

Full Length Research

Changing Dynamics of Indo-Bhutan Relations: Implications for India

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The importance of neighbours to the foreign policy perception of any state cannot be over emphasized. For, often, it has to take into consideration the foreign policy perceptions of other states and function within that structure. The smaller states surrounding India, are important factors in the preservation and development of its national interests. On the other hand by virtue of their geographical proximity to India's borders they are strategically important to India's security. In this context, the importance of India's friendly relations with them is further highlighted because of India's unfriendly relations with China and Pakistan. On the other hand, their historic and economic links provide common ties of interest which have formed the basis of friendly relations. Although, often, and paradoxically, these very links have proved to be source of friction –creating areas of tension. Moreover, these smaller states have become the battleground between strategic competitors because of their geostrategic location. Most of the above mentioned concerns also applied to Bhutan. Bhutan is a tiny landlocked country situated in a strategic location between two of the most powerful Asian nations-China and India. The most important implication of its location and the crucial factor influencing the formulation of its foreign policy is that a friendly or dependent Bhutan is, for strategic reasons, a necessity for both India and China. The evolving geopolitical environment in Bhutan is one of the most ponderous and crucial issues which needs immediate attention of the Indian policymakers. This paper is an endeavour which will systematically analyse the relationship between the two neighbours and highlight the complexities and changes in the relationship between two countries since 1949 and its prospects in future.

Key Terms: Foreign Policy, South Asia, Himalayas, India, Bhutan, Relations.

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INTRODUCTION

India and Bhutan share traditionally warm and friendly relationship which is relatively trouble free when compared with other South Asian neighbours. After India's independence in 1947, standstill agreements with

Sikkim, Nepal and Tibet were signed to continue existing relations until new agreements were made. For Bhutan, its status became clearer following Nehru's invitation for a Bhutanese delegation to participate in the Asian Regional

Conference in 1947. Following this, the negotiations for a fresh Indo-Bhutan treaty started in 1949. The basis for bilateral relations between India and Bhutan is formed by Indo-Bhutan treaty of 1949. This treaty of 1949 replaced the earlier treaty of 1910 between the British Indian Government and Bhutan. Bhutan has moved constitutional monarchy after the general elections of 2008 for the first time to elect National Assembly. Since the form of government was to be changed, in order to keep with the spirit of democracy and to respect the mandate of people, certain changes were required in the existing relationship between India and Bhutan. Keeping this in mind the visit of the new King of Bhutan Jigme Khesar Namgyal Wangchuk in February 2007, a new treaty of peace and friendship was signed between the two countries. The revised treaty recognizes Bhutan's "Sovereignty and Territorial Integrity-Elements", which were absent in the earlier version. The treaty can also called the framework for future interaction, highlighting cooperative friendship between the two countries.

Treaty of 1949 and its Implications

With the departure of British from the Indian subcontinent, it became necessary for both India and Bhutan to define or redefine their mutual ties and to make a fresh beginning. It was now for Bhutan to choose a subordinate status vis-a-vis Tibet, or have sovereign independence, the latter being a status she could automatically have claimed on the abrogation of treaty of 1910 with Britain.¹

Towards the end of 1948, Maharaja Jigme Wangchuk sent a delegation to New Delhi to discuss relations between Bhutan and India.² The Government of India assured the Government of Bhutan that it would respect Bhutan's autonomy if it maintained the same relationship with independent India as it has maintained with British India. Maharaja Jigme Wangchuk continued negotiations with the Government of India in 1948-49, the result of which was Indo-Bhutanese Treaty of 1949.³

It was termed as the Treaty of Perpetual Peace and Friendship signed in Darjeeling on 8 August 1949.⁴ Included were seven major clause designed "to regulate in a friendly manner, and upon a solid and durable basis, the state of affairs caused by the termination of British Government authority in India, and to promote and foster

the relations of friendship and neighbourliness". The most important provision was embodied in Article 2, the provision starting; "that the government of India would undertake to exercise no interference in the internal administration of Bhutan. On its part, the Government of Bhutan agrees to be guided by the advice of the Government of Indian, regarding its external relations".⁵ It is this article, more than any other which perpetuates the relation between India and Bhutan.

