clive Schofield (United States of America: M.E. Sharpe Inc, 2012), p. 28.

⁷³ V.P. Gupta, "Expansionist Bases of China's Policy—A Legal and Political Case Study in Relation to Sikkim and Bhutan," *The Indian Journal of Political Science*, Volume 29, Number 3 (July-September 1968), p. 266.

⁷⁴ *Ibid.*, p. 266.

occurred both in April and September of 1966. The Chinese troops crossed the Kokang-La region, situated in the southwestern part of Bhutan, close to the tri-junction where Sikkim and the Chumbi Valley of Tibet converge.⁷⁵ This was followed by similar incursions in 1979 and 1983.⁷⁶

Chinese intrusions were reported near the Chumbi Valley, where China had built a motorable road from Saktang along Trangso and Goru between Sikkim and Bhutan. Moreover, the inhabitants of Haa were facing difficulties as Tibetans started entering Bhutan to collect medicinal plants and for yak grazing. Again, the Bhutanese government requested that the Indian government take up the issue of intrusions in the Doklam Plateau near the Chumbi Valley with its Chinese counterpart.⁷⁷

The Indian government sent a request to Peking (Beijing) to stop the intrusions. To quote the then external affairs minister, Sardar Swaran Singh, “The boundary between Bhutan and Tibet is a natural, traditional, and customary one, which has been recognised by the Chinese government.” He goes on to say that in spite of this, China continues to violate the international boundary for primarily two reasons. One is to bring Chinese influence to the people of Bhutan. Second, to disturb the cordial relationship between Bhutan and India. Therefore, such a violation is a matter of real concern not only to Bhutan but also to India.⁷⁸ However, the Chinese government denied such allegations of intrusions. In September 1979, the Chinese foreign ministry described the reports on intrusions as “sheer fabrication which has obvious ulterior motives.” The ministry further added, “The China-Bhutan border has always been quiet. Intrusions by Chinese personnel into Bhutan simply do not exist.”⁷⁹

⁷⁵ Prem Nath, “Winds of Change,” *Motherland (Delhi)*, February 20, 1972.

⁷⁶ S.D. Muni, “Bhutan’s South Asian Initiatives,” *Strategic Analysis*, Volume 7, Issue 12 (1984), pp. 1001-1012.

⁷⁷ “Threat to Bhutan,” *Assam Tribune (Gauhati)*, October 16, 1966.

⁷⁸ *Ibid.*

⁷⁹ “Chinese Stand on Border with Bhutan,” *Indian Express (Delhi)*, September 11, 1979.

The Chinese government conveyed its readiness to uphold amicable relations with Bhutan while refraining from any acts of aggression against each other. Bhutan, in turn, did contemplate direct talks with China. However, this process faced delays because Bhutan lacked diplomatic relations with China, and its treaty agreement with India, which mandated that India manage Bhutan's foreign affairs, precluded direct negotiations. Here it is important to note that the absence of diplomatic relations stems from Bhutan's fears and anxieties vis-à-vis Chinese intentions.⁸⁰ Furthermore, the unfriendly relationship shared between India and China also casts a shadow on Bhutan and China's relations.

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Pre-Negotiation Phase

After the 1970s, slow but limited efforts were made by both sides to normalise ties. Efforts began to be made from the Bhutanese side towards addressing the border question between Bhutan and China. This was mainly because, by the 1970s, Bhutan had begun to take an independent stance in the international arena. Moreover, factors like Sikkim's integration with India in 1975 and the growing incursions by Tibetan herders underscored the necessity for Bhutan to resolve its border dispute with China.

An examination of Bhutan's National Assembly discussions from the 1960s to 1983 reveals that the topic of demarcating the border with China was raised regularly by the Chimis (elected people's representatives) of Punakha, Haa, and Kartsho Dzongkhag. The repeated intrusion of the Tibetan grazers was adversely affecting the livelihood of the local grazers at Haa. The representatives then urged the government to investigate the situation and

⁸⁰ Muni, n. 76, p. 1007.

⁸¹ Mathew Joseph C, "China-South Asia Strategic Engagements 2–Bhutan–China Relations," *Institute of South Asian Studies Working Paper*, Number 157 (August 2012), p. 9.

formally delineate the border with China.⁸² In 1974, Bhutan's Survey Department conducted an examination of China's previous boundary claims. Subsequently, the Bhutanese National Assembly initiated discussions on the border dispute and the prospects and challenges of reaching an agreement with China in 1976. However, when India's relations with China improved, the process of normalisation became easier.⁸³

During the 1970s, Indian Prime Minister Indira Gandhi and Chinese President Deng Xiaoping collaborated to strengthen the relationship between India and China. Diplomatic relations between the two countries were re-established at the ambassadorial level during this period, and in 1978, official trade and economic relations resumed. The PRC and India's relations have further normalised as a result of the Janata Party Government's new policy of "Beneficial Bilateralism."⁸⁴

The normalisation of relations between India and China paved the way for direct talks between China and Bhutan. Further, the increasing number of intrusions into Bhutanese territories led to discussions in the Bhutanese National Assembly about initiating a direct, formal negotiation over the boundary dispute. Although the intrusions had become common over the years, the 1979 intrusion was of a larger scale in comparison to the earlier intrusions, as the Chinese troops had entered three-fourths of a kilometre into Bhutanese territory. This made it urgent for Bhutan to begin discussions with China on the border question.⁸⁵

With the support of the Indian government, Bhutan conducted a survey of its border with China's Tibet region. Bhutan subsequently established its own

⁸² "Proceedings and resolutions adopted during the 59th Session of the National Assembly," *Demarcation of Bhutan's International Boundary*, Section 19, held from October 31, 1983 to November 5, 1983, pp. 13-14, https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/59th_Session.pdf.

⁸³ Capt. (Retd) Mithilesh K. Singh, *Increasing Diplomatic Relation Between Bhutan and China: A Great Concern for India* (New Delhi: Prashant Publishing House, 2014), pp. 277-280.

⁸⁴ Kharat, n. 30, p. 147.

⁸⁵ Singh, n. 83, p. 285.

Survey Department in 1972. In 1981, a boundary commission was formed, which, based on survey reports and historical records, formulated Bhutan's claims regarding its border with China. During the same year, Bhutan's Foreign Minister, Lyonpo Dawa Tsering, officially announced Bhutan's intention to initiate boundary negotiations with China. This announcement was made after a visit by Indian External Affairs Minister V.P. Narashima Rao to Thimphu and before the visit of Chinese Foreign Minister Huang Hua to New Delhi.⁸⁶

Subsequently, in 1983, another informal meeting occurred when Chinese State Councillor and Foreign Minister Wu Xueqian and Bhutanese Foreign Minister Dawa Tsering convened in New York to explore the groundwork for establishing a bilateral relationship. In the same year, Bhutan initiated informal communications with China by sending a diplomatic note to the Chinese embassy in New Delhi. According to S.D. Muni, the initiation of direct talks with China for boundary demarcation marks a highly significant development in Bhutan's gradually evolving foreign policy.⁸⁷ The first boundary talk took place in 1984, and thus far, 13 Expert Group Meetings and 24 rounds of border talks have been conducted. It is also worth emphasising that the commencement of direct negotiations underscores Bhutan's sovereign and independent status.

Negotiation Phases

Negotiation involves discussions between disputing parties to reconcile conflicting views. Negotiations can be complex and may involve historical, political, cultural, and economic factors. It can be employed in various types of disputes, whether political, technical, or legal in nature. The key requirement is an alignment of strategic interests among the parties engaged in resolving

⁸⁶ S.D. Muni, "Bhutan Steps Out," *The World Today*, Volume 40, Number 12 (December 1984), pp. 514–520.

⁸⁷ *Ibid*, p. 515-516.

the territorial dispute.⁸⁸ Moreover, since only the concerned states are involved in the process of negotiation, it allows the parties themselves to direct the process and shape its outcome to reach a mutually acceptable settlement. One drawback of negotiation is that it often leads to a situation whereby the stronger party may impose its views on the weaker party.⁸⁹

When states decide to settle their territorial disputes through negotiation, there are a range of approaches they might adopt. The first of these approaches is bilateral negotiation, in which the disputed parties themselves directly engage to settle the dispute. Under this approach, third-party facilitation is not required. The second is the non-binding dispute resolution approach, specifically mediation, conciliation, or the use of good offices by a third party. This involves a third-party investigation and the submission of a conciliation report with non-binding suggestions for settlement of the dispute. This brings us to the third approach, which is the binding dispute resolution method. This method brings in a third party to arbitrate and adjudicate, and based on the merits of the case, it ultimately leads to a decision on how the dispute should be settled.⁹⁰

The negotiation process can be conducted either through bilateral, plurilateral, multilateral, or collective negotiation. Bilateral negotiations are generally conducted through diplomatic channels, where representatives from both sides meet to discuss the disputed boundary and related issues. These representatives may include diplomats, experts, legal advisors, and surveyors. The heads of the state or government are generally involved either in the initial stage of negotiation or at the concluding stage after the negotiation has been conducted at the expert level.⁹¹

⁸⁸ Malcolm N. Shaw, *International Law* (United Kingdom: Cambridge University Press, 2017), pp. 918-919.

⁸⁹ Antonio Cassese, *International Law in a Divided World* (Oxford: Clarendon Press, 1986), pp. 202.

⁹⁰ Shaw, n. 88, p. 918-919.

⁹¹ UN Legal Affairs Office, Codification Division, *Handbook on the Peaceful Settlement of Disputes between States* (New York: United Nations Publications, 1992), p. 3, <https://legal.un.org/cod/books/HandbookOnPSD.pdf>.

In the absence of formal diplomatic ties, China and Bhutan have conducted border negotiations using alternative means. China and Bhutan have appointed special envoys and representatives to participate in border negotiations. These envoys act as official channels of communication between the two countries and are empowered to negotiate on behalf of their respective governments. The bilateral negotiation was an outcome of China's changed policy towards Bhutan. As mentioned in the previous chapter, China adopted a conciliatory approach towards Bhutan by inviting it to settle the boundary dispute peacefully.⁹²

First Round of Negotiations

The first round of boundary negotiations was held in Beijing in 1984, with the Chinese Foreign Minister, Wu Xueqian, engaging with the Bhutanese delegation. During this negotiation, the Chinese delegation emphasised that their approach to the boundary matter would be consistent with their approach to dealing with Pakistan, Burma, and Nepal. This demonstrated China's acknowledgement of Bhutan's status as a sovereign and independent country. Further, they were also firm on not compromising on key strategic locations. However, they made it clear that they would be willing to compromise on less important territorial claims. As mentioned earlier, the Chinese approach to solving territorial disputes depends upon which country it is dealing with and what is at stake.⁹³

After the first round of negotiations, Bhutan's Foreign Minister, Dawa Tsering, addressed the National Assembly regarding the border demarcation process. He mentioned that Bhutan was engaging with China for the first time in 35 years since its establishment as the PRC. Consequently, the discussions were preliminary and primarily focused on establishing the procedures and

⁹² Manorama Kohli, "Bhutan-China Border Talks," *China Report*, Volume 20, Issue 3 (1984), pp. 3-5.

⁹³ Rajesh S. Kharat and Chunku Bhutia, "Changing Dynamics of India-Bhutan Relations," in *India in South Asia Challenges and Management*, ed. Amit Ranjan (Singapore: Springer, 2019), pp. 44.

methods for future meetings. He noted that the negotiations were conducted in a friendly atmosphere and were scheduled to take place annually, alternating between Thimphu and Beijing. He also informed the Assembly that the upcoming meeting would be held in Thimphu.⁹⁴

Second Round of Negotiations

In 1985, the second round of negotiations took place in Thimphu, Bhutan. Throughout this negotiation, both parties reviewed the contested areas and presented their respective viewpoints on the matter. It became apparent that there wasn't a substantial dispute concerning the traditional boundary between China and Bhutan. As a result, it was feasible to establish an approach agreeable to both sides to foster friendly relations between the two countries.⁹⁵

Third Round of Negotiations

In June 1986, the third round of negotiations took place in Beijing, China. During the talks, both sides discussed the principles that would govern the boundary negotiations. Chinese Premier Jiang Zemin assured his Bhutanese counterpart, Yeshe Tobgyel, that China would uphold Bhutan's sovereignty and refrain from intervening in its internal matters. The two countries reached an agreement to maintain a peaceful and amicable border while actively pursuing a swift resolution to the issue.⁹⁶

Fourth Round of Negotiation

The fourth round of negotiations was held in Thimphu, Bhutan, in 1987. The first four rounds of negotiations focused on establishing guiding principles for subsequent discussions. Bhutan insisted on only four principles, while China

⁹⁴ "Proceedings and resolutions adopted during the 60th Session of the National Assembly," *Presentation of the Annual Report of the Ministry of Foreign Affairs to the National Assembly*, Section 10, held from January 1, 1984 to January 1, 1984, pp. 7-8, https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/60th_Session.pdf.

⁹⁵ Kuensel, May 2, 1985.

⁹⁶ R. Mohan, "Bhutan: Solution at Sight," *Far Eastern Economic Review*, July 10, 1986.

suggested five. The foreign minister informed the National Assembly that, so far, three principles have been agreed upon.⁹⁷

Fifth Round of Negotiations

The fifth round of negotiations was held in Beijing in May 1988. Most of the disagreements about the guiding principles for the boundary negotiations were settled by both parties. The two sides agreed on the four fundamental principles that would guide the boundary issue. The guiding principles of the boundary talks are as follows:

- Observing the five principles of peaceful co-existence: mutual respect for sovereignty and territorial integrity; mutual non-aggression; mutual non-interference in each other's internal matters; equality; and mutual benefit and peaceful co-existence
- Treating each other as equals and entering into a friendly consultation based on mutual understanding and mutual accommodation to reach a just and reasonable settlement
- Considering the historical context rooted in tradition, customs, practices, and administrative authority, all while taking into account the national sentiments of the populations and the national interests of both countries
- Until a definitive resolution to the border issue is reached, upholding peace along the border and preserving the status quo of the boundary as it was prior to March 1959, and refraining from taking unilateral actions or using force to change the status quo of the boundary.⁹⁸

⁹⁷ "Proceedings and resolutions adopted during the 65th Session of the National Assembly," *Issue Regarding Border Talks with China*, Section 3, held from July 13, 1987 to July 24, 1987, p. 3, https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/65th_Session.

⁹⁸ National Assembly Debates, n. 64, p. 81.

China and Bhutan both conveyed their intentions to uphold a peaceful and amicable border relationship. They also emphasised their strong commitment to work diligently towards a prompt delineation of the border. Additionally, the two delegations exchanged perspectives on global matters of shared importance and interest, as well as commended each other's accomplishments in the economic sphere. Thus, the main agenda of the five rounds of negotiations was centred around the guiding principles, which can be considered significant progress as these would constitute the basis for conducting boundary demarcation in the later sessions.⁹⁹

Nevertheless, despite their commitment to peaceful coexistence and adherence to the five principles of peaceful coexistence, China has, on several occasions, disregarded these principles. China has not refrained from taking unilateral actions or resorting to the use of force in certain situations concerning Bhutan. Similarly, during the conflict with India in 1962, China violated the Sino-Indian peaceful co-existence agreement of 1954.¹⁰⁰ In fact, it continues to violate it through frequent incursions into the Indian territories.

Sixth Round of Negotiations

The first five rounds of negotiations were restrained as both parties sought to define the scope and parameters of their discussions. However, in the sixth round of negotiations held in Beijing in 1989, both sides elevated the diplomatic level of their dialogue. Bhutan was represented by its foreign minister, while the Chinese delegation was led by the senior vice foreign minister. During the talks, China and Bhutan presented their respective claims regarding the Jakarlung and Pasamlung Valleys, which are situated near the TAR and encompass an area of 495 square kilometres. The Bhutanese delegation contended that these two valleys extended below the source of the Bazaraguru Chhu River in Kurote Dzongkhag, Bhutan, and supported their

⁹⁹ *Kuensel*, June 4, 1988.

¹⁰⁰ Kharat and Bhutia, n. 93, p. 45.

claims by providing their official map to their Chinese counterparts.¹⁰¹ It is important to note that Bhutan's official map received approval from the 68th session of the National Assembly in 1989.¹⁰²

Although the boundary negotiations were held based on sovereign equality, their different interpretations of the boundary prevented them from reaching a consensus on the boundary demarcation. As a result, it was decided that negotiations would be resumed during the seventh round of boundary negotiations to be held in 1990.¹⁰³

Seventh Round of Negotiations

In August 1990, during the seventh round of negotiations held in Thimphu, China changed the nature and direction of the bilateral negotiations by offering a “package deal” in response to the Bhutanese claims over the Jakarlung and Pasamlung Valleys. As per this deal, China offered to give up its claims over the Jakarlung and Pasamlung Valleys if Bhutan gave up its claims on the 269 square kilometres of area in the western sector. The Western sector, in particular, was of strategic significance to China. However, the Chinese delegation's offer of a package deal was rejected by the Bhutanese delegation.¹⁰⁴

Eighth Round of Negotiations:

In 1992, the eighth round of negotiations was held in Beijing. This particular round of talks was marked by positive progress, with Bhutan's Foreign Minister, Dawa Tsering, announcing afterwards that China had, to a

¹⁰¹ *The Times of India (New Delhi)*, May 15, 1988.

¹⁰² “Proceedings and resolutions adopted during the 68th Session of the National Assembly,” *Bhutan's boundary with China*, Section 14, held from October 23, 1989 to October 31, 1989, pp. 15-17, https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/68th_Session.

¹⁰³ “Proceedings and resolutions adopted during the 69th Session of the National Assembly,” *Bhutan-China Boundary Talks*, Section XVI, held from March 19, 1990 to March 26, 1990, pp. 22-24, https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/69th_Session.

¹⁰⁴ “Proceedings and resolutions adopted during the 75th Session of the National Assembly,” *Bhutan-China Boundary Talks*, Section III, held from June 20, 1997 to July 16, 1997, pp. 4-8, https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/75th_Session.

considerable extent, consented to cede the disputed territories of Jakarlung, Pasamlung, and Majathang to Bhutan. ¹⁰⁵

Ninth Round of Negotiations

In June 1993, the ninth round of negotiations was held in Thimphu. Both delegations described the discussions as beneficial and constructive, emphasising that the talks have contributed to the strengthening of friendship and mutual understanding between the two governments and their respective citizens. ¹⁰⁶

The members of the Bhutanese National Assembly had different views when it came to the progress of the boundary negotiations between China and Bhutan. One faction pointed out that nine years had passed since the first round of negotiations, so it was essential to conclude the negotiations as early as possible. The other faction was of the view that the boundary negotiations were very important, and so the negotiations should not be hurried but carried out prudently and at a thoughtful pace. ¹⁰⁷

Eventually, the National Assembly acknowledged that the boundary negotiations were progressing steadily. Therefore, the Royal Government should diplomatically continue the negotiations with perseverance so that the border can be finally demarcated as per the traditional claims and the position shown on the two maps approved in the 68th session of the National Assembly in 1988. ¹⁰⁸

Tenth Round of Negotiations

In 1955, the tenth round of talks took place in Thimphu, during which both sides engaged in discussions regarding their respective claims with a spirit of

¹⁰⁵ Kuensel, 10 August, 1996.

¹⁰⁶ Kuensel, 3 July, 1993.

¹⁰⁷ "Proceedings and resolutions adopted during the 71st Session of the National Assembly," *Bhutan-China Boundary Talks*, Section XII, held from October 16, 1992 to November 6, 1992, pp. 51-52

https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/71st_Session.

¹⁰⁸ Ibid., pp. 51-52.

cooperation and goodwill. During the 74th session of the Bhutanese National Assembly, His Majesty the King provided an update on the status of the boundary negotiations. He mentioned that the China-Bhutan boundary talks commenced in 1984 and initially involved disagreement over 1,000 square kilometres of territory. However, following the most recent round of negotiations, only three areas in the Western sector remain under discussion. These areas include 89 square kilometres in Doklam, 42 square kilometres in Sinchulungpa, and 138 square kilometres in Shakhatoe, a total of 269 square kilometres. His Majesty also conveyed that the Chinese government had extended an invitation to the Royal Government for the upcoming round of talks to be held in Beijing. ¹⁰⁹

Eleventh Round of Negotiations

In November 1996, the eleventh round of talks took place in Beijing, with the leaders of the Bhutanese delegation being the Secretary of Survey and Bhutan's Foreign Minister. During the negotiation, the Bhutanese delegation presented Bhutan's claims to Doklam, Sinchulungpa, Dramana, and Shakhatoe in the western sector of the northern border. They emphasised the importance of these areas, particularly for the livelihood of the people in the Haa Valley. The Bhutanese delegation also expressed concerns regarding Chinese road construction activities in the regions under discussion. Furthermore, they addressed the issue of Tibetan herdsmen encroaching into Majathang and Jakarlung in the central sector. ¹¹⁰

In response to the Bhutanese delegation, the Chinese officials opted to highlight the incursions by the Tibetan herdsmen rather than address Bhutan's territorial claims. They pointed out that China had presented a package proposal to Bhutan during the seventh round of negotiations, but

¹⁰⁹ "Proceedings and resolutions adopted during the 74th Session of the National Assembly," *Bhutan-China Boundary Talks*, Section VII, Section held from June 28, 1996 to July 19, 1996, pp. 92-95, https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/74th_Session.

¹¹⁰ National Assembly Debates, n. 104, pp. 4-8.

since no agreement had been reached on the proposal, they were unable to exert control over the activities of the Tibetan herdsmen along the borders. Nevertheless, the Chinese delegation agreed to look into the matter of Tibetan herdsmen's encroachment in the Majathang and Jakarlung areas. ¹¹¹

Throughout the negotiations, the Chinese delegation pressed for Bhutan to endorse an interim agreement aimed at preserving peace and serenity along the Sino-Bhutanese border. They even presented a draft of the agreement for Bhutan's consideration. However, the Bhutanese delegation left without giving a definitive response, citing their need for authorisation from the Royal Government to sign such an agreement. ¹¹²

Twelfth Round of Negotiations

In 1997, a Chinese delegation made a visit to Thimphu, and in 1998, the twelfth round of border talks took place in Beijing. ¹¹³ During these talks, three primary subjects were addressed. The first was the establishment of diplomatic relations between China and Bhutan. The second topic centred on enhancing trade relations between the two countries. Lastly, the discussions also revolved around the matter of the package deal. ¹¹⁴

The foreign ministers of both China and Bhutan signed the "Agreement on Maintaining Peace and Tranquillity in the Sino-Bhutanese Border." Bhutan acknowledged the significance of signing such an agreement during the Beijing talks, given the absence of a mutually agreed-upon foundation for border negotiations. As this represented the first intergovernmental agreement signed between China and Bhutan, both sides expressed confidence

¹¹¹ Ibid., pp. 4-8.

¹¹² "Proceedings and resolutions adopted during the 77th Session of the National Assembly," *Bhutan-China Boundary Talks*, Section VI, held from May 16, 1999 to June 29, 1999, pp. 27-30, https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/77th_Session.

¹¹³ Ibid., pp. 27-30.

¹¹⁴ "Bhutan China Border Talks," *The People's Review*, December 24-31, 1988.

that it would play a role in fostering a friendly resolution to the boundary dispute. ¹¹⁵

The agreement adhered to the principles of mutual respect for each other's sovereignty and territorial integrity, mutual non-interference in internal affairs, non-aggression, equality, mutual benefit, and peaceful co-existence. ¹¹⁶ It was on the lines of the India-China "Agreement on the Maintenance of Peace and Tranquillity along the India-China Border of 1993." China and Bhutan reaffirmed the idea that all nations, regardless of their strength or size, should treat each other with equality and respect. China reiterated its commitment to fully respect Bhutan's sovereignty, territorial integrity, and independence. Both parties agreed to cultivate friendly neighbourly relations characterised by friendship and cooperation, guided by the five principles of peaceful co-existence. ¹¹⁷

Moreover, both parties acknowledged the significance of the previous eleven rounds of talks, recognising that they had successfully established guiding principles for addressing the border issue. Through mutual understanding, trust, accommodation, and cooperation, they made progress in narrowing their differences concerning border-related issues during these negotiations. Importantly, the border negotiations strengthened the mutual understanding and friendship between the two sides. Consequently, both parties were committed to making earnest endeavours to reach a just and equitable resolution to the border issue as soon as possible. ¹¹⁸

The most important provision of this agreement was the mutual commitment to uphold peace and tranquillity along the Sino-Bhutan border until a final resolution to the boundary dispute was achieved. They also agreed to preserve

¹¹⁵ National Assembly Debates, n. 112, pp. 27-30.

¹¹⁶ Ibid., pp. 27-30.

¹¹⁷ "Agreement between the Government of the People's Republic of China and the Government of the Kingdom of Bhutan on Maintenance of Peace and Tranquility in China-Bhutan Border areas," *Ministry of Foreign Affairs, People's Republic of China*, <http://treaty.mfa.gov.cn/tykfiles/20180718/1531876783307.pdf>.

¹¹⁸ Ibid.

the status quo on the boundary as before March 1959 and refrain from unilateral actions to change the status quo of the boundary. Additionally, both parties concurred on resolving the matter through a process of friendly consultations.¹¹⁹

With the end of the twelfth round of talks, an agreement for the exchange of territories between the two parties could not be reached. China saw this exchange as a means to gain a strategic advantage. On the other hand, if Bhutan had accepted China's proposal for an exchange, it would have provided Bhutan with certain benefits. Firstly, it would have helped alleviate tensions with China. Secondly, Bhutan would have acquired a larger portion of the territory.¹²⁰

However, Bhutan rejected this exchange deal because a large number of the Bhutanese population relied on these pasturelands for their livelihood. Consequently, Bhutan needed to ensure the protection of these traditional grazing grounds and the demarcation of the border based on traditional lines. This demonstrated that, despite being a small country, Bhutan was unwilling to compromise on its territorial integrity. Additionally, given Bhutan's close ties with India, it also had concerns about India's strategic interests in the region.¹²¹

Thirteenth Round of Negotiations

The thirteenth round of negotiations occurred in Thimphu in September 1999, during which the Chinese Vice Foreign Minister, Wang Yi, signed the intergovernmental agreement on the Maintenance of Peace and Tranquility in the China-Bhutan border areas. Concerning the friendship between China and Bhutan, the Chinese delegation emphasised that China gives high priority to

¹¹⁹ Ibid.

¹²⁰ Manoj Joshi, "Doklam: To Start at the Very Beginning," *Observer Research Foundation*, ORF Special Report#40 (August 2017), p. 5. https://www.orfonline.org/wp-content/uploads/2017/08/ORF_SpecialReport_40_Doklam.

¹²¹ National Assembly Debates, n. 103, pp. 22-24.

maintaining friendly relations with all its neighbouring countries, adhering to the five principles of peaceful coexistence. They also reiterated China's view of Bhutan as an equal neighbour and recognised all neighbouring countries as equal members of the international community. Additionally, discussions took place regarding the potential establishment of diplomatic and trade relations between the two countries. ¹²²

During the 78th National Assembly, several issues were addressed, including the annual incursions of Tibetans for medicinal plant collection, the illegal harvest of medicinal plants, and the grazing of their livestock on Bhutanese pasture land. The problem of mule tracks and timber extraction in Pasamlung was also discussed. It was noted that regular patrolling by the army and forestry staff was lacking in these areas. Consequently, the government decided to instruct the Department of Forestry to conduct a comprehensive investigation into these matters. Furthermore, it was determined that the foreign ministry would raise these concerns with the Chinese authorities during the fourteenth round of border talks. ¹²³

Fourteenth Round of Negotiations

During the fourteenth round of negotiations in Beijing in November 2000, Bhutan expanded its territorial claims beyond what China had previously offered. Bhutan's delegation included Doklam, Chharithang, Sinchulungpa, Dramana, and Giu Chhu in the western sector of the country within their claim line. The Bhutanese reaffirmed their ownership of these lands, emphasising their crucial significance to the Bhutanese people, who relied on these areas for their livelihoods. Consequently, Bhutan found the earlier

¹²² National Assembly Debates, n. 104, pp. 4-8.

¹²³ "Proceedings and resolutions adopted during the 78th Session of the National Assembly," *Bhutan-China Boundary Talks*, Section XI (1) held from April 24, 2000 to June 25, 2000, pp. 108-110, https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/78th_Session.pdf.

agreement unacceptable and insisted on extending the claim line in these regions as far as possible. ¹²⁴

The Bhutanese delegation also suggested initiating a technical dialogue, aided by maps, involving experts from both sides to gather the essential data required for delineating the boundary. In the National Assembly, the king expressed his optimism that despite Bhutan's smaller size compared to China, the two nations maintained a friendly relationship, and therefore, the process of demarcation would be successfully accomplished in the coming times. ¹²⁵

Fifteenth Round of Negotiations

The fifteenth round of negotiations took place in Thimphu in November 2001, with the Chinese delegation led by Chinese Vice Foreign Minister Wang Yi and the Bhutanese delegation represented by Foreign Minister Jigmi Thinley. The primary focus of the discussions was the international boundary between the two countries, with both parties deciding to concentrate on three specific areas in the Western sector: Doklam, Sinchulungpa, and Dramana. During the talks, the Chinese Foreign Minister stressed the importance of mutual understanding as a foundation for achieving mutual support, mutual assistance, and the necessary confidence to advance further in the boundary negotiations. Both sides agreed to Bhutan's proposal to appoint technical experts to aid in boundary demarcation. Additionally, they agreed to use common names for the disputed areas to prevent confusion. ¹²⁶

The King of Bhutan conveyed to the Assembly that the matter of the Chinese and the Tibetan house construction in Pasamlung in 1999 had been resolved through government-level discussions. During the talks concerning the boundary issue, Assembly members underscored the significance of

¹²⁴ "Proceedings and resolutions adopted during the 79th Session of the National Assembly," *Border Talks*, Section X, held from June 2001 to July 2001, pp. 143-146, https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/79th_Session.

¹²⁵ *Ibid.*, pp. 143-146.

¹²⁶ National Assembly Debates, n. 29, pp. 41-44.

considering that even a small piece of land holds great value for a small, landlocked country like Bhutan. The Bhutanese delegation noted that this round of negotiations had been concluded successfully with a spirit of mutual trust and friendship, and they looked forward to the next round of talks yielding positive outcomes.¹²⁷

Sixteenth Round of Negotiations

In October 2002, the sixteenth round of negotiations took place in Beijing, where Chinese Premier Zhu Rongji met the Bhutanese Foreign Minister, Lyonpo Jigme Yoesar Thinley. Both sides agreed to exchange scale maps showing the respective claim lines for the two governments to examine during the round of negotiations. Following the sixteenth round of talks, both parties acknowledged that the issue at hand was quite intricate. Consequently, they agreed that a collaborative effort through mutual understanding and reconciliation was necessary to identify an appropriate solution to the border issue.¹²⁸

Seventeenth Round of Negotiations

The seventeenth round of negotiations took place in Thimphu, Bhutan, in April 2004. During the talks, the Chinese delegation expressed that they had examined the claim lines of Bhutan given to them during the sixteenth round of talks and discovered that there existed discrepancies between the Chinese claim lines and how Bhutan viewed the borderline. In the course of the discussions, both parties reached an agreement to establish a mechanism where border examinations would involve experts from both sides. The Expert Group will assess the claim lines on a technical level. This would help in

¹²⁷ Ibid., pp. 41-44.

¹²⁸ "Proceedings and resolutions adopted during the 2nd Session of the 1st Parliament of Bhutan's National Assembly," *Bhutan-China Border Talks*, Section XI (7), held on December 24, 2008, pp. 44-50, https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/2nd_session_eng.pdf.

reducing the discrepancies between the claim lines so they could arrive at a common, agreed-upon boundary acceptable to both parties.¹²⁹

The initial meeting of the Expert Group was held in 2002, with the Bhutanese Home Secretary leading a team of experts to China. Subsequently, a joint ground survey was conducted. A Chinese technical team was set to visit Bhutan before June 2005, signifying a critical phase in the border negotiations.¹³⁰ Despite not being frequent, visits between the two countries continued. The Chinese Ambassador to India visited Bhutan in April 2003. During his visit, he reiterated that China and Bhutan share a cordial and friendly relationship that is developing positively. While emphasising China's good neighbourly stance towards Bhutan, he said that an actual relationship is more important than formal diplomatic ties.¹³¹

However, soon enough, China began using its pressure tactics on Bhutan. China began constructing motor roads in the northern border areas, raising alarm bells in Bhutan. Many in Bhutan felt that it was an attempt by China to make Bhutan pay the price for rejecting the 1996 "package deal." The Chinese had become more assertive and active in constructing roads in the border areas. In 2004, the Bhutanese Secretary of International Boundaries reported to the National Assembly that the government had repeatedly raised concerns about the construction of six motor roads in the northern border regions with the Chinese Embassy in New Delhi. Among these roads, two had reached the border, while the other four had extended into Bhutanese territory. The construction of these roads was a matter of significant concern as it constituted a clear violation of Article III of the 1998 agreement. According to this article, both sides had agreed to maintain peace and tranquillity along the Sino-Bhutan border until a final settlement of the boundary dispute was reached, preserving

¹²⁹ "Proceedings and resolutions adopted during the 82nd Session of the National Assembly," Section 6, *Bhutan-China Boundary Talks*, Section VI, held on June 28, 2004, pp. 75-86, https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/82nd_Session.pdf.

¹³⁰ *Ibid.*

¹³¹ Singh, n. 83, p. 289.

the status quo on the boundary as it stood before March 1959. They had also committed to refraining from taking any unilateral actions that would alter the boundary's status quo. Therefore, it was imperative to address this issue with the Chinese authorities.¹³²

As a result, the Bhutanese Foreign Minister raised this matter once more during his meeting with the Chinese counterpart on the sidelines of the United Nations General Assembly (UNGA) in New York on September 27, 2004. In response, the Chinese Foreign Minister reassured the Bhutanese Foreign Minister that the roads had been built in Chinese territory to support the development of western China, including Tibet. However, given the positive relations between the two countries, such activities would be halted. Furthermore, he conveyed the Chinese government's commitment to resolving the issue amicably through mutual understanding and reconciliation.¹³³

After seventeen rounds of negotiations between China and Bhutan, it appears that the Chinese are hesitant to reduce their claims in the Western sectors. Due to the strategic importance of the western sector, actions like constructing roads in disputed areas and encroaching into Bhutanese territories were taken to exert pressure on Bhutan to accept a territorial exchange proposal involving 495 square kilometres of land in return for 269 square kilometres of pastureland.¹³⁴

Eighteenth Round of Negotiations

The eighteenth round of negotiations was held in Beijing in August 2006, with the central focus on the "package deal." The Bhutanese delegation maintained their stance of not accepting the deal unless additional concessions were granted in the Western sector. Nevertheless, during the discussions, both

¹³² "Proceedings and resolutions adopted during the 83rd Session of the National Assembly," *Bhutan-China Boundary Talks*, Section V, held on June 3, 2005, pp. 13-17.

https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/83rd_Session.pdf.

¹³³ *Ibid.*

¹³⁴ Kharat and Bhutia, n. 93, p. 49.

parties reached an agreement that the Chinese expert group would visit Bhutan in the following year to work on resolving the disparities in the territorial claims made by both sides.¹³⁵

As reported in the National Assembly, the number of incursions increased after the eighteenth round of talks. It was discussed that the PLA frequently intruded into the Royal Bhutan Army (RBA) patrol camps. In addition, it was brought to the attention of the National Assembly that the PLA had entered the Lharigang RBA outpost 21 times in 2008 and 17 times in 2009. The rise in the frequency of incursions and road construction activities was primarily linked to the lull in the annual border negotiations between the two countries. The nineteenth round of talks could not be held in the following year due to Bhutan's transition to a democratic system. In response to the incursions, the RGOB lodged a protest with the Chinese government, and it was agreed that the issue would be extensively addressed during the upcoming round of border negotiations.¹³⁶

Nineteenth Round of Negotiations

The nineteenth round of negotiations took place in 2010 after a four-year hiatus. This particular round primarily concentrated on the northwestern sector. Both sides reached an agreement to conduct a collaborative field survey of the disputed areas within the valuable pasturelands of Bhutan.¹³⁷

These talks held significant importance due to two noteworthy developments. Firstly, there was the revision of the India-Bhutan treaty in 2007, which marked the removal of Article II, which had previously required Bhutan to

¹³⁵ "Proceedings and resolutions adopted during the 86th Session of the National Assembly," *Bhutan-China Boundary Talks*, Section VII, held from December 22, 2007 to January 8, 2007, pp. 33-34, https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/86th_session.pdf.

¹³⁶ "Proceedings and resolutions adopted during the 4th Session of the 2nd Parliament of Bhutan's National Assembly," *Report on the Status of Bhutan-China Border Negotiations*, Section IX, held from November 20, 2009 to December 11, 2009, pp. 17-33,

https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/4th_session_eng.pdf.

¹³⁷ National Assembly Debates, n. 135, pp. 33-34.

seek India's advice on its foreign policy matters. Secondly, Bhutan underwent a transition from an absolute monarchy to a constitutional monarchy with a parliamentary democracy. This transition ushered in domestic political reforms in Bhutan, culminating in Bhutan's first democratic election in 2008.

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Twentieth Round of Negotiations

The twentieth round of border negotiations was held in Thimphu in 2012, involving Chinese Vice Foreign Minister Fu Ying and acting Bhutanese Foreign Minister Lyonpo Khandu Wangchuck. Bhutan conveyed its desire to collaborate closely with China to expedite the resolution of the boundary dispute. Both sides expressed optimism for enhanced cooperation and the deepening of their friendship. Despite the absence of formal diplomatic relations, both countries have continued to engage at the political, economic, and people-to-people levels.¹³⁹

Twenty-First Round of Negotiations

The twenty-first round of border negotiations took place in August 2013 in Thimphu, Bhutan. Leading the Bhutanese delegation was Foreign Minister Lyonpo Rinzin Dorji, accompanied by Dasho Pema Wangchuck, Secretary of International Boundaries, Foreign Secretary Yeshey Dorji, and officials from the Ministry of Foreign Affairs and International Boundaries Secretariat. On the Chinese side, Mr. Liu Zhenmin, Vice Foreign Minister, led the delegation. During the discussion, both parties reached an agreement to conduct a Joint Technical Field Survey in the Pasamlung area of Bumthang during the first week of September. These negotiations served as an opportunity for both sides to gain a better understanding of each other's positions regarding boundary-

¹³⁸ Hashmi, n. 2, p. 188.

¹³⁹ "China and Bhutan Hold 20th Round of Border Talks," *Ministry of Foreign Affairs, People's Republic of China*, https://www.fmprc.gov.cn/eng/gjhdq_665435/2675_665437/2686_663376/2688_663380/201208/t20120814_510139.html.

related issues, with the goal of reaching an early and mutually acceptable resolution to the border dispute between the two countries.¹⁴⁰

As stated in the joint statement,

“The two delegations expressed satisfaction with the talks and reaffirmed their commitment to resolve the boundary dispute at the earliest through mutual consultation, understanding, and accommodation based on the Four Guiding Principles agreed to in 1988 and the 1998 Agreement on the Maintenance of Peace and Tranquility in the Bhutan-China border areas.”¹⁴¹

Twenty-Second Round of Negotiations

The twenty-second round of negotiations was held in July 2014 in Shanxi Province, China. The Bhutanese delegation was led by Foreign Minister Rinzin Dorje, and the Chinese delegation was led by Liu Zhenmin. The discussions were conducted in an open and friendly manner. Both sides endorsed the Joint Report of the Joint Technical Field Survey conducted in the Pasamlung area in Bumthang in September of the preceding year. Additionally, it was also agreed that the Expert Group dealing with the boundary issue would convene in Bhutan later in the same year to establish the procedures for conducting a Joint Technical Field Survey of the disputed regions in the western sector.¹⁴²

The outcome of the twenty-second round of talks indicated that both parties were content with the progress made. Over the years, these annual interactions have created a platform for deeper engagement between the two countries. Bilateral exchanges and cooperation have steadily progressed in

¹⁴⁰ “Press Release,” *Ministry of Foreign Affairs, Royal Government of Bhutan*, August 22, 2013, <http://www.mfa.gov.bt/wp-content/uploads/2013/08/press-release11.pdf>.

¹⁴¹ Ibid.

¹⁴² “An Affirmative Boundary Talk Between Bhutan and China,” *Bhutan Broadcasting Service*, July 28, 2014, <http://www.bbs.bt/news/?p=42282.pdf>.

various domains, with both sides committed to making sincere efforts to reach a reasonable and mutually acceptable solution. ¹⁴³

Twenty-Third Round of Negotiations

The twenty-third round of negotiations took place in August 2015 in Thimphu, Bhutan. China's eleven-member delegation was led by Foreign Vice Minister Liu Zhenmin, while the Bhutanese side was represented by Foreign Minister Damcho Dorji. During this visit, the Chinese Foreign Vice Minister also had meetings with Bhutan's 4th King, Jigme Singye Wangchuk, and Prime Minister Tshering Tobgay of Bhutan. ¹⁴⁴

The two parties exchanged their perspectives on regional and international matters of shared interest and concern. They reviewed the progress made regarding the boundary issue, taking into account the two Expert Group meetings of 2014 and 2015 in Thimphu and Beijing, respectively, as well as the initial phase of the Joint Technical Survey of the Western sector conducted in June 2015. Consequently, this round of talks primarily focused on the dispute in the Western sector, encompassing areas like Doklam, Dramana, Shakhatoe, and Sinchulungpa, covering an area of 269 square kilometres located in Haa and Paro. ¹⁴⁵

It was also agreed that the final phase of the Joint Technical Survey for the Western sector would be carried out within the same year. Subsequently, a meeting of the Expert Group would be convened to compile the two reports from the joint survey in the Western sector. ¹⁴⁶

¹⁴³ Ibid.

¹⁴⁴ Gyalsten K. Dorji, "Bhutan and China to Hold Border talks today," *Kuensel Online*, August 24, 2015, <https://kuenselonline.com/bhutan-and-china-to-hold-border-talks-today/>.

¹⁴⁵ Ibid.

¹⁴⁶ Ibid.

Twenty-Fourth Round of Negotiations

The twenty-fourth round of negotiations was held in August 2016 in Beijing, China. During the discussions, both sides shared their perspectives on bilateral relations and other subjects of mutual interest. They assessed the progress made on the boundary issue following the twenty-third round of talks in Thimphu in 2015, along with the two Expert Group meetings held in 2015 and 2016, taking place in Beijing and Thimphu, respectively. Furthermore, both sides gave their approval to the report of the Joint Technical Field Survey conducted in the disputed regions of the western sector. The contributions of the Expert Group, which effectively carried out the field survey, were acknowledged and valued by both sides. The meeting also directed the leaders of the Expert Group to continue their discussions on the border issue.¹⁴⁷

During the talks, Chinese Foreign Minister Wang Yi told his Bhutanese counterpart:

“China has always respected Bhutan’s independence, sovereignty, and territorial integrity. An early establishment of a diplomatic relationship between China and Bhutan not only conforms to the common interests of the two countries but is also beneficial to safeguarding regional stability and development. The Chinese side looks forward to developing a long-term, stable, and friendly relationship with Bhutan and is willing to solve the boundary issue with Bhutan at an early date through friendly negotiation”.¹⁴⁸

In response, the Bhutanese Foreign Minister, Lyonpo Damcho Dorji, noted that,

“The Bhutanese government attaches great importance to Bhutan-China relations. In recent years, the two countries have maintained a sound momentum in exchanges in all fields. Admiring the development achievements of China,

¹⁴⁷ “24th round of Bhutan-China Boundary talks held today,” *Kuensel Online*, August 16, 2016, <https://kuenselonline.com/24th-round-of-bhutan-china-boundary-talks-held/>.

¹⁴⁸ “Foreign Minister Wang Yi Meets with Foreign Minister Lyonpo Damcho Dorji of Bhutan,” *Embassy of the People’s Republic of China in the Republic of Philippines*, August 15, 2016, http://ph.china-embassy.gov.cn/eng/chinew/201608/t20160817_1162082.htm.

Bhutan is willing to strengthen bilateral cooperation further and push forward the process of boundary negotiations based on existing consensus.¹⁴⁹

The boundary negotiations were suspended in 2017 due to China's commencement of road construction activities near the Doklam Plateau. An analysis of the twenty-four rounds of border negotiations reveals several patterns in China and Bhutan relations. First off, since the sixth round of negotiations, both sides have sent their respective foreign ministers to represent them, raising the level of their dialogue. This marked a substantial improvement in China and Bhutan's degree of contact. Second, China's approach to border negotiations with Bhutan is similar to its approach with Nepal and India. In all three cases, China has suggested a comprehensive "package deal" rather than settling the border disputes on a sector-by-sector basis.

Third, despite the absence of formal diplomatic relations between the two countries, the 1998 agreement on the maintenance of peace and tranquillity along the borders was a direct outcome of border discussions. Following the signing of this agreement, bilateral relations between the two countries have steadily improved, largely due to China's eagerness to facilitate the resolution of border disputes. This represents a noteworthy advancement because there were no formal written agreements between the two countries prior to this agreement, and to some extent, it reaffirms Bhutan's independence from the territorial claims made by China.¹⁵⁰

Fourth, starting from 1984, Bhutan has experienced substantial transformations both within its borders and on the global stage. On the domestic front, it has effectively shifted from an absolute monarchy to a constitutional democracy. Internationally, it has gradually raised its diplomatic

¹⁴⁹ Ibid.

¹⁵⁰ Sangeeta Thapliyal, "India's Strategic concerns from Nepal & Bhutan," *CLAWS Journal*, Volume 15, Number (Summer 2022), p. 94.

profile. Bhutan has increasingly asserted a more independent stance in its foreign policy. Fifth, Bhutan realises that the China of 1984 is different from the China of 2023. China has grown more assertive, now ranking as the world's second-largest economy with a formidable military capacity. Bhutan has shown support for China on multiple occasions, including casting pro-Beijing votes on matters concerning human rights and Taiwan's status.¹⁵¹

Sixth, India remains a key factor in the border negotiations. While dealing with China, Bhutan has to keep in mind India's geo-strategic interest in the region. Seventh, Thimphu realises that even if the border negotiations are successfully concluded, problems will remain, which will require constant negotiation and dialogue with Beijing. Chinese army intrusions, road construction activities, and Tibetan herders' intrusions for grazing and the collection of medicinal plants. These issues are likely to persist, even after an agreement is reached. Eighth, given the small size of their country in comparison to their northern neighbour, the Bhutanese fear that at the end of the border negotiations, they will end up with a less than satisfactory outcome.¹⁵² This is clear as the Bhutanese Foreign Minister, Lyonpo Damcho Dorji, in response to a question in the Bhutanese National Assembly said, "Keeping in mind the size of our country, the government has always maintained that we cannot afford to lose even an inch of land that belongs to us."¹⁵³

Conclusion

Bhutan has always wanted to maintain an atmosphere of friendship and cooperation with China. Bhutan's border policy has always been clear from the start; the focus has been on resolving the border dispute by adhering to the

¹⁵¹ Smith, n. 72, pp. 23-33.

¹⁵² Ibid., pp. 23-33.

¹⁵³ "First Question time of the 18th Session of the National Council of Bhutan," *National Council of Bhutan*, November 25, 2016, https://www.nationalcouncil.bt/dz/media/view_news_detail/292.

guidelines on foreign policy laid down in the “Principles of State Policy” (Article IX, Clause I) of the 2008 Constitution of the Kingdom of Bhutan:

“The State shall endeavour to promote goodwill and co-operation with nations, foster respect for international law and treaty obligations, and encourage settlement of international disputes by peaceful means in order to promote international peace and security.”¹⁵⁴

China has used its *Delaying, Escalation and Cooperation Strategies* to normalise its territorial ambitions in Bhutan. First, it created a dispute through cartographic aggression (*Delaying Strategy*); second, it began claiming the territories by making incursions (*Escalation Strategy*); third, it proposed to settle the question of the disputed territory by proposing a “package deal” in the seventh round of boundary negotiation (*Cooperation Strategy*);¹⁵⁵ fourth, in the process of border negotiations, China is endeavouring to alter the status quo by engaging in incursions and construction projects within the disputed regions, aiming to exert continuous pressure on Bhutan to expedite the resolution of the border dispute. Consequently, in recent times, China has been employing a combination of *Cooperation and Escalation Strategies* to advance its territorial and geopolitical objectives in Bhutan.

China is primarily focused on the Western sector dispute, while Bhutan faces challenges in relinquishing its claims in this region due to its awareness of India’s strategic interests in Bhutan’s Western sector concerning China.¹⁵⁶ In the context of China’s ascent in the 21st century, these disputes pose challenges, as a key feature of any global power is having few or no border disputes. For China, given the international political context and its

¹⁵⁴ “Bhutan’s constitution of 2008,” *Constituteproject.org*, Article 9 (24), https://www.constituteproject.org/constitution/Bhutan_2008.pdf?lang=en.

¹⁵⁵ Huth, n. 1, pp. 38-39.

¹⁵⁶ Singh, n. 83, pp. 172-198.

commitment to peaceful development, it becomes essential to resolve its territorial disputes.¹⁵⁷

Therefore, the future of China-Bhutan relations will largely depend on the outcome of the border talks. In this context, it is necessary to mention the response of the Bhutanese Foreign Minister to a question asked in the Bhutanese National Council on the “Outcome and Progress of the Bhutan-China Border Talks.” While replying to the question, Lyonpo Damcho Dorji said, “While it is important to demarcate the border at the earliest, the outcome is more important. A desired outcome would be one that benefits the country and its people. At the same time, it is also important to strengthen Bhutan-China relations.”¹⁵⁸ In conclusion, we can say that the future of Bhutan and China's relationship will depend on how well the two countries settle the border dispute.

¹⁵⁷ Hongyi, n. 18, pp. 487-488.

¹⁵⁸ Tshering Dorji, “Differences in Bhutan-China border dispute minimized,” *Kuensel Online*, November 26, 2016, <https://kuenselonline.com/differences-in-bhutan-china-border-dispute-minimised/>.

CHAPTER IV

Doklam Standoff: Developments in China-Bhutan-India Relations

The border talks between China and Bhutan started in 1984 in Beijing. Even without diplomatic relations, both countries have completed 24 rounds of border talks. As analysed in the previous chapter, China today is using a combination of *Cooperation* and *Escalation Strategies* in its boundary negotiations with Bhutan. As a part of the *Cooperation Strategy*, China has recognised Bhutan as a sovereign state, and time and again it has shown its eagerness to establish a deeper economic and political engagement with Bhutan. Simultaneously, China has used its *Escalation Strategy* by unilaterally changing the status quo in its favour to avoid a large-scale conflict. This chapter mainly assesses China's *Escalation Strategy* in Bhutan. In the first part, an attempt has been made to review the various motives of China and India behind the standoff. The second part attempts to analyse the strategies used by China, India, and Bhutan during the standoff. The third part deals with the post-Doklam developments in China-India, India-Bhutan, and China-Bhutan relations. Finally, the chapter ends with the recent developments in the border issue between China and Bhutan.

China's Strategy in the Border Areas with Bhutan

China's *Escalation Strategy* refers to how China approaches and manages the use of physical force, intimidation, and other coercive mechanisms in pursuit of its strategic goals. As a part of the *Escalation Strategy*, China uses the *Salami Slicing Tactic* to alter the status quo along the border with Bhutan. This strategy has been discussed by Thomas Schelling in his work on *Arms and Influence*. Under the *Salami Slicing Tactic*, he argues that the aggressor can use the "tactics of erosion," whereby "one tests the seriousness of a commitment by probing it in a

non-committal way, pretending the trespass was inadvertent or unauthorised if one meets resistance.”¹

However, if the defender fails to give a definitive response, the aggressor can quickly move on to the next step in the tactic. In the next step, Schelling explains, “The aggressor can begin his intrusion on a scale too small to provoke a reaction.” Afterwards, the aggressor can “increase the intrusion by imperceptible degrees, never quite presenting a sudden, dramatic challenge that would invoke the committed response.” Schelling explains that through these “steady mounting pressure” tactics, the aggressor eventually achieves a considerable change in the status quo that—if they were to bite it off all at once—would have produced a crisis or even a large-scale war.²

In the words of Brahma Chellaney,

“China slices very thinly in a disaggregating manner by camouflaging offence as defence, which eventually leads cumulatively to large strategic gains and advantages for China. This throws its targets off balance by undercutting target deterrence and presenting the targets with a Hobson’s choice: either silently suffering China’s Salami Slicing, or risking an expensive and dangerous war with China. This strategy also functions to place the blame and burden of starting the war on the targets.”³

Additionally, he argues that for China,

“Salami Slicing rather than overt belligerence is a better alternative to gain strategic advantage through a steady progression of small actions, none of which serve as *casus belli* by themselves, yet which overtime lead cumulatively to a strategic transformation in China’s favour. China’s strategy aims to seriously limit

¹ Thomas Crombie Schelling, *Arms and Influence* (United Kingdom: Yale University Press, 2020), pp. 66-68.

² *Ibid.*, pp. 66-68.

³ Brahma Chellaney, “China’s salami-slice strategy,” *The Japan Times*, July 26, 2013, <https://chellaney.net/2013/07/26/chinas-salami-slice-strategy/>.

the options of the targeted countries by confounding their deterrence plans and making it difficult for them to advise proportionate or effective counteractions.”⁴

In the view of Harsh V. Pant, slicing entails carrying out subtle actions over time, intentionally avoiding eliciting reactions from others, with the ultimate goal of strategically shifting the prevailing circumstances in one’s favour. The objective of this strategy is to avoid a large-scale conflict and instead aim at advancing on the ground slice by slice rather than all at once, thereby, securing cumulative gains at minimal cost.⁵

As a part of its *Salami Slicing Tactic*, China fulfils its objective of expanding its influence not through conquest but through “demonstrative” actions such as border incursions. The border incursions have varied in nature, encompassing both discreet actions like dispatching Tibetan grazers to contested regions with Bhutan and more conspicuous activities such as military patrols and construction efforts. These border incursions are made to unilaterally change the day-to-day ground realities, through which these actions can accumulate over time into substantial strategic change.⁶

As a part of the “demonstrative” actions, soldiers from the People’s Liberation Army (PLA) have consistently intimidated the Royal Bhutan Guards stationed on the Doklam Plateau. They have done this by asserting that the guards were positioned on Chinese territory and subsequently occupying their posts for extended periods, repeatedly. China’s presence in Doklam is not a recent occurrence, as their patrol incursions into contested regions have been a fundamental aspect of their Himalayan strategy for many years. Infrastructure development has also taken place in regions that China claims to be in Tibet but

⁴ Ibid.

⁵ Harsh V. Pant, “China’s salami slicing overdrive: It’s flexing military muscles at a time when Covid preoccupies the rest of the world,” *The Times of India*, May 13, 2020, <https://timesofindia.indiatimes.com/blogs/toi-edit-page/chinas-salami-slicing-overdrive-its-flexing-military-muscles-at-a-time-when-covid-preoccupies-the-rest-of-the-world/>.

⁶ David Knoll, “Storytelling and Strategy: How Narrative is Central to Gray Zone Warfare,” *West Point, Modern War Institute*, August 24, 2021, <https://mwi.usma.edu/story-telling-and-strategy-how-narrative-is-central-to-gray-zone-warfare/>.

are actually in northern Bhutan. These infrastructures include access roads, police stations, bunkers, and even military facilities. These actions appear to be aimed at both showing Beijing's resolve and seeking to lower that of Bhutan.⁷

China has also undertaken the expansion of villages, commonly referred to as "border defence villages." It justifies the construction as a component of President Xi Jinping's nationwide initiative to fight poverty. China is building a Xiaokang, or "moderately well-off," society in the Tibetan Autonomous Region (TAR) of China. In the border communities, this entails the development of housing facilities, infrastructure, public utility facilities, industrial construction, and human settlements. Although China asserts that these settlements are being built in the TAR, in reality, they are in Nepal, Bhutan, and India.⁸ For instance, China announced the completion of a new model village, Gyalaphug, in Bhutan in October 2015.⁹

China has continued to establish additional settlements along the border, with one of the latest being Pangda village near the Amo Chu River, also known as the Mochu River, situated in the Yadong county of TAR in southwestern China. Yadong County is positioned in the heart of the Himalayan region, sharing its borders with Sikkim, India to the west, and Bhutan to the east and south. This particular village is situated to the east of the Doklam plateau, approximately 10 kilometres away from the tri-junction of India, China, and Bhutan.¹⁰

⁷ Ibid.

⁸ Liu Zhen and Kunal Purohit, "Near the China-Bhutan-India border, a new village is drawing attention to old disputes," *South China Morning Post*, December 6, 2020, <https://www.scmp.com/news/china/diplomacy/article/3112712/near-china-bhutan-india-border-new-village-drawing-attention>.

⁹ "China steps up construction along disputed Bhutan border, satellite images show," *The Economic Times*, January 12, 2022, <https://economictimes.indiatimes.com/news/defence/china-steps-up-construction-along-disputed-bhutan-border-satellite-images-show/articleshow/88852194.cms?from=mdr>.

¹⁰ Fan Lingzhi and Bai Yunyi, "Pangda village hyped by Indian media as in Bhutan is Chinese territory, satellite images, documents show," *Global Times*, November 23, 2020, <https://www.globaltimes.cn/content/1207785.shtml>.



Source: Google Earth Image of Pangda Village, 2019



Source: Google Earth Image of Pangda Village, 2021

The aforementioned satellite images demonstrate how rapidly China is erecting such villages, in addition to vast new highways and other services. The Chinese government is relocating its inhabitants to these areas since the border areas are largely desolate and uninhabited.¹¹ These villages can serve as border monitoring posts, which will offer China an undue strategic advantage as China can better control and monitor widespread areas.¹² These villages will also assist China in keeping an eye on the migration of Tibetans across the border. Most importantly, it would reaffirm the PRC's claims on the disputed territories along the India and Bhutan borders. China's action is not just restricted to its land boundary disputes. Even in its maritime disputes, China has employed similar tactics.¹³

According to former Indian Ambassador Ashok Kantha and former Foreign Secretary Shyam Sharan, the actions taken by China in the border areas are part of a broader pattern of behaviour, with parallels observed in the South China Sea. Ashok Kantha characterises China's construction efforts in border regions as a deliberate attempt to change the situation on the ground. Similarly, Shyam Saran has described China's approach as a "cabbage strategy," wherein they progressively make incremental moves, none of which individually provoke significant opposition. However, when these moves are considered collectively, they eventually lead to a significant shift in their security posture, making it difficult to reverse.¹⁴

In light of China's strategy in border areas, several key points are worth emphasising: Firstly, China has gradually expanded its territorial claims in Bhutan. Secondly, by constructing infrastructure such as roads, villages,

¹¹ Ibid.

¹² Suyash Desai, "Civilian and Military Developments in Tibet," *Takshashila Discussion Document*, v1.0, December 6, 2021, pp. 1-50.

¹³ Ibid., pp. 16-19.

¹⁴ Ashok Kantha and Shyam Saran, as cited in Sushant Singh, "Two perspectives on Doklam standoff," *The Indian Express*, July 26, 2017, <https://indianexpress.com/article/explained/two-perspectives-on-doklam-standoff-china-india-4767086/>.

military outposts, and other security facilities, China has actively pursued what is known as the *Salami Slicing Tactic*. Thirdly, this tactic is not limited to the Himalayan region, as China has also engaged in creating artificial islands in the South China Sea to advance its territorial objectives. Finally, China appears to disregard international norms, standards, sovereignty, and negotiations and displays itself as an assertive and aggressive power in the world.¹⁵

Doklam Crisis

The PLA entered Bhutanese territory on June 8, 2017, as part of their *Salami Slicing Tactics*, with road-building equipment to build a motorable road from Doklam to Bhutan's Jampheri Ridge (also known as Zompelri). China intended to facilitate a smooth transit for China's military logistics from the Tibetan city of Shigatse, through Yadong, across the border into Doklam, and finally south to China's claim line at Gipmochi. A Chinese road in the disputed territory would support China's claim over Doklam.¹⁶

In response, as part of *Operation Juniper*, some 270 armed Indian soldiers from the Sikkim garrison crossed into Bhutan to stop the PLA from building the road. This resulted in a 73-day face-off between India (Indian army and Indo-Tibetan Border Force) and China (PLA) in the remote stretch of the Himalayas. Both countries withdrew their forces on August 28, 2017, after a protracted standoff.¹⁷

According to Maris Taylor Fravel, even before the standoff, China's position in Doklam was strategically challenging. Their primary military installations in the area were located many kilometres away in the Yadong Valley.

¹⁵ Siegfried O. Wolf, "Beijing's Expansionism in the Himalayas," *South Asia Democratic Forum*, SADF Comment (2021), pp.2-3.

¹⁶ Ajay Shukla, "Doklam, Faceoff: Motives, Stakes and what Lies Ahead?" *Business Standards*, July 19, 2017, <https://www.ajayshukla.com/2017/07/doklam-faceoff-motives-stakes-and-what.html#:~:text=China%20has%20always%20been%20galled,India's%20colonial%20exploitation%20of%20Bhutan>.

¹⁷ Nagender S. P. Bisht, Rajeev Jain and Victor Gambhir, "Doklam Plateau and Three Warfare's Strategy," *China Report*, Volume 55, Issue 4 (2019), p. 299.

Consequently, to oversee what China considers its borders with India, the PLA would need to deploy forces uphill and at a considerable elevation. In contrast, the Indian army maintains multiple permanent facilities in Sikkim, whereas the PLA has far fewer permanent forces near the border. China had not constructed any lasting facilities in the region comparable to India's before the standoff occurred. As a result, India was able to step in and halt Chinese construction activities, leading to the eventual standoff.¹⁸

In the past, China made efforts to diminish India's presence in the Doklam region. In 2007, a patrol from the PLA insisted that India dismantle two Indian Army bunkers in this area. In response, India refused to comply with the request, asserting that these bunkers were situated within Indian territory and had been constructed prior to 2007. Subsequently, the Chinese government accused India of violating the 1993 agreement aimed at maintaining peace along the border. In 2007, after Chinese forces destroyed Indian bunkers, India swiftly deployed its forces to the Batang La area. This was again repeated in 2012 when the Chinese army again asked India to remove the two bunkers set up at Lalten on the Doklam plateau.¹⁹

This was not the first time that the Chinese troops entered the Doklam area. Over the years, the PLA has trespassed into Bhutan by crossing the Batang La-Meruga La-Sinchela Ridge Line. Over the past 25 years, the Chinese have built the railway that crosses the Batang La-Meruga La-Sinchela Ridge Line.²⁰ Besides the unlawful road construction activities, another concern raised in the Bhutanese National Assembly was the Chinese Army's intrusion into the border patrol camps. These incursions occurred 21 times in 2008 and 17 times in 2009.

¹⁸ Maris Taylor Fravel, "Stability in a Secondary Strategic Direction: China and the border dispute with India after 1962," in *Routledge Handbook of China-India Relations*, eds. Kanti Bajpai, Selina Ho, and Manjari Chatterjee Miller (New York: Routledge, 2020), p. 5.

¹⁹ Bisht et al, n. 17, pp. 293-309.

²⁰ Committee on External Affairs, Sixteenth Lok Sabha, *Sino-Indian Relations Including Doklam, Border Situations and Cooperation in International Organisations*, 22nd Report, Lok Sabha Secretariat (2018), pp. 21-22, https://eparlib.nic.in/bitstream/123456789/779992/1/16_External_Affairs_22.pdf.

Notably, what sets these incidents apart was the PLA's arrival in significant numbers, accompanied by construction machinery, signalling their clear intention to alter the existing status quo.²¹

The Doklam standoff has been a landmark event in India, China, and Bhutan relations. We can divide the entire period of the standoff into three distinct phases based on the status of activities of both India and China. The first phase was marked by a 'Quiet standoff' up to June 25, 2017. The second phase was marked by a "Build-up of forces" on both sides complemented by Chinese media attacking the Indian government from June 26 to August 14, 2017. The final phase was followed by a 'Thaw' eventually leading to a disengagement from August 15 to 28, 2017.²²

China's Motives in Doklam

Various assumptions can be drawn from China's choice to turn the disputed region of Doklam into a focal point for an international incident. It is crucial to examine China's action in Doklam in order to make an overall analysis of the standoff. First, given that reports of Chinese intrusions in Doklam date back to 1966, it's conceivable that China did not anticipate India to act so forcefully in support of Bhutan. In addition, multiple Chinese incursions have reportedly occurred in northern Bhutan. Even though there was an Indian military training contingent in Bhutan, the Indian soldiers never intervened in the dispute between China and Bhutan. Hence, drawing from their past experiences, it was expected that India and Bhutan would raise little or no objections.²³

²¹ "Proceedings and resolutions adopted during the 4th Session of the 2nd Parliament of Bhutan's National Assembly," *Report on the Status of Bhutan-China Border Negotiations*, Section IX, held from November 20, 2009 to December 11, 2009, pp. 17-33,

https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/4th_session_eng.pdf.

²² Ministry of Defence, Government of India, "Annual Report 2017-18," (2017), <https://mod.gov.in/sites/default/files/AR1718.pdf>.

²³ Jabin T. Jacob, "Explaining the India-China Standoff at Doklam: Causes and Implications," *Aakrosh*, Volume 20, Number 77 (October 2017), pp. 60-76.

This assumption can be supported by the statement of Peng Guangqian, a Major General and Strategist at China's Academy of Military Services. He said,

“The Doklam standoff was a shock for China and caused the country to reflect on ways to improve its strategic layout along its western borders. We need to thank India for this.”²⁴

So, it can be argued that the Chinese could have miscalculated the potential for a coordinated Bhutanese and Indian response in Doklam.

Second, the road construction that triggered the standoff in 2017 might have been a component of China's efforts to modernise its border regions, rather than a deliberate calculative provocation. After the 1962 war, China realised the enormous challenge the inhospitable terrain could pose for achieving its territorial objectives. As a result, China started making significant investments in the TAR to build a futuristic, multifaceted, multimodal infrastructure. This includes a vast network of roads, railways, airfields, oil pipelines, etc. These infrastructural facilities advance Chinese claims to disputed territories. Therefore, controlling Doklam is imperative to safeguard Chinese investments.²⁵

Jonah Blank points out that Beijing has been actively upgrading its infrastructure since the 1990s, and this initiative has encompassed sensitive border regions as well. So, road construction in a strategically important area might have seemed to India as China adopting a provocative posture, but to China, it may have been just a normal activity of road construction that it is already vigorously pursuing throughout its territory.²⁶

²⁴ “Experts, Scholar's debate World's pressing issues ranging from N. Korea to China-India Ties,” *The Global Times*, December 17, 2017, <https://www.globaltimes.cn/page/201712/1080689.shtml>.

²⁵ Lt Gen Vinod Bhatia, “China's Infrastructure in Tibet and POK-Implications and Options for India,” *Centre for Joint Warfare Studies* (2016), pp. 6-7.

²⁶ Jonah Blank, “What Were China's Objectives in the Doklam Dispute?” *Foreign Affairs*, September 7, 2017, <https://www.foreignaffairs.com/articles/asia/2017-09-07/what-were-chinas-objectives-doklam-dispute>.

Third, the Doklam episode coincided with reforms in the military structure in China. This has been pointed out by Ananth Krishnan, who stated that the army had always taken a hard-line stance, even in the past when the PLA was undergoing changes. This was done primarily to discredit the army's detractors and win support for the military. In 2016, PLA underwent a rapid revamp drive. The military reforms were, in reality, the most extensive since the 1950s. Until 2016, the Chinese military was organised with four separate bureaucratic departments responsible for the army, navy, air force, and Second Artillery Corps (responsible for missiles and nuclear weapons). These departments operated independently and were supervised by senior generals. However, in 2016, Xi Jinping abolished these four departments and brought them under the direct authority of the Central Military Commission (CMC), of which he had been the chairman since 2012. Consequently, Ananth Krishnan suggests that the assertive stance in Doklam can be attributed to the structural reforms within the PLA.²⁷

Fourth, when Xi Jinping became the president of China in 2013, he promulgated the grand vision of the "Chinese Dream." The fundamental idea behind this dream is the "rejuvenation" or "revitalisation" of the Chinese people by regaining the affluence and power they once held before the period of humiliation. This is the 100-year era between the First Opium War and the establishment of the PRC, which was covered in the preceding chapters, during which China endured humiliation as foreign countries took advantage of a weak China. One of the ambitions of this vision was to regain the territories lost during the "Century of Humiliation." This explains China's assertiveness in Doklam because it considers the region to be part of the ancient Chinese realm.²⁸

²⁷ Ananth Krishnan, *India's China Challenge: A Journey Through China's Rise and What it Means for India*, (Noida: HarperCollins, 2020), pp. 185-186.

²⁸ Namrata Goswami, "Post-Doklam: Assessing the Prospects of Chinese Strategy," *Dialogue Quarterly*, Volume 19, Number 1 (July-September 2017), p. 49.

Fifth, another perspective is that this action may have been deliberate and premeditated. China might have been interested in gauging whether India would be willing to engage in armed conflict to defend Bhutan's territorial rights. It's possible that China aimed to assess India's determination to uphold this unique relationship. Conversely, if India were to concede and permit China to negotiate with Bhutan, potentially pressuring Bhutan into accepting the "package deal," China would relinquish its claims to the Jakarlung and Pasamlung Valleys in exchange for 269 square kilometres of territory in western Bhutan. Either way, the motive could have been to contain India within the South Asian region and diminish its influence on its neighbours.²⁹

Sixth, it is likely that the move was part of Chinese coercive diplomacy, aiming to pressure Bhutan to complete the border negotiation by forcing an early solution and establishing diplomatic relations with China. Bhutanese have also been eager to conclude the border negotiations, as is evident from the National Assembly debates.³⁰

Seventh, it might have been an effort to establish China as a leading power in the South Asian region. Both Narendra Modi and Xi Jinping are actively promoting their ambitious visions on the domestic and global stages. Modi through his "New India" vision and Xi through his "Chinese Dream." While the National People's Congress (NPC) unanimously voted to remove the presidential term limit for Xi Jinping, Narendra Modi won two national elections with a significant number of seats. Due to the overwhelming public support they have received, both leaders have therefore suggested major changes to their foreign policy. Furthermore, the narrowing disparities in both economic and military capabilities between India and China, a determined and self-assured Indian government, and India's longstanding provision of asylum

²⁹ Bisht et al, n. 17, pp. 293–309.

³⁰ Manoj Joshi, "Doklam: To start at the very beginning," *Observer Research Foundation*, ORF Special Report 40 (August 2017), p. 13, https://www.orfonline.org/wp-content/uploads/2017/08/ORF_SpecialReport_40_Doklam.pdf.

to the Dalai Lama and numerous Tibetan refugees for over six decades, extending invitations to the Prime Minister of the Tibetan Government-in-Exile, Lobsang Sangay, for the 2014 swearing-in ceremony, permitting the Dalai Lama to visit the Tibetan communities in Arunachal Pradesh (a territory claimed by China), India's opposition to the China-Pakistan Economic Corridor (CPEC), and Belt and Road Initiative (BRI), have posed a grave political challenge for China. ³¹

India's global aspirations therefore conflict with China's international ambitions. As a result, it affects the development of their bilateral relationship. This is clear from the recent increase in border incursions from the Chinese side. The Doklam standoff is therefore, not entirely unexpected. Doklam presented an ideal opportunity for the Chinese leadership to showcase their significant capabilities, particularly in the lead-up to the BRICS (Brazil Russia India China and South Africa) Summit and the 19th Congress of the Communist Party of China, which took place in November 2017. ³²

Eight, there may have also been a need to counteract India's growing positive influence on China's ordinary citizens. Unlike the Chinese authorities, the ordinary Chinese view India differently. India and China have shared strong historical ties and exchanges since ancient times. India has influenced Chinese philosophy and way of life through Buddhism. In recent years, yoga and Indian cinema have gained popularity in China. Yoga has been promoted by the Indian government as a form of spiritual and cultural soft power, and this has had an impact on China as well. ³³ The influence of yoga in China was evident when, in

³¹ Bisht et al, n. 17, p. 298.

³² Ibid., p. 298.

³³ Jacob, n. 23, p. 63.

June 2017, for the first time, Chinese and Indian yoga lovers came together to celebrate yoga at the Great Wall of China. ³⁴

Indian movies like *Dangal*, which highlight the problems of patriarchy and parental pressures, have resonated with ordinary citizens in China. India's influence is also evident in other ways; for instance, its identity as the world's largest democracy attracts the ordinary Chinese, given the constraints on civil society and political activity in China. Thus, naturally, the Chinese Communist Party does not view India's influence favourably. Simultaneously, China could leverage India's reaction to the Doklam crisis as a means to undermine India's favourable image by tapping into nationalist sentiments. ³⁵

Ninth, China's assertive actions in Doklam can be seen as a warning against the strengthening of India-United States relations, as the crisis unfolded during Indian Prime Minister Narendra Modi's visit to the U.S. India is actively forging strong and intimate partnerships with China's other rivals, including Japan, alongside the U.S. Presently, India, the United States, and Japan are drawing closer together to safeguard their shared strategic and security interests, as they all perceive China as a mutual threat. China has not welcomed this development.³⁶

India's Motives in Doklam

The Doklam dispute is not between India and China but between Bhutan and China, as it falls within Bhutan's borders. However, as soon as the incident broke out, it was seen in India as one of the many such instances of the Chinese *Salami*

³⁴ Ananth Krishnan, "Beijing celebrates International Yoga Day at the Great Wall of China," *India Today*, June 20, 2017, <https://www.indiatoday.in/world/story/international-yoga-day-great-wall-of-china-indian-embassy-beijing-983642-2017-06-20?onetap=true>.

³⁵ Jacob, n. 23, p. 63

³⁶ Ishfaq Ahmad Akhoun and K. Senthil Kumar, "Doklam Stand-off 2017: A Geopolitical Rivalry between India, China and Bhutan," *Adalya Journal*, Volume 8, Issue 9 (2020), p. 103.

Slicing Tactics. So, different assumptions can be drawn as to why India got involved in the standoff.

First, according to India, it is bound to defend Bhutan's territorial claims under the Treaty of Perpetual Peace and Friendship of 1948 and the India-Bhutan Friendship Treaty of 2007 signed between the governments of the two countries. In accordance with the updated treaty, the governments of both countries shall cooperate closely with each other on issues related to their national interests. Neither government shall allow its territory to be used for activities harmful to the national security or interests of the other.³⁷

Second, any failure on India's part to live up to the provisions of the 2007 Treaty would have severely damaged India's prestige and would have sent a signal that India supports Chinese claims over the disputed territory of Doklam. Third and most importantly, India and Bhutan share a very close relationship, so incidents like Doklam test India's resolve to stand by its ally. At a time when China and Bhutan relations were gradually improving, it was important for India to show Bhutan that it could rely on its long-term friend, India.³⁸

Fourth, in the past, China had been involved in road construction activities on the plateau. However, the situation escalated when the PLA deployed construction and road-building equipment to extend an existing road further south, coming within a few hundred metres of the Indian border and near the tri-junction area. India's military took action in response to this development, as the disputed territory holds significant strategic value due to its proximity to the Siliguri Corridor. India felt compelled to intervene in this situation, seeing no other viable option.³⁹

³⁷ Keshab Chandra Ratha, "Deciphering the Doklam Standoff: The Context of the Contest," *Jadavpur Journal of International Relations*, Volume 24, Issue 2 (2020), pp. 196-215, <https://doi.org/10.1177/0973598420939685>.

³⁸ Utkarsh Shrivastava, "Sikkim Standoff: The Strategic importance of Siliguri Corridor and Why India should be wary of the China," *Firstpost*, July 7, 2017, <https://www.firstpost.com/india/sikkim-standoff-strategic-importance-of-siliguri-corridor-and-why-india-should-be-wary-of-china-3785967.html>.

³⁹Ibid.

Fifth, India's resolute stance on the Doklam issue and its commitment to safeguard Bhutan's interests, both through diplomatic means and, if necessary, through military actions, would bolster India's credibility and trustworthiness among other South Asian countries, including Nepal, Bangladesh, Sri Lanka, and the Maldives.⁴⁰ This has been highlighted by Hu Shisheng, director of the Institute of South and Southeast Asian and Oceanic Studies. He makes the point that India's intervention in Doklam was primarily motivated by its desire to uphold its leading position in South Asia.⁴¹ Furthermore, India had an imperative to safeguard its reputation, not only within South Asian nations but also on the global stage. India had to take swift action to prevent China from gaining a tactical and strategic advantage, similar to its incremental encroachment tactics seen in the South China Sea.⁴²

Sixth, India, despite its emergence as a growing power, presents itself as a country that upholds the existing international order. It firmly adheres to the principles of the liberal world order. In contrast to China, India places great value on established norms and institutions, including democracy, human rights, political freedom, the rule of law, and international laws and treaties. Therefore, India's intervention in Doklam was necessitated by its determination to prevent China from altering the prevailing regional status quo.⁴³

China's Strategy

Doklam stood apart from other disputes between India and China. Previous border conflicts had occurred either in the western or eastern sectors of their shared border. In this case, the disagreement involved China and Bhutan. China

⁴⁰ R. Maitra, "The Doklam Stand-Off: A Manifestation of Things Going Wrong," *Asian Journal on Terrorism and Internal Conflict*, Volume 21, Issue 78 (2018), p. 9.

⁴¹ Hu Shisheng, "The Donglang Crisis and the Future of China-Indian Relations," *Contemporary International Relations*, Volume 11 (2017), p. 8.

⁴² Dalbir Ahlawat and Lindsay Hughes, Lindsay. "India-China Stand-off in Doklam: Aligning Realism with National Characteristics," *The Round Table*. Volume 107, Issue 5 (2018). p. 8

⁴³ Suneel Kumar, "China's Revisionism Versus India's Status Quoism: Strategies and Counter-strategies of Rivals in Doklam Standoff," *Jadavpur Journal of International Relations*, Volume 24, Issue 1 (2020), p. 75-76.

was displeased with India's involvement in a region where India had no territorial claims. China viewed this as crossing a line because it regards Doklam as an extension of Yadong. Bhutan and India, however, view it as being part of the former. ⁴⁴

In retaliation, China made severe threats, warnings, and provocations against India while also portraying itself as the "victim of Indian transgression" in public. China used its Three Warfare Strategies (*Legal, Media, and Psychological*) to garner international and domestic support to strengthen its position in Doklam. ⁴⁵ The Three Warfare Strategy (TWS) has played a crucial role in China's strategic approach to both its maritime and land border disputes. This strategy is designed to exert pressure on the adversary by targeting their political will and strategic leadership, manipulating the narrative domestically and globally in China's favour through information control, and ultimately compelling New Delhi to remove its forces from the standoff location. ⁴⁶

China questioned India's intervention in Doklam and asked New Delhi to withdraw its forces immediately and unconditionally. For instance, in a regular press conference, Chinese Foreign Ministry spokesperson Lu Kang said, "China's road construction in Doklam, which is our territory, is legitimate, and any other party has no right to interfere." ⁴⁷ The Chinese kept emphasising the withdrawal as necessary for any substantive discussions on settling the issue between the two parties. ⁴⁸

Following the standoff, China temporarily suspended the entry of Indian pilgrims into Tibet via the Nathu La pass, citing "security concerns."

⁴⁴ Jacob, n. 23, p. 65.

⁴⁵ Ibid., p. 65.

⁴⁶ Stefan Halper, *China: The Three Warfares* (Washington DC: University of Cambridge, 2013), pp. 12-13. https://www.iwp.edu/wp-content/uploads/2019/05/201810171_HalperChinaThreeWarfares.pdf.

⁴⁷ "Foreign Ministry Spokesperson Lu Kang's Regular Press Conference," *Consulate General of the People's Republic of China*, June 29, 2017, http://mumbai.china-consulate.gov.cn/eng//fyrth/201706/t20170629_5452713.htm.

⁴⁸ "China urges India to withdraw guards crossing boundary," *Global times*, June 28, 2017, <https://www.globaltimes.cn/page/201706/1054029.shtml>

Additionally, the Chinese Foreign Ministry spokesperson, Lu Kang, mentioned that “the re-opening of the Nathu La pass, which allows Indian pilgrims entry into Tibet, depends on whether the Indian side could correct mistakes in time.”⁴⁹

The TWS received official endorsement from the Chinese Communist Party (CCP), the Central Committee (CC), and the Central Military Commission (CMC) in 2003. This demonstrates China’s commitment to expanding its range of conflict beyond direct or indirect military force to encompass a more political form of conflict. Unlike conventional notions of military conflict, this strategy can be applied before, during, and after a conflict.⁵⁰ It is rooted in the ancient wisdom of Sun Tzu, the Chinese military strategist, who emphasised that the highest form of excellence lies in overcoming the enemy’s resistance without engaging in direct combat.⁵¹

Through the use of *Legal Warfare*, China employs international and domestic laws to establish a legal framework supporting its territorial objectives. This also serves as a foundation for reinforcing its *Media Warfare* and *Psychological Warfare Strategies*. In the Doklam dispute, China used the *Legal Warfare Strategy* to validate its road construction activities as legitimate, citing the 1890 Convention as the basis for a fixed border.⁵² China acknowledged this Convention, which was signed between British India and the Qing dynasty to demarcate the Sikkim-Tibet boundary. China argues that India has crossed a boundary established by the 1890 Convention, a position endorsed by former Prime Minister Nehru and reaffirmed during a May 10, 2006 meeting of the

⁴⁹ “China says Nathu-la pass reopening depends on Indian side,” *Xinhua*, June 29, 2017, <https://en.tibet3.com/news/tibet/2017-06-29/2695.html>.

⁵⁰ Dean Cheng, “Winning Without Fighting: Chinese Public Opinion Warfare and the Need for a Robust American Response,” *The Heritage Foundation*, Number 2745, November 21, 2012, p. 2, http://thf_media.s3.amazonaws.com/2012/pdf/bg2745.pdf.

⁵¹ Sun Tzu, *The Art of War*, Translated by Lionel Giles (England: Allandale Online Publishing, 2000), p. 8, https://sites.ualberta.ca/~enoch/Readings/The_Art_Of_War.pdf.

⁵² Jacob, n. 23, p. 65.

Working Team of the Special Representatives on China-India Boundary Questions.⁵³

Chinese Foreign Ministry spokesperson Geng Shuang highlighted that the Indian government has consistently recognised the validity of the 1890 Convention. Despite the fact that British India signed the Convention, he continued, “the convention’s legality and validity shall not be affected by the change of regime or state system.” The 1890 Convention holds importance as it symbolises China’s efforts to construct a narrative asserting that India is encroaching upon Chinese sovereignty by trespassing into Chinese territory.⁵⁴

For the first time, China has officially challenged India’s interpretation of the 2012 agreement between the two countries. According to the 2012 common understanding known as the “Establishment of a Working Mechanism for Consultation and Coordination on India-China Border Affairs,” which was reached by then representatives Shivshankar Menon from India and Dai Bingguo from China, it was mutually agreed that the tri-junction would be determined through consultation involving India, China, and the relevant third country.⁵⁵

The Chinese diplomat Liu Jinsong responded to the Indian claim that the aforementioned agreement had been broken by saying, “What was agreed in the 2012 understanding was that in the future, the parties will conduct demarcation on the side of the tri-junction area. This serves to prove that the Indian side has

⁵³ “The Facts and China’s Position Concerning the Indian Border Troops Crossing of the China-Indian Boundary in the Sikkim Sector into the Chinese Territory,” *Ministry of Foreign Affairs, People’s Republic of China*, April 2, 2017, pp. 1-8, <https://www.documentcloud.org/documents/3911782-The-Facts-and-China-s-Position-Concerning-the>.