There is also provision for free trade and commerce and India agreed to grant Bhutan "every facility for the carriage, by land and water, of its produce throughout" the territory of India including the right to use forest roads.⁶ The treaty allows Bhutan to import with the assistance and approval of the government of India; arms, ammunitions, machinery, warlike material, etc., so long as their import dose not impair India's security interests and as long as, "Government of India is satisfied that the intentions of the Government of Bhutan are friendly and that there is no danger to India from such importations"⁷. Bhutan agreed not to export arms either through the Government or by private individuals. It was also agreed that equal justice would be dispended to nationals of either side residing in the other's territory and extradition facilities accorded when necessary.⁸

It is, incorrect to assume that Bhutan signed the 1949 treaty under any kind of diplomatic or political pressures from the side of India. Since Bhutan had lived in a state of isolation, largely because of geographical reasons but also due to psycho-cultural inhibitions which the people in the region had developed, a sudden and abrupt change would only have upset the people much beyond their capacity to adjust and accommodate. The treaty of 1949 should be looked at in the overall context of the political environment prevailing at that time, both at the regional and domestic level, in both the countries. Bhutan's main concern was the restoration of sovereign status, and when negotiations for a renewed treaty with India began in 1949, its objectives were simple: recognition of its independence and restoration of the Dewangiri hill strip on the frontier with India. Bhutan got what it wanted: autonomy in internal affairs while agreeing to be guided by India in external matters.⁹

As for India, the objective behind the signing of treaty of 1949 was to protect her strategic interests. The background to this Treaty can be understood if we note

¹ Nagender Singh, *Bhutan: A Kingdom in Himalayas, Treaty of Punakha*, (New Delhi: 1988), pp.242-243.

² Madhu Rajput, *Indo-Bhutan Relations through Prism of History*, Manak Publications, (New Delhi: 2011), p.106.

³ Nagender Singh, *Bhutan: A Kingdom in Himalayas, Treaty of Punakha*, (New Delhi: 1988), pp.250-251.

⁴ A. Appadorai and M.S. Rajan, *India's Foreign Policy and Relations, South Asian Publishers*, (New Delhi: 1988), p.172.

⁵ Foreign Policy of India: Text of Documents, 1947-59 Lok Sabha Secretariat, (New Delhi: 1959), Edn.2, p.17.

⁶ Manorama Kohli, *From Dependency to Interdependence: A Study of Indo-Bhutan Relations*, Vikas Publishing House, (New Delhi: 1993), p.40.

⁷ A. Appadorai and M.S. Rajan, *India's Foreign Policy and Relations, South Asian Publishers*, (New Delhi: 1988), p.172.

⁸ Ibid.

⁹ Syed Aziz-al Ahsan and Bhumitra Chakma, *Bhutan's Foreign Policy: Cautious Self-Assertion?*, *Asian Survey*, Vol. 33, No. 11 (Nov., 1993), p. 1043.

that during that period, namely, in 1949, the communist movement was very powerful in China. It had captured power from the KMT (Kuo Min Tang) regime. Naturally, India was deeply concerned with the rapid onslaught of communist forces, which could disturb the democratic set up of the country and the integrity of the nation. Hence, to contain Chinese communist influence and expansion in the Indian sub-continent, India might have concluded this treaty. We cannot deny the fact, that already in 1948, India was facing the consequences of the accession of Jammu and Kashmir. India's support to Bhutan as a sovereign and independent country was the right decision in the circumstances.

The Dynamic Nature of Indo-Bhutan Relations

Although in 1949, India recognized the full sovereign status of Bhutan and the treaty of 1949 was freely negotiated by Bhutan, but time and again, demands of its review have taken place considerably. The essence of the criticism is that it does not permit full autonomy to Bhutan in the regulations of her external relations. It has "formalised the imperial bequest" and nipped in the bud Bhutan's aspirations to carve out its own future in equal partnership with neighbours.¹⁰ The treaty it is said, has affected Bhutan's status ever since it was signed.¹¹ Article 2 are regarded by many as an instrument to dilute Bhutan's sovereignty and many treat it as an unequal treaty.¹² It was for nothing that in 1960, Drunk Gyalpo Jigme Dorji Wangchuck has asserted,

*"We are not hundred percent independent because of 1949 treaty"*¹³

During the regime of Janta Party's Government led by Mr. Charan Singh, Bhutan made its displeasure known when Foreign Secretary, Mr. S.N.Mishra visited Bhutan. Bhutan took a stringent line on the treaty of 1949 and projected the need to revise it. In September 1979, King Jigme Singye Wangchuck in his Harare speech said, "that he wished the Indo-Bhutanese treaty of 1949 to be updated".¹⁴

As already mentioned, the treaty of 1949 contained Article 2 by virtue of which Bhutan was guided by India in international relations. This was always seen as limit to

political sovereignty of Bhutan.¹⁵ The treaty of 1949 which provides a legal basis to the special relationship between India and Bhutan has, in a way, become obsolete. It neither gives a complete picture of the whole gamut of Indo-Bhutan relations nor of the role and perception of Bhutan as a national actor. Because of the developments within Bhutan and in the region the character of the Himalayan Kingdom has undergone a sea change and so on the relationship between India and Bhutan have grown much beyond the latter spirit of the treaty of 1949. However, there are Indian analysts who believe that Article 2 was never invoked and as such it is irrelevant for India to retain its influence. Instead, the Clause has been a sort of a burden; for India being accused by adversarial forces as "hegemonic and expansionist ambitions".¹⁶ It would be for the best interest for both India and Bhutan to update the treaty.

A Fresh Beginning; Treaty of 2007 and Indo-Bhutan Relations

The updated India-Bhutan Friendship Treaty was signed on 8 February 2007 between Pranab Mukherjee, the then India's Minister of External Affairs, and Jigme Khesar Namgyal Wangchuck, the then Crown Prince and now King of Bhutan.¹⁷ This treaty brought two significant changes in the earlier existing treaty of 1949 between the two countries. Firstly, Article 2 of the India- Bhutan Treaty of 1949 is reformulated in the updated treaty to the satisfaction of Bhutan. Article 2 of the India-Bhutan Friendship Treaty 2007 reads as follows:

*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.*¹⁸

The revised or updated Article 2 of the India-Bhutan Friendship Treaty 2007 gives enough space for Bhutan to conduct her foreign relations independent of India's advice. Now, technically, Bhutan does not need to seek

¹⁰ Cited in Manorama Kohli, *From Dependency to Interdependence: A Study of Indo-Bhutan Relations*, Vikas Publishing House, (New Delhi: 1993), pp.49-50.

¹¹ *Spotlight on Regional Events*, Vol.3, 1984, p.22.

¹² Madhu Rajput, *Indo-Bhutan Relations through Prism of History*, Manak Publications, (New Delhi: 2011), p.115.

¹³ Cited in *The Hindu* (Madras) 3 June 1960.

¹⁴ Cited in Madhu Rajput, *Indo-Bhutan Relations through Prism of History*, Manak Publications, (New Delhi: 2011), p.115.

¹⁵ *Ibid*, p.117.

¹⁶ Cited in Sudha Ramachandran, "India, Bhutan: No more Unequal Treaties", *Asia Times*, Hong Kong, 17 January 2007.

¹⁷ Amit Baruah, "India, Bhutan update Friendship Treaty", *The Hindu* (Internet Edition), 9 February 2007, URL: <http://www.hindu.com/2007/02/09/stories/2007020920581400.htm> (accessed on 3 October 2011).