⁵⁴ “Foreign Ministry Spokesperson Geng Shuang’s Regular Press Conference,” *Consulate General of the People’s Republic of China in Mumbai*, July 7, 2017, http://mumbai.china-consulate.gov.cn/eng//fyrth/201707/t20170708_5452747.htm.

⁵⁵ “India-China Agreement on the Establishment of a Working Mechanism for Consultation and Coordination on India-China Border Affairs,” *Ministry of External Affairs, Government of India*, January 17, 2012, <https://mea.gov.in/bilateral-documents.htm?dtl/17963/IndiaChina+Agreement+on+the+Establishment+of+a+Working+Mechanism+for+Consultation+and+Coordination+on+IndiaChina+Border+Affairs>.

agreed to the fact that the tri-junction area has been established, at least on paper.” This assertion amply demonstrates that China places primary emphasis on the 1890 Convention, as it treats it as the only legal basis for its claims over the tri-junction area. ⁵⁶

It is important to note that *Legal Warfare* has the potential for both legitimate and manipulative uses of international and national laws to attain strategic advantages. There are two distinct facets to the application of *Legal Warfare*. On the positive side, it involves utilising the law as a deliberate strategic approach to legitimise an issue and shape outcomes within the framework of legal structures, regulations, and discussions. Conversely, the negative application involves the improper or unconventional utilisation of legal instruments for purposes other than their intended ones. Therefore, *Legal Warfare* can be employed to manipulate legal systems, regimes, or rules to achieve political and economic goals. ⁵⁷

China therefore selectively uses its *Legal Warfare Strategy* in conformity with its priorities. China has renounced practically all of the treaties and accords it has made with foreign powers, claiming that these agreements were “imposed” by the colonial powers and were “unjust” and “unequal.” The Sino-British Joint Declaration on Hong Kong from 1984 is one such instance. China has asserted that the historical document is no longer valid. On the other hand, it regards the 1890 Convention, in which neither Bhutan nor an independent India participated, as important. The reason for this is that the former treaty doesn’t suit the Chinese agenda, whereas the 1890 Convention fits perfectly into its agenda. ⁵⁸

⁵⁶ Devirupa Mitra, “China disputes Indian version of 2012 Understanding on Border Tri-junction,” *The Wire*, August 3, 2017, <https://thewire.in/uncategorised/china-disputes-indian-version-2012-understanding-border-tri-junction>.

⁵⁷ Halper, n. 46, p. 52

⁵⁸ Ratha, n. 37, p. 3.

Concurrently, through *Media Warfare*, China stirs up Chinese nationalism, encouraging its citizens to express negative sentiments about India, which can also be referred to as *Public Opinion Warfare*. This involves the use of various media channels, such as the internet, television, radio, newspapers, movies, and more, with the intention of shaping perceptions and viewpoints over an extended period to garner support for its military activities. *Media Warfare* represents a continuous and persistent effort by China to influence both domestic and international public opinion.⁵⁹ Considering the wisdom of Sun Tzu, during the Doklam crisis, the purpose of information warfare was to compel India to yield without direct military confrontation between the two armies.

The Chinese government, through its state-controlled media outlets, Foreign Ministry, and Defence Ministry, initiated a campaign of protests and overt threats aimed at dissuading the Indian government from its actions in Doklam. In the 21st century, as Joseph Nye points out, conflicts are increasingly about whose narrative prevails rather than simply which military force emerges victorious.⁶⁰ Chinese media plays a significant role in advancing the Chinese narrative. Keeping in line with this, several *Global Times* editorials or op-eds suggested that the Indian government should not take China's demands for the withdrawal of the troops lightly, or China would be forced to retaliate through military force. China asked India to immediately withdraw the troops to avoid "increasing tensions."⁶¹

The Chinese Ministry of Foreign Affairs (MFA) issued a position paper or official white paper on August 2, 2017, titled "The Facts and China's Position Concerning the Indian Border Troops Crossing of the China-India Boundary in

⁵⁹ Emilio Lasiello, "China's Three Warfares Strategy Mitigates Fallout from Cyber Espionage Activities," *Journal of Strategic Security*, Volume 9, Number 2 (2016), pp. 52-53.

⁶⁰ Joseph S. Nye, "The Information Revolution and Soft Power," *Current History*, Volume 113, Issue 759 (2014), pp. 19-22.

⁶¹ "China asks India to respect side of the border, pull out troops," *Global Times*, June 29 2017, <https://www.globaltimes.cn/page/201706/1054179.shtml>.

the Sikkim Sector into the Chinese Territory.” While India and China had experienced numerous standoffs in the past, this marked the first instance where China provided a detailed explanation of its stance in the Doklam incident. China asserted that the confrontation occurred within an area where the boundary was well-defined. Additionally, China accused India of violating United Nations General Assembly (UNGA) Resolution 3314 adopted on December 14, 1974, which deems any justification for invasion or attack by the armed forces of one state into another’s territory as illegitimate under international laws. Therefore, according to this position paper, India could not justify its actions of entering a neighbouring country on the grounds of “security concerns.”⁶²

Wang Wengli, Deputy Director General of Boundary and Ocean Affairs of China, MFA, also pointed out that “the Indian side also has many tri-junctions” and asked, “What if we use the same excuse and enter the Kalapani region between China, India, and Nepal, or even into the Kashmir region between India and Pakistan.” She added, “Using tri-junction as an excuse does not hold water at all. It will only cause more trouble.”⁶³

Similar concerns were raised in the *People’s Daily*, an official Chinese newspaper. The newspaper disputed India’s justification for its security concerns as being unfounded. One of the articles said that India was exploiting security concerns as justification for its illegitimate acts in other nations. Additionally, it stated that no nation could advance its security at the expense of another nation’s sovereignty under international law. India’s activities are thus alarming since they jeopardise both regional and global peace.⁶⁴ China has consistently stressed

⁶² “The Facts and China’s Position Concerning the Indian Border Troops Crossing of the China-Indian Boundary in the Sikkim Sector into the Chinese Territory,” *Ministry of Foreign Affairs, People’s Republic of China*, April 2, 2017, pp. 1-8, <https://www.documentcloud.org/documents/3911782-The-Facts-and-China-s-Position-Concerning-the>.

⁶³ “What if we enter Kalapani, Kashmir: China to India,” *The Economic Times*, July 12 2018, <https://economictimes.indiatimes.com/news/defence/what-if-we-enter-kalapani-kashmirchina-to-india/articleshow/59972866.cms?from=mdr>.

⁶⁴ “China’s resolve to defend its territorial sovereignty should not be underestimated,” *People’s daily*, August 7, 2017, <http://en.people.cn/n3/2017/0807/c90000-9251871.html>.

that India lacks the authority to intervene between China and Bhutan, contending that such Indian actions directly infringe upon Bhutan's sovereignty. Beijing accused New Delhi of acting as an intermediary for Bhutan and exerting pressure on the smaller country to adopt a position when it initially sought to remain neutral during the standoff. China asserted that Bhutan yielded to Indian pressure due to its reluctance to antagonise its largest donor.⁶⁵

China employs its *Media Warfare Strategy* to foster doubt and suspicion in Bhutan regarding India by asserting that the unique relationship between India and Bhutan is, in essence, a political foundation for India's control over Bhutan. This actually has its roots in India's determination to retain the colonial legacy of the British Empire and its notion of regional hegemony, and it bases itself on the unfair treaties that the two countries signed.⁶⁶ As a result, the Chinese media accused India of inheriting the British colonial attitude of signing unequal treaties with its small neighbours. Beijing consistently argued that, similar to colonial powers of the past, New Delhi had engaged in an inequitable treaty with Bhutan to exert pressure and maintain influence over Thimphu. China criticised India for obstructing Bhutan's efforts to establish diplomatic relations with China and the other United Nations Security Council (UNSC) member states.⁶⁷

China claimed that a comparable coercive approach was applied to Sikkim prior to its integration with the Indian Union. During the 1960s and 1970s, the Indian military quelled sovereignty demands, removing the King of Sikkim in 1975, and influenced the outcome of a referendum in favour of the Indian Union. The Sikkim episode posed a threat to Bhutan and forced it to acquiesce to India's dominance. The Doklam conflict between China and India is also constrained

⁶⁵ Kumar, n. 43, pp. 75-77.

⁶⁶ Sun Xihui, "How India tries to interfere in and take control of Bhutan," *The Global Times*, March 14, 2023, <https://www.globaltimes.cn/page/202303/1287280.shtml>.

⁶⁷ "China can rethink stance on Sikkim, Bhutan," *The Global Times*, July 5, 2017, <https://www.globaltimes.cn/page/201707/1055088.shtml>.

because Indian forces are stationed there and New Delhi controls Bhutan's defence and foreign affairs. ⁶⁸

Despite China using *Media Warfare* to reinforce its claims in the Doklam region, Chinese scholars like Liu Zongyi accused the Indian government of permitting its media to sensationalise the border issue while depicting China as the aggressor. He identified three primary motives behind this approach. First, to gain backing from the international community, particularly Western nations, to exert pressure on China. Second, to secure concessions from the United States and Western countries. ⁶⁹

The viewpoint was also highlighted by Qing Feng, the director of the research department at the National Strategy Institute at Tsinghua University. According to him, Indian media has exaggerated the notion of "Chinese expansionism" to paint China as a bully, aiming to garner support from the United States and other countries for Indian policies against China. ⁷⁰ Third, India employs the border issue with China for its own convenience. On occasions it is used to gain domestic support, while at other times, it serves as a means to divert public attention away from domestic matters. ⁷¹

When Chinese leadership realised that their demands for withdrawal were being ignored by their Indian counterpart, China began to wage *Psychological Warfare*. Through *Psychological Warfare*, China attempted to weaken India's determination to resist by highlighting its favourable position resulting from its superior military capabilities. China argued that India's position would become increasingly unfavourable the longer the standoff persisted. ⁷²

⁶⁸ Ibid.

⁶⁹ Qing Feng, as cited in Zongyi Liu, "Boundary Standoff and China-India Relations: A Chinese Scholar's Perspective," *China Quarterly of International Strategic Studies*, Volume 6, Number 2 (2020), p. 238.

⁷⁰ "China-Nepal, China-Bhutan border disputes rumors stoked by India forces," *Global Times*, November 24, 2020, <https://www.globaltimes.cn/page/202011/1207952.shtml>.

⁷¹ Liu, n. 69, p. 238.

⁷² Kumar, n. 43, p. 84.

Ren Guoqiang, a spokesman for the Chinese Ministry of Defence, asserted that the military of the nation had shown “great restraint” in handling the situation to preserve friendly relations and regional stability. But “goodwill does not mean no principle; restraint does not mean no bottom line.” Therefore, China reaffirmed that it has the military power to protect its sovereignty and that it is “determined to win” if India pressures it into a limited conflict.⁷³ In a show of strength, China conducted live-fire drills using tanks and helicopters to demonstrate its military might and capabilities. These drills were conducted by the Western Theatre Command, which is responsible for regions bordering India.⁷⁴ China also wanted to demonstrate that it was committed to defending its territorial claims.

Psychological Warfare, as employed by China, seeks to target the mindset of its adversary rather than its physical forces, like troops. Through this strategy, China endeavoured to erode India’s decision-making capacity by sowing doubt and uncertainty among its senior officials. This is in continuance of Sun Tzu’s dictum, “All warfare is based on deception.” By drawing attention to the shortcomings of the Indian military, the Chinese media sought to undermine India’s resolve to oppose China. First, efforts were made to undermine the Indian leader's confidence by emphasising that India mostly imports armaments, making it difficult for India to continue mountain fighting against China in the event of war.⁷⁵

Second, as logistics supplies are crucial in contemporary warfare, India’s inadequate logistics will be a disadvantage. The Chinese state-run media bragged about the Chinese ability to send troops, ammunition, and weapons, as

⁷³ Ren Guoqiang, as cited in Saibal Dasgupta, “China: Restraint on Doklam not unlimited,” *The Times of India*, August 5, 2017, <https://timesofindia.indiatimes.com/world/china/china-restraint-on-doklam-not-unlimited/articleshow/59924311.cms>.

⁷⁴ “China’s PLA conducts military drills to strike awe in India as Doklam,” *India Today*, August 21, 2017, <https://www.indiatoday.in/india/story/china-conducts-drills-to-strike-awe-in-india-chinese-media-claims-as-doklam-standoff-continues-1030561-2017-08-21>.

⁷⁵ Yang Sheng, “India urged to drop delusion of military strength: China’s victory would be greater than in 1962,” *Global Times*, July 6, 2017, <https://www.globaltimes.cn/page/201707/1055105.shtml>.

well as supplies, to the border. Third, it was claimed that India's long-range missiles are imprecise and that its imported weaponry is incompatible with an all-encompassing combat system. As a result, publications in the Chinese state-run media threatened India with a fate worse than its dreadful defeat in a brief border war in 1962. While emphasising that the loss in the future would have a greater impact on India. ⁷⁶

China, through its TWS, attempted to internationalise the issue and portray India as the aggressor in the Doklam conflict. Accordingly, China used the strategy to build a narrative to promote its stance as legitimate and legal. Therefore, the primary goal was to justify its standpoint by creating narratives to influence the judgements, sentiments, and actions of opponents to secure strategic gains. The same tactics have been used by China in Bhutan to support its claims to the contested areas. China contends that the more compelling the narrative, the less support Bhutan will receive from the international community. ⁷⁷

India's Strategy

Given India's central role of having a peaceful neighbourhood as a cornerstone of its foreign policy, India has consistently strived to cultivate a stable and fair relationship with China. This approach enables India to prioritise its domestic socio-economic goals, particularly economic development, employment generation, internal strengthening, and social service benefits. ⁷⁸ Therefore, even in the face of China's assertive policies during the Doklam crisis, India adopted a judicious and restrained position to address Chinese assertions in Doklam. ⁷⁹

⁷⁶ Ibid.

⁷⁷ Knoll, "Storytelling and Strategy," n. 6.

⁷⁸ Tanvi Madan, "Managing China: Competitive Engagement, with Indian Characteristics," *Global China*, February 2020, https://www.brookings.edu/wp-content/uploads/2020/02/FP_202002_china_india_madan.pdf. pp.4

⁷⁹ Kumar, n. 43, p. 88.

India stood up against the Chinese TWS and its demand to withdraw unilaterally. Despite India's intervention to halt China's road construction in the contested area, India maintained open lines of communication to facilitate peaceful negotiations aimed at reaching a mutually agreeable resolution to the crisis.⁸⁰ India's objective was to seek a solution that would take into account both its security concerns and the interests of its close friend, Bhutan.⁸¹

In contrast to China, India did not make any noise either through the media or at the political level. The majority of the Indian defence media community maintained a low profile throughout the standoff. While India pursued a careful and equitable approach in its dealings with China, it held a resolute position, as it was unwilling to jeopardise its own security or Bhutan's sovereignty. In the words of C. Raja Mohan,

“India exhibited its great capacity to absorb pressure from Beijing. It neither backed down its military nor succumbed to Beijing's pressure. It demonstrated its determination to defend itself from any aggression.”⁸²

Sushma Swaraj, the former External Affairs Minister, put forward a similar viewpoint, emphasising that the most effective means of addressing the border issue was through dialogue rather than resorting to force. She did, however, emphasise that New Delhi's composure should not be misconstrued as a lack of resolve.⁸³

After the standoff, the Indian Ministry of External Affairs (MEA) released a statement consisting of seven key points. In this release, India conveyed its profound apprehension regarding Chinese construction activities, emphasising

⁸⁰ Ibid., p. 88

⁸¹ A.K. Bardalai, “Doklam and the Indo-China Boundary,” *Journal of Defence Studies*, Volume 12, Number 1 (January-March 2018), p. 10, <https://www.idsa.in/system/files/jds/jds-12-1-2018-doklam.pdf>.

⁸² C. Raja Mohan, “Raja Mandala: Doklam's unintended consequences,” *The Indian Express*, August 8, 2017, <https://indianexpress.com/article/opinion/columns/doklams-unintended-consequence-sikkim-standoff-china-india-narendra-modi-xi-jinping-4786837/>.

⁸³ Shubhajit Roy and Anand Mishra, “Sushma Swaraj: Doklam not only issue, solution will emerge through dialogue,” *The Indian Express*, August 4, 2017, <https://indianexpress.com/article/india/doklam-not-only-issue-with-china-solution-will-emerge-through-dialogue-sushma-swaraj-4781525/>.

that they constituted a substantial alteration of the existing situation, which carried grave security implications for India. The statement also highlighted that Indian personnel, in collaboration with the Bhutanese government, engaged with Chinese soldiers and requested that they cease their efforts to change the status quo.⁸⁴

In response to Beijing's comment on the 1962 war, Arun Jaitley, the then Defence Minister, stated that the circumstances of 1962 were different and that the India of 2017 was different from 1962. He stated that the Indian armed forces of today are powerful and equipped to handle any danger to the country's security.⁸⁵ The PLA made an effort to enter Ladakh close to Pangong Tso Lake while there was still a standoff in Doklam. Indian soldiers thwarted the Chinese attempts, which resulted in both sides pelting stones at each other and causing minor injuries.⁸⁶

From the Indian standpoint, when it comes to the 1890 Convention, India has been clear right from the beginning that the Chinese cannot use the Convention to justify their claims over Doklam as there is a discrepancy over the location of the tri-junction. The content of the treaty does not align with the actual geographical situation. As per B.R. Deepak, the terms "watershed" and "crest of the mountain range" do not extend past Batang La, which is approximately 6 kilometres north of Doka La.⁸⁷ Consequently, contending that the boundary begins at Mount Gimpochi, situated at the border with Bhutan, contradicts the principle that the "boundary of Sikkim and Tibet was to be the crest of the mountain range separating the water flowing" in opposite directions. In this

⁸⁴ "Recent Development in Doklam Area," *Ministry of External Affairs, Government of India*, June 30, 2017, <https://www.mea.gov.in/press-releases.htm?dtl%2F28572%2Frecent+developments+in+doklam+area>.

⁸⁵ "From Doklam Standoff to disengagement: How India and China resolved the crisis," *The Indian Express*, September 1, 2017, <https://indianexpress.com/article/india/doklam-india-china-bhutan-sikkim-narendra-modi-4822205/>.

⁸⁶ "Doklam Standoff: Chinese, Indian boat patrols clash at Pangong lake; top developments," *The Indian Express*, August 16, 2017, <https://indianexpress.com/article/india/doklam-pangong-tso-lake-china-india-sikkim-ladakh-pla-4798905/>.

⁸⁷ B.R. Deepak, "The Doklam Standoff: What Could be done?," *South Asia Democratic Forum*, SADF Comment, Issue 98, August 5, 2017, pp. 2-3.

context, the line should commence 6 kilometres to the north, placing the region where Chinese road construction activities entirely within Bhutanese territory.⁸⁸

India has acknowledged it as “a basis for alignment” rather than a set border, in contrast to China, which has accepted it as a basis for a fixed border. According to the Indian interpretation, if the convention had been concerned with defining the boundary, a map would have been included with it. In reality, India asserts that the primary objective of the convention was to facilitate trade between British India and Tibet.⁸⁹

Indian officials have also questioned why China agreed to the 2012 understanding of the tri-junction boundary points if the tri-junction issue had already been resolved by the 1890 Convention. In a statement issued on June 30, 2017, India MEA noted that in 2012, China and India reached an understanding that reaffirmed their mutual agreement regarding the “basis of alignment.” India’s position is that the fundamental alignment in the Sikkim sector was established by the 1890 Convention. Nevertheless, India maintains that the term “basis” does not equate to a definitive and conclusive delineation of the borderline, in contrast to China’s assertions.⁹⁰

Discussions regarding the finalisation of the border issues have been ongoing within the “Special Representatives Framework.” Therefore, India reiterated that the resolution of the India-China boundary question, which includes the Sikkim sector, should ideally be addressed through negotiations between the special representatives of both countries, in accordance with the agreements and consensus reached between them. Consequently, India asserted that the precise location of the India-China boundary in the Sikkim sector remained unsettled and that any unilateral efforts to define the tri-junction point would contravene

⁸⁸ Devirupa Mitra, “Current Stand-off an Attempt by China to Change the Status quo at Tri-Junction: Shivshankar Menon,” *The Wire*, July 9, 2017, <https://thewire.in/uncategorised/current-stand-off-attempt-china-change-status-quo-tri-junction-shivshankar-menon>.

⁸⁹Jacob, n. 23, p. 65.

⁹⁰ Committee on External Affairs, n. 20, p. 16.

the established understanding.⁹¹ Here we can see that China misrepresented the Indian position regarding the 1890 Convention. Rather, this was one of the several instances of China selectively using its *Legal Warfare* as propaganda to build a narrative to obtain legitimacy for its actions.⁹²

The standoff was witnessed at a time when the bilateral relationship has been strained due to several factors. China is the sole major power that does not endorse India's bid for a permanent seat on the UNSC. China is also opposed to India becoming a member of the Nuclear Supplier Group (NSG). Furthermore, India is deeply worried about China's support for Pakistan in the UN concerning the Kashmir dispute, China's ambitious China-Pakistan Economic Corridor (CPEC), which traverses territory in dispute with India, and China's increasing economic and military influence in India's immediate neighbourhood, including the Indian Ocean Region (IOR).⁹³

Unlike previous border clashes between India and China, this one is critical and complex because it involves a third country in the border dispute. Second, the Chinese complained about Indian incursions into their territory for the first time. Indian soldiers' deliberate attempt to obstruct the Chinese construction of a road was viewed by China as a change in the status quo. China accused India for the first time of disobeying the fundamental rules governing international relations and the global order.⁹⁴ Third, whereas China cited the 1890 Convention to support its road construction activities, India's intervention was justified by the 2012 agreement with China.⁹⁵

⁹¹ Jacob, n. 23, p. 65.

⁹² Jigme Phuntsho, "Rhetoric and Reality of Doklam Incident," *Journal of Bhutan Studies*, Volume 37 (Winter 2017), p. 77.

⁹³ Bisht et al, n. 17, p. 304.

⁹⁴ Jacob, n. 23, p. 304.

⁹⁵ Phuntsho, n. 92, p. 73.

Bhutan's Strategy

In the standoff between Indian and Chinese troops in the Doklam region, the role and position of Bhutan have frequently been neglected. While Bhutan is directly involved in the territorial dispute with China, most of the existing literature concentrates solely on analysing the viewpoints of India and China. To gain a comprehensive understanding of the intricacies of the situation, it is essential to consider Bhutan's perspective and its unique experiences in the matter. As a result, it is crucial to discuss the Doklam standoff from the standpoint of Bhutan.

The need for a clearly defined border became relevant for Bhutan following the emergence of modern India and China as nation-states. It became imperative for Bhutan to safeguard its sovereignty. By 2006, India and Bhutan had concluded agreements that delineated their shared boundary. However, the border between China and Bhutan remained undefined. With China rapidly advancing its infrastructure development along the China-Bhutan border, there arose an urgent requirement to address and resolve the border dispute.⁹⁶

The absence of a defined and agreed-upon border has led to frequent border incursions in the disputed Doklam region. This issue has been raised multiple times in Bhutan's National Assembly. However, an examination of the debates reveals that the Bhutanese government's primary focus is more directed towards addressing the border dispute in the northern central part rather than the western side, which borders India.

Doklam is not as central an issue for Bhutan as it might have been a decade ago. Instead, Bhutan places a higher priority on resolving its border matters with China.⁹⁷ As articulated by Tenzing Lamsang in his article titled "More than

⁹⁶ Subrata K. Mitra and Srikanth Thaliyakkattil, "Bhutan and Sino-Indian Rivalry: The Price of Proximity," *Asian Survey*, Volume 58, Number 2 (2018), pp. 250-251.

⁹⁷ S. Chandra, *Doklam Standoff Implications for India, China and Bhutan* (New Delhi: Prashant Publishing House, 2020), p. 37.

the Doklam issue, Bhutan is worried about hydropower projects and trade,” Bhutan is more concerned about addressing hydropower projects and trade-related matters. ⁹⁸ In another article, he argues that Bhutan finds itself in a delicate situation due to the conflict between China and India over a piece of land that does not hold strategic or economic significance for Bhutan. On one side is China, an aggressive neighbour that is growing increasingly hostile along Bhutan’s borders, and on the other side is India, a friendly nation with strong economic links. Bhutan was concerned during the Doklam crisis that if things worsened, the standoff might escalate into a war. Although the military conflict would have been between China and India, Bhutan would have nothing to gain and everything to lose. ⁹⁹

As far as the 1890 Convention is concerned, from Bhutan’s standpoint, it is an unequal convention as Bhutan was not a party to it. As highlighted in the previous chapter, the association between British India and Sikkim differed from its relationship with Bhutan. After the Treaty of Tumlong, British India’s connection with Sikkim resembled its interactions with other “princely states” in India. By 1890, the British had acquired the right to control the internal administration of Sikkim. Hence, the British were in a position to negotiate the Sikkim and Tibet boundary with China. However, they had no control over the internal administration of Bhutan. In actuality, the Treaty of Punakha signed in 1910 was a renewed treaty that added a provision stating that the British government would refrain from interfering in Bhutan's domestic affairs. ¹⁰⁰ Legally speaking, Bhutan is not bound by the provisions of the convention. Bhutan still shares the same position as India in that the tri-junction is close to

⁹⁸ Tenzing Lamsang, “More than the Doklam issue, Bhutan is worried about hydropower projects and trade,” *The Bhutanese*, July 29, 2017, <https://thebhutanese.bt/more-than-the-doklam-issue-bhutan-worried-about-hydropower-projects-and-trade/>.

⁹⁹ Tenzing Lamsang, “Bhutan’s diplomatic triumph in Doklam,” *The Bhutanese*, August 2, 2017, <https://thebhutanese.bt/bhutans-diplomatic-triumph-in-doklam/>.

¹⁰⁰ Kapilesh Labh, *India and Bhutan* (Maharashtra: Sindhu Publications Limited, 1974), p. 182.

Batang La, which is located about 6.5 kilometres to the north of Mount Gipmochi.¹⁰¹

Given this position, Bhutan issued a formal statement on June 20 through the Chinese embassy in New Delhi. Bhutan made no mention of India in its statement. It maintained that the construction activity by China was a clear violation of the 1988 and 1998 agreements. Given that the Doklam region is part of the boundary negotiations between Bhutan and China, China should halt construction efforts and refrain from changing the status quo.¹⁰²

Bhutan's Ministry of Foreign Affairs (MFA) also issued a press release on June 29, 2017, in addition to a formal statement via the Chinese embassy in New Delhi. As per the press release, Bhutan has communicated to China both through diplomatic channels and on the ground that the construction of a road in Bhutanese territory constitutes a clear breach of the agreements made in 1988 and 1998. Consequently, the violation of the agreements has repercussions for the ongoing negotiations to resolve the border dispute. Bhutan's intention is to uphold the status quo in the Doklam region as it existed prior to June 16, 2017.¹⁰³

While the political landscape has undergone changes in the post-Cold War era, geographical factors have remained constant. Consequently, Bhutan's foreign policy places significant emphasis on its relationships with its two immediate neighbours. Mindful of Nepal's past difficulties when it sided with one against the other, Bhutan adopted the strategic approach of maintaining silence during the Doklam standoff. The Bhutanese government aimed to convey a message to China while being cautious not to provoke its northern neighbour. Bhutan opted not to deploy its troops alongside Indian forces to confront the Chinese army,

¹⁰¹ Bisht et al, n. 17, p. 304.

¹⁰² Ministry of External Affairs, "Recent Development in Doklam Area," n. 84.

¹⁰³ "Press Release," *Ministry of Foreign Affairs and External Trade, Royal Government of Bhutan*, June 29, 2017, <https://www.mfa.gov.bt/press-release-272/>.

despite making its stance clear to China. Additionally, Bhutan neither confirmed nor denied whether it had welcomed Indian forces into the Doklam region. Therefore, it can be inferred that Bhutan's primary reason for this approach was its inability to withstand geopolitical pressures.¹⁰⁴

Other than issuing a press statement, Bhutan avoided taking sides throughout the entire conflict. This demonstrates unequivocally that the Bhutanese government does not want to be part of the power struggle between its two neighbours. Tenzing Lamsang claimed that this ambiguity served two purposes. First, it avoided embarrassing India. Second, it made no mention of whether Bhutan had invited a third party to a dispute over a shared boundary with China. This way, Bhutan accomplished the impossible feat of satisfying both the elephant and the dragon.¹⁰⁵

It is crucial to note that Bhutan's strategic silence during the Doklam conflict was heavily influenced by the Bhutanese cultural philosophy known as "Driglam Namzha" (codes of conduct). Driglam Namzha is a set of traditional Bhutanese etiquette that dictates how to serve, sit, and eat at ceremonies and provides guidelines for wearing the national dress and instructions on how to receive guests, gifts, and blessings.¹⁰⁶ According to Tenzing Lamsang, it is much more than that, as having the capacity to stoop and conquer is one of the key precepts of this cultural philosophy. This has made it easier for Bhutan, a tiny landlocked nation sandwiched between two enormous neighbours, to manoeuvre its foreign policy.¹⁰⁷

However, Bhutan's strategic move does put into question India's claim that Bhutan is fully in support of India in the Doklam crisis. It also questions India's claims that the Indian troops had entered Bhutan on its request to defend her

¹⁰⁴ Lamsang, "Bhutan's diplomatic triumph in Doklam," n. 99.

¹⁰⁵ Ibid.

¹⁰⁶ National Library of Bhutan, *Driglam Namzhag (Bhutanese Etiquette)—A manual*, 1st edn. Eds. Lam Dampa and Ugyen Tenzin (Thimphu: National Library, 1999).

¹⁰⁷ Lamsang, "More than the Doklam issue," n. 98

sovereignty. The official statement does not explicitly explain Bhutan's position in the dispute.¹⁰⁸

The government's strategy can be described as "silent diplomacy," where almost nothing was communicated about the conflict. Regarding public sentiment in Bhutan, the majority of the population was generally opposed to the standoff occurring in the disputed region that Bhutan claims as its own. It is essential to explore public opinion in Bhutan in order to understand the Bhutanese perspective, which has been overlooked in the literature that is currently available on the Doklam conflict. It is critical to comprehend how the Doklam impasse affected domestic politics, public opinion, and Bhutan's sovereignty. An examination of Bhutan's media coverage and public discourse during the crisis can provide insights into how the issue was viewed and debated within the country.

The Bhutanese citizens were against the standoff because a further escalation of the impasse could have had serious repercussions for Bhutan. Today, the Bhutanese perspective on the issue is getting visibly louder on social media. Tenzing Lamsang asserted that the Bhutanese citizens were apprehensive because Bhutan was becoming entangled in the power struggle between India and China.¹⁰⁹ He continued by saying that neither the 1949 Friendship Treaty nor its 2007 revision constitutes a "security pact" because there is no provision for any "security assistance" to Bhutan. Even then, it has been interpreted that military assistance can be given by India to Bhutan in the event of a request by the Bhutanese authorities. So technically, India cannot decide whether Bhutan needs military assistance on its own. Bhutan, therefore, has the option to refuse Indian security assistance. Bhutan did not, however, refuse Indian assistance because doing so could have significantly complicated India's situation.¹¹⁰

¹⁰⁸ Ibid.

¹⁰⁹ Ibid.

¹¹⁰ "Giving Bhutan its due," *The Bhutanese*, August 2, 2017, <https://thebhutanese.bt/giving-bhutan-its-due/>.

The Bhutanese even questioned the need to fight over a small patch of land in Doklam. For example, Bhutanese scholar Karma Phuntsho claims, “We live in a world where today one can press a button in Beijing and wage a war. China does not need to be positioned in Doklam to attack India.”¹¹¹ This stands true today, as both India and China, with considerable development in weapons technology, have successfully advanced their strategic capabilities. Paul Bracken observes that advancements in technology have eliminated the concept of geographical distance. Both New Delhi and Beijing have long-range ballistic missiles capable of swiftly delivering either conventional or nuclear payloads over extensive distances spanning thousands of miles.¹¹²

Wangcha Sangey criticised India’s involvement in the Sino-Bhutanese border dispute in a similar manner. He expressed the view that the Bhutanese army stationed in Doklam should not depend on their Indian counterparts positioned along the Sikkim border to resolve the issue. When he made this statement, the Indian defence minister was accusing China of encroaching on Bhutanese territory.¹¹³

On social media recently, Wangcha Sangey also brought up the subject of India’s security concerns around the Siliguri Corridor. He contended that India only used the “chicken neck” as a political ploy to attract support abroad for her hostile military action against Bhutan on the Bhutanese side of the Doklam plateau in 2017. India complains that China has a chokehold on her northern frontier states through the “chicken neck,” but he argues that China only needs

¹¹¹ Mahua Das, “With two bellicose neighbours, noble silence was the only option for Bhutan: Karma Phuntsho,” *Times of India*, September 3, 2017, <https://timesofindia.indiatimes.com/home/sunday-times/all-that-matters/with-two-bellicose-neighbours-noble-silence-was-the-only-option-for-bhutan-karma-phuntsho/articleshow/60341157.cms>.

¹¹² Sumit Ganguly and Andrew Scobell, “The Himalayan Impasse: Sino-Indian Rivalry in the Wake of Doklam,” *The Washington Quarterly*, Volume 41, Issue 3 (2018), p. 180.

¹¹³ Namrata Goswami, “At the crossroads in the Himalayas,” *Asia and the Pacific Policy Society*, August 25, 2017, <https://www.policyforum.net/at-a-crossroads-in-the-himalayas/>.

to march through Tawang in Arunachal Pradesh to invade India's north-eastern states and puncture their lung. ¹¹⁴

It is evident from the discussion above that the public opinion in Bhutan is not in favour of its government's stance towards India. While the government considers India as their most reliable ally, Bhutanese citizens see India as a neighbour that does not want Bhutan to make independent foreign policy choices. Many also believe that the Bhutanese government's reluctance to forge a relationship with China is due to India. ¹¹⁵ Furthermore, public sentiment is not appreciative of the prolonged, unresolved border dispute with China. Bhutanese believe that if it weren't for India's security concerns, Bhutan would have moved forward with normalising relations with China and eventually finding a diplomatic solution to its border problems. This would have helped a peaceful nation like Bhutan avoid Chinese threats in the border regions. Additionally, resolving this boundary conflict would advance regional stability. ¹¹⁶

In accordance with Nitasha Kaul's perspective, the rivalry between India and China along Bhutan's border not only heightens Bhutan's sense of insecurity but is also detrimental to India on its own terms. Additionally, it indirectly affects the perception of India within Bhutan. ¹¹⁷

¹¹⁴ Wangcha Sangey, "The Politics of "Siliguri Chicken Neck by India," *Status Update, Facebook*, March 31, 2023,

[https://www.facebook.com/sangeywangcha/posts/pfbid02bT8QmbJkXbyL4yF5MHSpKEZFBK99hQoetbjdVz19AXAXRPvF3ed558YQGVUJkFcRI?_cft=\[0\]=AZW101WoYwit5JMcGFd36ym_8s9B56phkWuE5-wOUw14rOqgTwJkfl3AD1gKKDrMxAfrDpAMBDG27Yl_PT4TR1GmbyPOWy2equLkmVul5B6J2L36OrKFtcHeXkVhF016JaWrUfoXSiCceBvZgLhR0vLE-f1eZu5SgDUso mqLIqa8HFYnzBCTV2Wt1_qL5_PttKH y f35GWCiRxO8n0wlkYhe&_tn=%2CO%2CP-R](https://www.facebook.com/sangeywangcha/posts/pfbid02bT8QmbJkXbyL4yF5MHSpKEZFBK99hQoetbjdVz19AXAXRPvF3ed558YQGVUJkFcRI?_cft=[0]=AZW101WoYwit5JMcGFd36ym_8s9B56phkWuE5-wOUw14rOqgTwJkfl3AD1gKKDrMxAfrDpAMBDG27Yl_PT4TR1GmbyPOWy2equLkmVul5B6J2L36OrKFtcHeXkVhF016JaWrUfoXSiCceBvZgLhR0vLE-f1eZu5SgDUso mqLIqa8HFYnzBCTV2Wt1_qL5_PttKH y f35GWCiRxO8n0wlkYhe&_tn=%2CO%2CP-R)

¹¹⁵ Maira Qaddos, "Sino-Indian Border Conflict and Implications for Bilateral Relations," *Policy Perspectives*, Volume 15, Number 2 (2018), pp. 57–69.

¹¹⁶ *Ibid.*, pp. 57–69.

¹¹⁷ Nitasha Kaul, "Beyond India and China: Bhutan as a small state in international relations," *International Relations of the Asia-Pacific*, Volume 22, Issue 2 (May 2022), pp. 320–321.

Agreements Violated During the Standoff

Historical conflicts along the Sikkim-Tibet border have arisen from disputes over the interpretation of the Convention of 1890. Among these, the notable incidents include the confrontations at Nathu La and Cho La in 1967 and the Sumdorong Chu crisis in 1988. In each instance, the situation appeared to be on the brink of warfare as both forces directly confronted each other. Consequently, the Doklam crisis has further intensified uncertainties regarding the precise location of the tri-junction.¹¹⁸

Several border management frameworks and declarations from 1988, 1998, and 2005 have been disputed by one or the other side since the onset of the Doklam crisis, in addition to the 1890 Convention and 2012 Understanding noted above.¹¹⁹

As per the *1988 Agreement between the Government of the People's Republic of China and the Royal Government of Bhutan on the Guiding Principles of Boundary talks*, it was decided that both sides would observe the principles of peaceful co-existence: mutual respect for sovereignty and territorial integrity; mutual non-aggression; mutual non-interference in each other's internal matters; equality; mutual benefit; and peaceful co-existence.¹²⁰

1998 Agreement between the Government of the People's Republic of China and the Government of the Kingdom of Bhutan on Maintenance of Peace and Tranquillity in China-Bhutan Border Areas in Article III,

“The two sides agree to maintain peace and tranquillity in their border areas pending a final settlement of the boundary question, and to maintain status quo

¹¹⁸ Jacob, n. 23, p. 65.

¹¹⁹ Joe Thomas Karackattu, “The Corrosive Compromise of the Sino-Indian Border Management Framework: From Doklam to Galwan,” *Asian Affairs*, Volume 51, Issue 3 (2020), pp. 599-602.

¹²⁰ “Proceedings and resolutions adopted during the 52nd Session of the National Assembly,” *Regarding Pasture-land along the Northern Borders in Ha District*, Section 41, held from June 10, 1980 to June 24, 1980, p. 81, https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/52nd_Session.pdf.

on the boundary as before March 1959. They will also refrain from taking any unilateral action to change the status quo of the boundary.”¹²¹

2005 Agreement between the Government of the Republic of India and the Government of the People’s Republic of China on the Political Parameters and the Guiding Principles for the Settlement of the India-China Boundary Question:

Article I:
“The differences on the boundary question should not be allowed to affect the overall development of bilateral relations. The two sides will resolve the boundary question through peaceful and friendly consultations. Neither side shall use or threaten to use force against the other by any means. The final solution of the boundary question will significantly promote good neighbourly and friendly relations between India and China.”
Article IV:
“The two sides will give due consideration to each other’s strategic and reasonable interests, and the principle of mutual and equal security.”
Article VIII:
“Within the agreed framework of the final boundary settlement, the delineation of the boundary will be carried out utilising means such as modern cartographic and surveying practises and joint surveys.” ¹²²

All the agreements and understandings outlined above have shown to be inadequate to deal with the changing times, as evidenced by the increase in confrontations. As already mentioned China has violated such agreements and

¹²¹ “Agreement between the Government of the People’s Republic of China and the Government of the Kingdom of Bhutan on Maintenance of Peace and Tranquillity in China-Bhutan Border Areas, China-Bhutan,” *Ministry of Foreign Affairs, People’s Republic of China*, December 8, 1998, <http://treaty.mfa.gov.cn/tykfiles/20180718/1531876783307.pdf>.

¹²² “Agreement between the Government of Republic of India and the Government of the People’s Republic of China on the Political Parameters and the Guiding Principles for the Settlement of the India-China Boundary Question, India-China,” *Ministry of External Affairs, Government of India*, April 11, 2005, <https://www.mea.gov.in/Portal/LegalTreatiesDoc/CH05B0585.pdf>.

border resolution mechanisms before. To demonstrate its presence and support its claims, China has been doing the same even in the South China Sea. The Chinese government has insistently justified its actions by arguing that “these territories have always been an integral part of China” and that they are thus not a part of any agreement. ¹²³

Resolution of the Crisis

Through diplomatic channels, the crisis involving the standoff was ultimately resolved. This shows that both countries are in favour of avoiding a full-scale war. Firstly, this is because China and India are economically interdependent. In India, there is a considerable demand for several Chinese products, including hardware, pharmaceuticals, and telecommunications equipment. India is likewise a prospective market for Chinese goods. Due to their economic interdependence, both parties recognised how crucial it was to approach the crisis with maturity and wisdom. ¹²⁴

Secondly, China may have aimed to protect its long-standing economic concerns by advocating for India’s inclusion in the Regional Comprehensive Economic Partnership (RCEP). Among the RCEP member countries, China and India were poised to be the two most significant economies. The disengagement between the two countries can, in part, be attributed to the ongoing RCEP negotiations, initiated by the Association of Southeast Asian Countries (ASEAN) in 2012. Naturally, China stood to gain from this development, as it was anticipated that the RCEP would become the largest trading bloc in Asia, providing China with a strategic advantage to influence economic relationships in the region. ¹²⁵

¹²³ Goswami, n. 28, p. 58.

¹²⁴ Ibid., pp. 66-67.

¹²⁵ Annie-Marie Schleich, “Geopolitics in the Himalayas: A Kingdom sandwiched between China and India,” *ISPSW Institute for Strategic, Political, Security, and Economic Consultancy*, Issue 694 (May 2020), pp. 5-6, https://css.ethz.ch/content/dam/ethz/special-interest/gess/cis/center-for-securities-studies/resources/docs/ISPSW_694_Schleich.pdf.

Thirdly, other than the economic aspect, China is particularly concerned about its global image. Since China wants to emerge as a superpower, it needs to present itself as a responsible and peaceful state in the international arena. Regarding India, it functions as a defensive state, aiming to preserve the existing state of affairs. Consequently, the pursuit of territorial expansion through military means contradicts the principles of Indian foreign policy. The preferred outcome for both parties would be to solve the crisis through negotiation without large-scale military conflict.¹²⁶

Fourthly, it is possible that two upcoming events had a big impact on pressuring both leaders to end the conflict. The BRICS (Brazil, Russia, India, China, and South Africa) summit was one, and the 19th Party Congress was the other, both of which were taking place in China. China continues to place importance on BRICS cooperation with India, particularly when considering initiatives like the Quadrilateral Security Dialogue (QUAD), which involves India, the USA, Japan, and Australia, aimed at safeguarding a “free and open Indo-Pacific” and which was being revived in 2017 under the Trump administration due to perceived Chinese threats in the Indo-Pacific Region. Additionally, it was essential for China that Prime Minister Narendra Modi participate in the BRICS summit, especially since it was being hosted in China.¹²⁷

Likewise, for India, it would have been challenging for Prime Minister Narendra Modi to justify his presence at the BRICS summit while the Chinese and Indian militaries were locked in a standoff at Doklam. BRICS has evolved as a forum representing the interests of developing countries, or the global south, and India utilises this platform to address a range of issues, spanning from the World Trade Organisation (WTO) to climate change. Additionally, since 2009, the National Security Advisers (NSA) of the BRICS member countries have met to discuss security-related matters and exchange information on issues such as

¹²⁶ Jacob, n. 23, pp. 66-67.

¹²⁷ Schleich, n. 125, p. 6.

cyber security and counter-terrorism. So it was important for India to attend this high-profile summit. Consequently, both countries attempted to end the standoff and ease tension ahead of the summit.¹²⁸

During a meeting on July 7, 2017, on the sidelines of the G20 summit in Hamburg, Germany, the Indian Prime Minister praised the contributions made by both countries to the global stage. He urged that an NSA-level meeting be held to de-escalate the tension between the two countries. The NSA was requested to investigate possibilities for an early resolution to the confrontation because collaboration would benefit both nations greatly. The fundamental principle remained that “India will not allow the status quo to be changed by force under any circumstance. Any change must happen through negotiation and mutual understanding”.¹²⁹ As part of efforts to resolve the Doklam conflict, this meeting established communication channels with the Chinese authorities in Beijing. Following this, an Indian delegation led by NSA Ajit Doval engaged in bilateral talks with Yang Jiechi from China’s State Council in Beijing, all while the border standoff persisted. Diplomatic communication between both sides continued in relation to the Doklam incident. Both sides communicated their concerns and interests through diplomatic channels, which sped up the disengagement process.¹³⁰

Both India and China recognised that escalating the conflict would not serve the interests of either country and would potentially create opportunities for external actors to exploit the situation. As a result, they came to an agreement to de-escalate the situation and restore the status quo. On August 28, 2017, India and China jointly announced their decision to disengage from the Doklam Plateau. India agreed to withdraw its forces back to their base at Doka La Pass,

¹²⁸ Bisht et al, n. 17, p. 303.

¹²⁹ Diwakar, “Aggression to agreement: The inside story of the Doklam deal,” *The Times of India*, August 30, 2017, <https://timesofindia.indiatimes.com/india/aggression-to-agreement-the-inside-story-of-the-doklam-deal/articleshow/60283770.cms>.

¹³⁰ Bisht et al, n. 17, p. 303.

allowing them to monitor Chinese activity in the area. China, in turn, agreed to halt the construction of roads towards the Jampheri Ridge and move its forces several hundred metres away from the standoff point. This resolution marked the end of a 73-day military standoff, achieved through successful diplomacy on both sides.¹³¹

Bhutan welcomed the disengagement efforts by India and China in the Doklam region. The Bhutanese Foreign Ministry expressed in a press release,

“We hope that this contributes to the maintenance of peace, tranquillity, and status quo along the borders of Bhutan, China, and India in keeping with the existing agreements between the respective countries”.¹³²

In contrast to the earlier official statement, the second statement acknowledged India’s involvement in the dispute. According to former Ambassador Phunchok Stobdan, this change signifies a shift in Bhutan’s priorities. Bhutan has moved away from emphasising its bilateral dispute over Doklam with China and is now focusing on the proper management of the tri-junction area.¹³³

Tenzing Lamsang claims that at the start of the stalemate, numerous analysts and media outlets presumed that Bhutan would comply with Indian demands because it was practically an Indian “protectorate.” Contrary to expectations, Bhutan did not succumb to intimidation from China, nor did it allow China to build roads as it pleased, as it had done in previous border encroachments. By the end of the standoff, Bhutan had dispelled both of these assumptions. Through its public statements and behind-the-scenes diplomacy with both India

¹³¹Ibid., p. 303.

¹³² “Press Statement on Doklam Disengagement,” *Ministry of Foreign Affairs and External Trade, Royal Government of Bhutan*, August 29, 2017, <https://www.mfa.gov.bt/press-statement-on-doklam-disengagement/>.

¹³³ Phunchok Stobdan, as cited in Devirupa Mitra, “Bhutan Welcomes End of Doklam Stand-Off, China Says It Has Stopped Road Building—for Now,” *The Wire*, August 29, 2017, <https://thewire.in/uncategorised/bhutan-welcomes-end-doklam-stand-off-beijing-says-stopped-road-building-efforts-now>.

and China, Bhutan played a key role in not only achieving disengagement but also in establishing clear boundaries for both parties.¹³⁴

Like any other nation, Bhutan's foreign policy is primarily influenced by its national interests. However, it has also taken special care to ensure that those goals do not conflict with those of its neighbours. Bhutan maintained silence during the standoff, which helped to ease tensions between the competing powers and ensure its own safety. Bhutanese diplomacy was essential in averting a Sino-Indian war. This had a positive impact on the resolution of the standoff and bolstered Bhutan's diplomatic standing in the region. According to Nitasha Kaul, this clearly illustrates that even small nations can influence the course of events in a conflict without being a helpless bystander on a volatile border.¹³⁵

Post-Doklam Standoff: Developments in India-China Relations

The Doklam standoff is seen as a pivotal moment in the evolution of India-China relations. According to Lin Minwang, "the Doklam standoff has been one of the most striking incidents in China-India relations since the end of the Cold War".¹³⁶ While India and China have a history of border standoffs, the Doklam episode was the most severe and protracted border tension since the Sumdorong Chu incident. It involved a higher scale in terms of India's security concerns and the number of troops deployed compared to previous similar incidents.¹³⁷

Following the Doklam crisis, a prevailing sense of mistrust and underlying tension continued to exist in various aspects of the bilateral relationship between India and China. Their interactions have encompassed both elements of "competition and cooperation." Although there are several differences between the two countries due to historical factors and even the current competition for

¹³⁴ Lamsang, "Bhutan's diplomatic triumph in Doklam," n. 99.

¹³⁵ Kaul, n. 117, p. 43.

¹³⁶ Lin Minwang, "Beyond the Doklam Standoff: Prospects of Resettling China-Indian Relations," *Pacific Journal*, Number 6 (2019), pp. 42-51.

¹³⁷ Fravel, n. 18, p. 11.

supremacy in South Asia and the IOR, both countries also realise the tremendous benefits of cooperation at various levels. The cooperative elements of their relationship include an ever-growing economic relationship, greater dialogue on issues of counterterrorism, as well as cooperation in multilateral forums, including BRICS, and on multilateral issues such as climate change.¹³⁸ Based on these elements of cooperation, an assessment of the developments in their relationship has been made.

An assessment of the events that followed the Doklam crisis shows that, unlike what was speculated by many analysts, the 73-day standoff did not lead the bilateral relationship to a path of complete long-term downturn. In fact, the developments that unfolded after the Doklam standoff provided fresh impetus and stability to India-China relations. The disengagement in Doklam paved the way for the Indian Prime Minister's visit to Xiamen, China, to participate in the BRICS summit. This summit represented a significant diplomatic achievement for India, as it marked the first instance where all five member countries explicitly named the terrorist groups based in Pakistan, including Lashkar-e-Taiba, Jaish-e-Mohammad, Tahreek-e-Taliban Pakistan, and Hizb-ut-Tahrir, in the summit declaration's section on terrorism. This was significant, as in the previous BRICS summit held in Goa in 2016, China had blocked India's attempts to include the names of the above Pakistan-based terror groups. The declaration also backed India's stand on its accession to the Nuclear Suppliers Group.¹³⁹

Both countries participated in the fifth India-China Strategic and Economic Dialogue in Beijing in April 2018. The dialogue covered topics that have an impact on the bilateral relationship, including trade, investment, infrastructure cooperation, and economic connectivity. Furthermore, the possible impact of the

¹³⁸ Chandra, n. 97, p. 68.

¹³⁹ Ananth Krishnan, "BRICS declaration names Pakistan terror groups in big diplomatic win for India," *India Today*, September 4, 2017, <https://www.indiatoday.in/india/story/brics-summit-declaration-pakistan-india-china-xiamen-terrorism-let-jaish-ttp-1037385-2017-09-04>.

trade war between China and the USA on the Sino-Indian relationship was also discussed.¹⁴⁰

In another significant development after the Doklam military standoff, Narendra Modi and Xi Jinping met at the historic Wuhan Summit in April 2018. This meeting paved the way for improvement in ties at different levels, including military ties. Ye Hailin, the Vice President and Secretary of the National Institute of International Strategy's Discipline Inspection Commission highlights that this marked the second instance where Xi Jinping met with a foreign leader who made an informal visit to a Chinese city other than Beijing.¹⁴¹ A press release from the Indian government on April 28 emphasised that a "peaceful, stable and balanced relationship between the two countries will be a positive factor for stability amidst current global uncertainties". Both countries agreed that good management of the bilateral relationship will be "conducive for the development and prosperity of the region, and will create the conditions for the Asian Century."¹⁴²

As a result of the informal summit in Wuhan, one of the key results was the provision of "strategic guidance to their respective militaries to strengthen communication in order to build trust and mutual understanding and enhance predictability and effectiveness in the management of border affairs".¹⁴³ Essentially, it appeared to reaffirm their dedication to the existing institutional agreements and confidence-building measures designed to prevent incidents like Doklam in the border region.

¹⁴⁰ Tridivesh Singh Maini, "New significance to resumed India-China strategic and economic dialogue," *Future Directions International*, April 26, 2018, pp.1-5, <https://apo.org.au/sites/default/files/resource-files/2018-04/apo-nid142861.pdf>.

¹⁴¹ Ye Hailin, "Perception of Identity, Perception of Relationship and Strategic Interaction—An Analysis on China-Indian Border Disputes from the Perspective of Game Theories," *East Asian Affairs*, Volume 1, Number 1 (2021), p. 4.

¹⁴² "India and China Informal Summit," *Government of India Prime Minister's Office*, Press Release, April 28, 2018, <https://pib.gov.in/Pressreleaseshare.aspx?PRID=1530663>.

¹⁴³ "India-China Informal Summit at Wuhan," *Ministry of External Affairs, Government of India*, April, 28, 2018, https://www.mea.gov.in/press-releases.htm?dtl/29853/IndiaChina_Informal_Summit_at_Wuhan.

The Wuhan Summit helped significantly reduce the hostility built up during the Doklam conflict. Most importantly, both sides understood each other's concerns. China acknowledged India's apprehensions regarding border incursions and patrol confrontations, while India recognised China's concerns regarding the Dalai Lama, his visits to Arunachal Pradesh, and their political ramifications. Following the summit, the Indian government began imposing restrictions on Tibetan political events in India. For instance, it advised "senior leaders" and "government functionaries" at the central and state levels to refrain from participating in events commemorating the 60 years of the Dalai Lama's exile.¹⁴⁴ This signified a significant shift in India's foreign policy stance on China and the Tibetan issue.

India's relationship with the Tibetan community soured following the departure of the 17th Karmapa Lama from India to the United States, where he chose not to return. He openly criticised Indian authorities for their suspicions about his intentions and claimed that he was required to obtain a visa, unlike other Tibetan refugees in India who could travel using a Residential Certificate (RO). Subsequently, he acquired Dominican citizenship, and India did not support his claims over the Karmapa sect.¹⁴⁵ In another shift, Prime Minister Modi did not extend an invitation to the Tibetan Government-in-Exile for his second inaugural ceremony in May 2019. These actions by the Indian government weakened Tibet's influence within India, ultimately benefiting China.¹⁴⁶

In August 2018, India took part in a joint military exercise with China and Pakistan under the framework of the Shanghai Cooperation Organisation (SCO). This was followed by the 7th India-China Hand-in-Hand joint training exercise

¹⁴⁴ Shubhajit Ray, "Before cautioning officials against Dalai Lama events, New Delhi sounded Beijing," *The Indian Express*, April 24, 2018, <https://indianexpress.com/article/india/before-cautioning-officials-against-dalai-lama-events-new-delhi-sounded-beijing-narendra-modi-xi-jinping-meet-5149084/>.

¹⁴⁵ "India does not recognise Ogyen Trinley Dorje as the 17th Karmapa Lama, say sources," *India Today*, December 27, 2018, <https://www.indiatoday.in/india/story/india-does-not-recognise-ogyen-trinley-dorje-as-the-17th-karmapa-lama-say-sources-1418446-2018-12-27>.

¹⁴⁶ "Tibetan Leader Lobsang Sangey Not Invited to Modi's Swearing-In This Time," *The Wire*, May 30, 2019, <https://thewire.in/diplomacy/lobsang-sangey-not-invited-modi-swearing-in>.

in December 2018, which was held in Chengdu, China. Additionally, the two countries held their second informal summit in Mamallapuram in October 2019, building on discussions and agreements made during the Wuhan summit. The leaders of both countries hoped that the improvement in communication would enable them to better comprehend one another's concerns and interests.¹⁴⁷ The close interaction between leaders of both countries laid the grounds for both sides to augment mutual trust, work through the differences, and reinforce communication and cooperation at various levels. As a result, even during the crisis, the leadership remained in touch with each other and prevented the crisis from developing into a major problem.¹⁴⁸

However, there was no change in China's stance with regard to Doklam; despite agreeing to withdraw from the conflict, Hua Chunying, the spokesperson for the foreign ministry, emphasised during a press conference that China would continue to assert its sovereign rights to protect territorial sovereignty in accordance with the terms of the historical border-related treaty. However, she did not specifically mention ongoing road-building activities in the region.¹⁴⁹

The Chinese Foreign Ministry also stated that "the Indian troops have withdrawn to the Indian side of the border; the Chinese forces will remain in the region and continue to exercise their sovereignty over the region." Further, it added that "we will make an overall assessment of the weather conditions and all related factors, and, according to the actual circumstances, complete construction plans for the Doklam area."¹⁵⁰

In response to the statement made by the spokesperson of the Chinese Foreign Ministry, the Indian MEA issued a statement to clarify that it wasn't just the

¹⁴⁷ Vinay Kaura, "India's Relations with China from the Doklam Crisis to the Galwan Tragedy," *India Quarterly*, Volume 76, Issue 4 (2020), pp. 504-505.

¹⁴⁸ Ye, n. 141, p. 8.

¹⁴⁹ "Spokesperson Hua Chunying's Regular Press Conference," *Ministry of Foreign Affairs, People's Republic of China*, August 28, 2017, http://mumbai.china-consulate.gov.cn/eng//fyrth/201708/t20170828_5452938.htm.

¹⁵⁰ "China to continue patrolling, defending Doklam area: FM spokesperson," *Xinhua*, August 29, 2017, <http://en.people.cn/n3/2017/0829/c90000-9261862.html>.

Indian troops but both sides that had withdrawn from the face-off site.¹⁵¹ Additionally, the Indian news channel NDTV reported that the Chinese road-building equipment had been removed from the face-off site.¹⁵²

According to the Chinese and Indian media, the troop withdrawal represented a “diplomatic victory” for their respective countries. For the Indian media, it was the case because it complied with India’s request that both sides withdraw their soldiers in order to settle the conflict. In the same way, for the Chinese media, it fulfilled the Chinese condition of the withdrawal of Indian troops as a prerequisite for any meaningful dialogue. In addition to what was already said, the Chinese Foreign Ministry claimed that the Chinese troops had moved out, but only temporarily. In actuality, the Chinese forces were to remain in the region to exercise their sovereignty.¹⁵³

In view of the above proclamations made by the Indian media, M. Taylor Fravel questioned the diplomatic victory of India. He said, “The fact that the Chinese would continue to patrol Doklam as they did in the past indicated that the claims of victory were, indeed, premature.” He pointed out that although India might have won at the tactical level for the time being, it was successful in thwarting the Chinese attempt at constructing a road in the disputed area, but the continued Chinese presence shows that it lost at the strategic level.¹⁵⁴

After the diplomatic resolution, China significantly bolstered its physical presence in Doklam in areas close to the Indian position at Doka La, with the aim of preventing future Indian intervention and restoring stability. China

¹⁵¹ “India, China almost complete troops disengagement at Doklam: MEA,” *The Economic Times*, August 28, 2017, <https://economictimes.indiatimes.com/news/defence/indian-army-begins-disengagement-process-in-doklam/articleshow/60258669.cms>.

¹⁵² “With 500 Soldiers on Guard, China Expands Road in Doklam,” *NDTV*, October 5, 2017, <https://www.ndtv.com/india-news/just-10-km-from-last-doklam-stand-off-china-works-on-a-road-again-1759103>.

¹⁵³ Ankit Panda, “The troops may have stepped back, but the China-India dispute in the Himalayas is far from over,” *South China Morning Post*, October 21, 2017, <https://www.scmp.com/news/china/diplomacy-defence/article/2116254/troops-may-have-stepped-back-china-india-dispute>.

¹⁵⁴ Maris Taylor Fravel, “Why India did not win the Standoff with China,” *War on the Rocks*, September 1, 2017, <https://warontherocks.com/2017/09/why-india-did-not-win-the-standoff-with-china/>.

constructed an extensive network of roads originating from the Yadong Valley, along with permanent facilities such as helipads, airbases, trenches, barracks, communication facilities, and other buildings. These measures were intended to ensure the Chinese troop's preparedness for any potential future contingencies in the region and beyond.¹⁵⁵ In 2017, there was a notable increase in the number of Chinese incursions into India, reaching a total of 426, compared to 273 in 2016.¹⁵⁶

In early 2018, Senior Colonel Zhou Bo expressed his perspective, suggesting that the Doklam outcome should not be regarded as a tactical victory for India. He pointed out that Chinese patrols resumed on the plateau, and the road construction activities continued. However, the most noteworthy aspect of his article was the assertion that India would face a disadvantage because, prior to Doklam, the disputed border had not been a significant strategic concern for China. The Doklam standoff prompted China to re-evaluate its security considerations, leading to plans for increased infrastructure construction along the border.¹⁵⁷

While the Indian media had declared the Doklam agreement a victory for India, at the official level, the approach was different. In response to a question raised on whether the satellite images have revealed Chinese construction in Doklam, the Indian Defence Minister Nirmala Sitharaman told the Rajya Sabha on March 5, 2018, that China was building "some infrastructure, including sentry posts, trenches, and helipads in Doklam." The infrastructure development along the border primarily serves the purpose of accommodating troops during the winter months. Additionally, she emphasised that both sides had relocated their troops

¹⁵⁵ Fravel, n. 18, p. 12.

¹⁵⁶ "Chinese incursions into India rose in 2017: Government data," *Times of India*, February 5, 2018, <https://timesofindia.indiatimes.com/india/chinese-incursions-into-india-rose-in-2017-govt-data/articleshow/62793362.cms>.

¹⁵⁷ Zhou Bo, "Doklam stand-off with China: Will India learn the right lessons or pay as Nehru did?" *South China Morning Post*, January 8, 2018, <https://www.scmp.com/comment/insight-opinion/article/2127282/doklam-stand-china-will-india-learn-right-lessons-or-pay>.

from the face-off site, and there had been a reduction in troop numbers since then. The official position continued to assert that the status quo as of August 28, 2017, had been preserved.¹⁵⁸

The Indian government told the Indian Parliamentary Standing Committee on External Affairs in 2018:

“We intervened due to the danger of the tri-junction being pushed further south and directly threatening the Siliguri Corridor. We had only a limited objective. Beyond that, if there is a build-up, if the Chinese are doing some activity, that is a matter to be dealt with between China and Bhutan.”¹⁵⁹

Therefore, it can be contended that the Doklam standoff emerged as a consequence of the ongoing competition between China and India. As mentioned earlier, there were notable disparities in the objectives and approaches of China, India, and Bhutan concerning the Doklam issue. Beijing sought to alter the existing situation, while India was resolute in upholding the status quo in the area. Bhutan, in contrast, opted for a policy of silence. This crisis has highlighted India’s vulnerabilities by raising the possibility of Chinese military incursions into regions where the Indian army may find itself in a disadvantaged position.¹⁶⁰

The events that unfolded after the Doklam conflict have certainly diminished the chances of direct confrontation between India and China. Nevertheless, a significant level of distrust still persists in their relationship. Since the standoff, both countries have enhanced their infrastructural facilities on either side of the border, thereby indicating future military capability preparations. Given that both countries are emerging powers in terms of economic and military might, it is conceivable that similar standoffs will happen more frequently in the future.

¹⁵⁸ “China building helipads, sentry posts, trenches in Doklam area: Nirmala Sitharaman,” *The Times of India*, March 5, 2018, <https://timesofindia.indiatimes.com/india/china-building-helipads-sentry-posts-trenches-in-doklam-area-nirmala-sitharaman/articleshow/63173379.cms>.

¹⁵⁹ Committee on External Affairs, n. 20, p. 20.

¹⁶⁰ Jacob, n. 23, p. 67.

Additionally, both have strong regional and global political aspirations.¹⁶¹ This has also been highlighted by the first Chief of the Army Staff (CDS), General Bipin Rawat: “Doklam-like incidents may increase in the future”. This stands true today, as another standoff was witnessed between the forces of the two countries in June 2020 in the Galwan Valley.¹⁶² Another crisis similar to the Doklam standoff could once again raise doubts about India’s role as a “security provider” and a prominent Asian power.¹⁶³

Post-Doklam Standoff: India-Bhutan Relations

The Doklam crisis has once again proven that both India and Bhutan share a close and cooperative relationship. Bhutan has always taken into consideration India’s security concerns when dealing with China. Additionally, it has shown that India is a dependable ally in the area. Indian Foreign Secretary S. Jaishankar, while briefing the Parliamentary Standing Committee on India-Bhutan ties, stated that close and regular communication was maintained between the two sides on matters of border security. He emphasised that both countries showed an extremely high level of cooperation and understanding throughout the situation, guaranteeing a win-win resolution.¹⁶⁴

Soon after the military disengagement, the first summit between India and Bhutan took place when the Bhutanese king Jigme Khesar Namgyel Wangchuk travelled to Delhi for a three-day visit to India in November 2017. The discussion centred on India’s developmental assistance to Bhutan, particularly the hydropower industry. During the visit, the then-Indian President Ram Nath Kovind noted, “The manner in which both India and Bhutan stood together to

¹⁶¹ Ibid., p. 67.

¹⁶² General Bipin Rawat cited in “China trying to change the status quo, more Doklam-like incidents likely: Army Chief,” *Hindustan Times*, August 12, 2017, <https://www.hindustantimes.com/india-news/china-trying-to-change-status-quo-doklam-like-incidents-possible-in-future-army-chief-rawat/story-U2zhBGoGF9TrIqNvdd40FI.html>.

¹⁶³ Jacob, n. 23, p. 67.

¹⁶⁴ Committee on External Affairs, n. 20, pp. 24-25

address the situation in Doklam is a clear testimony of our friendship.” He added, “The security concerns of both countries are indivisible and mutual.”¹⁶⁵

In 2018, India and Bhutan celebrated 50 years of formal diplomatic relations. The celebrations involved not only government officials but even the people of the two countries. Marking the 50-year celebration of diplomatic relations, the Bhutanese Minister of Foreign Affairs, Lyonpo Damcho Dorji, said, “The firm foundations that were laid for India and Bhutan relations 50 years ago have grown, blossomed, and nourished.”¹⁶⁶ Both government’s inaugurated the Royal Bhutanese Consulate office in Guwahati. This will further strengthen the long-standing connections between Bhutan and Northeast India. The Consulate General in Guwahati will further strengthen cooperation in trade, tourism, education, and cultural exchanges between the two regions.¹⁶⁷ The Bhutanese Prime Minister, H.E. Dasho Tshering Tobgay, made an official visit to India in July 2018 upon the invitation of Indian Prime Minister Narendra Modi.¹⁶⁸ The meeting took place in a friendly and harmonious atmosphere, reflecting the strong trust, cooperation, and understanding that define their special and mutually advantageous relationship. They engaged in extensive discussions on various matters of shared interest, including collaboration in the field of hydropower. The Indian government assured Bhutan that the tariff for the Mangdechhu hydropower project would be determined to the satisfaction of both parties. Additionally, India reaffirmed its commitment to supporting

¹⁶⁵ “In first summit after Doklam standoff, India celebrates Bhutan ties,” *The Times of India*, November 2, 2017, <https://timesofindia.indiatimes.com/india/in-first-summit-after-doklam-india-celebrates-bhutan-ties/articleshow/61428554.cms>.

¹⁶⁶ “Celebration of His Majesty the King’s 38th Birthday as a Special Event to commemorate the Golden Jubilee of diplomatic relations between India and Bhutan,” *Ministry of Foreign Affairs and External Trade, Royal Government of Bhutan*, February 26, 2018, <https://www.mfa.gov.bt/press-release-313/>.

¹⁶⁷ “Royal Bhutanese Consulate General, Guwahati, India,” *Ministry of Foreign Affairs, Royal Government of Bhutan*, 2018, <https://www.mfa.gov.bt/rbcguwahati/background/#:~:text=The%20Royal%20Bhutanese%20Consulate%20General,consular%20services%20to%20the%20Bhutanese>.

¹⁶⁸ “Official visit of H.E. Dasho Tshering Tobgay, Hon’ble Prime Minister, to India,” *Ministry of Foreign Affairs and External Trade, Royal Government of Bhutan*, July 8, 2018, <https://www.mfa.gov.bt/official-visit-of-h-e-dasho-tshering-tobgay-honble-prime-minister-to-india-july-5-7-2018/>.

Bhutan's socio-economic development by pledging full assistance for its 12th Five-Year Plan. ¹⁶⁹

India and Bhutan maintain a diverse and comprehensive partnership that encompasses various domains, including developmental collaboration, hydropower initiatives, trade and business, educational exchange, and people-to-people linkages. Recently, the Indian Minister of Railways and Commerce and Industries, Piyush Goyal, visited Bhutan for the first-ever Bhutan-India Start-up Summit. One of the key outcomes of the summit was an understanding between Bhutanese agri producers and major Indian supermarkets for the retail marketing of Bhutanese organic food products in India. Another important outcome of this visit was that the Confederation of Indian Industry, one of India's leading industry associations, announced that they would open their first South Asia office in Bhutan. This will enhance Indian investments in Bhutan and guarantee a significant boost for the country's private sector. ¹⁷⁰

The Indian government has plans to develop rail connections within Bhutan, connecting Kokrajhar in Assam with Gelephu in Bhutan, with the aim of enhancing connectivity between the two countries. This will be a historic deal because it will be the first rail connection between India and Bhutan, and it will improve connectivity throughout the region. ¹⁷¹ In the Pasakha industrial region of southern Bhutan, a new land customs post has been established at Ahilay. This will not only facilitate bilateral trade but will also lead to the decongestion of vehicular traffic along the busy Jaigaon-Phuentsholing route. ¹⁷²

¹⁶⁹ Ibid.

¹⁷⁰ "Many deliverables of bilateral cooperation emerge during the meetings Minister to deliver keynote address at the inaugural session of the Bhutan-India Start-Up Summit 2020 tomorrow," *Ministry of Commerce and Industry, Government of India, February 28, 2020*, <https://pib.gov.in/newsite/PrintRelease.aspx?relid=199641>.

¹⁷¹ Dipak K. Dash, "After Nepal, India plans rail link to Bhutan," *The Times of India*, June 5, 2022, <https://timesofindia.indiatimes.com/india/after-nepal-india-plans-rail-link-to-bhutan/articleshow/92011347.cms>.

¹⁷² "India Bhutan relations, an epitome of immaculate neighbourly relations," *Kuensel Online*, August 14, 2020, <https://kuenselonline.com/bhutan-india-relations-an-epitome-of-immaculate-neighbourly-relations/>.

India is also helping Bhutan improve its health infrastructure by assisting it in setting up a Multi-Disciplinary Super Speciality Hospital in Thimphu. It is crucial to note that India helped Bhutan during the pandemic by facilitating the uninterrupted movement of both essential and non-essential goods, medicines, and medical supplies, as well as online training for Bhutanese healthcare professionals and the facilitation of the return of over 1,350 Bhutanese nationals.¹⁷³

Space technology, along with digital and emerging technologies, presents a significant opportunity to boost a nation's socio-economic development. A notable post-Doklam development is the agreement between both countries to enhance cooperation in fields like space science and technology, financial technology, and digital connectivity. This cooperation led to the inauguration of the Ground Earth Station of the South Asian Satellite in Thimphu. Additionally, in 2021, both countries reached an agreement for the collaborative development of a small satellite for Bhutan.¹⁷⁴

In the education sector, the two sides also launched a STEM-based cooperation initiative between premier educational institutes in India and their counterparts in Bhutan. With the introduction of RuPay cards in Bhutan and the subsequent rollout of Bhutan's Quick Response Code, which will permit the use of the Bharat Interface for Money (BHIM) app, an Indian digital payment interface, in Bhutan, significant progress has been made in integrating the economies of the two countries on the financial front.¹⁷⁵ As a result, following the Doklam impasse, the two countries are closer than ever. In fact, the areas of cooperation have grown. This development has introduced a fresh aspect to the relationship between India and Bhutan in the 21st century.

¹⁷³ Ibid.

¹⁷⁴ Ibid.

¹⁷⁵ Ibid.

Post-Doklam Standoff: China-Bhutan Relations

The concern related to China's military advancement and the transformation of its political and economic system is not new. Bhutan, like any other nation, wishes to take advantage of the economic prospects presented by a developing China. The Doklam stalemate, however, presented fresh challenges for China and Bhutan relations. Uncertainty prevailed because, despite India and China's relations improving through diplomatic channels in the months following the Doklam standoff, there was no formal official diplomatic outreach between China and Bhutan for almost a year.

The initial diplomatic engagement between China and Bhutan in July 2018 received positive reactions from both Chinese and Bhutanese authorities. Chinese Vice Foreign Minister Kong Xuanyou, along with the Chinese ambassador to India, Luo Zhaohui, and other officials, made a visit to Bhutan during this period. During this visit, the Chinese Vice Foreign Minister held a meeting with various Bhutanese officials, including the then Prime Minister Tshering Tobgay and King Jigme Khesar Namgyel Wangchuk. The discussions covered a wide range of topics, including China-Bhutan relations and border-related matters.¹⁷⁶

Bhutan seems to be pursuing a more independent approach in its dealings with China, although it recognises the constraints of its foreign policy options and the need to engage with China realistically. In response, the Chinese Foreign Ministry issued a statement expressing China's commitment to its longstanding and friendly relationship with Bhutan. The statement emphasised China's respect for Bhutan's independence, sovereignty, and territorial integrity. It also conveyed China's readiness to strengthen high-level interactions, boost

¹⁷⁶ Ankit Panda, "Chinese Vice Foreign Minister visits Bhutan in First High-Level Interaction Since the 2017 Doklam Standoff," *The Diplomat*, July 26 2018, <https://thediplomat.com/2018/07/chinese-vice-foreign-minister-visits-bhutan-in-first-high-level-interaction-since-the-2017-doklam-standoff/>.

practical collaboration, improve multilateral coordination, and promote mutual development through mutual respect and benefit. ¹⁷⁷

Subsequently, the 10th Expert Group Meeting (EGM) was held in Kunming, China, in April 2021, with the Bhutanese delegation led by Letho Tobdhen Tangbi, the Secretary of International Boundaries, while the Chinese delegation was led by Hong Liang, the Director General of the Department of Boundary and Ocean Affairs. The joint press statement states that the EGM was conducted in a warm and friendly manner. An in-depth examination of the boundary dispute was conducted while taking into account Bhutan's close ties to China. During the meeting, both parties discussed a roadmap to expedite the boundary demarcation process. They also reaffirmed their commitment to maintaining peace and tranquillity in the border areas as per the 1988 agreement. Furthermore, they agreed that the 25th round of negotiations and the 11th EGM should be scheduled as soon as possible. ¹⁷⁸

Following the 10th EGM, China and Bhutan signed a Memorandum of Understanding (MOU) on a "Three-Step Roadmap" to expedite the settlement of the boundary dispute on October 14, 2021, in a ceremony conducted virtually. As per the understanding of the Three-Step Roadmap, China and Bhutan will first develop fundamental political guidelines for boundary demarcation; second, they will solve specific disputes; and finally, they will sign the agreement as per the understanding and draw the boundary demarcation. As per the press statement issued by Bhutan's MFA, it is anticipated that the adoption of this

¹⁷⁷ "Vice Foreign Minister Kong Xuanyou Visits Bhutan," *Ministry of Foreign Affairs of the People's Republic of China*, July 24, 2018, https://www.fmprc.gov.cn/eng/gjhdq_665435/2675_665437/2686_663376/2688_663380/201807/t20180726_510168.html.

¹⁷⁸ "Joint Press Release on the 10th Expert Group Meeting on China-Bhutan Boundary Issues," *Ministry of Foreign Affairs, People's Republic of China*, April 9, 2021, https://www.fmprc.gov.cn/eng/wjbxw/202104/t20210412_9133984.html.

roadmap will result in a successful resolution of the boundary disputes that is acceptable to both sides.¹⁷⁹

The MOU will greatly speed up border negotiations and promote efforts to establish diplomatic ties between the two countries, the Chinese Assistant Foreign Minister expressed optimism. China will follow Xi Jinping's philosophy of diplomacy, practice neighbourhood diplomacy that emphasises amity, sincerity, mutual benefit, and inclusivity, and be a good neighbour, friend, and partner of Bhutan on the principles of equality, peaceful co-existence, and win-win outcomes, he continued.¹⁸⁰

According to the Bhutanese Foreign Minister, Lyonpo Dr. Tandi, "The MOU is an important milestone in the boundary negotiations, which began in 1984, and now, after 37 years, 24 rounds of border talks, and 10 meetings at the expert group level, we have now reached a stage where we are able to agree on the road map, which contains three steps that expedite the whole process."¹⁸¹

In October 2022, following the signing of the MOU, Sun Weidong, the Chinese ambassador to India, made a three-day visit to Bhutan. During the visit, he met with several Bhutanese leaders, including Bhutan's King Jigme Khesar Namgyal Wangchuk. Both parties are committed to fostering the growth of their ties. The Chinese ambassador also underlined China's desire to cooperate with Bhutan to successfully implement the MOU on a "Three-Step Roadmap," maintain cordial relations, ensure greater interpersonal interactions, boost win-win cooperation, and move border negotiations forward. Overall, emphasis was laid on pushing

¹⁷⁹ "Press Release," *Ministry of Foreign Affairs and External Trade, Royal Government of Bhutan*, October 14, 2021, <https://www.mfa.gov.bt/press-release-519/>.

¹⁸⁰ Buddhi Prasad Sharma, "China-Bhutan Border MoU: An Opportunity to Expand Bhutan's Diplomacy and Developmental Spheres," *China Today*, October 22, 2021, http://www.chinatoday.com.cn/ctenglish/2018/commentaries/202110/t20211022_800261338.html.

¹⁸¹ Lyonpo Dr Tandi, as cited in "An important MOU after 37 years and 24 rounds of boundary talks," *The Bhutanese*, October 16 2021, <https://thebhutanese.bt/an-important-mou-after-37-years-and-24-rounds-of-boundary-talks/>.

for new progress in China-Bhutan relations to mutually benefit the two countries and their citizens.¹⁸²

The 11th meeting of the China-Bhutan border experts took place in Kunming, China, in January 2023. H.E. Mr. Hong Liang, Director-General of the Department of Boundary and Ocean Affairs of the MFA of China, served as the leader of the Chinese delegation. Dasho Letho Tobdhen Tangbi, Secretary of the International Boundaries of Bhutan, served as the delegation's leader. Both parties concurred to use the Three-Step Roadmap to speed up the boundary negotiations during the meeting. Additionally, they also decided to maintain contact through diplomatic channels and organise more EGMs often in order to hold the 25th round of border negotiations as soon as feasible.¹⁸³

From May 24 to May 25, 2023, the 12th EGM on the China-Bhutan Boundary disputes took place in Thimphu, Bhutan. H.E. Mr Hong Liang, Director-General of the Department of Boundary and Ocean Affairs of the MFA of China, served as the leader of the Chinese delegation. While Mr. Letho Tobdhen Tangbi, Secretary of the International Boundaries of Bhutan, served as the head of the mission from Bhutan. Both parties discussed the agreement reached at the 11th EGM in Kunming during the meeting. The “Three-Step-Roadmap” was lauded by both parties, who also emphasised the importance of holding frequent meetings. The two sides also decided to hold the 25th round of boundary talks.¹⁸⁴ In August 2023, Beijing hosted the 13th EGM on the China-Bhutan Boundary issues. In order to expedite the implementation of a “Three-Step-Roadmap” that will result in the demarcation of boundaries, a Joint Technical Team was

¹⁸² “Chinese Ambassador to India’s visit to Bhutan help advance friendly ties,” *The Global Times*, October 16, 2022, <https://www.globaltimes.cn/page/202210/1277213.shtml>.

¹⁸³ “Joint Press Release of the 11th Expert Group Meeting (EGM) On the Bhutan-China Boundary Issues,” *Ministry of Foreign Affairs and External Trade, Royal Government of Bhutan*, January 13, 2023, <https://www.mfa.gov.bt/joint-press-release-of-the-11th-expert-group-meeting-egm-on-the-bhutan-china-boundary-issues/>.

¹⁸⁴ “Joint Press Release for the 12th Expert Group Meeting on Bhutan-China Boundary Issue,” *Ministry of Foreign Affairs and External Trade, Royal Government of Bhutan*, May 26, 2023, <https://www.mfa.gov.bt/joint-press-release-for-the-12th-expert-group-meeting-on-bhutan-china-boundary-issue/>.

established. The Joint Technical Team met for the first time on the sidelines of the 13th EGM.¹⁸⁵

The Doklam standoff, as previously mentioned, has brought the boundary dispute to the attention of the Bhutanese public. It has sparked discussion about whether it is worthwhile to hold off on resolving the conflict until India and China can come to an agreement on their respective territorial disputes. Additionally, it has opened the door for China to expand its influence in Bhutan's politics and economy. It is evident from the discussion above that the level of interaction between China and Bhutan has increased post-Doklam standoff. While the 10th EGM was held in 2021, the 11th, 12th, and 13th EGM took place in 2023. Similar moves were made by China in the past, and now it is a significant player in Nepal's domestic politics.¹⁸⁶ For example, China served as the mediator for the Communist Union of the Communist Party of Nepal Maoist Centre and the Communist Party of Nepal Unified Marxist Leninist.¹⁸⁷

Although there have always been differences regarding the border dispute, both sides are slowly but steadily working to find a mutually agreeable solution to the border question. China continues encroaching on Bhutan's territory, endangering its sovereignty, independence, and territorial integrity. The problems with India's security along its Himalayan borders have intensified due to this situation, particularly concerning the safety of its northern frontiers and northeastern states.¹⁸⁸ We could therefore argue that the Doklam standoff and the larger geopolitical confrontation in the Himalayan region have important

¹⁸⁵ "Joint Press Release of the 13th Expert Group Meeting (EGM) on the China-Bhutan Boundary Issues," *Ministry of Foreign Affairs of the People's Republic of China*, August 24, 2023, [https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/wshd_665389/202308/t20230824_11131962.html#:~:text=24%2013%3A53-.The%2013th%20Expert%20Group%20Meeting%20\(EGM\)%20on%20the%20China%2D,Affairs%20of%20Chi na%20and%20H.E..](https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/wshd_665389/202308/t20230824_11131962.html#:~:text=24%2013%3A53-.The%2013th%20Expert%20Group%20Meeting%20(EGM)%20on%20the%20China%2D,Affairs%20of%20Chi na%20and%20H.E..)

¹⁸⁶ Jacob, n. 23, p. 67.

¹⁸⁷ "CPN-UML and CPN-Maoist Centre for alliance in Nepal," *Hindustan Times*, October 3, 2017, <https://www.hindustantimes.com/world-news/cpn-uml-and-cpn-maoist-centre-set-to-form-alliance-in-nepal/story-DrP1l0a10oagbNxENvpO2H.html>.

¹⁸⁸ C. Namgyal, "Aftermath of Doklam Crisis: India-Bhutan Relations", *World Focus*, Volume 39 (2018), pp. 125-129.

ramifications for all three countries, especially in terms of their foreign policies as well as their relations with one another.

Recent Developments In China-Bhutan Border Issue

Bhutan has always been concerned that a delay in border negotiations may force China to take a more aggressive attitude and demand additional territory.¹⁸⁹ When China expanded its territorial claims beyond the western and northern sectors in 2020, Bhutan's fears came true. In the eastern region, China brought up a new land dispute with Bhutan. The Sakteng Wildlife Sanctuary (740 square kilometres), located in Bhutan's Trashigang district, is the new area of contention. At the 58th meeting of the Global Environment Facility Council (GEF) in June 2020, Thimphu attempted to request funding for a project in the sanctuary. China attempted to block the funding on the grounds that it is a disputed region.¹⁹⁰



Source: Google Earth image of Sakteng Wildlife Sanctuary in Bhutan

¹⁸⁹ Phunchok Stobdan, "In the Tri-Junction Entanglement, what does Bhutan want?", *The Wire*, July 11, 2017, <https://thewire.in/diplomacy/bhutan-doklam-border-china>.