¹⁸ Cited in Madhu Rajput, *Indo-Bhutan Relations through Prism of History*, Manak Publications, (New Delhi: 2011), pp.117-118.

the permission of India to establish direct diplomatic relations with third countries.¹⁹ Secondly, article 4 of the new treaty also permits Bhutan to import arms, immunities etc., which are essential to strengthen the security of Bhutan in consultation with India. However this arrangement shall hold well for all time as long as the government of India is satisfied that the intentions of the government of Bhutan are friendly and that there is no danger to India from such importations.²⁰

Apart from these changes, the treaty also talked about perpetual peace and friendship along with the decision that neither of the government shall allow the use of its territory for activities harmful to the national security and interest to others. The treaty also talked about closer trade, commerce economic and cultural cooperation.²¹

Further, it was also agreed that, any differences and disputes arising in the interpretation and application of the treaty shall be settled bilaterally by negotiations in spirit of trust and misunderstanding in consonance with the historically close ties of friendship and mutually beneficial cooperation that form bedrock of Bhutan –India relations.²²

A Conclusion Based on Juxtaposition; Treaty of 1949 and 2007

The 1949 Friendship Treaty since the days of Jawaharlal Nehru and King Jigme Dorji Wangchuck has guided the contemporary Indo-Bhutan relationship. The treaty insured non-interference by India in Bhutan's internal affairs and inter alia Article 2 of the treaty that entrusted India to guide Bhutan's foreign policy was most significant. Although, it was a set of bureaucratically defined framework for their relationship, however, it did embed values of trust and equality. This spirit kept the relationship moving unhindered. Various forms of phrases such as 'special relations', 'privileged relations', and 'strategic alliance' and so on so forth were used for signifying the depth of bilateral ties. Relations between two countries are more than the treaty dictates. They are age old, extremely friendly in character. They have been nourished and consolidated by close contact between the leadership and people of the two countries.

The India-Bhutan Friendship Treaty, which was redrafted and signed in 2007, set the bilateral relations on a new course signifying the two countries mutual trust. The amendment was to exemplify the trust and maturity

of the relationship and to meet the needs of 21st century political reality. The revised or updated treaty gives enough space for Bhutan to conduct her foreign relations independent of India's advice. This treaty does not have the imperial trapping like the previous 1949 treaty. It has laid the basis for a relationship that is responsive to each other's national interests, a relationship that is consultative, and a relationship that ensures mutually beneficial cooperation.

India-Bhutan Relations; Current Status and Future Prospects

Irrespective of contemporary geopolitical pulls and pressures, the Kingdom of Bhutan remained steadfastly and unshakeably the most reliable ally of India. When Druk King Jigme Singye Wangchuck personally led his troops to fight against the Indian insurgent groups, it meant to protect security of both Bhutan and India. Not just that, Bhutan unwaveringly remained committed to India. For example, it safeguarded India's security interests, never played the China card, never ruffled India's feathers in the region, and above all readily cooperated with India to exploit hydro-power assets.

After the signing of the treaty of 2007, Bhutan and India entered in a new phase of partnership. The revised treaty recognises Bhutan's 'sovereignty and territorial integrity', which were absent in the earlier version. The treaty can also be called the frame work for future interaction, highlighting cooperative partnership rather than relationship built on financial dependence. India-Bhutan relationship is perhaps the only bilateral engagement in South Asia which has stood the test of time. While Bhutan, all through these years, appreciated India for its economic assistance and cooperated actively on the security front, India for its part has been sensitive to Bhutan's developmental needs. At the official level, Bhutan has explicitly conveyed that India's interests will be safeguarded. The relationship has helped Bhutan shape a unique developmental trajectory based on Gross National Happiness (GNH).

Bhutan's economy has grown substantially over the past years. India has been a significant development partner of Bhutan. Among India's South Asian neighbours, Bhutan remains an example of bilateralism in the India's neighbourhood. It remains its largest trading partner. India from time to time has supported Bhutan's developmental effort. In June 2014, India provided Rs 700 crore standby credit Facility to Bhutan in order to overcome its rupee liquidity crunch. Liquidity crunch has been haunting Bhutan for the past few years, but it has managed it so far with Indian intervention. For instance, in March 2009, India extended a standby credit facility of Rs. 300 crore to help Bhutan overcome the rupee crunch. In 2011, this limit was increased to Rs. 600 crore.