¹⁹⁰ Sudha Ramachandra, "Expanding and Escalating the China-Bhutan Territorial Dispute," *China Brief*, Volume 21, Issue 14, July 16, 2021, <https://jamestown.org/program/expanding-and-escalating-the-china-bhutan-territorial-dispute/>.

Bhutan issued a formal letter to the GEF council, strongly opposing the Chinese claims, as it questioned the sovereignty of Bhutan and its territory in the Sakteng Wildlife Sanctuary. In response, China claimed that “the boundary between China and Bhutan has never been delimited. There have been disputes over the eastern, northern (also known as the central sector), and western sectors for a long time.”¹⁹¹

It is crucial to analyse the reasons for China’s actions. One possible reason behind China’s new claim is to simply enhance its bargaining position. China is attempting to strengthen its strategic position in the Himalayan region by claiming more territory. As was said earlier, China has put out a “package deal” in the seventh round of boundary negotiations with Bhutan. Bhutan declined this request, keeping India’s security interests in mind. As a result, China became more assertive, expanding its territory into Bhutan and even building roads there. Therefore, China’s latest claim is a ploy to exert pressure on Bhutan because the eastern sector was never discussed during the 24 rounds of boundary negotiations.¹⁹²

Furthermore, given that the border talks have been suspended since the Doklam episode in 2017, this could also be an effort to persuade Bhutan to participate in negotiations. Chinese assertions can also be an outcome of increasing tensions with India after the Galwan clashes.¹⁹³ M. Taylor Fravel, in his recent interview with India Today, pointed out that the old Chinese maps “do not show Sakteng or nearby areas in Bhutan as Chinese territory.” Through the representation of old Chinese maps from the Chinese history of the 1962 war with India, he

¹⁹¹ Ibid.

¹⁹² Sangeetha Thapliyal, “India’s Strategic Concerns from Nepal & Bhutan,” *CLAWS Journal*, Volume 15, Issue 1 (2022), pp. 95-96.

¹⁹³ John Pollock, “Bhutan and the Border Crisis with China,” *LSE South Asia Centre*, July 19, 2021, <https://blogs.lse.ac.uk/southasia/2021/07/19/bhutan-and-the-border-crisis-with-china/>.

demonstrated that China recognises Sakteng and areas surrounding the wildlife sanctuary as Bhutanese territory.¹⁹⁴

Another possible explanation is that China's new claim is directly related to its claims over Tawang and the whole of Arunachal Pradesh, which it views as being in south Tibet. Given that China has ruled Tibet for more than 700 years, China claims the entire Arunachal Pradesh. The 400-year-old Tawang monastery is where the sixth Dalai Lama was born in the 17th century. What lends this area its significance is the monastery, which is the second-largest Tibetan monastery after Lhasa. China regards Tawang as having religious significance for Tibet as a result.¹⁹⁵

While India claims that because the Tawang region is south of the McMahon Line, it is undoubtedly a part of India, The Dalai Lama and the Tibetan Government-in-Exile support this viewpoint. Since the McMahon line was agreed upon by Tibetans and British India, China does not recognise it. According to China, the 1914 Simla Agreement between British India and Tibet establishing the border in the eastern sector is not legitimate because Tibet had no legal authority to sign any international treaty. As a result, China has consistently resisted high-profile visits to Tawang in an effort to support its territorial claims. Consequently, China needs to control Tawang in order to legitimise its control over Tibet.¹⁹⁶

Furthermore, Sakteng's proximity to the Tawang region of the Indian state of Arunachal Pradesh also makes it conceivable to link India's proposal to construct a road through Bhutan's Yeti territory to China's most recent claim in the eastern sector. In order to reduce the distance between Guwahati in

¹⁹⁴ "History contradicts new Chinese claims over Bhutan's territory," *India Today*, July 6, 2020, <https://www.indiatoday.in/world/story/history-contradicts-new-chinese-claims-over-bhutan-territory-1697705-2020-07-06>.

¹⁹⁵ Srini Sitaraman, "Are India and China Destined for War? Three Future Scenarios," in *HINDSIGHT, INSIGHT, FORESIGHT: Thinking About Security in the Indo-Pacific*, ed. Alexander L. Vuving (Hawaii: Daniel K. Inouye Asia-Pacific Center for Security Studies, 2020), pp. 288-289.

¹⁹⁶ *Ibid.*, pp. 288-289.

Assam and Tawang in Arunachal Pradesh, a 15-kilometre road was to connect Trashigang in Bhutan with Lumla in Tawang, Arunachal. This would immensely benefit the Bhutanese economy, as it would reopen the age-old trade route between Bhutan and Tawang. However, in 2015, Bhutan suspended the project, possibly in response to pressure from China.¹⁹⁷

If the Bhutanese government approves the construction of this route, India will gain an advantage in terms of army mobilisation if China moves its forces via eastern Bhutan as well as across the disputed border with India in Arunachal Pradesh. In the absence of an alternative route, the Indian defence forces are currently using the Sela Pass, which is snow-covered throughout the year, making transit through it difficult. The latest Chinese claim will add to the barriers already present in India's plan to complete the route to Tawang. The Indian military system in Tawang will face a significant strategic challenge if China is successful in establishing its authority over Sakteng.¹⁹⁸

When it comes to their latest claims on the eastern region of Bhutan, the Chinese experts have a different opinion. In an interview with the British Broadcasting Corporation (BBC), Dr. Lu Yang, a research fellow at the Institute of Belt and Road Initiative at Tsinghua University in Beijing, stated, "It's not that China is bullying Bhutan on the border issue. It is because the Bhutan-China border dispute cannot be separated from the India-China one. This is the main challenge."¹⁹⁹

Bhutan's Prime Minister Lotay Tshering recently stated that his country hoped to finish the border demarcation in one or two sessions. He categorically dismissed reports of China building villages on territory that Bhutan claims. He

¹⁹⁷ Dipanjan Roy Choudhury, "India proposes to build road in Bhutan's 'Yeti Territory' which China claimed recently," *The Economic Times*, July 15, 2020, <https://economictimes.indiatimes.com/news/defence/india-proposes-to-build-road-via-bhutans-wildlife-park/articleshow/76950740.cms?from=mdr>.

¹⁹⁸ Ibid.

¹⁹⁹ Anbarasan Ethirajan, "Why Bhutan's Sakteng wildlife sanctuary is disputed by China," *BBC*, November 20, 2020, <https://www.bbc.com/news/world-asia-55004196>.

said, “There is a lot of information circulating in the media about Chinese installations in Bhutan. We don’t make a deal of it because it’s not in Bhutan.” In reference to the Doklam plateau, he said, “It is not up to Bhutan alone to solve the problem. There are three of us. There is no big or small country; there are three equal countries.” This declaration was made a few months after Chinese and Bhutanese officials met in Kunming, China, to discuss a Three-Step Roadmap to settle boundary disputes between the two countries.²⁰⁰

From the aforementioned statement of the Prime Minister of Bhutan, we may draw five conclusions. First, there has been a major advancement in the process of resolving the boundary dispute between China and Bhutan. This is evident since Bhutan has now officially recognised that China has an equal voice in addressing the Doklam dispute. Compared to its position in 2019, this is different. In 2019, Bhutan maintained that the tri-junction between India, China, and Bhutan at Doklam should not be altered unilaterally. Currently, it seems like Bhutan is taking a more accommodative approach to China when it comes to settling the boundary dispute. This marks a fundamental shift in the ongoing dispute over strategically significant areas.²⁰¹

Second, it is crucial to remember that India has no official role in the border negotiations, which are solely between China and Bhutan. Even then, Bhutan has always been considerate of India’s security concerns and has kept India informed. The Bhutanese Prime Minister’s statement clearly shows that Bhutan has acknowledged that India is a third party to the dispute. This demonstrates unequivocally that Bhutan is not only taking a more accommodating approach towards China but is also publicly endorsing India’s position regarding the 2012

²⁰⁰ Suhashini Haider, “Boundaries could be demarcated within next one or two meetings: Bhutan PM on talks with China,” *The Hindu*, March 9, 2023, <https://www.thehindu.com/news/international/boundaries-could-be-demarcated-within-next-one-or-two-meetings-bhutan-pm-on-talks-with-china/article66672984.ece>.

²⁰¹ “Bhutanese Prime Ministers assertion that Beijing has an equal say in any discussion regarding Doklam dispute raises concerns says Congress,” *The Hindu*, March 31, 2023, <https://www.thehindu.com/news/national/bhutanese-prime-ministers-assertion-that-beijing-has-an-equal-say-in-any-discussion-regarding-doklam-dispute-raises-concerns-says-congress/article66680710.ece>.

understanding, which clearly states that the tri-junctions would include negotiation with all the concerned parties.²⁰²

Third, the Prime Minister's emphasis on the three countries being equal was meant to stress the importance and equality of Bhutan to China and India in the border talks, despite it being the smallest country among the three. Fourth, the statement is particularly alarming at a time when China has been flouting international laws and norms in an effort to normalise its territorial claims, as doing so will only encourage China to continue implementing its *Salami Slicing Tactics* in the Bhutanese territories.

Fifth, the statement can also be interpreted as a diplomatic response to safeguard their own national interests, as the disputed region is under negotiations. As a result, there may be a growing understanding between China and Bhutan to refrain from discussing disputed areas while negotiations are ongoing. It is significant to note that Bhutan is attempting to develop ties with China, which could potentially explain the diplomatic response.

Sixth, the prime minister does not directly deal with the boundary negotiations. The security-related issues are directly under royal guidance (usually the fourth king). It is possible that Lotay Tshering, the current Prime Minister, would like to have a settlement of the border dispute with China during his term in office. In this case, both parties must come to an agreement because, thus far, Bhutan has always taken India's security concerns into account. Last but not least, the denial of Chinese activities on Bhutanese territory may indicate that the dispute has already been resolved or that both countries have reached an understanding regarding the criteria for resolving it. In international relations, it is not uncommon to maintain silence on sensitive issues. Bhutan may be acting in this manner for tactical purposes.

²⁰² Ibid.

The Chinese strategic community, meanwhile, welcomed the development in China. Chinese experts embraced the progress in its relationship with Bhutan and pointed out that although the border dispute between the two countries is minor, it has not yet been resolved formally due to India's interference. The Chinese strategists perceived the Bhutanese Prime Minister's statement as "Bhutan publicly endorsing China."²⁰³ Some Chinese scholars have also stated that by denying the existence of Chinese settlements on Bhutanese soil, they are endorsing their assertions that Pangda village and other nearby locations are all Chinese territory. In addition, it was interpreted that Bhutan rejects India's stance on the tri-junction that it is located not at Mount Gipmochi but near Batang La, some 7-8 kilometres north.²⁰⁴

In response to the Prime Minister of Bhutan's remark, the Bhutanese King Jigme Khesar Namgyel Wangchuk made a three-day visit to India in April 2023. During his visit, he held discussions with the Indian Prime Minister and the President on various aspects of their relationship as well as regional and global issues of mutual concern. The meetings were held in a friendly and warm atmosphere, reflecting the close and friendly ties between the two countries. The King also met with prominent Indian businessmen to discuss ways to deepen bilateral trade and economic ties.²⁰⁵

When it comes to China, Bhutan is treading cautiously. Even throughout the Doklam stalemate, Bhutan exercised caution to avoid offending China and complicating the process of resolving its boundary issue. Bhutan has previously taken into consideration China's core interests. For instance, it has always maintained a "one China" stand in the U.N. and its policy towards Tibetan

²⁰³ "India's obstruction main obstacle to solving China-Bhutan border disputes: experts," *The Global Times*, March 30, 2023, <https://www.globaltimes.cn/page/202303/1288312.shtml>.

²⁰⁴ Ibid.

²⁰⁵ "A framework for Expanded India-Bhutan Partnership. Joint Statement on Visits of His Majesty The King of Bhutan to India," *Royal Bhutanese Embassy New Delhi*, April 5, 2023, <https://www.mfa.gov.bt/rbedelhi/joint-statement-on-visit-of-his-majesty-the-king-of-bhutan-to-india-03-05-april-2023/>.

refugees has always suited the Chinese communist agenda. The strategic importance of Doklam, however, is not always a subject that the Bhutanese feel strongly about. Even then, Bhutan has always been considerate of India's security concerns. It has chosen not to endorse the "package deal" proposed by China. Bhutan's reliance on India for transit, trade, and commerce has made matters more complicated for Bhutan. Therefore, Bhutan has sought to strike a balance with regard to matters affecting China and India.²⁰⁶

The China-Bhutan-India relationship is intricate and influenced by a range of historical, territorial, and geopolitical elements. This complex relationship is evolving due to border conflicts, shifts in Bhutan's internal and external dynamics, economic interactions, and the regional strategic objectives of China and India. Furthermore, this relationship is closely linked with wider regional dynamics, contributing to its impact on the geopolitical landscape of South Asia.

Conclusion

Through the above discussion, it is evident that China is more concerned with the Western sector dispute. Conceivably, this is why China has continued with the process of deploying its forces in this region even after the end of the Doklam standoff. China has not returned to its previous position in Doklam; rather, it has made some forward progress. This is similar to what China recently accomplished in Ladakh. It is obvious that China wants to use Chumbi Valley to its strategic advantage and put pressure on Bhutan and India to settle their border conflict with China.²⁰⁷

The Chinese Foreign Ministry has always maintained its stand that "it is within China's sovereignty to carry out normal construction activities on its own territory." Furthermore, China has consistently underlined that "these

²⁰⁶ Mihir Bhonsale, Bhutan: Walking on tight rope, balancing India and China," *Observer Research Foundation, Commentaries*, (2020), <https://www.orfonline.org/research/bhutan-waking-on-tight-rope-balancing-india-and-china/>.

²⁰⁷ Thapliyal, n. 192, pp. 86-98.

constructions are entirely for the improvement of the working and living conditions of the local people.” Bhutan, on the other hand, has consistently kept silent over China’s *Salami Slicing Tactics* in the border regions. The foreign ministry of Bhutan declined to comment on the matter, stating that “it is Bhutan’s policy not to talk about boundary issues in public.” In addition, it is noteworthy that Bhutan has not voiced objections to Chinese action in Doklam following the 2017 crisis. The Bhutanese ambassador to India, Vetsop Namgyel, refuted claims of Chinese construction operations and asserted, “There is no Chinese village inside Bhutan.”²⁰⁸

Bhutan is optimistic about demarcating its borders with China after nearly 40 years of negotiations, barring the Doklam tri-junction. Many experts frequently contend that the border dispute between China and Bhutan is closely tied to the border dispute between China and India due to the difficulties in resolving the conflict in the tri-junction. Thus, it is frequently argued that in order to settle the China-Bhutan boundary conflict, the initial disagreement between China and India must first be resolved.²⁰⁹ That said, in light of the new Chinese claims on the eastern sector of Bhutan from Beijing’s perspective, Dr. Lu Yang said, “The solution of the China-India eastern border is a precondition for the solution of the Bhutan-China border.”²¹⁰

India significantly influences the border negotiations between China and Bhutan, even though it is not directly a party to the dispute. In a number of his publications, Wangcha Sangey has criticised India’s role in the disputes surrounding the border negotiations between China and Bhutan. He writes that India’s involvement connotes that Bhutan is surrendering its sovereignty to

²⁰⁸ “China steps up construction along disputed Bhutan Border, satellite images show,” *The Economic Times*, January 12, 2022, <https://economictimes.indiatimes.com/news/defence/china-steps-up-construction-along-disputed-bhutan-border-satellite-images-show/articleshow/88852194.cms?from=mdr>.

²⁰⁹ Antara Ghosal Singh, “Chinese Reaction to Bhutan Prime Minister’s Interview,” *Raisina Debates, Observer Research Foundation* (2023), <https://www.orfonline.org/expert-speak/chinese-reactions-to-bhutan-pms-interview/>.

²¹⁰ Dr. Lu Yang, as cited in Ethirajan, n. 199.

another country. China's negotiation with Bhutan is beneficial for the demarcation of the boundary between the two sides. Although he acknowledges the special relationship shared by India and Bhutan, he maintains that Bhutan should be permitted to pursue its own foreign policy and have more influence over its border conflict with China.²¹¹

If China continues to build villages and roads in the Sakteng district of Arunachal Pradesh, Bhutan is likely to witness another conflict similar to the one in Doklam. Bhutan would thus be at the centre of any further skirmishes between China and India. Similar to Doklam, China won't be willing to renounce its claims in Sakteng, and given the intense pressure India would use to prevent a border agreement that yields Doklam, it is likely that China and Bhutan will encounter more difficulties when trying to come to an amicable agreement on their border. As a result, Bhutan will probably face new challenges on its border with China in the years to come.²¹²

²¹¹ Wangcha Sangey, "Understanding Sino-Bhutan Border issues at Doklam," *Wangcha Sangey* (blog), July 3, 2017, <http://wangchasangey.blogspot.com/2017/07/understanding-sino-bhutan-border-issues.html>.

²¹² Pollock, n. 193.

Chapter V

China-Bhutan Relations: Challenges and Implications for India

The Himalayan region has always played a strategic role for India throughout history. During the British rule, the Himalayan region was strategically significant because it offered security from external adversaries like Russia and China. It also played an instrumental role in furthering British economic interests by providing vital trade routes and links. Even after independence, the Himalayan region continues to be strategically significant for India. Due to India's complex relationship with China, maintaining friendly ties with its Himalayan neighbours, particularly Bhutan, has gained heightened significance. Bhutan, a small Himalayan nation, serves as a protective buffer between India and China. Its role in safeguarding India's northeastern security and the Siliguri Corridor is pivotal, while China's control over Doklam would grant it a strategic upper hand against India. Historically, Bhutan has proven to be a reliable ally, prioritising India's strategic concerns in the region. However, recent circumstances have posed certain challenges in the India-Bhutan relationship, with the overarching influence of China looming in the background. Bhutan has been trying to diversify its economy, though it is not known; the Singaporean model and assistance can be an area that needs to be observed. Although Singapore can emerge as a potential challenge for India and Bhutan relations, China is already a major cause of concern. Bhutan today is increasingly motivated to open up to China. Bhutan's engagement with China, although limited, has been increasing since the 1970s. Moreover, there has been significant progress in the boundary negotiations, with both sides recently signing a Memorandum of Understanding (MOU), a "Three-Step Roadmap," to expedite the negotiations to resolve their boundary dispute. In this context, it will be a challenge for India to keep democratic Bhutan in the same goodwill as compared to the strong bond India had with the Bhutanese monarchy. This chapter will focus on the state of India and Bhutan relations and the challenges

faced by both countries. It is vital to discuss the irritants in the India-Bhutan relationship, as these can be amplified by Bhutan's evolving foreign policy, which includes a desire to diversify its economy. In the second part of the chapter, emphasis has been laid on the challenges and implications for India. Finally, the chapter ends with the prospects for India and Bhutan relations and policy options for India.

Irritants in India-Bhutan Relations

In recent times, Bhutan has started showing interest in improving relations with China. The pro-China lobby is getting stronger day by day. While there is nothing on the ground to prove that Bhutan, like Nepal, is going to play the China card, such a scenario cannot be completely ruled out. Both China and Bhutan have repeatedly shown their interest in solving the border dispute at the earliest possible time. China has been mostly interested in the Western sector. Any alteration in this sector after settlement can have serious implications for India because of its sensitivities to the Chumbi Valley. Despite the fact that India and Bhutan's relationship is now stronger than it was in 1949, there have been some irritants in their relationship. These irritants have been influenced by many factors, and it is essential to discuss them in the context of Bhutan's increasing engagement with China.

Hydropower Sector:

Hydropower is the backbone of the Bhutanese economy; however, high capital costs and large investment requirements make it increasingly difficult for Bhutan to develop its hydropower projects in the short and medium run.¹ Consequently, Bhutan has been the recipient of financial and technical support from the Indian government to facilitate the growth of hydropower initiatives. India has made significant investments in Bhutan's hydropower sector, with the

¹ Medha Bisht, "India-Bhutan Power Cooperation: Between Policy Overtures and Local Debates," *Institute for Defence Studies and Analyses*, IDSA Issue Brief (October 2011), pp. 2-3

electricity generated being exported to India. The development of hydropower has been a critical sphere of collaboration between India and Bhutan. While this arrangement has proven mutually advantageous, there have arisen concerns regarding the long-term consequences on the environment, delays in the commission of projects, the increasing costs of the projects, the increase in hydropower debt, the increasing rate of unemployment, and the terms of the projects.

Environmental Concerns

In the past, India and Bhutan approved several hydropower projects without properly assessing their long-term environmental impacts. According to Yedzin W. Tobgay, hydropower projects have contributed to several environmental challenges, such as the loss of forest land, alteration of river flows, disturbance of wildlife habitats and migratory paths, lower crop productivity, increased incidence of water-related diseases, sedimentation of reservoirs, greenhouse gas emissions from reservoirs, etc. ² Furthermore, as per a report published by the World Bank Group, the negative impact on aquatic biodiversity is the biggest impact of the development of hydropower projects in Bhutan. ³

The Bhutanese have expressed particular concern about the environmental effects of hydropower projects, especially in light of the importance placed on environmental conservation as one of the cornerstones of Gross National Happiness (GNH). Bhutan's unique approach to development prioritises the well-being of its citizens and environment. ⁴ Although India has played a substantial role as a development collaborator in Bhutan's hydropower domain,

² Yedzin W. Tobgay, "Indo-Bhutanese Relations," in *Linking India and Eastern Neighbours: Development in the Northeast and Borderlands*, eds. H. Srikanth and M. Majumdar (New Delhi: SAGE Publishing India, 2021), p. 69.

³ *Managing Environmental and Social Impacts of Hydropower in Bhutan* (English), Energy Sector Management Assistance Program (ESMAP) Technical Report (Washington, DC: World Bank Group, June 2016), pp. 9-12, <https://documents1.worldbank.org/curated/en/254821470402939614/pdf/107462-REVISED-PUBLIC-HydropowerforBhutanWebCORRECTED>.

⁴ Medha Bisht, "Bhutan's Foreign Policy Determinants: An Assessment," *Strategic Analysis*, Volume 36, Number 1 (2012), pp. 57-72.

the apprehensions regarding environmental consequences may potentially become a hurdle in the future of the India-Bhutan relationship. India's persistent energy demands are expected to fuel hydropower project expansion in Bhutan. Therefore, the environmental impacts of these projects could create tension if not addressed properly.

Bhutan is concerned about climate change because it could make natural disasters like Glacial Lake Outburst Floods (GLOF) worse. According to the United Nations Development Programme (UNDP), over the last 200 years, Bhutan has seen a total of more than 21 glacial lake outburst floods, with four of them being documented in the last four decades. The report identifies 25 glacial lakes as potentially dangerous, especially in the Phochhu sub-basin, that could pose a significant risk to 70% of the settlement in the lower valleys, damage agricultural fields (70% of the population depends on subsistence agriculture), and damage critical infrastructures, including hydropower (the largest source of revenue).⁵

Additionally, between 1980 and 2010, Bhutan's glacial area decreased by 23.3 per cent. In general, glaciers in Asia feed the majority of the continent's rivers, and Bhutan is no exception. Bhutan mainly depends on glacial meltwater as a supply of water for hydropower production; hence, the loss of glaciers would naturally mean a reduction in output.⁶ In the short run, the melting of glaciers may cause rivers to flow in an irregular pattern, resulting in floods that could seriously damage the dams. In the long run, the melting of glaciers would reduce the amount of water available for hydropower projects, thereby impacting their ability to produce electricity consistently. Thus, Bhutan's dependence on

⁵ *Glacial Lake Outburst Flood (GLOF) Reducing Risks and Ensuring Preparedness*, The Report on the International Conference (New York: United Nations Development Programme, 2012), pp. 10-11.

⁶ Tempa Wangdi, "Longevity of Bhutan's glaciers questionable," *Kuensel Online*, April 21, 2015, <https://kuenselonline.com/longevity-of-bhutans-glaciers-questionable/>.

climate-sensitive sectors such as agriculture and hydropower for its economic growth makes it vulnerable to the risks associated with climate change.⁷

The Pattern of Funding and Delays in Commissioning of Hydropower Projects

Although the Royal Government of Bhutan (RGOB) has expressed gratitude for India's support in the hydropower sector's development, several factors have contributed to a reduction in the economic advantages for Bhutan. One of these factors is the shift in India's funding approach. Previously, India followed a 60:40 model (60% grant and 40% loan), but it has not transitioned to a 30:70 model (30% grant and 70% loan). These alterations have placed a greater financial burden on the Bhutanese government.⁸ The details of this change in the grant and loan model by India have been discussed in the second chapter in Table 11.

Another reason that has added to the economic woes of Bhutan is the delay in the commissioning of projects. For instance, in 2006, India committed to importing a minimum of 5,000 MW of electricity from Bhutan by 2020. India agreed to implement the projects to reach this target. In 2008, India and Bhutan committed to producing an additional 10,000 megawatts (MW) of electricity from hydropower by 2020. Ten projects have been identified for meeting the 2008 commitment. However, only one project—720 MW Mangdechhu—has been completed since 2008. Two hydropower projects, 1200 MW Punatsangchu I and 1020 MW Punatsangchu II are under construction. Punatsangchu Power Project I was scheduled to be completed in July 2019, and Punatsangchu Power

⁷ Sangay Chopel, "Export Price of Electricity in Bhutan: The Case of Mangdechhu Hydroelectric Project," *Journal of Bhutan Studies*, Volume 32 (Summer 2015), p. 4.

⁸ Dasho Penjore, "Economic Life: 50 Years of Indo-Bhutan Economic Cooperation," in *India-Bhutan: Friendship Through the Decades and Beyond*, eds. Centre for Escalation of Peace (New Delhi: Centre for Escalation of Peace, 2019), p. 51.

Project II, scheduled to be completed by December 2018, has yet to be completed.⁹

A Joint Audit Report conducted by the Royal Audit Authority of Bhutan and the Comptroller and Auditor General of India verified that India played a part in the rising expenses and project implementation delays. The audit report also noted several causes for inconsistencies in the construction of hydropower projects. Fraud, corruption, poor management, violations of laws and rules, and other issues are some of the causes of delays and cost escalation in hydropower projects.¹⁰ According to Lyonpo Loknath Sharma, the current Economic Affairs Minister, one of the reasons for the delays is to do with the Detailed Project Report (DPR); the reports and projections become outdated, and the capital budget becomes double or even triple as time passes.¹¹

To expedite the implementation of the hydropower projects, India and Bhutan have shifted from the 30% grant and 70% loan model to a joint venture model (JV). The four projects to be developed under this model are as follows: the 770 MW Chamkarchu project, the 600 MW Kholongchhu project, the 570 MW Wangchhu project, and the 180 MW Bunakha project (see Table 11). However, so far, no joint venture projects have taken off. Delays in the commissioning of the JV projects have raised doubts in the minds of the local communities about the viability of the model.¹²

Additionally, Bhutan's hydropower generation capability is subject to seasonal variations, decreasing to one-sixth of its full capacity during periods of low demand. Given that the mentioned projects primarily consist of run-of-the-river

⁹ "Bhutan-India Hydropower Relations," *Royal Bhutanese Embassy, New Delhi*,

<https://www.mfa.gov.bt/rbedelhi/bhutan-india-relations/bhutan-india-hydropower-relations/>.

¹⁰ National Assembly of Bhutan, *Report of the Public Accounts Committee to the Eight Session of the Second Parliament* (2016), p. 15,

https://www.nab.gov.bt/assets/uploads/docs/download/2016/PAC_REPORT8thSession6-7Dec2016.

¹¹ Tshering Ngedup Thobchog, "Govt considering a few hydro projects as 10,000 MW by 2020 fails to take off," *The Bhutanese*, November 6, 2022, <https://thebhutanese.bt/govt-considering-a-few-hydro-projects-as-10000-mw-by-2020-fails-to-take-off/>.

¹² Penjore, n. 8, p. 51.

projects that are not efficient at generating power in winter, Bhutan is obliged to import electricity from India during the winter months. At present, Bhutan is paying Nu 8.35 per unit for energy imported from India. According to Dechen Dolkar, this is a cause for concern for the Bhutanese, as the new price is double the price of last winter's import.¹³

In this scenario, Bhutan was looking forward to the construction of the four reservoir projects with a commitment of 10,000 MW by 2020. These four reservoir projects are the 180 MW Bunakha, the 2500 MW Sunkosh, the 540 MW Amochu, and the 2640 MW Kuri Gongri reservoir project. Reservoir projects, in contrast to other run-of-the-river projects, provide electricity throughout the year, enabling not just the export of power but also advancing Bhutan's industrial growth. Bhutan can use this to meet its energy demands during the winter. Out of the four reservoir projects, the Sunkosh and Kuri Gongri projects are particularly important for Bhutan. According to Tenzing Lamsang, the Sunkosh hydroelectric project will generate 5,900 million units annually, translating into Nu 10.8 billion in revenue when multiplied by the unit price of Nu. 2. In contrast, the Kuri Gongri project boasts a greater annual generation capacity of over 10,000 plus million units, translating to a potential annual revenue exceeding Nu. 20 billion. For this reason, out of the 10,000 MW goal, the Bhutanese Hydroelectricity Department frequently refers to these two reservoir projects as the "most prized" hydropower projects.¹⁴

The delay in the commissioning of the Sunkosh reservoir-based project is due to the differences between the two governments over the implementation modality. While the Indian side wants to implement the Sunkosh hydroelectric project on a turnkey model, Bhutan has refused to accept such a model and has

¹³ Dechen Dolkar, "Nu 8.35 per unit for imported electricity," *Kuensel Online*, March 9, 2023, <https://kuenselonline.com/nu-8-35-per-unit-for-imported-electricity/#:~:text=At%20Nu%208.35%20per%20unit,around%20Nu%204.50%20per%20unit>.

¹⁴ Tenzing Lamsang, "Reservoir turned 2,640 MW Kuri Gongri project to generate double the power of 2,560 MW Sunkosh," *The Bhutanese*, November 12, 2012, <https://thebhutanese.bt/reservoir-turned-2640-mw-kuri-gongri-project-to-generate-double-the-power-of-2560-mw-sunkosh/>.

instead proposed that the current intergovernmental process be followed with some reforms. Under the turnkey model, an Indian company will have full control over all aspects of the project, including design, engineering, procurement, construction, installation, and commissioning, with no Bhutanese participation. The project will be handed over to Bhutan only after completion. Bhutan is not too keen on the turnkey model as it reduces the participation of the Bhutanese in the development of hydropower projects.¹⁵

Other problems have also arisen for the local communities in Bhutan as a result of delays in the commissioning of hydropower projects. For instance, the suspension of the Kholongchhu project has created inconvenience for the residents of Trashiyangtse Dzongkhag, as they have taken out loans to build houses to rent them out. With the suspension of the project, the houses are vacant, ultimately affecting the house owners and loan repayments in the long run. Additionally, the Kholongchhu project also featured development plans like blacktopping (a black bituminous material used for paving roads or other areas), the construction of schools, and the building of hospitals. However, the suspension of the Kholongchhu project also impacted the progress of these development plans.¹⁶

Bhutan has been actively pushing for the completion of all the pending projects, but there has not been much progress so far. The completion of the reservoir-based project would mean more hydroelectric revenue for Bhutan. Moreover, it would guarantee higher tariff rates and more power during the winter, when Bhutan's power generation is low. Several other factors, including floods, landslides, a shortage of foreign workers due to the pandemic, and a lack of a

¹⁵ Tenzing Lamsang, "Sunkosh stuck due to differences between Bhutan and India on implementation modality," *The Bhutanese*, March 23, 2019, <https://thebhutanese.bt/sunkosh-stuck-due-to-differences-between-bhutan-and-india-on-implementation-modality/>.

¹⁶ "Proceedings and resolutions adopted during the 7th Session of the 3rd Parliament of Bhutan's National Assembly," *3P7S/Q699 Issues Faced by the People Due to the Suspension of the Kholongchhu Hydropower Project*, Section 3, held from 2nd June 2, 2022 to June 5, 2022, pp. 139-140, <https://www.nab.gov.bt/assets/uploads/docs/resolution/2023/Resolutionofthe7thSessionEng.pdf>

skilled and experienced Bhutanese workforce, have also contributed to the delays in the commissioning of the projects, so India cannot be held solely responsible for these delays.¹⁷

Tariff Rates

Another major concern related to the hydropower sector is the low tariff rates at which Bhutan sells electricity to India. For instance, in 2017, the tariff rate from the Chukha hydroelectric project was 2.25 Bhutanese Ngultrum (Nu) per unit. Likewise, in the case of the Tala hydroelectric project, the tariff rate stood at Nu. 1.80 per unit. This rate was significantly lower than the prevailing domestic market price in India, which ranged from Rs 7 to Rs 8 per unit. This has led Bhutan to question the tariff structure shared between India and Bhutan.¹⁸

As a result, Bhutan has suggested a tariff hike for the Chukha hydropower project because of the last adjustment, which raised the rate from Nu. 2 per unit to Nu. 2.25 per unit, was made in 2014. Taking into consideration the Bhutanese concerns, the Indian counterpart revised the tariff for the Chukha hydropower project in February 2018 from Nu 2.25 to Nu 2.55 per unit. Further, in 2023, the two sides mutually revised the tariff rates for the Chukha project from Nu 2.55 per unit to Nu 3 per unit. This signifies a 17% increment compared to the previous tariff rate. It is to be noted here that the hike was due in January 2021. According to Tenzing Lamsang, Bhutan could get an additional Nu 1.485 billion as back-dated revenue for two years if the Indian government announces the increased tariff to be introduced in 2021. Bhutan would profit economically from

¹⁷ Tshering Ngedup Thobchog, "Status of Punatsangchu I, II and kholongchu Hydro power project," *The Bhutanese*, November 27, 2021, <https://thebhutanese.bt/status-of-punatsangchu-i-ii-and-kholongchu-hydro-power-project/>.

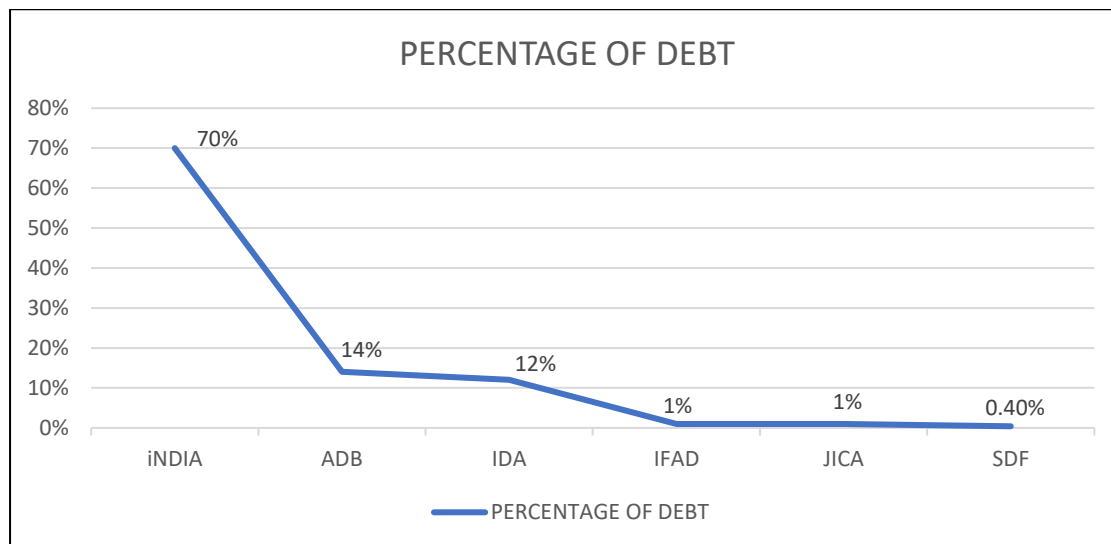
¹⁸ Amit Ranjan, "India-Bhutan Relationships: Cordial but Concerns Remain," *Artha Journal of Social Sciences*, Volume 18, Issue 4 (2019), pp. 95-96.

this. However, the decision on this matter has not been finalised yet.¹⁹ According to Phunchok Stobdan, “Bhutanese have perceived the Indian model of economic assistance as exploitative, which tends only to serve Indian interests.”²⁰

Increasing Hydropower Debts

Bhutan primarily relies on the Government of India (GOI) for the majority of its financial assistance for various development ventures, including hydropower projects and infrastructure initiatives. Other contributors include the Asian Development Bank (ADB), the International Development Bank (IDA), the Japan International Cooperation Agency (JICA), the International Fund for Agricultural Development (IFAD), and the SAARC Development Fund (SDF). The composition of external debt by bilateral and multilateral creditors is depicted in Figure 8 below.

Figure 8



Source: “Public Debt Situation Report 2021”, Ministry of Finance, Royal Government of Bhutan

¹⁹ Tenzing Lamsang, “India hikes Chukha tariff by 45 Cheltrums per unit,” *The Bhutanese*, May 4, 2023, <https://thebhutanese.bt/india-hikes-chukha-tariff-by-45-cheltrum-per-unit/#:~:text=A%20joint%20statement%20on%20the,increase%20over%20the%20earlier%20tariff>.

²⁰ Phunchok Stobdan, “India and Bhutan: The Strategic Imperative,” *Institute for Defence Studies and Analyses*, IDSA Occasional Paper Number 36 (2014), p. 40.

Bhutan’s three largest creditors—the GOI (70%), the ADB (14%), and the IDA (12%)—owe it more than 95% of its foreign debt. Bhutan’s debt has dramatically expanded in recent years and will be at an all-time high of 127.7% of GDP for the fiscal year 2020-21. In comparison to the total public debt at the end of the fiscal year 2019-2020, the total public debt at the end of the fiscal year 2020-21 increased by Nu. 23,029.067 million (10.7%). The issuing of long-term government bonds and Treasury bills during the fiscal year 2020-21 contributed significantly to the increase in domestic debt, which in turn contributed to the rise in public debt. Additionally, loan disbursements for ongoing hydropower projects from the GOI and programme loan disbursements from the Asian Development Bank (ADB) and World Bank (WB) during the financial year also significantly increased the total public debt by Nu. 7,941.352 million (3.7%).²¹

A comparative analysis of the outstanding debt with the GDP of the past three years (FY 2018-19 to 2020-21) has been shown in Table 13 below.

Table 13 (in million Nu.)

	2018-2019	2019-2020	2020-2021
Total outstanding debt	184,174.52	215,369.84	238,398.91
Non-hydropower debt	42,136.39	56,010.34	76,039.86
Hydropower debt	142,038.14	159,359.50	162,359.05
Hydropower debt to Total debt%	77.12%	73.99%	68.10%
GDP	183,125.82	189,446.24	184,715.40
Debt to GDP%	100.57%	122.60%	129.06%
Change in outstanding debt	-	31,195.32	23,029.07
Change in outstanding debt (%)	-	16.94%	10.69%

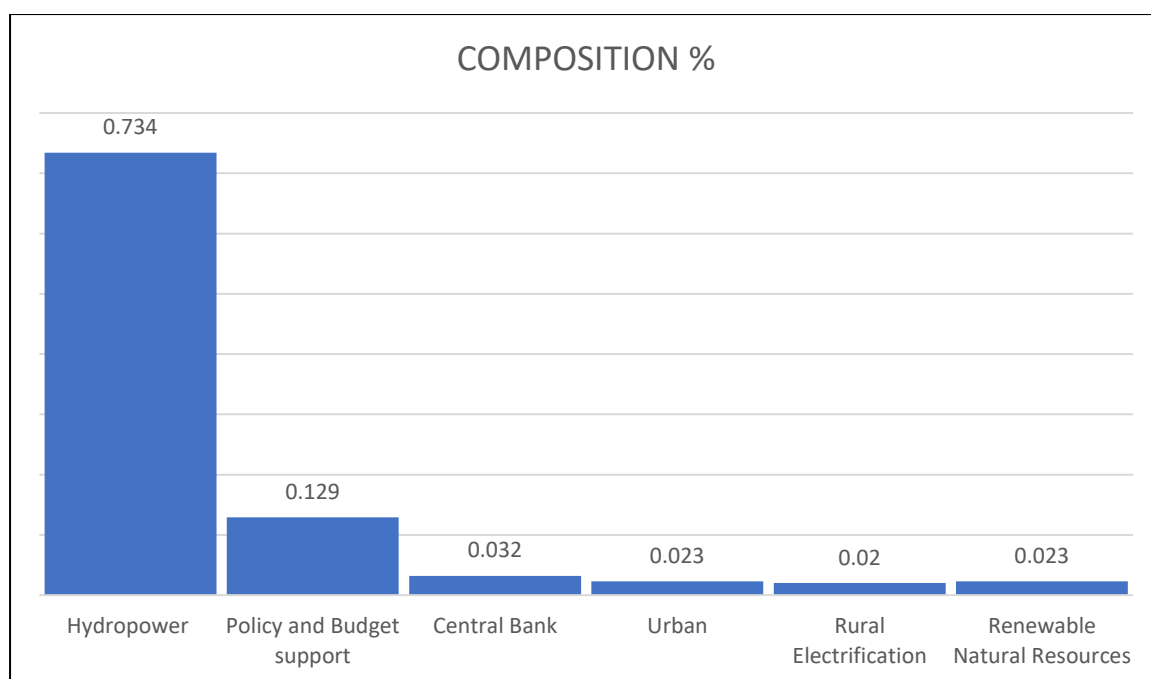
Source: “Annual Audit Report 2020-21,” Royal Audit Authority, Royal Government of Bhutan

²¹ Ministry of Finance, Royal Government of Bhutan, *Public Debt Situation Report 2021*, (July 2021), p. 5, <https://www.mof.gov.bt/wp-content/uploads/2021/07/PublicDebtReport2907202101.pdf>.

The data (Table 13) reveals a constant increase in hydropower debt. Total hydropower debt has increased from Nu 142,038.14 in the financial year 2018-19 to Nu 162,359.05 in the financial year 2020-21. Although non-hydropower debt has been increasing since the financial year 2018-19, most of the debt is hydropower debt, and the rapid increase in public debt is also a result of increasing hydropower debt. The growing hydropower debt is a major factor in the rising debt-to-GDP ratio. The total debt escalated by Nu. 31,195.32 million (equivalent to a 16.94% increase) by the end of the financial year 2019-20 and it further surged by Nu. 23,029.07 million (representing a 10.69% increase) by the end of the financial year 2020-21 compared to the preceding year. As a result, debt to GDP has increased from 100.57% in the financial year 2018-20 to 129.06% in the financial year 2020-21.

The external debt by sectoral composition is shown in Figure 9 below.

Figure 9



Source: “Public Debt Situation Report 2021”, Ministry of Finance, Royal Government of Bhutan

Besides the above sectors, road and transport (1.6%), social (1.6%), finance (0.5%), and trade and industry (0.5%). Nearly three-fourths of the country’s

external debt was made up of loans taken out to finance hydropower developments in the country. According to a report by the World Bank, hydropower debt has risen significantly, surging from 81 per cent of GDP in the financial year 2016-17 to 92 per cent of the GDP in the financial year 2021-22. This increase primarily stems from the disbursement of loans for ongoing hydropower projects from the GOI.²² Consequently, over 25 per cent of the revenue generated from Bhutan's hydropower exports is allocated for servicing this debt.²³ This was also discussed in the National Assembly session of 2015. It was argued that India was profiting from Bhutan's massive investments in hydropower development because around 80 per cent of the investment was returning to India in the form of loan repayment.²⁴

The increasing hydropower debt shows that the hydropower projects have turned out to be economically unfeasible for Bhutan. With the increase in loan component (30% grant and 70% loan from 60% grant and 40% loan), high-interest rates, cost and time overruns, and decreasing net profit (before tax) per unit of electricity sold, Bhutanese have started to question the commercial profitability of the hydropower projects being constructed with India's assistance.

As per a World Bank assessment, Bhutan's hydropower sector has exhibited a deteriorating trend in performance since 2007. The report points out two primary factors contributing to a significant decrease in net profit per unit of electricity sold: rising costs and diminishing revenue.²⁵ Notably, there have

²² World Bank Group, *Bhutan Joint World Bank-IMF Debt Sustainability Analysis* (Washington DC: World Bank Group, July 2022), <https://documents1.worldbank.org/curated/en/488281658347551069/pdf/Bhutan-Joint-World-Bank-IMF-Debt-Sustainability-Analysis>.

²³ Tshering Dorji, "Hydropower revenue can't assure self-reliance," *Kuensel Online*, May 24, 2017, <https://kuenselonline.com/hydro-revenue-cant-assure-self-reliance/>.

²⁴ "Proceedings and resolutions adopted during the 6th Session of the 2nd Parliament of Bhutan's National Assembly," *Questions relevant to the Ministry of Works and Human Settlement, and Labour and Human Resources*, Section 26, held from 4 November 2015 to 9 December 2015, pp. 70-71, https://www.nab.gov.bt/assets/uploads/docs/resolution/2016/NA_6th_Resolution_printing_final.

²⁵ Naoko Kojo, *Bhutan Hydropower Export Boom: It's Macroeconomic Impacts and Policy Implications* (Washington DC: World Bank, 2002), pp. 10-11. <file:///Users/lhamutsheringbhutia/Downloads/694980ESW0P07700PUBLIC00Box0369278B>.

been observed instances of substantial cost overruns in certain Bhutanese hydropower projects, as detailed in Table 14, showcasing the extent of these cost escalations.

Table 14

Hydropower Project	Initial Cost (INR)	Cost Incurred so far (INR)	Cost Overrun (%)
Chhukha	83.00 crore	246.00 crore	196%
Kurichhu	313.00 crore	564.00 crore	80%
Tala	1400.00 crore	4125.85 crore	195%
Mangdechhu	3382.00 crore	4,672.38 crore	39%
Punatsangchhu I	3514.8 crore	9375.58 crore	166%
Punatsangchhu II	3777.8 crore	7290.62 crore	93%

Source: The Authors own compilation from the Embassy of India, Thimphu, Bhutan

Project delays increase project costs, which in turn increase hydropower debts. Due to a lack of new projects, hydropower borrowing has stagnated. As previously mentioned, Punatsangchhu I is on hold, the Punatsangchhu II project has already borrowed most of its funds, and the Mangdechhu project has just initiated the process of loan repayment.

According to Dasho Karma Ura, it is crucial to address the hydropower-related issues, as they hold significant importance for the people of Bhutan. This matter is gaining prominence because there is a shift in public sentiment within Bhutan, with citizens increasingly questioning the sustainability of the debt accumulated through these projects.²⁶

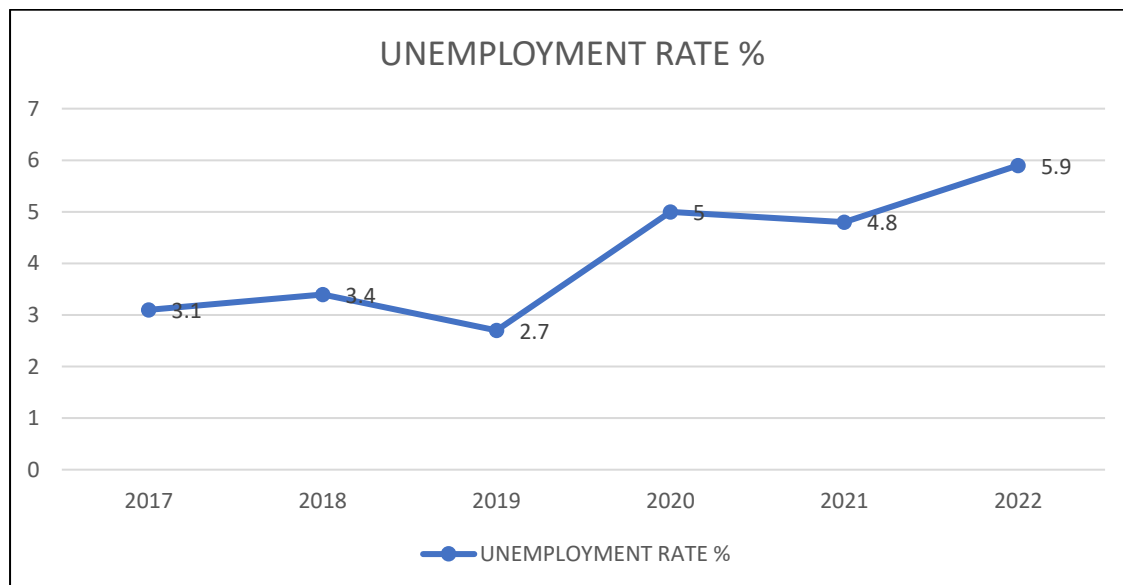
²⁶ Dasho Karma Ura, as cited in Subashini Haider, "Hydropower debt, delays biggest challenge in ties with India says Bhutan officials," *The Hindu*, September 6, 2017,

While India has played a major role in supporting Bhutan’s hydropower projects, it is not solely responsible for Bhutan’s hydropower debt. Bhutan’s hydropower development has been a collaborative effort involving multiple stakeholders, and the debt incurred by Bhutan is the result of a number of factors, in addition to India, including significant infrastructure investment, unforeseen technical challenges, market fluctuations, environmental considerations, a lengthy payback period, regional and external factors, etc.

Increase in the Rate of Unemployment in Bhutan

The increasing rate of unemployment has been a cause for concern for Bhutan. According to Labour Force Survey Reports, the unemployment rate fluctuated from 3.1% in 2017 to 5.9% in 2022²⁷ as shown in Figure 10 below.

Figure 10:



Source: 2022 Labour Force Survey Report, National Statistics Bureau, Royal Government of Bhutan

<https://www.thehindu.com/news/national/hydropower-debt-delays-biggest-challenge-in-ties-with-india-say-bhutan-officials/article19630701.ece>.

²⁷ National Statistics Bureau, Royal Government of Bhutan, “2022 Labour Force Survey Report,” (2022), pp. 32-33 https://www.nsb.gov.bt/wp-content/uploads/dlm_uploads/2023/02/LFSReport-2022-WEB-versionpdf.

While the development of hydropower projects is highly capital-intensive, the sector has been unable to generate a large number of jobs for the local communities, leading to discontentment. Additionally, there are very few sectors competing with the power sector, which creates few domestic employment opportunities. The mismatch between the skills demanded by the hydropower industry and the skills possessed by Bhutanese job seekers has contributed to the unemployment crisis in Bhutan. Consequently, there is a high demand for a foreign workforce.²⁸ In this connection, Lyonpo Dawa Gyeltshen, a former Home Minister, commented on this matter. He stated, “Most of the foreign workers are employed in the hydropower sector.”²⁹ These foreign workers are mostly Indians, as the GOI-assisted hydropower projects are mostly dominated by Indian labourers as they are cheaper, more experienced, and more skilled.³⁰

The issue of the increasing numbers of foreign workers was raised in the 79th session of the National Assembly. It was brought up during the discussion that the foreign workforce presently stands at 50,000 to 60,000, which is equivalent to 15% of the Bhutanese population. The Chimis (elected representatives) argued that the increasing dependence on the foreign workforce hurts Bhutan’s overall environment since it results in a significant amount of money leaving the nation. Additionally, it limits youth employment and skill development prospects in Bhutan.³¹

The increasing number of foreign workers and illegal immigrants has also been discussed in the National Council’s report on ‘Foreign Workers and Illegal

²⁸ Damchoe Pem, “Skills mismatch, lack of economic diversification and deep-rooted societal beliefs cause unemployment says report,” = *The Bhutanese*, March 19, 2022, <https://thebhutanese.bt/skills-mismatch-lack-of-economic-diversification-and-deep-rooted-societal-beliefs-cause-unemployment-says-report/>.

²⁹ Tenzing Lamsang, “Home Ministry tackling issues highlighted by NC Illegal Immigration report,” *The Bhutanese*, June 18, 2016, <https://thebhutanese.bt/home-ministry-tackling-issues-highlighted-by-nc-illegal-immigration-report/>.

³⁰ Pem, “Skills mismatch,” n. 28.

³¹ “Proceedings and resolutions adopted during the 79th Session of the National Assembly,” *Bhutan-China Boundary Talks*, Section 10, held from June 2001 to July 2001, pp. 143-146, https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/79th_Session.

Immigration in the Country.” The Council’s report pointed out that in 2016, IMTRAT and DANTAK employed 5,000 non-uniformed foreign workers to work for the two organisations. These workers were employed without a work permit issued by the Department of Immigration.³² Taking into consideration the high unemployment rate in the nation, incidents such as these create a negative perception in the minds of the Bhutanese. Additionally, the dominance of Indian workers in the Bhutanese workforce was felt more than ever during the pandemic. With the closure of the borders, Bhutan faced a shortage of manpower, which further delayed the completion of the hydropower projects under construction.³³

The fact that the current generation of Bhutanese college graduates is primarily focused on gaining “government jobs” rather than “blue-collar jobs” means that the paucity of Bhutanese applications is not solely a result of an unskilled applicant pool. Young people in Bhutan despise blue-collar employment. As a result, Bhutan has seen a significant outflow of its population in recent years in search of better living conditions, employment prospects, working conditions, and educational opportunities. This has made the gap between supply and demand in the employment market even wider.³⁴

Furthermore, the existing intergovernmental model for hydropower project development has not effectively nurtured local capabilities, primarily because most of the contracts have been awarded to Indian firms. For instance, there has been dissatisfaction expressed by Bhutanese officials and the local communities regarding the construction of the 600 MW Kholongchhu hydropower plant, which is a collaborative project between India’s Sutlej Jal Vidyut Nigam (SJVN) and Bhutan’s Druk Green Power Corporation (DGPC). SJVN proposed

³² Lamsang, “Home Ministry tackling issues,” n. 29.

³³ Abhinaya Chhetri, “Technical Indian manpower shortage leaves a huge void in Thimphu and border towns,” *The Bhutanese*, May 16, 2020, <https://thebhutanese.bt/technical-indian-manpower-shortage-leaves-a-huge-void-in-thimphu-and-border-towns/>.

³⁴ Tenzing Lamsang, “The causes of the great migration from Bhutan,” *The Bhutanese*, April 15, 2023, <https://thebhutanese.bt/the-causes-of-the-great-migration-from-bhutan/>.

assigning the construction tasks to an Indian contractor while having the Bhutanese side serve as a subcontractor. DGPC opposes this arrangement, as it would hinder Bhutan's capacity development. The increasing prevalence of Indian workers and private companies in the construction of hydropower projects has sparked negative sentiments among the Bhutanese, as it is viewed as favouring Indian interests rather than creating job opportunities for locals.³⁵

Hydropower is a significant sector in Bhutan's economy, and the demand for skilled workers in this industry can be substantial. However, if the available workforce does not possess the required skills, it can lead to a lack of suitable employment opportunities, resulting in higher unemployment rates. The government needs to address the mismatch between available jobs and skilled workers to mitigate the impact of unemployment and boost economic growth. This will assist Bhutan in reducing its reliance on foreign workers, notably the Indian workforce, and will eventually assist Bhutan in achieving self-sufficiency and sustainable economic growth.

Cross-Border Trade of Electricity (CBTE)

In the South Asian Region (SAR), Cross-Border Trade in Electricity (CBTE) has largely been happening between four countries, i.e., Bangladesh, Bhutan, India, and Nepal (BBIN). The CBTE is mainly through Power Purchase Agreements (PPAs), which are government-to-government agreements. A recent development that has caused uncertainty and concern among Bhutan's government officials is the issuance of the Ministry of Power's 2016 guidelines on CBTE by the GOI. These guidelines imposed specific conditions on Bhutan, as well as on Bangladesh and Nepal. They placed restrictions on Bhutan's access to India's primary electricity market, the types of hydropower investments it could engage in, and its ability to determine power tariff rates. Furthermore, the

³⁵ Nima Wangdi, "No progress on Khel's dam and powerhouse construction," *Kuensel Online*, January 22, 2022, <https://kuenselonline.com/no-progress-on-khels-dam-and-powerhouse-construction/>.

guidelines mandated that an Indian entity must hold a minimum of 51% ownership for Bhutan to participate in power trading activities.³⁶

The 2016 guidelines were a violation of the 2014 intergovernmental agreement on joint venture projects signed between the two sides. Under the 2014 intergovernmental agreement, Bhutan could sell 70% of the power through the PPA, and the remaining 30% could be sold through the market mechanism.³⁷ This clause gave Bhutan access to the Indian energy market, where it could benefit from higher power prices. The 2016 CBTE guidelines restricted the 30% market access granted to Bhutan under the 2014 intergovernmental agreement. The guidelines also restrict Bhutanese power projects from accessing India's primary power market, where the best power tariff rates are available, thereby considerably reducing the potential revenue from these joint venture projects.³⁸

The guidelines explicitly specify that only hydropower projects meeting certain criteria are eligible to engage in cross-border electricity trading. These criteria include projects that are either entirely government-owned or under the control of the government or its public sector undertakings (PSUs), as well as those with at least 51% ownership by an Indian company. To engage in such trading, these projects must obtain one-time approval from India's Central Electricity Authority (CEA). Additionally, any alterations in stock ownership require prior consent from the CEA.³⁹ The confusion among Bhutan's energy officials is about the four joint venture projects in which the Indian entity has 50%

³⁶ "Guidelines on Cross-Border Trade of Electricity," *Ministry of Power, Government of India* (2016), pp. 4-6, https://powermin.gov.in/sites/default/files/uploads/Guidelines_for_Cross_Boarder_Trade_of_Electricity_2016.

³⁷ "India-Bhutan Relations," *Ministry of External Affairs, Government of India*, May 2018, https://www.mea.gov.in/Portal/ForeignRelation/Bhutan_May_2018.pdf.

³⁸ Ministry of Power, n. 36, pp. 4-6.

³⁹ *Ibid.*, p. 3.

ownership. This would restrict the types of investments in Bhutan's hydropower sector.⁴⁰

In 2015, Druk Holding and Investments (DHI), which serves as the commercial entity of the RGOB, unveiled its intentions to create a Bhutanese power trading firm. This company was intended to procure electricity from projects within Bhutan and engage in electricity trading activities in India. This would have allowed Bhutan to explore the Indian markets and would have given it better prices in the long run with more bargaining power. However, the 2016 guidelines expressly state that power can only be transferred from a power trading company in another country that has more than 51% Indian ownership. This indicates that an Indian business must possess more than 51% of DHI's proposed company. As a result, the growing agreement within Bhutan was that the guidelines were biased in favour of power trading companies owned by Indian entities.⁴¹

Additionally, the guidelines impose restrictions on Bhutan's ability to determine power tariff rates. For instance, they prohibit the flexibility of tariff rates by mandating perpetual government-to-government negotiations, which could potentially reduce Bhutan's opportunities to secure more favourable tariff rates. This limitation means that Bhutan's government projects may be unable to explore the Indian commercial market for better rates in the future. Bhutan is also at a disadvantage when it comes to power bidding under the guidelines because they state that for projects that are not government-to-government, power suppliers from outside India (such as Bhutan) must submit their bids when Indian entities need power. This implies that Bhutan would have to offer

⁴⁰ Tenzing Lamsang, "Much apprehension and confusion over India's new electricity trade guidelines," *The Bhutanese*, November 2, 2017, <https://thebhutanese.bt/much-apprehension-and-confusion-over-indias-new-electricity-trade-guidelines/>.

⁴¹ Ibid.

its lowest price when submitting bids for non-governmental power projects rather than seeking bids to acquire the highest price.⁴²

Finally, the introduction of the guidelines mentions the SAARC Framework for Energy Cooperation on Electricity, which aims to facilitate electricity trade between India and its neighbouring countries; however, there is no mention of trilateral cooperation in the actual guidelines. As per the guidelines, “any cross-border transactions between India and the neighbouring country shall be allowed through bilateral agreements between an Indian entity and an entity of that country under the overall framework of agreements signed between the countries.”⁴³ Concerns over this have been expressed by Bhutan and Bangladesh, which jointly offered the 1,125 MW Dorjilung project to India. Bangladesh would invest in this project in Bhutan, which would then export energy to Bangladesh via India.⁴⁴

Bhutan, Bangladesh, and Nepal opposed India’s unilateral decision to issue guidelines without taking into account the views of its neighbouring countries involved in the cross-border trading of power. In response to the guidelines, Bhutan also halted the construction of the 600 MW Kholongchu project.⁴⁵ This has forced Bhutan to look for other options. Recently, Bhutan confirmed its plans to execute the Dorjilung project with assistance from the World Bank. At present, DGPC is updating the DPR for the project.⁴⁶

Despite concerns from Bhutan, Bangladesh, and Nepal, India delayed modifying the guidelines, endangering its reputation as a country that honours its bilateral agreements. This, of course, increased mistrust against India. However, in December 2018, the Indian government eliminated the discriminatory clause

⁴² Ibid.

⁴³ Ministry of Power, n. 36, p. 2.

⁴⁴ Lamsang, n. 40.

⁴⁵ Ibid.

⁴⁶ Dechen Dolkar, “DPR for Dorjilung project being updated,” *The Bhutanese*, March 1, 2023, <https://kuenselonline.com/dpr-for-dorjilung-project-being-updated/>.

from the guidelines, thereby granting power exporters greater flexibility to engage in energy trading within the region. This decision by the Indian government effectively addressed a significant portion of the criticism it had faced from neighbouring countries.⁴⁷ This move by the Indian government ended most of the criticism it received from its neighbours.

Issues Related to Trade

Another irritant in India and Bhutan relations is the imbalance in bilateral trade. While India has consistently remained Bhutan's primary trading partner, the trade dynamics have favoured India, resulting in an imbalance. Bhutan's imports from India in the financial year 2021-2022 stood at Nu. 24,235,021,996. Whereas, its exports stood at Nu. 6,167,346,857. Bhutan is heavily dependent on India for trade. The trade deficit has negatively impacted the Bhutanese economy.⁴⁸ According to Tenzing Lamsang,

“While India is Bhutan's largest donor in its five-year plans, it is also a fact that any Indian assistance for Bhutan's five-year plan is virtually wiped out in a year or a year-and-a-half's worth of trade deficit with India. This trend has only been increasing in Bhutan.”⁴⁹

In 2012-13, the effect of the widening trade deficit was felt by Bhutan when excessive imports from India and extensive credit expansion led to an unprecedented depletion of INR reserves. This led to a rupee crunch situation in Bhutan. To overcome the crisis, Bhutan borrowed INR from commercial banks in India to meet the domestic demand for INR. Other measures taken by the Bhutanese government involved unofficially depreciating Ngultrum by 10-15 per cent in the parallel markets. However, this move by the government

⁴⁷ “Guidelines for Import/Export (Cross Border) of electricity,” *Ministry of Power* (2018), https://cea.nic.in/wp-content/uploads/2021/02/Guidelines_2018.

⁴⁸ Ministry of Finance, Royal Government of Bhutan, “Bhutan Trade Statistics 2022,” (2022), <https://www.mof.gov.bt/wp-content/uploads/2023/04/Bhutan-Trade-Statistics-2022-.pdf>

⁴⁹ Tenzing Lamsang, “Politics: Bhutan-India Relations A Bhutanese Journalist's Perspective,” in *India-Bhutan: Friendship Through the Decades and Beyond*, eds. Centre for Escalation of Peace (New Delhi: Centre for Escalation of Peace, 2019), p. 37.

complicated the situation further as it led to an increase in the stockpiling of INR. As a result, the Bhutanese authorities were compelled to adopt unconventional methods such as freezing bank loans for construction activity, importing vehicles, and controlling public expenditure. The overall outcome of these government measures had an adverse impact on Bhutan's economic growth and developmental progress.⁵⁰

While the Bhutanese currency, the Ngultrum, is pegged one-to-one with the Indian currency (Rupee), ensuring a stable exchange rate, the close economic and financial ties between the two countries mean that Bhutan's economy is susceptible to the effects of Indian monetary and economic policies. Consequently, the introduction of the Goods and Services Tax (GST) reforms in 2017 has far-reaching implications for Bhutan. In this context, it is probable that Bhutan's trade deficit will deteriorate.⁵¹

The impact of GST reforms in Bhutan was underscored in a report presented to the National Assembly by the Economic and Financial Committee in 2022. The committee observed that imports to Bhutan have become cheaper, largely benefiting not only the Bhutanese consumers but also the manufacturing sector. However, in the long run, higher imports of Indian goods largely displaced the local Bhutanese products, thereby impacting the Bhutanese industries due to an increase in competition between the locally produced and the cheaply imported Indian products. Many items exported to India (cement, steel, and mineral-based industries) have lost their competitive advantage due to the imposition of GST.⁵²

According to Chimi Norbu, Vice President of the Association of Bhutanese Industries (ABI), the cement industry has been heavily impacted by GST reforms as it has become more expensive to export to India. To stay competitive,

⁵⁰ Dasho Penjore, n. 8, p. 55-56.

⁵¹ Tobgay, n. 2, pp.68-69.

⁵² "India's GST considerably impacted Bhutanese exports and SOEs are competing with Pvt Sector: EFC Report," *The Bhutanese*, November 10, 2022, <https://thebhutanese.bt/indias-gst-considerably-impacted-bhutanese-exports-and-soes-are-competing-with-pvt-sector-efc-report/>.

the cement industry had to immediately reduce prices by around Nu 600 per metric tonne, and this has led to a huge loss of revenue for the industry. A similar impact can be seen in other industries. Furthermore, in the initial phase, other issues related to GST, such as time-consuming paperwork for GST filing that did not exist before, coupled with poor infrastructure and a lack of manpower in the Jaigaon customs office, have delayed the movement of trucks carrying consignments across the borders.⁵³ Therefore, the GST reforms have led to a huge loss of revenue for Bhutanese businesses. According to Tenzing Lamsang, the GST reforms have put the small but important industrial belt of southern Bhutan, which contributes heavily to the economy, in crisis mode.⁵⁴ This has widened Bhutan's trade deficit with India.

In conversation with Sonam Chokie, CEO and Founder of Bhutan Herbal Tea, on August 17, 2023, the researcher learned about the difficulties encountered in the cross-border movement of goods. Despite the fact that India and Bhutan signed a Trade and Transit Agreement in 1972, which has since undergone five revisions, it has mostly fallen short of meeting the needs of Bhutan's indigenous industries when it comes to doing business with India. The lack of knowledge of the Trade and Transit Agreement among Indian counterparts in the border regions is by far the biggest obstacle. The treaty provisions are unknown to Indian customers, business owners, and even regulatory bodies across borders.⁵⁵ As a result, Bhutanese truckers that travel across Indian territory encounter harassment from locals and are even required to pay a "Gunda tax" (an illegal tax). They also run into a lot of issues while dealing with local Indian authorities.⁵⁶

⁵³ Tenzing Lamsang, "Industries say GST impasse will hit govt revenue collection," *The Bhutanese*, September 23, 2017, <https://thebhutanese.bt/industries-say-gst-impasse-will-hit-govt-revenue-collection/>.

⁵⁴ Tenzing Lamsang, "More than the Doklam issue, Bhutan worried about hydropower projects and trade," *The Bhutanese*, July 29, 2017, <https://thebhutanese.bt/more-than-the-doklam-issue-bhutan-worried-about-hydropower-projects-and-trade/>.

⁵⁵ Chokie, Sonam, Telephone Interview, August 17, 2023.

⁵⁶ M.B. Subba, "Truckers to reiterate their request to NC," *Kuensel Online*, August 9, 2016, <https://kuenselonline.com/truckers-to-reiterate-their-request-to-nc/>.

In a conversation with the researcher on August 17, 2023, the representative of Bhutan's Chamber of Commerce and Industry (BCCI) revealed that for every consignment to India, Bhutan has to continually make requests to the Indian government. This leads to delays, which hinder the free flow of goods and services. Another concern that was raised during the discussion was that different governments at the centre and state in India often create difficulties for Bhutan as the Bhutanese goods in transit face challenges.⁵⁷

Bhutanese exporters to Bangladesh via India are facing inconveniences after the West Bengal government implemented the online web-based vehicle facilitation system, the "Suvidha app." Even though it has been designed to make things simpler, the Suvidha app has created new challenges for Bhutanese exporters. For instance, the exports of many goods to Bangladesh from Phuentsholing have completely ceased due to the substantial increase in the cost of export due to the revised Suvidha system fee at Changrabandha Land Custom Station (LCS) from the uniform rate of INR 2,000 to INR 10,000 for non-perishable goods, INR 5,000 for boulders, and INR 3,000 for perishable goods. This system has made it difficult for Bhutanese exporters to continue trading with Bangladesh. The Bhutanese exports are facing difficulties as a result of the cost increases because they are finding it harder and harder to compete in the Bangladeshi market.⁵⁸

While the aforementioned discussion concentrated on the issues faced by exporters from Bhutan, trade hindrances like these also cause issues at the governmental level. The fundamental problem is that the Suvidha app is a system put in place by the state government in India, whereas the Bhutanese government has the authority to negotiate issues with the GOI in New Delhi. Dealing with both the national and state governments of India presents a

⁵⁷ Representative of Bhutan's Chamber of Commerce and Industry, Telephone Interview, August 16, 2023.

⁵⁸ Thukten Zangpo, "Exports seek resolution to West Bengal's Suvidha System Hindering Exports," *The Kuensel*, February 2, 2023, <https://kuenselonline.com/exporters-seek-solution-to-west-bengals-suvidha-system-hindering-exports/>.

challenge for Bhutan.⁵⁹ The BCCI representative also supports this. He claims that “we must take into account the interests of the central and state governments in India. This becomes a challenge.”⁶⁰

In addition, the difficulties with free trade in goods and services are seen by the Bhutanese as a violation of Article 1 and Article 5 of the Trade, Commerce and Transit Agreement between the GOI and RGOB. According to Article 1,

“There shall, as heretofore, be free trade and commerce between the territories of the Government of the Republic of India and the Royal Government of Bhutan.”⁶¹

Article 5 states:

“All exports and imports of Bhutan to and from countries other than India will be free from and not subject to customs duties and trade restrictions of the Government of the Republic of India. The procedures for such exports and imports and the documentation that is detailed in the Protocol to this Agreement may be modified by mutual agreement from time to time.”⁶²

Challenges associated with trade have repercussions on the amicable relations between India and Bhutan. Overall issues with transit between the two countries slow economic progress, increase costs for consumers and businesses, and, most crucially, strain diplomatic relations.

Overwhelming Presence of the Indian Military Training Team (IMTRAT)

The significant presence of IMTRAT and DANTAK within Bhutan has raised apprehensions among the Bhutanese population. IMTRAT has a huge base in the Haa district (Haa Dzongkhag), close to the disputed Doklam region. In

⁵⁹ Sherab Dorji, “Govt. Still Seeking Solutions to address inconveniences caused by West Bengal’s Suvidha App,” *Business Bhutan*, July 3, 2023, <https://businessbhutan.bt/govt-still-seeking-solutions-to-address-inconveniences-caused-by-west-bengals-suvidha-app/>.

⁶⁰ Telephone Interview, n. 57.

⁶¹ “Agreement on Trade, Commerce and Transit Between the Government of the Republic of India and the Royal Government of Bhutan,” *Ministry of Commerce and Industry India*, November 12, 2016, https://commerce.gov.in/wp-content/uploads/2020/05/MOC_636404697883366996_Agreement_between_India_Bhutan_12th_Nov_2016

⁶² Ibid.

private conversations with Bhutanese scholars on May 22, 2023, the researcher was made aware of the uneasiness felt by the locals due to the overpowering presence of IMTRAT. The researcher was informed that IMTRAT and DANTAK have also been allocated huge acres of land in the capital city of Thimphu. Bhutanese are unhappy with this development as land is scarce in Thimphu and the prices are very high. Many think that the land allocated by the King of Bhutan to the Indian government should have been used to set up an Indo-Bhutan Cultural Centre, which could have further enhanced the cultural bonds between the two countries. The researcher was also informed of the alleged illegal drug trafficking on Bhutanese soil using the IMTRAT trucks. The IMTRAT trucks carry supplies for the Indian military stationed in Bhutan, but because they are not thoroughly inspected, they are allegedly being used to bolster the country's drug trade.⁶³

Additionally, controversies such as the one that erupted in 2017 led to increased animosity towards the Indian counterpart. A welcome signboard at the Paro International Airport's entrance caused controversy in 2017. The signboard included the words "DANTAK Welcomes You to Bhutan" on the front and "DANTAK Wishes You a Happy Journey" on the back. The Bhutanese did not take this well. Consequently, the issue was raised by the secretary of the Ministry of Works and Human Settlement to DANTAK; however, it wasn't resolved until after a year. The Department of Roads (DoR), which is under the Ministry of Works and Human Settlement, then changed the signboard from DANTAK to Paro.⁶⁴

Bhutan has historically viewed the presence of IMTRAT and DANTAK positively because it has helped to maintain the security and stability of the nation. However, today, public opinion is changing in Bhutan. Bhutanese are

⁶³ Bhutanese Scholars, Personal Interview, May 22, 2023.

⁶⁴ Tenzing Lamsang, "DoR changes Dantak welcome sign to Paro welcome sign at Paro airport," *The Bhutanese*, April 17, 2017, <https://thebhutanese.bt/breaking-dor-changes-dantak-welcome-sign-to-paro-welcome-sign-at-paro-airport/>.

slowly raising issues related to the overwhelming presence of IMTRAT and DANTAK in Bhutan. Bhutanese are concerned about the scale or nature of the Indian military presence, fearing that it could compromise Bhutan's sovereignty or independence in some way.⁶⁵

However, it is essential to highlight that the security collaboration between the two countries traces its roots back to 1962 when the GOI and the RGOB came to a mutual consensus to establish an IMTRAT base in Bhutan to provide training to the Bhutanese security forces.⁶⁶ The presence of IMTRAT in Bhutan offers several advantages for both India and Bhutan. IMTRAT's presence in Bhutan plays an important role in enhancing the operational capabilities and skills of the Royal Bhutan Army (RBA). The Bhutanese military personnel benefit from gaining important knowledge and experience, which enhances their capacity to successfully address security concerns. Over the years, this arrangement has been mutually beneficial as it protects the security interests of India and Bhutan. Similar to this, the Border Roads Organisation's (BRO) Project DANTAK has been instrumental in building important transportation-related projects like roads, bridges, tunnels, and others throughout Bhutan. These changes have improved the country's connectivity, accessibility, and overall economic development. As a result, IMTRAT has improved Bhutan's defence, while Project DANTAK has boosted the country's economy.⁶⁷

Increasing Influence of Singapore

Bhutan has been strengthening its relationship with Singapore. Bhutan has been particularly fascinated with the Singaporean development model and wishes to implement it in the Himalayan nation. This information was revealed to the

⁶⁵ Personal Interviews, n. 63.

⁶⁶ Dorji Penjore, "Security of Bhutan: Walking Between the Giants," *Journal of Bhutan Studies* (2010), p. 119.

⁶⁷ Brig. V.K. Atray, "Indian Military Training Team (IMTRAT) Strengthens India-Bhutan Ties," *Aviation and Defence Universe*, October 31, 2018, <https://www.aviation-defence-universe.com/indian-military-training-team-imtrat-strengthens-indio-bhutan-ties/>.

researcher during her interaction with Bhutanese scholars.⁶⁸ Over the past two decades, the friendship between Singapore and Bhutan has deepened significantly. The first MOU to strengthen Technical and Vocational Education and Training (TVET) between the Ministry of Labour and Human Resources and ITE-Education Services was signed in 2017. The second MOU was signed recently, in 2021. Under this initiative, the labour ministry of Bhutan will receive technical assistance from Singapore's ITE in the development of model technical training facilities in Thimphu and Kuruthang. Both countries have been collaborating in skill development through Singapore's Institute of Technical Education (ITE) and the Vocational Educational Training projects in Thimphu and Khuruthang in Bhutan.⁶⁹

According to the 2017 Investment Climate Assessment (ICA) Survey, Bhutan's Information and Communication Technology (ICT) sector is fledgling. ICT is an emerging sector with strong growth potential. The country's unique qualities, including good governance, low levels of corruption, civil and political stability, an English-speaking workforce, and cheap and reliable electricity, provide investors in the sector with an alluring value proposition. The initiatives taken in collaboration with the Singapore government can aid Bhutan in developing its ICT sector, which has the potential to become a significant generator of both high-value exports and high-wage employment for new graduates.⁷⁰ Additionally, it will contribute immensely to Bhutan's growth in agriculture, industry, and services.

Cooperation between the two countries can also be seen in the Bitcoin industry. Recently, DHI and Bitdeer Technologies Group (BTDR), a NASDAQ-listed

⁶⁸ Ibid.

⁶⁹ "Exchange of Congratulatory Letters to Commemorate the 20th Anniversary of Diplomatic Relations between Singapore and Bhutan," *Ministry of Foreign Affairs, Singapore*, September 22, 2022, <https://www.mfa.gov.sg/Newsroom/Press-Statements-Transcripts-and-Photos/2022/09/20220930bhutan>.

⁷⁰ Massimiliano Santini, Trang Thu Tran and Andrew Beath, *Investment Climate Assessment of Bhutan Removing Constraints to Private Sector Development to Enable the Creation of More and Better Jobs* (Washington, DC: World Bank Group, 2017), pp. 13-16.

Singapore-based technology company, entered a strategic alliance to establish carbon-free, ecologically friendly digital asset mining operations in Bhutan. To establish digital mines in Bhutan, Bitdeer will assist DHI in raising US\$500 million in funding as part of this mission. Mining computers and other related infrastructure necessary for the project will be provided to Bhutan by Bitdeer.⁷¹

Bhutan will benefit domestically from this initiative by having more local jobs in engineering, project management, supervision, and support roles. Despite being a capital-intensive industry that drives Bhutan's economic growth, the hydropower sector has not succeeded in creating employment opportunities for the Bhutanese population. Additionally, Bhutan has frequently conveyed its intent to broaden its economic base as a means of diminishing reliance on Indian-supported hydropower initiatives. Through Bitcoin mining, Bhutan will be able to get access to new markets globally, which will allow the nation to advance its financial technology.⁷²

Given the importance Bhutan accords to environmental preservation, a recent initiative was undertaken by both governments to reaffirm their commitment to fighting global climate change. A landmark MOU on exploring the development of carbon markets and working together to generate carbon credits while promoting sustainable practices and low-carbon solutions was signed between Bhutan and Singapore in May 2023.⁷³ Both countries are working together to reform Bhutan's public services sectors, including the Bhutanese civil service and education sectors. Efforts are being undertaken to increase the abilities and capacities of government agencies, public officials, teachers, and other

⁷¹ "Bhutan plans a US\$ 500 million fund for crypto mining in the Himalayas," *The Strait Times*, May 3, 2023, <https://www.straittimes.com/business/bhutan-plans-a-500-million-fund-for-crypto-mining-in-the-himalayas>.

⁷² "Druk Holding and Investments and Bitdeer to Jointly Develop Green Digital Asset Mining Operations in Bhutan," *The Bhutanese*, March 5, 2023, <https://thebhutanese.bt/druk-holding-investments-and-bitdeer-to-jointly-develop-green-digital-asset-mining-operations-in-bhutan/>.

⁷³ "Singapore and Bhutan Sign Memorandum of Understanding to Collaborate on Carbon Credits," *Ministry of Trade and Industry, Singapore*, May 18, 2023, <https://www.mti.gov.sg/Newsroom/Press-Releases/2023/05/Singapore-and-Bhutan-sign-Memorandum-of-Understanding-to-collaborate-on-carbon-credits>.

professionals. As a matter of fact, since 2016, there has been an upsurge in the level of cooperation between the two countries.⁷⁴

An analysis of the Foreign Direct Investment (FDI) reports of Bhutan shows an increase in investment by Singapore. As per the FDI Annual Report 2022, Bhutan receives 67% of its FDI projects from investors based in Asia. Asia is followed by Europe (16%) and America (10%). In Asia, India continues to be the primary origin of FDI in Bhutan, constituting 51% share. India is followed by Singapore with a share of 15% and Thailand with a share of 10%.⁷⁵ Scholars and experts in India have not yet shown interest in the growing ties between Bhutan and Singapore, as their relationship is still in its early stages. The Indian government has not formally expressed its views on Bhutan's developing relations with Singapore. In the future, close ties with Singapore can emerge as a potential challenge for India and Bhutan relations.

China Factor

While Singapore can emerge as a potential challenge for India and Bhutan relations, China is already a major cause of concern in India and Bhutan relations. China has been urging Bhutan to resolve the border dispute through a comprehensive “package deal” proposal presented during the seventh round of border negotiations. China realises that for Bhutan, a fair and balanced solution to boundary conflicts is a prerequisite for establishing any formal diplomatic and economic ties between the two countries.

The geostrategic location of Bhutan compels it to maintain a peaceful relationship with both its neighbours. As was covered in the previous chapter, Bhutan's foreign policy changed after the 1970s as it began to place more emphasis on diversifying its relationships beyond India. The level of

⁷⁴ Personal Interviews, n. 63.

⁷⁵ Ministry of Economic Affairs, Royal Government of Bhutan, “FDI Annual Report 2022,” (2022), <http://www.moice.gov.bt/wp-content/uploads/2023/03/FDI-Annual-Report-2022.pdf>.

⁷⁵ Ibid.

engagement has increased today, with both countries signing an MOU to expedite the process of settling the border disputes. The China factor is one of the reasons that led to differences between the Indian government and the first Bhutanese Prime Minister, Jigme Yoser Thinley (2008-2013).⁷⁶ With the updated 2007 friendship treaty and the inauguration of Bhutan's first democratically elected government, Prime Minister Jigme Yoser Thinley from the Druk Phuensum Tshogpa party aimed to carve out some room for Bhutan to formulate an independent foreign policy less influenced by India. As a part of this effort to boost Bhutan's international presence, diplomatic missions were set up in 53 countries, a significant increase from the 22 missions in place in 2008.⁷⁷

During this time, Bhutan also tried to establish closer ties with China. This gave rise to differences between India and Bhutan, which eventually resulted in a major crisis in bilateral relations. According to S.K. Mitra, the differences led India to use economic coercion as a diplomatic tool to secure its objectives in Bhutan.⁷⁸ One year after the Bhutanese Prime Minister's meeting with Chinese counterpart Wen Jiabao during the 2012 Rio Summit,⁷⁹ India ceased providing kerosene and cooking gas subsidies to Bhutan. This decision not only led to rising prices in Bhutan but also undermined the standing of the ruling party, DPT, led by Prime Minister Jigme Yoser Thinley. As a result, the DPT was defeated by the main opposition party, the People's Democratic Party (PDP). Bhutanese citizens perceived India's withdrawal of subsidies as an attempt to meddle in Bhutan's internal affairs. Many in Bhutan interpreted this move as

⁷⁶ Subrata K. Mitra and Srikanth Thaliyakkattil, "Bhutan and Sino-Indian Rivalry: The Price of Proximity," *Asian Survey* Volume 58, Number 2 (2018), pp. 253-354.

⁷⁷ Capt. (Retd) Mithilesh K. Singh, *Increasing Diplomatic Relation Between Bhutan and China: A Great Concern for India* (New Delhi: Prashant Publishing House, 2014), p.101.

⁷⁸ Mitra and Thaliyakkattil, n. 76, pp. 253-354.