¹⁹ Mathew Joseph C., China-South Asia Strategic Engagements, *ISAS Working Paper No 157*, 23 August 2012, p.13.

²⁰ Madhu Rajput, *Indo-Bhutan Relations through Prism of History*, Manak Publications, (New Delhi: 2011), pp.117-118.

²¹ Ibid.

²² Ibid, p.119.

Similarly, in June 2012, in the wake of the rupee crunch crisis, India offered Bhutan a Rs. 10 billion credit line with an interest rate of 5 per cent per annum.²³ Government of India also reimburses the excise duty paid by Bhutan to buy manufactured good from India.²⁴ On the educational front, India provides 50 scholarships annually to Bhutanese students to study in the institutes of higher learning in India. Another 50 scholarships are provided under the Colombo Plan.²⁵ Prime Minister Modi has promised opening of 20 e-libraries in 20 districts of Bhutan and double the Nehru-Wangchuk scholarship initiated in 2009.²⁶ In the field of Defence, Indian Military Training Team (IMTRAT) trains and equips the Royal Bhutan Army and prepares its members for attending a number of training courses at the Indian military training establishments.²⁷

India aids and assists the construction of hydro projects in Bhutan and then buys the power. Unlike the bad experience with Nepal on the Kosi and Gandak, in case of Bhutan the success of one project has led to another, based on confidence, economic viability and shared benefits. The confidence has led to a recent agreement between the two countries to develop 10 hydropower projects with a total capacity of 11,800 MW by 2020 in Bhutan.²⁸ The ability to harness hydropower with close collaboration with India marked the beginning of bilateral cooperation in strengthening Bhutan's energy security and water resource management. In 2011, the largest share to country's GDP was from hydropower with 17.05 per cent of the total revenue.²⁹ The revenues thus accruing to Bhutan have helped the mountain Kingdom to become the richest state in the region in per capita terms. In July 2014, Prime Minister Modi has laid the foundation stone of the 650 MW Kholongchu Hydroelectric project to widen the scope of cooperation further.³⁰ Both countries seem to be committed to achieve the 10,000 MW target

by 2020.

The Drift

In July 2013, India withdrew all subsidies on cooking gas and kerosene being provided to Bhutan creating a huge crisis in Bhutan that strained the bilateral ties. The crisis in Indo-Bhutan relations exploded apparently, over alleged attempt by India at thwarting Bhutanese bid to diversify its foreign policy especially the overtures towards China in 2012. In fact, many believed that to punish the then Prime Minister Jigme Yozzer Thinley for getting comfortable with Beijing, New Delhi resorted to withdrawal of petroleum subsidies days before the general election in July 2013.³¹ PM-JYT's meeting with the Chinese Premier Wen Jiabao in Rio in June 2012 ostensibly to deepen bilateral diplomatic and economic ties apparently irked New Delhi.³² In fact, stories revealed that no heavy items except for purchasing 20 buses from China was committed, but Thimpu faced the blame for having kept New Delhi in dark on PM-JYT's pre-planned meeting with Wen Jiabao.³³ New Delhi did make its displeasure explicit through official notes accusing Thimpu for the lack of transparency and acquiring a habit of keeping India in the dark even on matters impinging common security.³⁴

The extent to which PM-JYT compromised India's security concerns is unclear but his extra overtures to Beijing seemed to have sowed the seed for mistrust. Thus, general assessment that followed was that not only did PM-JYT go too far and too soon but also it actually undermined the spirit of the treaty with India. Critics in Bhutan suggested that New Delhi had made up its mind to write a fine script for PM-JYT's exit from power.³⁵ New Delhi's abruptly cut subsidies on gas and kerosene was simply meant to rock the election campaign. The underlying message was clear – be prepared to face

²³Medha Bisht, An Agenda for the New Government: Policy Options for India in Bhutan, *IPSC*, Issue Brief No.248, March 2014.