⁷⁹ Kuenzang Choden, "Prime Minister meets Chinese Premier Wen Jiabao," *The Bhutanese*, June 22, 2012, <https://thebhutanese.bt/prime-minister-meets-chinese-premier-wen-jiabao/>.

part of India's "carrot-and-stick" strategy, which contributed to a negative perception of India in Bhutan.⁸⁰

So, from the above discussion, it is evident that managing relations with a democratic Bhutan can pose more complex challenges for India when compared to dealing with the Druk King. This is partly because a political faction within Bhutan is inclined towards fostering closer ties with China.⁸¹ In this context, it's noteworthy to consider the perspective shared by Karma Phuntsho in his book, "The History of Bhutan." He characterises the present-day relationship between Bhutan and India as a dynamic akin to that of a successful daughter and an overprotective mother. He further explains that,

"While China is keen on establishing diplomatic relations, Bhutan remains cautious, like a shy daughter influenced by her mother to keep away from an unworthy suitor."⁸²

Miyamoto contends that prior to the advent of democracy, any criticism of the government could be interpreted as a critique of the monarch, leading to societal pressures for individuals to practice self-censorship. Currently, this self-censorship is waning as people become more conscious of their democratic rights, more accustomed to the new democratic system, and as politicians become more like "normal people" who need votes to stay in power. Democratisation has allowed Bhutanese citizens to discuss national concerns, and even the print media, which previously refrained from sharply criticising the government, has begun to raise critical issues.⁸³

⁸⁰ Anand Swaroop Verma, "Bhutan Elections: A Case of India's Diplomatic bankruptcy," *Bhutan News Network*, July 25, 2013, <http://www.bhutannewsnetwork.com/2013/07/bhutan-elections-a-case-of-indias-diplomatic-bankruptcy/>.

⁸¹ Stobdan, n. 20, p. 38.

⁸² Karma Phuntsho, *The history of Bhutan* (Gurugram: Random House India, 2013), p.1779.

⁸³ Musashi Miyamoto, "A Form of Democratization Project in Contemporary Bhutan: Being Apolitical and Being Religious," in *Development Challenges in Bhutan: Perspectives on Inequality and Gross National Happiness*, ed. Johannes Dragsbaek Schmidt (Switzerland: Springer International, 2017), pp. 100-110.

The King continues to wield considerable influence in moulding Bhutan's foreign policy at present, although this dynamic may evolve as democratic institutions further establish themselves in the coming years. Today, we can see the emergence of multiple actors who shape Bhutan's foreign policy. For instance, the Prime Minister and his Cabinet formulate foreign policy. The discussions and debates held in parliament have an impact on these foreign policy decisions. Bhutan has conducted three elections in which the people have voted for three different political parties to power. Although all three governments have focused on the same objectives, their perceptions and approaches have varied.⁸⁴ Hence, the impact of democracy on Bhutan's foreign policy is already noticeable.

Challenges and Implications for India

China's approach to border negotiations with Bhutan resembles the approach it previously employed with Nepal and once proposed to India. This approach favours a comprehensive "package deal" rather than a sector-by-sector resolution. Nepal agreed to the package deal and formally settled its border with China in October 1961. As part of this agreement, Nepal conceded around 1,836 square kilometres of territory to China, while China relinquished approximately 2,139 square kilometres of territory to Nepal.⁸⁵

China extended a similar package deal to India. This offer was initially presented by Zhou Enlai in 1960, involving both countries recognising the existing status quo in both the Eastern and Western sectors. Under this arrangement, India would maintain control of Arunachal Pradesh (then known as the North-East Frontier Agency, or NEFA), while China would retain Aksai Chin. Deng

⁸⁴Aditya Gowdhara Shivamurthy, "The Changing Contours of Bhutan's Foreign Policy and the Implications for China and India," *Observer Research Foundation*, ORF Occasional Paper Number 356 (June 2022), pp. 14, 21-22, <https://www.orfonline.org/research/the-changing-contours-of-bhutans-foreign-policy-and-the-implications-for-china-and-india/>.

⁸⁵Ratnadeep Chakraborty, "Border disputes between China and Nepal," *Observer Research Foundation*, Commentaries (November 2020), <https://www.orfonline.org/expert-speak/border-disputes-between-china-and-nepal/>.

Xiaoping made this offer in 1980; he stated, “While we can recognise the present line of actual control in the eastern sector, India should recognise the status quo in the western sector.”⁸⁶ India rejected the Chinese offer on both occasions.

Although China employed the same strategy to settle boundary disputes with India and Nepal, Bhutan has been an exception to China’s policy of resolving border disputes with smaller states. An analysis of the history of China’s boundary demarcation reveals that China’s boundary delimitations were made in favour of small states. Bhutan, however, is an exception since Doklam would give China a tactical and strategic advantage over India in a potential conflict with India if it were under Chinese control.⁸⁷

The unsettled boundary not only remains a source of tension between the two major powers, but it is also a major obstacle to better relations between China and Bhutan. However, a recent statement made by Bhutanese Prime Minister Lotay Tshering indicates that Bhutan plans to settle the boundary dispute with China soon. He said, “Bhutan hopes to complete the demarcation of territories with China in one or two meetings”.⁸⁸ Bhutan’s eagerness to demarcate its border with China mirrors its aspiration to function as an independent entity, actively fostering constructive relationships with various regional and global powers.

Accepting the Chinese proposal would have significant implications for the Himalayan region. For the local Bhutanese, the deal would entail surrendering valuable pastureland crucial for the survival of the Bhutanese residents in the region. Nevertheless, Bhutan would have gained certain advantages from this

⁸⁶ “Record of Talks between P.M. [Jawaharlal Nehru] and Premier Chou En Lai [Zhou Enlai] held on 22nd April, 1960 from 10.A.M to 1.10 P.M,” *NMML*, no date, P.N. Hasker Papers, I and II Installments, Subject Files, File #24, pp. 40-53.

⁸⁷ Thinley, “Diplomatic ties with China are not in Bhutan’s National Interest,” *South Asia Monitor*, May 15, 2021, <https://www.southasiamonitor.org/spotlight/diplomatic-ties-china-are-not-bhutans-national-interest>.

⁸⁸ Suhasini Haidar, “Boundaries could be demarcated within next one or two meetings: Bhutan PM on talks with China,” *The Hindu*, March 29, 2023, <https://www.thehindu.com/news/international/boundaries-could-be-demarcated-within-next-one-or-two-meetings-bhutan-pm-on-talks-with-china/article66672984.ece>.

deal, such as the resolution of the tensions with China and a larger share of the territory as compensation. ⁸⁹ Furthermore, following the resolution of the border dispute, there would likely be an increase in trade and opportunities for enhanced cooperation in tourism and cultural exchanges.

One of the biggest emerging security challenges for India is China's initiative to construct railways and roadways across the entire Himalayan range to revive the old Southern Silk Route to link the provinces of Sichuan and Yunnan with South Asian nations. ⁹⁰ China is presently prioritising the development of both its western and eastern regions. As a part of this endeavour, China is investing heavily in infrastructure development in Tibet, including road networks, railways, and military installations. The increased infrastructure will enhance China's ability to build its PLA forces and logistics in Tibet at a much faster rate if applied against India. According to Xiong Kunxin, "the railways will largely improve the efficiency and convenience of military personnel, and material transportation, and logistical supplies." ⁹¹

China's recent claims over the eastern sector at Sakteng and the fact that China is more interested in the western sector dispute with Bhutan further add to India's security concerns. According to Tenzing Lamsang, despite having territory in the Chumbi Valley, it lacks "strategic shoulders" because the area is so constrained, with India and Bhutan on both sides. The 269 square km of Bhutanese territory in the western sector would give China the necessary

⁸⁹ Manoj Joshi, "Doklam: To Start at the Very Beginning," *Observer Research Foundation, Special Report#40* (August 2017), p. 5, https://www.orfonline.org/wp-content/uploads/2017/08/ORF_SpecialReport_40_Doklam.

⁹⁰ Stobdan, n. 20, p. 26

⁹¹ Xiong Kunxin, as cited in Xu Keyue, "Xi calls construction of Sichuan-Tibet railway significant to unity and border stability," *The Global Times*, November 8, 2020, <https://www.globaltimes.cn/page/202011/1206134.shtml>.

strategic shoulders and space to operate more freely, which helps to explain why China is particularly interested in acquiring it. India, on the other hand, regards this as a serious security threat.⁹²

In this regard, the biggest geopolitical winner will be China, as it would secure strategic advantages, while India would experience the greatest adverse consequences. First, China will gain proximity to India's northeast, and the Siliguri Corridor, a critical connection between India and its tumultuous northeastern region, is of paramount importance to India. The corridor plays a pivotal role in facilitating trade, commerce, and tourism for regions including West Bengal, Sikkim, Assam, Nepal, Bhutan, and Bangladesh. It serves as the primary land route for all trade between northeastern India and the rest of the country. The corridor has been a focal area for possible illegal passage between rebels in northeastern India, Nepal, and West Bengal. The Chumbi Valley and Doklam, where China has a major presence, are near the Siliguri Corridor. By moving forward merely 130 kilometres, the Chinese military could potentially isolate Bhutan, West Bengal, and the northeastern Indian states.⁹³

Furthermore, the illegal presence of insurgents in Bhutan, like the United Liberation Front of Assam (ULFA), the National Democratic Front of Bodoland (NDFB), and the Kamtapur Liberation Organisation (KLO), has posed a threat to friendly relations between the two countries. Taking into consideration India's security interests, the Bhutanese government launched a military operation under the name of "Operation All Clear" against the militant groups in 2003.⁹⁴ However, both governments suspect that since then, the ULFA and NDFB have regrouped themselves in Assam and are training the Communist

⁹² Tenzing Lamsang, "Understanding the Doklam border issue," *The Bhutanese*, January 7, 2017, <https://thebhutanese.bt/understanding-the-doklam-border-issue/>.

⁹³ Hasan Yaser Malik, "Siliguri: A Geopolitical Manoeuvre Corridor in the Eastern Himalayan Region for China and India," *Contemporary Chinese Political Economy and Strategic Relations*, Volume 1, Number 3 (December 2015), pp. 699-703.

⁹⁴ Sanjit Pal, "Indo-Bhutan Relations: Prospects and Challenges in the Backdrop of Contemporary Geopolitics of the Region," in *Connecting Asia Understanding Foreign Relations, Organisations and Contemporary Issues* ed. Debasish Nandy (New Delhi: Kunal Books, 2020), pp. 144-145.

Party of Bhutan (CPB) and its two wings, the Bhutan Tiger Force (BTF) and the United Revolutionary Youth of Bhutan (URYB). It is suspected that the Bhutan outfit is by and large run by the Bhutanese of Nepalese origin, with the main aim of overthrowing the regime, as they have been opposed to the democratic elections in Bhutan. These outfits may attempt to again use Bhutanese soil to conduct disruptive activities against India.⁹⁵

In the recent past, these fears have proven to be true, as there have been some instances of bomb blasts in Bhutan. In January 2008, Bhutan witnessed four blasts in Thimphu, Samste, Chukha, and Dagana.⁹⁶ On the eve of the royal wedding in October 2011, two improvised explosive device (IED) blasts took place at Phuentsholing.⁹⁷ In 2011, the NDFB (anti-talk faction) was involved in a series of attacks on the Bhutanese security forces. The aforementioned instances show that Bhutan is not immune to the activities of militant outfits.⁹⁸ With the open borders with India and the proximity of Eastern Bhutan to Tawang, the region can become prone to conflict. As a result, these attacks have sparked concerns about the potential resurgence of military operations in Bhutan, a matter of apprehension for India.

In this scenario, China may take advantage of the situation to work with rebel organisations hostile to India to destabilise India. As it stands, there are already allegations of China assisting the insurgent groups based in northeast India.⁹⁹ In 2019, in a case involving terror funding, the National Investigating Agency (NIA) filed a charge sheet against Alemla Jamir, a leader of the National Social

⁹⁵ Prabin Kalita, "Bhutan, India plan 2003-like ops against N-E rebel group," *Times of India*, August 27, 2009, <https://timesofindia.indiatimes.com/city/guwahati/bhutan-india-plan-2003-like-ops-against-n-e-rebel-groups/articleshow/4942021.cms>.

⁹⁶ "Series of bomb blasts rock Bhutan, one hurt," *Reuters*, January 21, 2008, <https://www.reuters.com/article/us-bhutan-blast-idUSSP22692820080121>.

⁹⁷ "Twin blasts rock Bhutan ahead of King's wedding," *Nagaland Post*, October 11, 2011, <https://nagalandpost.com/index.php/twin-blasts-rock-bhutan-ahead-of-kings-wedding/>.

⁹⁸ "NDFB militants strike in Bhutan," *The Times of India*, February 20, 2011, <https://timesofindia.indiatimes.com/city/guwahati/ndfb-militants-strike-in-bhutan/articleshow/7535965.cms>.

⁹⁹ Kalita, "Bhutan, India plan 2003-like ops," n. 95

Council of Nagaland (Isak Muivah) (NSCN-IM). He allegedly had connections with China.¹⁰⁰ Therefore, if China inches closer to the territory of Bhutan, it will be a challenge for the Indian military to control the hidden insurgent groups in Bhutan.

China will draw nearer to the northern periphery of Bangladesh, as there is only a narrow strip of land separating Bangladesh and Bhutan. This is especially concerning given that China smuggles illegal weapons from its Yunnan province through Bangladesh and Myanmar to India's northeast. Arms smuggling through Bangladesh is further facilitated by the dense forests of Chittagong hill tracts, which provide smugglers with safe refuge and enable them to transport illegal arms into India across permeable borders. The coastal border crossings between Bangladesh and Myanmar are also regarded as hubs for the movement of illegal weapons. Future trends indicate an increase in these activities.¹⁰¹ China moving closer to the Siliguri Corridor has serious security implications for India concerning insurgent problems.

Additionally, China will be closer to Sikkim. Due to the Tibetan question, Sikkim is of importance to China because of its sizable Tibetan population. The Buddhist followers in Sikkim have strong cultural ties with the Tibetan Autonomous Region (TAR). The Chinese focus on the Tibetan issue is also illustrative of the priority Tibet has on their agenda.¹⁰² Moreover, several voices in China support Sikkim's independence. In 2017, a Chinese state-run daily warned that Beijing may support "pro-independence appeals in Sikkim."¹⁰³ China

¹⁰⁰ "HC rejects default bail plea of NSCN-IM leader Alemla Jamir in terror-funding case," *The Indian Express*, May 4, 2023, <https://indianexpress.com/article/cities/delhi/hc-rejects-default-bail-plea-ns-cn-im-leader-alemla-jamir-terror-funding-8589909/>.

¹⁰¹ Anashwara Ashok, "Arms Smuggling—A Threat to National Security," *Centre for Land Warfare Studies*, April 6, 2020, <https://www.claws.in/arms-smuggling-a-threat-to-national-security/#:~:text=Smuggling%20of%20contraband%20arms%20poses,push%20the%20region%20into%20chaos.>

¹⁰² Medha Bisht, "Chumbi Valley: Economic Rationale but Strategic Resonance," *Institute for Defence Studies and Analyses*, IDSA Issue Brief (September 2010), https://idsa.in/idsacomments/ChumbiValleyEconomicRationalebutStrategicResonance_mbisht_230910.

¹⁰³ "China can rethink stance on Sikkim, Bhutan," *The Global Times*, July 5, 2017, <https://www.globaltimes.cn/page/201707/1055088.shtml>.

could stoke unrest and support anti-India elements in Sikkim if it moves closer to Bhutan. Therefore, the most significant security concern for India would be the resolution of the border dispute, as it would render India's Siliguri Corridor strategically exposed.

However, it is critical to emphasise that if Bhutan cedes any territory in the Doklam region to China as part of a package deal for border settlement, it will create a dangerous precedent and demonstrate to the world that China is benefiting from violating international law.¹⁰⁴

Following the introduction of democracy, Bhutan is finding it difficult to resist the pull factor of China's growing power, especially given China's economic sway in the region and globally. The proliferation of social media and television has heightened public awareness of the strong economic ties between China and countries in South Asia, including India. Bhutanese would like to benefit from such an engagement too, as their economy is suffering from a significant deficit. Given this scenario, there is a possibility that Bhutan will accept Chinese economic enticements.¹⁰⁵

While there is a rising apprehension among policymakers and experts regarding China's expanding influence in Bhutan, it is essential to bear in mind that there are some challenges when it comes to establishing relations with China. Neither the challenges nor the potential advantages of cultivating connections with China have been thoroughly explored in the existing literature. Consequently, the researcher has conducted a cost-benefit analysis of fostering ties with China.

First, developing relations with China would give Bhutan more room for diplomatic manoeuvring. This will help Bhutan avoid overreliance on any one

¹⁰⁴ Suhashini Haider, "Boundaries could be demarcated within next one or two meetings: Bhutan PM on talks with China," March 29, 2023, <https://www.thehindu.com/news/international/boundaries-could-be-demarcated-within-next-one-or-two-meetings-bhutan-pm-on-talks-with-china/article66672984.ece>.

¹⁰⁵ Phunchok Stobdan, "India's Real Problem Lies in its Bhutan Policy, Not the Border," *The Wire*, July 14, 2017, <https://thewire.in/diplomacy/india-china-doklam-real-problem-bhutan>.

country and provide more options for diplomatic engagement. Bhutan can then balance both India and China. However, unlike Nepal, Bhutan ought to be able to maintain the balance. While cultivating a relationship with China could provide Bhutan with a broader spectrum of foreign policy options, it is imperative for Bhutan to reevaluate its relationship with India before intensifying its connections with China. Bhutan's establishment of diplomatic ties with China would have a significant impact on the dynamics of relations between India and Bhutan. One such instance has already been mentioned when the Indian government cut off subsidies to Bhutan in 2012 in protest at its cosyng up to China. This would be one of the biggest challenges for Bhutan, as India holds significant importance for Bhutan due to historical, geographical, economic, and strategic reasons.

Second, sovereignty and territorial integrity are of paramount importance to Bhutan due to historical, cultural, and geopolitical factors. Here, it is important to mention the views of Dasho Pema Wangchhuck, the former Speaker of the National Assembly. While presenting a detailed briefing on the Bhutan-China border to the house, he said,

“The substantial symbol of a sovereign country is to define its borders. Under the noble guidance of our beloved Fourth King, we have not only strengthened our relations with India but also renewed the Indo-Bhutan Treaty of 1949. This has really signified the sovereignty of our country. We have demarcated our boundaries with India. Similarly, since our country is located between India and China, it has also become vital for us to define our boundaries with China.”¹⁰⁶

Chinese threats and incursions into Bhutanese territory pose a risk to Bhutan's sovereignty and territorial integrity. In order to protect these aspects, Bhutan is keen on resolving its border dispute and strengthening its relationship with China. Bhutan is aware that resolving its border

¹⁰⁶ “Proceedings and resolutions adopted during the 4th Session of the 2nd Parliament of Bhutan's National Assembly,” *Report on the Status of Bhutan-China Border Negotiations*,” Section 9, held from November 20, 2009 to December 11, 2009, https://www.nab.gov.bt/assets/uploads/docs/resolution/2014/4th_session_eng.pdf.

disputes with China is a prerequisite to developing relations with China. Most importantly, improving ties with China will raise Bhutan's stature and recognition around the world. It will also contribute to peace and security by allowing Bhutan to maintain control over its borders and internal affairs. This will prevent incidents similar to those in Doklam, which have been diplomatically resolved, but the underlying territorial dispute between China and Bhutan over the region remains unresolved as Bhutan's sovereignty over the Doklam plateau is still a matter of contention. However, even if the border negotiations are successfully concluded, problems will remain, which will require constant negotiation and dialogue with Beijing. Issues such as Chinese army intrusions, road construction activities, and Tibetan herders' intrusions for grazing and the collection of medicinal plants are likely to persist even after an agreement is reached.

However, developing ties with China means having an increasing influence on domestic politics, as demonstrated by the instance of Nepal. It is commonly known that the Chinese have significant influence over the Communist Party of Nepal. China has reportedly been accused of influencing domestic politics in Nepal. During an interaction with Birat Krishna Thapa, former Editor of Reporters Club Nepal, the researcher learned about instances in which China funded the Maoist Party of Nepal (to the tune of 50 crores) to maintain its status as a political party. The researcher was also made aware of a scandal that resulted from the release of an audio clip in which Krishna Bahadur Mahara, a former minister, requested money from the Chinese to buy members of the parliament. Despite lacking a majority, this was crucial in negotiating for Pushpa Kamal Dahal (Prachanda) to become the current Prime Minister of Nepal.¹⁰⁷ In the light of such incidents, it is important to emphasise that Bhutan is weak and dependent militarily and economically, which makes it more

¹⁰⁷ Birat Krishna Thapa, Telephone Interview, August 16, 2023.

susceptible to outside interference. As a result, the region can become more volatile.

Third, Bhutan places a strong emphasis on preserving its unique culture and tradition, including its form of Buddhism. Growing ties will result in more cultural interactions between the two countries. Different customs and rituals are observed in China and Bhutan. Bhutan generally practices Tibetan Buddhism according to the Drukpa Kagyu school, but China offers a varied range of Buddhist schools, including Chan (Zen), Pure Land, and Tibetan (which is different from Bhutanese Tibetan Buddhism). While these exchanges provide an opportunity for individuals to acquire a more profound appreciation of the diversity inherent in Buddhism, they can also create potential challenges if the different traditions and beliefs are not mutually respected.

Presently, China is utilising Buddhism as a strategic tool, alongside its hard-power diplomacy, to advance its economic and political goals in the region. China is financing various Buddhist projects (both Theravada and Mahayana traditions) in Sri Lanka, Thailand, Laos, Cambodia, Myanmar, Korea, Mongolia, and several other countries as a part of an outreach programme aimed at bolstering institutional connections.¹⁰⁸ Similar initiatives have been taken by China in Bhutan. Despite their small scale, these projects have been successful in Bhutan because Buddhism is a significant part of the country's political and social structure. As was previously noted, a Chinese cultural troupe visited Bhutan for the first time in 2005 with the intention of forging closer links between Bhutan and China. The Chinese cultural troupe made its second visit in February 2014.¹⁰⁹

¹⁰⁸ Phunchok Stobdan, *The Great Game in the Buddhist Himalayas India and China's Quest for Strategic Dominance* (New York: Vintage Books, 2019), p. 266.

¹⁰⁹ "Press Release," *Ministry of Foreign Affairs and External Trade, Royal Government of Bhutan*, February 14, 2014, <https://www.mfa.gov.bt/press-release-65/>.

Beijing has been assisting several countries in restoring, remodelling, reviving, and even building new Buddhist institutions. Bhutan's first Chinese investment was in the realm of religion. A 169-foot gold-plated bronze statue of Buddha was built in Thimphu with funding provided by Aerosun Corporation, a significant equipment manufacturing company based in Nanjing, China.¹¹⁰

Fourth, cultural exchanges can boost tourism. Bhutan's traditional culture and way of life, religious festivals, historic landmarks, and pristine environment are major attractions for tourists from all around the world. With comparative advantages in several areas, Bhutan has considerable tourism potential that might support economic diversification and growth. Opportunities for business expansion exist in the realm of cultural tourism, eco-tourism, and adventure/sports tourism, including activities such as rafting, canoeing, and climbing. These opportunities are rooted in the country's natural beauty, rich biodiversity, and distinctive culture. Additionally, as unemployment concerns are beginning to emerge due to limited job prospects in both the public and private sectors, the tourism industry has the potential to generate employment opportunities.¹¹¹

In this context, the development of ties with China would mean an increase in Chinese tourists to Bhutan. China is already second after the United States in the list of the top ten source markets for foreign travellers to Bhutan from 2007 to 2018.¹¹² A further rise in Chinese tourists will be extremely beneficial to Bhutan's economy. As mentioned in the previous chapter, tourism is one of the most important export earners for the country. However, tourism has already had a significant negative influence on Bhutan's ecology and culture. Bhutan has created policies in the hopes of reducing the adverse effects while still achieving

¹¹⁰ Rabi Banerjee, "Dangerous Liaison," *The Week*, August 27, 2017, <https://www.theweek.in/theweek/cover/dangerous-liaison.html>.

¹¹¹ Tandin Dorji, "Sustainability of Tourism in Bhutan," *Journal of Bhutan Studies*, Volume 3, Number 1 (2001), p. 91.

¹¹² Tourism Council of Bhutan, Royal Government of Bhutan, "Bhutan Tourism Monitor 2018," (2018) https://www.tourism.gov.bt/uploads/attachment_files/tcb_xx8r_BTM%202018%20final.pdf.

economic benefits. What remains to be seen is whether these policies are going to be sustainable in the long run. Additionally, an increase in Chinese tourists could create more difficulties for Bhutan. It can lead to a situation that could harm the country's environment and its rich and distinctive culture, both of which are key components of its general well-being (GNH).

Fifth, China is also an attractive source of investment. It is here that China can help Bhutan diversify its economy beyond hydropower. However, Chinese investments have come under criticism over the years for several reasons. Debt is the first and most evident reason. China has been accused of leading countries into a debt trap. Sri Lanka is one such recent example in India's immediate neighbourhood.¹¹³ Chinese investments come with their own terms and conditions; they bring in their own workers and equipment.¹¹⁴ As was previously stated, Bhutan is already concerned about the expanding public debt, the rising unemployment rate, and the rising number of foreign workers. In this context, it is likely that the government will face a number of challenges if China brings its own workers and equipment, as this could have an impact on Bhutan's economy, labour market, social structure, and overall development.

Another problem with Chinese investments is a lack of transparency. There is no reliable list of Belt and Road Initiative projects, no information on the lending criteria China follows, or even how much money China has invested. Lack of transparency can lead to problems such as corruption, mismanagement, and negative consequences for local communities. For example, there is currently a considerable uncertainty in Nepal concerning whether Chinese projects will be executed in compliance with the government of Nepal's rules and regulations or if they will be initiated via loans that come with specific conditions imposed by

¹¹³ Shishir Gupta, "Was cash strapped Sri Lanka duped by China in Hambantota Port?", *Hindustan Times*, June 26, 2022, <https://www.hindustantimes.com/world-news/was-cash-strapped-sri-lanka-duped-by-china-in-hambantota-port-101656205405799.html>.

¹¹⁴ James Crabtree, "China needs to make BRI more transparent and predictable," *Financial Times*, April 25, 2019, <https://www.ft.com/content/3c5d6d14-66ac-11e9-b809-6f0d2f5705f6>.

China or its financial institutions, claims Hari Bansh Jha, a professor at Nepal's Tribhuvan University.¹¹⁵ This confusion is an outcome of the lack of transparency in Chinese projects.

Sixth, unquestionably, Chinese products enjoy global popularity due to their affordability. China manufactures a diverse array of goods, spanning from fundamental consumer products to sophisticated electronics and machinery. Currently, due to a lack of diplomatic ties, it is difficult for Chinese products to enter the country directly. This issue was highlighted by Jin Xiaodong, Chairman of the Association of Overseas Chinese in Nepal. According to him, Chinese products usually need to enter Bhutan through India, and there are many problems. For example, India imposes high taxes. The prices of Chinese products are low, but when they enter Bhutan, they increase by 10 times, thereby making the products less attractive.¹¹⁶

However, despite these obstacles, the trade statistics show an increase in economic engagement between China and Bhutan. Trade between the two countries has been on the rise. More access to Chinese markets would be extremely beneficial for Bhutan. China's massive population and rising middle class present a vast consumer market for goods and services. Therefore, developing relations with China can provide Bhutan access to a market that can significantly increase its sales and revenue. It is crucial to emphasise that China envisions Bhutan as a gateway to South Asia. The economic importance lies in the reinvigoration of the age-old Southern Silk Route, connecting China's Sichuan and Yunnan provinces with countries in South Asia, as has already been analysed in the first chapter. As previously stated, Bhutan will benefit from economically engaging with China. The revival of the trade links will also

¹¹⁵ Hari Bansh Jha, "Chinese Investments in Nepal in the Context of BRI," *Vivekananda International Foundation*, October 11, 2019, <https://www.vifindia.org/article/2019/october/11/chinese-investments-in-nepal-in-the-context-of-bri>.

¹¹⁶ Jin Xiaodong, as cited in "GT Investigates: How Bhutanese Seek National Security via Independence Pursuit; What China could do to Help," *The Global Time*, October 22, 2021, <https://www.globaltimes.cn/page/202110/1236991.shtml>.

provide balanced regional growth by fostering prosperity in northwest Bhutan, which is relatively less developed than the southern parts of Bhutan. However, there are a number of difficulties brought on by the extensive import of Chinese goods. It might be difficult for Bhutanese domestic industries to compete with low-cost Chinese goods. This may result in employment losses and disruptions to Bhutan's economy. Moreover, Bhutan may be more vulnerable if it depends on Chinese supplies for essential items, as was seen during the COVID-19 pandemic.

There are currently no confirmed reports of Chinese investments being made in Bhutan. For the time being, the focus has been on resolving the border issues with China to secure its territorial sovereignty and advance economic relations. As elucidated in the preceding chapter, Bhutan's foreign policy is primarily driven by economic imperatives when there are minimal threats to national security and sovereignty. Settling the border disputes with China and developing ties with it helps Bhutan achieve both the objectives of securing its territorial integrity and sovereignty and its economic objectives. It is important to note that although there are several opportunities to economically engage with China, Bhutan is a responsible country. It has been known for its cautious and responsible approach to international relations. As a small Himalayan country, Bhutan has traditionally prioritised its sovereignty, cultural preservation, and environmental sustainability. When it comes to developing relations with China or any other country, Bhutan is likely to carefully consider its options and potential implications.

So far, Bhutan has been doing well when it comes to ignoring China at the behest of India. However, the question is: for how long can Bhutan ignore the rise of China? Today, Bhutan realises that it needs to have a "normal relationship" with China to secure its sovereignty. In private conversations with the Bhutanese scholars, the researcher was informed that some sections of society in Bhutan have started to question Bhutan's special relations with India. One of the

Bhutanese scholar said, “India’s friendship with Bhutan is based on its vulnerability against China”. As a result, according to the interviewee, “Bhutan wants to develop relations with China for trade, to enhance sovereignty, and not to undermine Indian interests, as due to geographical limitations, China can never replace India.”¹¹⁷

Prospects for India-Bhutan Relations: Policy Options for India

India is surrounded by a troubled neighbourhood. It is surrounded by six unstable states, some of the worst-governed countries in the world. Pakistan, Bangladesh, and Afghanistan are suffering from poor governance, Islamic fundamentalism, Jihadism, and terrorism. China has Pakistan as a constant strategic ally, and Bangladesh and China collaborate in the defence sector. For a very long time, Nepal was involved in a conflict between Maoist rebels, an autocratic monarchy, and democratic movements. Correspondingly, Sri Lanka endured a protracted ethnic civil conflict between the Sinhalese majority and the Tamil minority. Both countries are currently dealing with a serious economic crisis and poor governance. At present, Myanmar is under a military coup supported by China.¹¹⁸

The relative importance and influence of India have grown over the past three decades. India, however, has not reached the status of a major global power. Moreover, there are uncertainties regarding India’s position as a regional power. When compared to its neighbours, India’s size, area, population, GDP, and armed forces qualify it as a regional power in South Asia. India does not, however, meet the criteria for being considered a regional power when judged by its ability to influence and enforce its will on its neighbours.¹¹⁹

¹¹⁷ Personal Interviews, n. 63

¹¹⁸ William Van Kemenade, “Regional Power India: Challenged by China,” in *Détente Between China and India The Delicate Balance of Geopolitics in Asia* (Netherlands: Clingendael Institute, 2008) pp. 13-14

¹¹⁹ Veena Kukreja, “India in the Emergent Multipolar World Order: dynamics and Strategic Challenges,” *India Quarterly*, Volume 76, Issue 1 (2020), pp. 9-10.

Perhaps the only exception in India's neighbourhood is Bhutan. Bhutan only recently successfully transformed into a constitutional democracy. In contrast to numerous instances of regime collapse seen in Asia and Latin America, the King's decision to lead Bhutan towards democracy was a deliberate and well-thought-out one.¹²⁰ Economically, Bhutan has made significant progress on a variety of socio-economic indicators. Bhutan first met the criteria to move from the least developed countries (LDC) category to the developing countries category (DC) in 2015, then again in 2018, and is scheduled to move out of this group in 2023.¹²¹ Moreover, India still has a considerable amount of influence over Bhutan, more so than it does over the other countries in the region.

Having said that, it is crucial to note that, in terms of its foreign relations, Bhutan is currently not guided by or subject to the influence of India. Bhutan is actively working on broadening its bilateral relationships. Bhutan is slowly moving away from India as it is gradually increasing the pace of its engagement with countries other than India. India has to be cautious as its approach towards Bhutan is going to determine the future trend of their relationship. With deteriorating bilateral relations with its neighbours, India cannot afford to lose a friendly neighbour. Therefore, when dealing with Thimphu, New Delhi needs to be more considerate and responsive. India must take into account the social and political changes occurring in Bhutan.¹²² In addition, India must stop viewing Bhutan through the prism of its insecurity with China.

India and Bhutan's relationship needs to evolve with the changing times. This has become extremely crucial with the emergence of competitive politics in Bhutan post-2008. Today, the government has to be more accountable to the citizens, and foreign policy cannot be conducted behind closed doors, as the

¹²⁰ Dorji Penjore, "Causes and Conditions of Bhutan's Democratic Transition," *Journal of Bhutan Studies*, Volume 37 (Winter 2017), pp. 100-101.

¹²¹ Mohammad A. Razzaque, *Graduation of Bhutan from the group of least developed countries: Potential implications and policy imperatives* (Bangkok, Thailand: United Nations ESCAP, 2020), p. 14.

¹²² Pal, n. 93, pp. 144-145.

people are more perceptive and, at times, critical of Bhutan's foreign policy decisions. Given this changing domestic scenario in Bhutan, mutual concerns need to be discussed at the official level. This is necessary in order to prevent the concerns from becoming a source of mistrust and suspicion.

In this context, it is important to mention the observations of Nalin Surie, a former senior diplomat. While deposing before the Parliamentary Standing Committee on External Affairs, he stated:

“Bhutan has been more than mindful of Indian interests, has gone along with what Indian interests required, and, I think, this is a relationship which we should not allow, even by a hint, to be affected adversely.”¹²³

Similarly, Yedzin W. Tobgay writes,

“India often cites its strong diplomatic relations with Bhutan as a possible template of cooperation with other South Asian countries, but it should focus on strengthening and addressing the causes of its eroding ties.”¹²⁴

Therefore, addressing Bhutanese concerns can play a role in maintaining Bhutan's close and friendly relationship with India and, potentially, preventing Bhutan from moving away from India.

India has backed Bhutan for more than sixty years and has provided billions in aid, but neither country has been successful in devising a balanced and sustainable economic strategy. Economic assistance given to win over political allegiance appears to have outlived its usefulness and could ultimately prove harmful in the long run. India needs to review its policy to ensure that all projects and investments in Bhutan are mutually beneficial. If not done, the situation may go out of control, and the rift between the two countries will widen. A balanced and sustainable economic strategy would give Bhutan better

¹²³ Committee on External Affairs, Sixteenth Lok Sabha, *Sino-Indian Relations Including Doklam, Border Situations and Cooperation in International Organisations*, 22nd Report, Lok Sabha Secretariat (2018), p. 24, https://eparlib.nic.in/bitstream/123456789/779992/1/16_External_Affairs_22.pdf.

¹²⁴ Tobgay, n. 2, p. 72.

access to markets, better connectivity, and the chance to benefit from India's growth model.

Hydropower

India needs to address Bhutan's concerns in the hydropower sector. A thorough assessment of the environmental and social consequences of these projects should be deemed obligatory, and the outcomes of these evaluations should be accessible to the public before the hydropower projects receive approval from the two governments. Involving the local communities in the decision-making process of hydropower projects can help address concerns related to environmental impacts. Both countries should review the agreements to ensure that Bhutan has equal or more responsibilities with the project authorities established for carrying out specific projects. Doing so will align with Bhutan's commitment to GNH and bolster the enduring friendship between the two countries.

India can provide training and capacity-building programmes for Bhutanese professionals in the field of hydropower management, maintenance, and operation. This would enhance Bhutan's ability to manage its resources effectively. To regain the trust of the Bhutanese stakeholders, transparency in the project design, financing, and implementation is crucial. Joint Audit Reports like the one discussed above, which prove India's role in the rising costs and implementation delays of projects as a result of fraud, corruption, poor management, and violations of laws and regulations, damage India's reputation as a responsible country. India should be mindful of such accusations.

Economic Diversification

Moreover, the growth of industries in Bhutan apart from hydropower has been peripheral. As a result, Bhutan has for a long time expressed its wish to diversify its economy in order to attain self-sufficiency. The researcher learned during

her interaction with Bhutanese scholars that the primary motivation for the Bhutanese youth to establish diplomatic ties with China is to assist Bhutan in diversifying its economy.¹²⁵ However, China is unlikely to enter the Bhutanese market in a significant way if India offers lucrative investments to provide an impetus for the growth of local businesses in Bhutan. Here, India and Bhutan can work together to explore newer areas of bilateral cooperation. Economic cooperation between the two countries has largely been on a government-to-government level. More efforts need to be taken to enable economic cooperation at the people-to-people level.

Bhutan has the capability and resources to offer much more than hydropower. So, the governments of the two countries must promote private-sector cooperation. Moreover, the private sector in Bhutan remains small and underdeveloped, as the close relationship between state-owned enterprises and DHI discourages private investments in Bhutan. So, fundamental reforms need to be undertaken domestically in Bhutan in order to build the capabilities of private-sector firms. It is here that India can assist Bhutan in promoting skill development, facilitating the private sector's access to capital and technology, supporting small and medium-sized enterprises, joint research and development efforts, etc. India should consider measures to boost investments in Bhutan in a way that benefits both countries reciprocally. The majority of India's investments have been directed primarily towards the energy sector (hydropower), primarily. Other sectors such as tourism, horticulture, renewable energy (solar, wind, and hydrogen), ICT, the stock market, textiles, herbal products (pharmaceuticals and cosmetics), organic products, river boulders, mining, and industry in Bhutan also have very bright prospects for growth.

Collaborations in these fields will give Bhutan an opportunity to create jobs for its disenchanting youth. As previously mentioned, Bhutan is suffering from a

¹²⁵ Personal Interviews, n. 63.

significant shortage of jobs for its youth. This is leading the disenchanted youth to eventually leave Bhutan in search of better opportunities. Here we can see how Singapore is emerging as a major player in assisting Bhutan to expand its capabilities in a significant way. Singapore is a new entrant in Bhutan, whereas India has been a dominant player in Bhutan for over sixty years. India should use its long-standing relationship with Bhutan to work together to develop the skills of its disenchanted youth.

Trade

The growing trade imbalance with India has raised concerns in the bilateral relationship between Bhutan and India. A policy framework to better facilitate trade between the two countries should be put in place. India needs to give Bhutan more market access. Many of the Bhutanese products are unable to compete in Indian markets, so more access to Indian markets can benefit Bhutan immensely. Additionally, as Bhutan has limited access to technology, technological transfers would foster growth, innovation, and efficiency in Bhutan. Overall, it would significantly enhance Bhutan's business environment.

In order to ensure smooth transit, the two governments are currently working towards establishing an integrated check-post. Nepal already has three integrated check-posts with India, and two more are in the pipeline. India and Bhutan are also working on establishing the Kokrajhar-Gelephu rail link project. These two initiatives can facilitate smooth transit between the two countries. As a result, both countries should move quickly to accomplish both of these initiatives. Furthermore, India and Bhutan should work out the possibility of accessing the Chillahati-Haldibari railroad, as it is close to Samtse in Bhutan. According to Bhutan's Foreign Minister, Tandi Dorji, "If the Indian government allows us to use the Chillahati-Haldibari railroad, then all our exporters can use that, and it will minus the problem with the Suvidha app and

minus the Gunda tax that takes place along the highways.”¹²⁶ He further added, “We are hoping that more than the truck routes if we can use railroads, the cost of transportation will be significantly cheaper and problems faced by our truckers will be resolved.”¹²⁷

Furthermore, the central and state governments need to collaborate and coordinate their efforts to meet the expectations and grievances of Bhutan. This will help Bhutan improve its relations with its immediate neighbours, West Bengal and Assam, which is essential to facilitating trade connectivity between the two countries and even beyond Bangladesh and Nepal.

India and Bhutan can sign the Bilateral Investment Treaty (BIT) as it can improve the investment climate in Bhutan. These are essentially agreements between two countries that specify the guidelines and requirements for investment in a host country. Due to the difficulties in creating multilateral investment agreements and the challenges in achieving consensus, BITs have become highly popular. So far, India has signed BITs with 86 countries. Among the SAARC countries, India has signed BITs with Nepal, Bangladesh, Sri Lanka, and Myanmar. India has not signed BITs with Bhutan and the Maldives to date, while Afghanistan’s FDI date is publicly unavailable.¹²⁸

Bhutan has yet to enter into a significant BIT with any country, and it is not affiliated with the International Centre for Settlement of Investment Disputes (ICSID). The key advantage of a BIT is that it helps countries attract foreign investment by guaranteeing non-discriminatory treatment and legal protection for international investors. With the aid of these investors, Bhutan may advance

¹²⁶ Karma Wangdi, “Government to set up first integrated check-post between Phuentsholing and Jaigaon,” *Bhutan Broadcasting Service*, July 1, 2023, <http://www.bbs.bt/news/?p=188345#:~:text=The%20ministry%20is%20in%20the,integrated%20check%20post%20with%20India..>

¹²⁷ Tshering Dema, “Bhutan looking at rail routes to avoid Gunda Tax and Suvidha App for its exports to Bangladesh,” *The Bhutanese*, January 7, 2023, <https://thebhutanese.bt/bhutan-looking-at-rail-routes-to-avoid-gunda-tax-and-suvidha-app-for-its-exports-to-bangladesh/>.