²⁴Smruti S Pattanaik, Modi's Maiden Foreign Visit: Consolidating Bharat for Bhutan Relations, *IDS*, 18 June 2014.

²⁵Rumel Dahiya and Ashok K Behuria, India's Neighborhood: Challenges in the Next Two Decades, (Ed.), Pentagon Security International, (New Delhi: 2012), p.34.

²⁶Smruti S Pattanaik, Modi's Maiden Foreign Visit: Consolidating Bharat for Bhutan Relations, *IDS*, 18 June 2014.

²⁷ Rumel Dahiya and Ashok K Behuria, India's Neighborhood: Challenges in the Next Two Decades, (Ed.), Pentagon Security International, (New Delhi: 2012), p.39.

²⁸ "Indo-Bhutan hydropower initiative increase installation capacity", *Economic Times*, 26 March 2009, at: <http://economictimes.indiatimes.com/News/News-By-Industry/Indo-Bhutan-hydropower-initiative-increase-installationcapacity/articleshow/4320446.cms>. (Accessed on 08 March 2015).

²⁹ "National Revenue Report 2011-2012," Department of Revenue and Customs, Ministry of Finance, Royal Government of Bhutan, at <http://www.mof.gov.bt/wp-content/uploads/2014/07/nr2011-2012.pdf>.

³⁰ P. Stobdan, India and Bhutan: The Strategic Imperative, *IDS* Occasional Paper No .36, September 2014, p.40.

³¹ Wasbir Hussain, "The Horse Galloped & Bhutan Got A New Government", *The Sentinel* at <http://www.sentinelassam.com/mainnews/story.php?sec=1&subsec0&id=165486&dtP=2013-07-26&ppr=1#.VANnAcWSyWw>. (Accessed on 5 July 2014).

³²The official Press Releases are available in Bhutan Research - a website dedicated to the study of politics and democracy in Bhutan <http://www.bhutan-research.org/>.

³³Buddha Mani Dhakal, "Bhutan-China Equation", *Bhutan News Service* 4 August 2012, at <http://www.bhutannewsservice.com/editorial/bhutan-china-equation/>. (Accessed on 10 January 2014).

³⁴Medha Bisht, "India-Bhutan ties at a beginning or an end?" *Asia Times*, Hong Kong, 16 July 2013.

³⁵"How India is losing Bhutan, its last 'friend' in South Asia", *First post World*, New Delhi, 9 July 2013, at <http://www.firstpost.com/world/how-india-is-losing-bhutanits-last-friend-in-south-asia-942269.html>. (Accessed on 10 December 2013).

sanctions if DPT is voted back to power.³⁶

The scathing of India's meddling and influencing the Bhutanese election outcome poured down heavily both at home (India) and from abroad.³⁷ In a wave of criticism, the Bhutanese through websites and blogs expressed shock and dismay at India's "carrot-and-stick" policy.³⁸ Some were imply "baffled and confounded" by the Indian actions they were not used to while others felt "simply stunned, lost and scandalised" by the spate of strange and disconcerting developments.³⁹ Such perceptions among the Bhutanese only indicated the degree of erosion that had taken place in the Indian wisdom of handling friends over the years.

Future Prospects

Given the broad background outlined above a few scenarios in the existing relation between India and Bhutan have been identified.

Political Scenario

The Bhutanese desire for change is inevitable. However, as the country redefines itself to meet the 21st century challenges, it could confront with multiple dilemma within and the world outside. Internally, the country has moved away from absolute monarchy to parliamentary system of governance, from being a closed and traditional system to a more open and modern society; from conducting a conventional one-sided or guided foreign policy to playing an independent role on the world's stage. This process of change may become more complex with the increasing competitive politics within, which is having an extended impact on its ties with India.

For India, dealing with democratic Bhutan could become more challenging compared to the experience of simply keeping the Druk King in good humour. Clearly, India will become the focal point in Bhutan's future electoral politics as well. There will be temptation among the Indian political leaders for making noisy interference in Bhutanese politics. With the democratic changes unfolding, any events in Bhutan could spin out at a higher scale than before. Although, there is no powerful anti-

India lobby in the country, but the new generation in Bhutan could be more assertive as well as sensitive towards India's dealings. Such a situation will demand a competitive relationship and transparent conduct of diplomacy in the longer-term.

Economic Scenario

Bhutan's economic crises are not entirely the doing of India, and Bhutan is therefore expected to fix them through its reforms and measures at the same time recreate sufficient space for its domestic growth process and revenue base to increase. However, as the democratization of Bhutan continues diverse groups and stakeholders, in the name of good governance and their urge for diversifying economic and foreign policies will inevitably articulate the issues of economic exploitations and disparities. In a sense, the Bhutanese quest for achieving a relative economic independence from India was evident in the 2013 elections that showcased a glimpse of its aspirations and advocacy for self-reliance. India has been providing development assistance loans, grants and other forms of project-funds to Bhutan for years. In fact, the grants seem to have increased considerably in the 11th five-year plan from 3400 to 4500 cr.⁴⁰ However, Bhutanese have perceived the Indian model of economic assistance as exploitative, which tends only to serve Indian interests.

The symbiotic philosophy that seems to guide the partnership is to generate revenue for Bhutan and avail clean electricity power for India. Bhutan has over 24,000 MW hydro potential, which India thinks could solve its energy security problems and so plans to build 12 new hydropower projects in Bhutan. However, certain factors such as the operational aspects, control of assets, the differences over power tariffs, etc. are already creating rift that could spill over into political domain, for they also involve the psychological factor of 'being exploited'.

In the absence of a 'win-win framework' or mutually beneficial schemes, rifts with Bhutan could only widen and spiral out of control. In fact, irony is, India after having guided Bhutan for over six decades and spent billions of rupees in aid is yet to frame a strategy for establishing a balanced and healthy economic interdependency between the two nations. Clearly, the economic subsidy policy of enlisting political loyalty seemed over-lived its utility and may prove to be counterproductive in the long term. Such ad hoc measures can't sustain especially in the age of

³⁶ Aniket Bhavthankar, "India should evolve new model to deal with democratic Bhutan", *South Asia Monitor*, 19 July 2013 at <http://southasiamonitor.org/detail.php?Type=n&nid=5451>. (Accessed on 30 November 2013).

³⁷ "How India is losing Bhutan, its last 'friend' in South Asia", *First post World*, New Delhi, 9 July 2013, at <http://www.firstpost.com/world/how-india-is-losing-bhutanits-last-friend-in-south-asia-942269.html>. (Accessed on 10 December 2013).

³⁸ *Carrot and Stick policy*: It refers to a policy of offering a combination of rewards and punishments to induce behaviour.

³⁹ P. Stobdan, *India and Bhutan: The Strategic Imperative*, IDSA Occasional Paper No. 36, September 2014, p.12.

⁴⁰ Joint Press Statement on the State Visit of Prime Minister of India to the Kingdom of Bhutan (15-16 June 2014) Ministry of External Affairs released on 16 June 2014 at <http://www.mea.gov.in/bilateral-documents.htm?dtl/23435/Joint+Press+Statement+on+the+State+Visit+of+Prime+Minister+of+India+to+the+Kingdom+of+Bhutan+1516+June+2014>. (Accessed on 10 July 2014).

globalisation. It thus becomes imperative that India needs to offer a more beneficial economic engagement plan to Bhutan, which is sustainable and may channelize its own experiences to strengthen the fundamentals of Bhutanese economy. These are possible only by enabling agreements and letting the market forces leverage the existing economic and geographic frontiers. A smart policy would entail providing Bhutan with greater access to markets, improved connectivity, modern trade facilities and allowing it to benefit from India's economic growth. The bilateral trade (2012-13) was meagre \$400 million.⁴¹ However, Bhutan could surely offer more than just hydropower if India opts to create a more innovative partnership in the Himalayan state.