¹²⁸ “Bilateral Investment Treaties,” *Investment Policy Hub*, UNCTAD, <https://investmentpolicy.unctad.org/international-investment-agreements/countries/96/india>.

beyond hydropower since it can provide not only the necessary financial backing but also the necessary skills, information, and ideas. It can also promote trade by increasing exports and reducing the current account deficit. Signing a BIT can help resolve the current issues in terms of trade and investment between the two countries. However, difficulties persist since Bhutan's FDI inflows are small and constrained, partly due to legislative barriers and insufficient investment promotion and, more generally, due to a lack of adequate infrastructure and human resources.¹²⁹

As the host countries do not intend to discourage the influx of capital and technology, BITs typically do not impose binding and enforceable environmental obligations on foreign investors in conformity with international environmental law.¹³⁰ Bhutan, however, can be an exception because being silent on environmental concerns contradicts its GNH goal of environmental preservation. Therefore, Bhutan can ask the investors to comply with the Environmental Impact Assessment (EIA) procedures. India and Bhutan can establish clear dispute resolution mechanisms up until the BIT comes into effect in order to create a conducive business environment. However, it is important to note that India and Bhutan's relationship is based on sentiments, so simply signing an agreement will not be sufficient. Both parties need to ensure that the treaty is applied effectively and that grievances are promptly resolved while keeping mutual interests in mind.

Connectivity

As previously mentioned, China has continued its overt road and airfield construction efforts on their side of the border, posing a constant threat to the Siliguri Corridor. Bhutan's contribution to safeguarding India's security in this

¹²⁹ Santini et al., n. 70, pp. 5-6

¹³⁰ Kathryn Gordon and Joachim Pohl, "Environmental Concerns in International Investment Agreements: A Survey," OECD Working Papers on International Investment (2011), p. 5, https://www.oecd.org/daf/inv/internationalinvestmentagreements/WP-2011_1.pdf.

situation is crucial. A multidimensional strategy that integrates political, economic, military, and regional cooperation initiatives is required to strategically counter China. India's first option is to designate alternative routes for transport to and from the northeast during a military conflict and even in peacetime. This will help India reduce its dependence on the Siliguri Corridor. India has already started moving in this direction. One such project is the Kaladan Multimodal Transit Project. The project aims to connect Myanmar and the landlocked northeastern Indian states with Kolkata Port. In order to improve connectivity, trade, and economic development in the area, the project makes use of a variety of transport networks, including those on land, in rivers, and along the sea. To finish the project, a 109-kilometre road must be built between Paletwa (on the border with Myanmar) and Zorinpui (on the border with Mizoram). Due to difficulties with funding, logistics, and regional security considerations, the project has been experiencing delays. The project would offer a direct route for commodities to and from northeast India, serving as a substitute for the Siliguri Corridor and being essential for regional connectivity and trade.¹³¹

By strengthening communication with Bangladesh, a second alternative route can be used to connect India's mainland to its northeast. In this context, the importance of the Padma Setu bridge cannot be undermined. Another initiative being undertaken by the Indian government is the construction of a rail route connecting West Bengal to Meghalaya via Bangladesh. The rail route will connect Mahendraganj of Tura in Meghalaya to Hili in West Bengal via Ghoraghat, Palashbari, and Gaibandha in north Bangladesh.¹³² The Indian government should push for the development of the 4-kilometre Tetulia corridor, which would pass across Bangladesh to connect the Chopra

¹³¹ Moushumi Das Gupta, "India-Myanmar Kaladan waterway to open in May. But 'real gains' only when 110-km road is completed," *The Print*, April 30, 2023, <https://theprint.in/india/india-myanmar-kaladan-waterway-to-open-in-may-but-real-gains-only-when-110-km-road-is-completed/1546493/>.

¹³² Avijit Sinha and Kausik Sen, "Proposed rail link for 2 states via Bangladesh," *The Telegraph*, May 5, 2022, <https://www.telegraphindia.com/west-bengal/proposed-rail-link-for-2-states-via-bangladesh/cid/1863597>.

Subdivision in West Bengal's North Dinajpur District with Mainaguri in the neighbouring Jalpaiguri District. This corridor will reduce the travel length by over 85 kilometres, cutting down transportation costs significantly.¹³³ Other options, such as air corridors and underground railroad tunnels with Bangladesh, should be explored.¹³⁴

The Indian government can use Article VIII of the Trade Agreement of 1980 signed between India and Bangladesh to push for improving connectivity between the two countries. According to Article VIII of the treaty,

“The Two Governments agree to make mutually beneficial arrangements for the use of their waterways, roadways and railways for commerce between the two countries and for passage of goods between two places in one country and to third countries through the territory of the other under the terms mutually agreed upon. In such cases, fees and charges, if leviable as per international agreements, conventions or practices, may be applied and the transit guarantee regime may be established through mutual consultations.”¹³⁵

It is crucial to highlight that the aforementioned treaty does not explicitly address the transit of military equipment. Consequently, India and Bangladesh need to agree on the modalities of entering into a treaty in order to authorise the transit of military equipment during times of conflict.

The key to coordinating efforts to meet the energy needs of South Asian countries is Bhutan's renewable energy potential. Bangladesh has expressed interest in acquiring power from both Nepal and Bhutan. A 25-year agreement to import 40 MW of power from Nepal will be signed by both countries in 2023. Similar to this, a bilateral MOU would be signed by Bangladesh and Bhutan in

¹³³ Debashish Sarkar, “Tetulia corridor over Bangladesh finds new hope,” *The Economic Times*, May 12, 2015, <https://economictimes.indiatimes.com/news/politics-and-nation/tetulia-corridor-over-bangladesh-finds-new-hope/articleshow/47248915.cms?from=mdr>.

¹³⁴ Major Gen V.S. Ranade, “Slender is the Corridor,” *Manohar Parrikar Institute for Defence Studies and Analyses Journal of Defence Studies*, Volume 17, Number 11 (January-March 2023), p. 154.

¹³⁵ “Trade Agreement Between India and Bangladesh,” *Ministry of External Affairs, Government of India*, June 6, 2015, <https://www.mea.gov.in/Portal/LegalTreatiesDoc/BG15B2412.pdf>.

2023 to complete the agreement on the import of power from Bhutan. The countries involved are working on the modalities of signing the aforementioned agreement. In this situation, India presents an opportunity to connect the power supply industries in Bangladesh, Bhutan, and Nepal. The eastern portion of India has borders with all three countries, and along these shared boundaries might be built transmission lines linking the three countries to India. These transmission lines have to pass via India if Bhutan, Nepal, and Bangladesh are to exchange power with one another, giving India a strategic edge. Additionally, India has the most advanced transmission infrastructure among these countries, which supports the prospect of regional electricity exchange.¹³⁶

So far, India has only signed bilateral electricity trading agreements with Nepal, Bangladesh, and Bhutan. Therefore, to foster sub-regional cooperation and cross-border connectivity, the creation of an energy grid including the four countries is essential. Furthermore, this energy grid would also assist Bhutan in diversifying its energy supply, which would be advantageous for its economy.

People-to-People Contact

India should promote local trade and improve people-to-people contact. India needs to regulate and focus on cross-border illegal trade between the two countries. India should promote its culture, education, and soft power in Bhutan. It is here that India can use Buddhism as a “strategic tool” to counter Chinese soft power in the region in general and Bhutan in particular. India has already started taking initiatives in this direction. The Buddhavanam project, a 279-acre Buddhist theme park on the banks of the river Krishna in Nagarjunasagar, Telangana, is one such initiative.¹³⁷ A delegation of Buddhist monks led by

¹³⁶ Jagruti Thakur, Mohammad Reza Hesamzadeh and Frank Wolak, “Cross-border electricity trade in the Bangladesh-Bhutan-India-Nepal (BBIN) Region: A cost-based market perspective,” *Energy Insight*, May 15, 2021.

¹³⁷ “Buddhavanam Project to be Inaugurated Today,” *The Hindu*, May 13, 2022, <https://www.thehindu.com/news/national/telangana/buddhavanam-project-to-be-inaugurated-today/article65410877.ece>.

Tenzing Namgyal, Central Buddhist Body, Thimphu, has indicated a desire to build a Bhutanese Buddhist monastery at the Buddhist Heritage Park in Nagarjunasagar.¹³⁸ India is an attractive destination for Bhutanese pilgrimage. In this respect, the Indian government should take requests like these into account, as it will improve people-to-people contact between the two countries. In addition, India has neglected Bhutan in its plan to establish a "Buddhist Circuit" connecting Nepal with the different states of India. India should include Bhutan in its "Buddhist circuit," as it will promote tourism, enhance infrastructure, provide educational and research opportunities, and strengthen cultural and diplomatic ties between the two countries.

Addressing Other Concerns

There is a need to provide proper information to all relevant stakeholders regarding regional connectivity. It is important to safeguard the safety of Bhutanese drivers travelling across Indian territory. India should be mindful in light of the rising public sentiment in Bhutan, particularly concerning the location of IMTRAT in Thimphu. India should exercise caution during the selection of projects and their location because this could affect bilateral ties. Bhutan is strategically significant to India, so it is crucial to consider the apprehensions of the local population to avoid any impediments to the cultivation of friendly relations between the two countries. India needs to adopt a balanced approach that takes into consideration Indian interests and Bhutanese concerns. As a result, managing perceptions should be a key component of India's approach towards Bhutan.

India should strengthen security cooperation with Bhutan to address common security challenges. It is crucial to remember that thwarting Chinese influence necessitates a balanced strategy that takes into consideration Bhutan's interests and those of other neighbouring countries. Managing Chinese influence in

¹³⁸ "Bhutan Monks want to set up Buddhist Monastery in Nalgonda," *The Indian Express*, November 25, 2022, <https://www.newindianexpress.com/states/teelangana/2022/nov/25/bhutan-monks-want-to-set-up-buddhist-monastery-innalgonda-2521821.html>.

Bhutan requires cooperation, diplomacy, and an awareness of regional dynamics, all of which are essential elements of any successful plan.

Conclusion

From the above analysis, we can conclude that the issues between India and Bhutan have always existed; however, they have now gained more attention as a result of China. The China factor is important for India because Bhutan shares a long border with China. However, India should refrain from exclusively framing its perception of Bhutan in the context of its concerns about China. Historically, India's acknowledgement of Bhutan's sovereignty and territorial integrity, unlike China's, has had a substantial impact on Bhutan's approach to its relations with China. Numerous factors discussed in this thesis clearly indicate that public opinion in Bhutan is presently undergoing a transformation. India cannot obstruct an independent, sovereign country from forging relations with other countries. This would be unfair because China's economic rise has benefited China's neighbours, including India.

Besides, as already said, developing relations with China presents a number of challenges. Bhutan, a responsible country, will carefully consider all of its options. In addition, geographical limitations will continue to determine Bhutan's foreign policy, as it will be difficult for Bhutan to completely replace India. Recently, India has become more sensitive to Bhutan, which is reflected in India not repeating the mistakes it made in 2012. Moreover, the Indian government has removed the discriminatory clause from the CBTE guidelines to allow a greater participation by power exporters in energy trading in the region. According to Sanjit Pal, "India needs to assess its bilateral relationship on a realistic paradigm instead of preconceived idealism."¹³⁹ Therefore, India should adopt a proactive, flexible, and sensitive approach towards Bhutan. Doing so will help India strengthen its relationship with Bhutan.

¹³⁹ Pal, n. 93, p. 152.

Conclusion to the Thesis

Bhutan's foreign policy towards China has been significantly impacted thus far by India's acknowledgement of Bhutan's sovereignty and territorial integrity, in contrast to that of Chinese policy. Moreover, India has assisted Bhutan in the modernisation of its economy, education system, and defence capability. The relationship between India and Bhutan is based on trust, goodwill, understanding, and cooperation in various fields. However, at present, the public perception is changing in Bhutan. The general perception in Bhutan is that India's friendship with Bhutan is based on its vulnerability against China. Some sections of society in Bhutan have started to question Bhutan's special relationship with India. This has a lot to do with the fact that there are certain discomfoting issues between India and Bhutan, and in the backdrop is the China factor. The issues between India and Bhutan have always existed; however, they have now gained more attention and salience as a result of China.

Moreover, Bhutan is facing several changes in the 21st century, both domestically and externally. Domestically, it changed its government structure from an absolute monarchy to a constitutional democracy in 2007, from being a closed and traditional society to a more open and modern society. Externally, Bhutan is moving from a guided foreign policy to playing a more independent role internationally. Although the foreign policy is still guided by the King, who still maintains close ties with India, the increasing competitive politics and changing public perception within Bhutan can further complicate the changes it is currently undergoing. Bhutan, which was once relatively isolated, has recently begun to engage with the outside world and needs economic assistance for its development. China is waiting to seize this opportunity by facilitating free trade and increasing investment in Bhutan.

China does not currently have formal diplomatic relations with Bhutan. Instead, China aims to create a conducive environment for improving bilateral relations and establishing official diplomatic ties with Bhutan. The resolution of their boundary dispute is a prerequisite for such diplomatic and economic relations to take shape. Consequently, China has proposed a “package deal” to Bhutan, which Bhutan has declined. It is assumed that the security interests of India were taken into consideration by Bhutan. It is frequently stated that resolving the China-India boundary dispute should precede the resolution of the Bhutan-China border dispute. In this context, it is important to note that India still has an advantage over China because of its long-standing, close relationship with Bhutan, which gives it a variety of diplomatic options. Bhutan’s increasing engagement with China is merely an assertion of independence and a desire to maintain cordial relations with both its neighbours without distinction. Nevertheless, the growing influence of China in Bhutan raises concerns for India. Thus, the present study has attempted to understand the growing China-Bhutan relationship, the emerging politico-security discourse within Bhutan, and the various foreign policy options that may have an impact on India. To achieve this, the thesis has been divided into five chapters.

Analysis of the Chapters

The first Chapter titled ‘China-Bhutan Relations’ has been divided into two broad sections. The first part covers relations between China and Bhutan up to 1949, while the second part covers relations post-1949. Although Tibet has a significant influence on Bhutan’s economy, culture, and political system, both countries share a complex historical relationship. The rivalry between the two became a common feature of their relationship. Other than India, Tibet, the cultural identity, territorial integrity, sovereignty, and economic needs of Bhutan are important factors that have either developed into major obstacles or have been the reason for the increase in interactions

between the two countries. This chapter also assessed Chinese and Bhutanese policies, the reasons that led China to adopt such a policy, and how Bhutan over the years has responded to Chinese policies.

In the second Chapter titled 'India-Bhutan: Political and Economic Relations' the development of political and economic interactions between India and Bhutan was thoroughly examined. The first part focused on India-Bhutan relations before 1947, and the second part focused on relations post-1947. An assessment of the treaties of 1865, 1910, 1949, and 2007 signed between the two countries and their effects on the relationship as a whole was conducted. Moreover, an emphasis was placed on the various sectors of cooperation, such as development, trade, connectivity, hydropower, and investment. In addition, other areas of cooperation, such as security, civil aviation, education, culture, and digital cooperation, have been analysed.

The third Chapter, titled 'China-Bhutan Relations: Boundary Negotiations' briefly focuses on China's territorial disputes with neighbouring countries and the different approaches adopted by China when it comes to settling territorial disputes. China's approach to territorial disputes depends on the country it is dealing with and what is at stake. When it comes to Bhutan, China has employed a mixture of *Delaying, Escalation and Cooperation Strategies*. An examination of the 1890 Convention signed between Great Britain and China relating to Sikkim and Tibet has been made in order to understand the background of the border dispute between China and Bhutan. The chapter then assessed the relevance of Chumbi Valley for India, China, and Bhutan. A detailed analysis of the 24 rounds of boundary negotiation between China and Bhutan was presented. The chapter ends by discerning and analysing several patterns in the relations between China and Bhutan.

The fourth Chapter, titled 'Doklam Standoff: Developments in China-Bhutan-India Relations' mainly assesses China's *Escalation Strategy* in Bhutan. Under this strategy, China has employed the *Salami Slicing Tactic* to achieve its strategic objective. The Doklam standoff and the various motives of China and India behind the standoff have been analysed. The strategies used by China, India, and Bhutan during the standoff and the post-Doklam developments in China-India, India-Bhutan, and China-Bhutan relations have been made. Finally, the chapter ended with the recent developments in the border issue between China and Bhutan. In 2020, China expanded its territorial claims beyond the western and northern sectors. China brought up a new land dispute with Bhutan in the eastern sector. The Chinese motives behind this move and its implications for Bhutan and India have been thoroughly examined.

The fifth Chapter, titled 'China-Bhutan Relations: Challenges and Implications for India' elaborately discusses the discomfiting issues that have existed between India and Bhutan. Some of these issues are hydropower (environmental concerns, the pattern of funding and delays, tariff rates, hydropower debts, unemployment, issues with cross-border trade of electricity), trade, the presence of the Indian Military Training Team (IMTRAT), and the increasing influence of Singapore and China. The Chapter analysed how some of these existing issues have now gained more attention as a result of China. In addition, the emphasis in the Chapter has been on the challenges and implications for India. Finally, the chapter ends with the challenges and opportunities Bhutan is likely to face in regard to developing relations with China, prospects for India and Bhutan relations, and various policy options for India.

The following section will answer research questions that were previously presented in the introduction of this thesis.

The research questions raised in this thesis are as follows:

- What are the different factors that shape China and Bhutan relations?
- How has the nature and magnitude of the China-Bhutan engagement changed over the years?
- What are the opportunities and challenges Bhutan is likely to face with regard to developing relations with China?
- Has the democratisation of Bhutan impacted its foreign policy?
- In the context of increasing Chinese influence in Bhutan, what are the challenges and policy options for India?

1. What are the different factors that shape China and Bhutan relations?

Cultural Identity: The preservation of cultural identity has been an essential component of well-being in Bhutan (Gross National Happiness) since the 1970s. After Tibet was annexed, a large-scale migration of Tibetan refugees left Bhutan in a precarious situation. In 1973, Bhutan changed its initial policy of being sympathetic to the cause of the Tibetan refugees to presenting them with the option of either accepting Bhutanese citizenship or leaving the country. The first reason for this change was that both Tibetan refugees and Bhutanese allegiances towards the Monarch and the Dalai Lama were at different levels. Secondly, the Tibetan refugees were suspected of creating problems for Bhutan in its internal affairs. While China does not want the Tibetans to use Bhutan as a base for conducting anti-China activities, Bhutan considers the Tibetan refugees a threat to its cultural identity. So, although Bhutan's policy towards Tibetan refugees wasn't designed to appease China, it aligns, to some extent, with Chinese objectives.

Territorial Integrity and Sovereignty: Bhutan has always been sensitive about its territorial integrity and sovereignty. In the 1960s, Bhutan

distanced itself from China as developments in Tibet posed a threat to Bhutan's security. It turned towards India, which appeared to be more friendly and reliable. Even though India and China are geographically close to Bhutan and have stronger military capabilities capable of launching offensives, Bhutan's choice to align with India instead of China primarily stemmed from concerns about China's offensive intentions, as Bhutan has consistently harboured suspicions about China's motives. This factor has had a considerable influence on the dynamics of the relationship between China and Bhutan.

India: The India factor is undeniably the most significant factor that has shaped the relationship between China and Bhutan. India's stance of acknowledging Bhutan as a sovereign and independent nation, contrary to Chinese claims, had a pivotal influence on the formulation of Bhutan's foreign policy. Bhutan therefore tilted towards India for its security needs and economic assistance. After the 1960s, China gave up its strategy of using coercive measures and instead showed an interest in developing relations with Bhutan. However, China encountered a challenge in the boundary negotiations due to India's unique ties with Bhutan. Bhutan had to invoke Article II of the 1949 Indo-Bhutan Treaty, which stipulated that the Bhutanese government would follow the guidance of the Indian government in matters of its foreign affairs. Consequently, the resolution of Bhutan's border concerns was to be handled by India. Only after the relationship between India and China began to normalise in the middle of the 1970s were boundary talks between China and Bhutan initiated. Even today, India continues to have a considerable amount of influence in Bhutan's bilateral boundary negotiations with China. India thus occupies a significant strategic space in the relationship between China and Bhutan.

Economic Needs: China's proposal to revitalise the historic Southern Silk Route, aiming to establish connections between its Sichuan and Yunnan

provinces and the countries of South Asia, can benefit Bhutan. In ancient times, Bhutan played a significant role in this long-distance network, most notably in the movement of tea, salt, musk, wool, spices, silk, pearls, metals, etc. Up until the 1960s, Bhutan served as one of the most efficient trade routes for Tibetan trade with Bengal and Assam. After the 1960s, Bhutan's concerns over its security and territorial integrity forced it to close its borders with Tibet. Following this, a whole new trade pattern emerged for the Bhutanese, with access to India both in terms of market and source of supply. For some time, it seemed like reopening trade connections with Tibet would have a limited impact on Bhutan's trade system. However, in the present context, with China's "Western Development Strategy," Tibet can potentially regain a significant position in the Himalayan region, offering economic advantages to both China and Bhutan. Furthermore, China is actively working on various railway connectivity projects leading up to the Bhutanese border, aimed at facilitating increased cross-border trade and tourism between the two countries in the future. In the broader geopolitical context, Bhutan stands out as the missing piece in Beijing's South Asia Strategy. Notably, as the sole country in India's vicinity that has not participated in China's Belt and Road Initiative (BRI), Bhutan holds the potential to serve as a crucial link in advancing China's interests in South Asia. Consequently, China's regional interests have played a pivotal role in shaping its policy towards Bhutan. As for Bhutan, Initially, its foreign policy was primarily driven by the imperative of survival in the face of geopolitical constraints. Security considerations played a pivotal role in shaping Bhutan's approach towards China during the 1950s and 1960s. In subsequent phases, economic requirements have predominantly steered Bhutan's foreign policy decisions. This explains Bhutan's foreign policy shift post-1970s when the focus was on diversifying its relations beyond India. Bhutan's foreign policy is therefore motivated by economic demands when risks to national security and sovereignty are minimal. Therefore, while economic considerations

have been a significant factor influencing Bhutan's foreign policy towards China, they have been taken into account in conjunction with other key factors, including cultural identity, territorial integrity, sovereignty, Tibet and the role of India.

Tibet: China is making preparations to address potential disturbances in Tibet related to the succession of the 14th Dalai Lama. The Chinese leaders are conscious of their precarious control over Tibet and the threat that a large-scale protest in Tibet could potentially challenge China's reputation as a nation with a robust socialist system. So, when it comes to Tibet, China is always insecure, as even in the past, resentment against the Chinese authorities has given rise to pro-independence demonstrations in Tibet. China emphasises that the security of the frontiers is vital for the security of the core; the defence of the frontier can be ensured through its development; and the security of the frontier can be ensured by establishing friendly relations with the neighbours. Bhutan becomes important for China, as it does not want Bhutan to become a base for Tibetan separatists to conduct anti-China activities. Therefore, China wants to transfer Tibet's former buffer frontiers to Bhutan and Nepal. The Tibetan issue has thus had a significant impact on the relationship between China and Bhutan.

2. How has the nature and magnitude of China-Bhutan engagement changed over the years?

China's approach to Bhutan before the 1960s was based on its "Five Finger and Palm Policy." As per this policy, Tibet served as the palm, and Ladakh, Nepal, Sikkim, Bhutan, and Arunachal Pradesh made up the five fingers. Long before the 1900s, China was claiming Bhutan to be the southern entrance to the Chinese Empire. Bhutan, according to China, was subordinate to the Tibetan administration and, as a result, the Qing

dynasty in China. However, post-1960s, China adopted a conciliatory approach towards Bhutan when it began to show its interest in resolving its boundary dispute with Bhutan by engaging in a bilateral negotiation. China also made several attempts at offering economic assistance to Bhutan. As for Bhutan, before the 1970s, its policy towards China had been a *Strategy of Defiance*. Under this strategy, Bhutan avoided contact with its northern neighbour primarily because of security concerns. Since the 1970s, the process of establishing formal contact between China and Bhutan has been cautious and gradual. Bhutan shifted from its *Strategy of Defiance* to the *Strategy of Limited Engagement*. Contacts at various levels between China and Bhutan have increased since the 1970s. The cultural, religious, and sports exchanges, as well as participation in regional and international meetings covering topics such as security, hydropower development, tourism, and health. Bhutan has consistently supported China in United Nations Human Rights Council (UNHRC) meetings and opposed Taiwan's participation motion in UN and World Health Organisation (WHO) affairs, including hosting the 2002 Asian Games. Although Bhutan's economic engagement with China is limited, an analysis of trade statistics data between the two countries from 2017 to 2021 shows that there has been an increase in economic engagement with China. As of 2022, China is the second-largest exporter to Bhutan after India. While China's exports to Bhutan have been increasing rapidly, Bhutan's exports to China have been increasing at a slower pace. However, in 2021, Bhutan's exports to China increased tremendously, making China the fifth-largest export destination for its products. This shows that Bhutan's interest in economically engaging with China is increasing. There are currently no confirmed official reports of Chinese investments being made in Bhutan. The first and only investment, as per the available official sources, has been in the realm of religion. A 169-foot gold-plated bronze statue of Buddha was built in Thimphu with funding

provided by Aerosun Corporation, a significant equipment manufacturing company based in Nanjing, China.

When it comes to boundary negotiations, China has used its *Delaying, Escalation and Cooperation Strategies* to normalise its territorial ambitions in Bhutan. Before the 1960s, China created a dispute through cartographic aggression (*Delaying Strategy*); in the 1960s, China began claiming the territories by making incursions (*Escalation Strategy*); and in the 1970s, China proposed to settle the question of the disputed territory. In the 1990s, China offered a “package deal” during the seventh round of boundary negotiation (*Cooperation Strategy*). However, at present, China is making attempts to change the status quo through incursions and construction activities in the disputed areas to create constant pressure on Bhutan for an early resolution of the border dispute. Simultaneously, there has been significant progress in the boundary negotiations. Both parties have agreed to a Memorandum of Understanding (MOU), a “Three-Step Roadmap,” to hasten the resolution of the boundary issue. In addition, the 11th, 12th, and 13th Expert Group Meetings between China and Bhutan were all conducted within a year, separated only by months (*Cooperation and Escalation Strategies*). Thus, in recent times, China has been applying a mixture of *Cooperation and Escalation* to pursue its territorial and geopolitical interests in Bhutan.

3. What are the opportunities and challenges Bhutan is likely to face with regard to developing relations with China?

First, developing relations with China would give Bhutan more room for diplomatic manoeuvring. This will help Bhutan avoid overreliance on any one country and provide more options for diplomatic engagement. Bhutan will then be able to balance both India and China. However, unlike Nepal, Bhutan ought to be able to maintain the balance. Bhutan’s establishment of diplomatic ties with China would have a significant impact on the dynamics of relations

between India and Bhutan. This would be one of the biggest challenges for Bhutan, as India holds significant importance for Bhutan due to historical, geographical, economic, and strategic reasons.

Second, sovereignty and territorial integrity are of paramount importance to Bhutan due to historical, cultural, and geopolitical factors. Resolving its border disputes with China is a prerequisite to developing relations with China. Moreover, it will contribute to peace and security by allowing Bhutan to maintain control over its borders and internal affairs. This will prevent incidents similar to those in Doklam. However, even if the border negotiations are successfully concluded, problems will remain, which will require constant negotiation and dialogue with Beijing. Issues such as Chinese army intrusions, road construction activities, and Tibetan herders' intrusions for grazing and the collection of medicinal plants are likely to persist even after an agreement is reached. In addition, developing relations with China would mean having an increasing influence on domestic politics, as demonstrated by the instance of Nepal.

Third, Bhutan places a strong emphasis on preserving its unique culture and tradition, including its form of Buddhism. Growing ties will result in more cultural interactions between the two countries. Different customs and rituals are observed in China and Bhutan; therefore, while these exchanges provide an opportunity for individuals to acquire a more profound appreciation of the diversity inherent in Buddhism, they can also create potential challenges if the different traditions and beliefs are not mutually respected.

Fourth, cultural exchanges have the potential to boost tourism, which is a vital source of revenue for Bhutan. Tourism is a major contributor to the country's economy, and strengthening relations with China could lead to a surge in Chinese tourists visiting Bhutan. China is already second after the United States in the list of the top ten source markets for foreign travellers to Bhutan

from 2007 to 2018. Additionally, at a time when unemployment is starting to be a concern due to a lack of job opportunities in the public and private sectors, the tourism industry can help create jobs. However, tourism has already had a significant negative influence on Bhutan's ecology and culture. Additionally, an increase in Chinese tourists could create more difficulties for Bhutan. It can lead to a situation that could harm the country's environment and its rich and distinctive culture, both of which are key components of its general well-being (GNH).

Fifth, China is also an attractive source of investment. China can help Bhutan diversify its economy beyond hydropower. However, Chinese investments have come under criticism over the years for several reasons. Debt is the first and most evident reason. China has been accused of leading countries into a debt trap. Sri Lanka is one such recent example in India's immediate neighbourhood. Chinese investments come with their own terms and conditions; they bring in their own workers and equipment. Bhutan is already concerned about the expanding public debt, the rising unemployment rate, and the rising number of foreign workers. In this context, the government will likely face a number of challenges if China brings its own workers and equipment, as this could have an impact on Bhutan's economy, labour market, social structure, and overall development. Another problem with Chinese investments is a lack of transparency. There is no reliable list of Belt and Road Initiative projects, no information on the lending criteria China follows, or even how much money China has invested. Lack of transparency can lead to problems such as corruption, mismanagement, and negative consequences for local communities.

Sixth, China's massive population and rising middle class present a vast consumer market for goods and services. Therefore, developing relations with China can provide Bhutan access to a market that can significantly increase its sales and revenue. China aims for Bhutan to serve as a gateway to South Asia,

particularly through the revival of the centuries-old Southern Silk Route connecting Sichuan and Yunnan provinces with South Asian countries. This initiative will provide balanced regional growth by fostering prosperity in northwest Bhutan, which is relatively less developed than the southern parts of Bhutan. However, there are a number of difficulties brought on by the extensive import of Chinese goods. It might be difficult for Bhutanese domestic industries to compete with low-cost Chinese goods. This may result in employment losses and disruptions to Bhutan's economy. Moreover, Bhutan may be more vulnerable if it depends on Chinese supplies for essential items, as was seen during the COVID-19 pandemic.

4. Has the democratisation of Bhutan impacted its foreign policy?

In 2007, Bhutan shifted from being an absolute monarchy to adopting a constitutional democracy. Bhutan has conducted three elections in which the people have voted for three different political parties to power. Even though all three governments have concentrated on the same goals, there are differences in their perspectives and strategies. For instance, the first Prime Minister, Jigme Thinley, notably expanded Bhutan's diplomatic engagements, forging connections with various countries. He also made endeavours to establish diplomatic relations with China. He engaged with China's Premier, Wen Jiabao, during the 2012 UN Conference in Rio de Janeiro. In their meeting, both leaders worked towards strengthening bilateral and economic relations. China and Bhutan jointly resolved to boost economic collaboration, promote people-to-people contacts, and facilitate cultural exchanges.

However, the idea of establishing diplomatic ties with China was rejected by the second Prime Minister, Tshering Tobgay, who instead focused on sub-regional connectivity with members of the Bay of Bengal Initiative for Multi-Sectoral Economic Cooperation (BIMSTEC), the South Asian Association for Regional Cooperation (SAARC), and India. The focus of the current Prime

Minister, Lotay Tshering, has been on connectivity and investments. However, he has demonstrated a desire for a speedy resolution of the border conflict with China, as was indicated during his interview with the Belgian Daily in March 2023 when he said, “Boundaries could be demarcated within the next one or two meetings.” He has been able to strengthen Bhutan’s relationship with China as a result of the signing of an MOU and holding multiple Expert Group Meetings.

Bhutan’s democracy has currently matured due to the diversification of its diplomatic ties. This has given Bhutan political, economic, and security guarantees. Bhutan maintains diplomatic ties with 54 countries, with Israel being the newest as of 2020. Since the emergence of democracy, foreign policy decisions, negotiations, and agreements have often been the subject of public scrutiny. Democratisation has allowed Bhutanese citizens to discuss national concerns, and even the print media, which previously refrained from sharply criticising the government, has begun to raise critical issues. The transition has brought about greater media independence and freedom of expression. This has allowed the media outlets to express a wider range of views without interference from the government, including criticisms of India. Some Bhutanese newspapers openly questioned India’s involvement in the Doklam standoff in 2017.

This marked a departure from the usual tone of Bhutan’s media, which had historically maintained a largely positive view of India. Public opinion naturally plays a significant role in a democracy. Consequently, it affects a country’s foreign policy. The influence of the King remains substantial in shaping Bhutan’s foreign policy, although this dynamic may shift as democratic institutions further develop over time. In the future, Bhutan’s foreign policy could become more attuned to domestic requirements and prioritise the well-being of its citizens.

Bhutan has also increased its participation in international organisations and forums. It has become more active on global platforms, contributing to issues like climate change, sustainable development, and human rights. Democracy has allowed Bhutan to engage more actively in international trade and economic relations. This has helped it reduce its reliance on India. So far, democracy has not had a significant impact on Bhutan's relations with China. Bhutan has continued with its policy of limited engagement with China, although the engagement has been increasing rapidly. Bhutan maintains a policy of limited diplomatic engagement, preferring to maintain friendly relations and engage in diplomacy on a case-to-case basis rather than establishing formal diplomatic missions in numerous countries. So far, the fundamental tenant of Bhutan's foreign policy with India has remained the same, as India still accords a "special status" to Bhutan. However, if Bhutanese concerns are not addressed effectively, this may change in the years to come.

5. In the context of increasing Chinese influence in Bhutan, what are the challenges and policy options for India?

Challenges for India: Bhutan's eagerness to demarcate its border with China mirrors its aspiration to function as an independent entity, actively fostering constructive relationships with various regional and global powers. Acceptance of the Chinese deal would have profound implications for the Himalayan region. One of the biggest emerging security challenges for India is China's initiative to construct railways and roadways across the entire Himalayan range to revive the old Southern Silk Route to link the provinces of Sichuan and Yunnan with South Asian nations. China is currently focused on the development of its western and eastern regions. As a part of this endeavour, China is investing heavily in infrastructure development in Tibet, including road networks, railways, and military installations. The increased infrastructure will enhance China's ability to build its PLA forces and logistics in Tibet at a much faster rate if applied against India. The 269 square km of

Bhutanese territory in the western sector would give China the necessary strategic shoulders and space to operate more freely, which helps to explain why China is particularly interested in acquiring it. This poses a serious security threat for India.

First, China will gain proximity to India's northeast, and the Siliguri Corridor, a critical connection between India and its tumultuous northeastern region, is of paramount importance to India. The Chumbi Valley and Doklam, where China has a major presence, are near the Siliguri Corridor. By moving forward merely 130 kilometres, the Chinese military can cut off Bhutan, West Bengal, and the Indian states in the northeast. Second, India and Bhutan suspect that the anti-India resurgent groups have regrouped themselves since Bhutan's 2003 "Operation All Clear." With the open borders with India and the proximity of eastern Bhutan to Tawang, the region can become prone to conflict. In this scenario, China may take advantage of the situation to work with rebel organisations hostile to India to destabilise India. As it stands, there are already allegations of China assisting the insurgent groups based in northeast India. Third, China will draw nearer to the northern periphery of Bangladesh, as there is only a narrow strip of land separating Bangladesh and Bhutan. This is especially concerning given that China smuggles illegal weapons from its Yunnan province through Bangladesh and Myanmar to India's northeast. Fourth, China will be closer to Sikkim. Due to the Tibetan question, Sikkim is of importance to China because of its sizable Tibetan population. The Buddhist followers in Sikkim have strong cultural ties with the Tibetan Autonomous Region (TAR). Several voices in China support Sikkim's independence. China could stoke unrest and support anti-India elements in Sikkim if it moves closer to Bhutan. Therefore, the most significant security concern for India would be the resolution of the border dispute, as it would render India's Siliguri Corridor strategically exposed.

Policy Options for India: When dealing with Thimphu, New Delhi needs to be more considerate and responsive. India must take into account the social and political changes occurring in Bhutan. India needs to review its policy to ensure that all projects and investments in Bhutan are mutually beneficial. A balanced and sustainable economic strategy would give Bhutan better access to markets, better connectivity, and the chance to benefit from India's growth model. India needs to address Bhutan's concerns in the hydropower sector. A comprehensive evaluation of the environmental and social impact of the projects must be made necessary, and the evaluation results must be made available to the public before the two governments approve hydropower projects. Involving the local communities in the decision-making process of hydropower projects can help address concerns related to environmental impacts. India can provide training and capacity-building programmes for Bhutanese professionals in the field of hydropower management, maintenance, and operation.

Moreover, the growth of industries in Bhutan apart from hydropower has been peripheral. China is unlikely to enter the Bhutanese market in a significant way if India offers lucrative investments to provide an impetus for the growth of local businesses in Bhutan. Here, India and Bhutan can work together to explore newer areas of bilateral cooperation. Economic cooperation between the two countries has largely been on a government-to-government level. More efforts need to be taken to enable economic cooperation at the people-to-people level. India should consider measures to boost investments in Bhutan in a way that benefits both countries reciprocally. Most of India's investment has gone to the energy sector (hydropower), primarily. Other sectors such as tourism, horticulture, renewable energy (solar, wind, and hydrogen), ICT, the stock market, textiles, herbal products (pharmaceuticals and cosmetics), organic products, river boulders, mining, and industry in Bhutan also have very bright prospects for growth. Collaborations in these fields will give

Bhutan an opportunity to create jobs for its disenchanting youth. Singapore is emerging as a major player in assisting Bhutan to expand its capabilities in a significant way. Singapore is a new entrant in Bhutan, whereas India has been a dominant player in Bhutan for over sixty years. India should use its long-standing relationship with Bhutan to work together to develop the skills of its disenchanting youth.

A policy framework to better facilitate trade between the two countries should be put in place. India needs to give Bhutan more market access. Additionally, as Bhutan has limited access to technology, technological transfers would foster growth, innovation, and efficiency in Bhutan. In order to ensure smooth transit, the two governments are currently working towards establishing an integrated check-post. India and Bhutan are also working on establishing the Kokrajhar-Gelephu rail link project. These two initiatives can facilitate smooth transit between the two countries. As a result, both countries should move quickly to accomplish both of these initiatives. Furthermore, India and Bhutan should work out the possibility of accessing the Chillahati-Haldibari railroad, as it is close to Samtse in Bhutan. The central and state governments in India need to collaborate and coordinate their efforts to meet the expectations and grievances of Bhutan. This will help Bhutan improve its relations with its immediate neighbours, West Bengal and Assam, which is essential to facilitating trade connectivity between the two countries and even beyond Bangladesh and Nepal.

India and Bhutan can sign the Bilateral Investment Treaty (BIT) as it can improve the investment climate in Bhutan. India and Bhutan can establish clear dispute resolution mechanisms up until the BIT comes into effect in order to create a conducive business environment. However, India and Bhutan's relationship is based on sentiments, so simply signing an agreement will not be sufficient. Both parties need to ensure that the treaty is applied effectively and that grievances are promptly resolved while keeping mutual interests in mind.

India can use Buddhism as a “strategic tool” to counter Chinese soft power in the region in general and Bhutan in particular. India has neglected Bhutan in its plan to establish a “Buddhist Circuit” connecting Nepal with the different states of India. India should include Bhutan in its “Buddhist Circuit.” There is a need to provide proper information to all relevant stakeholders regarding regional connectivity. It is important to safeguard the safety of Bhutanese drivers travelling across Indian territory. India should be mindful in light of the rising public sentiment in Bhutan, particularly concerning the location of IMTRAT in Thimphu. India should exercise caution during the selection of projects and their location because this could affect bilateral ties.

China has continued its overt road and airfield construction efforts on their side of the border, posing a constant threat to the Siliguri Corridor. Bhutan’s contribution to safeguarding India’s security in this situation is crucial. India’s first option is to designate alternative routes for transport to and from the northeast during a military conflict and even in peacetime. This will help India reduce its dependence on the Siliguri Corridor. India has already started moving in this direction. One such project is the Kaladan Multimodal Transit Project. Another initiative being undertaken by the Indian government is the construction of a rail route connecting West Bengal to Meghalaya via Bangladesh. India should work towards completing these infrastructural projects on time in order to reduce dependence on the Siliguri Corridor.

In addition, the Indian government should push for the development of the 4-kilometre Tetulia corridor, which would connect West Bengal and Bangladesh. This corridor will reduce the travel length by over 85 kilometres, cutting down transportation costs significantly. Other options, such as air corridors and underground railroad tunnels with Bangladesh, should be explored. The Indian government can use Article VIII of the Trade Agreement of 1980 signed between India and Bangladesh to push for improving connectivity between the two countries. This treaty does not specifically mention the transit

of military equipment; therefore, India and Bangladesh need to agree on the modalities of entering into a treaty in order to authorise the transit of military equipment during times of conflict. India has only signed bilateral electricity trading agreements with Nepal, Bangladesh, and Bhutan. Bangladesh, Bhutan, and Nepal have shown their interest in improving cross-border connectivity for energy. Therefore, to foster sub-regional cooperation and cross-border connectivity, the creation of an energy grid including the four countries is essential.

Thus, as China continues to develop and Bhutan seeks to preserve its sovereignty and independence, the China-Bhutan relationship is likely to become even more significant in the years to come. Improving relations between China and Bhutan will require patience, goodwill, and a commitment to peaceful coexistence. Additionally, Bhutan's ties with India remain a significant factor in its foreign policy, and any engagement with China will be carried out with sensitivity to India's concerns and interests. However, democracy has had a profound impact on public perception in Bhutan. The increasing competitive politics and changing public perception within Bhutan can impact Bhutan's relationship with its neighbours. This offers numerous avenues for further research. Therefore, India must take into account the opinions and apprehensions of the local population to avoid hindrances in the development of friendly relations between the two countries. India needs to adopt a balanced approach that takes into consideration Indian interests and Bhutanese concerns. As a result, managing perceptions should be a key component of India's approach towards Bhutan.

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