The solution should lie in helping Bhutan in its capacity building, generating domestic revenues, making it a hub of agricultural products tea, fruits, vegetable products, etc., to meet the Indian demands and conversely allowing Bhutanese to create business stakes in India. Prime Minister Tshering Tobgay also offered investment opportunities in the infrastructure sectors for example, setting up of special economic zones, dry ports, industrial townships; IT Parks by the Indian private investors.⁴² Prospects also seem to be abundant in tourism, mining, lumbering, industry like cement, and financial services.⁴³ Unless India finds a fresh approach and its investment offers impetus for local business to grow in Bhutan China is likely to encroach in these areas.

Prime Minister Modi voiced emphatically when he spoke to the joint session of Bhutan Parliament during his recent visit. For example, his point on "Terrorism Divides, Tourism Unites" highlights the importance of creating a web of development plans with Bhutan.⁴⁴ He also made commitment to help Bhutan in transactional areas such as in education, sports, e-libraries, Himalayan Studies etc.⁴⁵ However, these areas are unlikely to make the Bhutanese happy and ultimately, India will need to think about how to help the Bhutanese stand independently. Moreover, the 'special' relationship will hold water only when India takes cognizance of the winds of change and redesigns its policy approach to help Bhutan realize its urge to be a self-reliant country via stronger economic independence.

Any prospect for economic independence could rather propel a sense of self-confidence in Bhutan. In this sense, a stable and prosperous Bhutan strongly

committed to democracy would be in India's interest. Even though, India provides over 80 per cent of Bhutan's energy and consumer needs; however, it has been politics and culture and not economics that remained the overriding factors with Bhutan. Relations with all neighbours involved the dimension of political sensitivity and cultural ownership that will sustain the trust. India should therefore embed the sensitive and fragile nature of Bhutan's economy in its political approach.

Strategic Scenario

Bhutan's geo-strategic importance to India as a security buffer is indisputable and extends beyond the military security. Moreover, the geographical proximity of Bhutan to sensitive Sikkim, Arunachal Pradesh (states), Nepal and China renders it of great strategic importance with regard to India which is why Bhutan has always assumed vital importance in India's military calculus. The China factor is important for India because Bhutan shares considerably long borders with its northern neighbour. The focal point of India's concerns relates to the Bhutanese desire to solve border disputes with China. It also continues to remain a sensitive issue for India, which is also likely to bear the consequences of any compromise on the part of Bhutan. For India, the issue is also about the larger strategic and military question of the PLA gaining access to several important Himalayan passes. In this sense, Bhutan's role in dealing with India's internal security is critical. There are fresh concerns about Bodo insurgent groups trying to establish links with a Bhutan-based Maoist militant outfit.⁴⁶ The commitment for not allowing territories of the two countries to be used by the forces inimical to each other underlines the importance of cooperation. Against this backdrop, PM Narendra Modi's choice of Bhutan as his foreign destination was essential and decorous. However, India's policy essentially remains defensive in approach, unsustainable in the long run.

Firstly, it is not a correct approach to hold Bhutan hostage of its desire to improve with China and solve the boundary issue. There is a growing sense that the consideration of keeping the Indian interest has obstructed if not delayed Bhutanese quest for to improve ties with others. The changing perceptions signify their repudiation to continue with India's unwavering position on the boundary dispute with China. In fact, a polarised view has surfaced in the recent years with the current PDP led government criticising the previous regime for pursuing a China policy at the cost of India's interests. For now the ruling PDP has pledged to tread cautiously

⁴¹Ministry of Commerce & Industry, Department of Commerce, Export & Import Data Bank at <http://commerce.nic.in/eidb/iecnt.asp>. (Accessed on 12 January 2014).

⁴² <http://www.samachar.com/Bhutan-seeks-investments-from-India-in-various-sectorsnjerKKhcebc.html>. (Accessed on 10 March 2014).

⁴³ Tsreing Tobgay, "India, Bhutan share unshakable friendship: *Hindustan Times* (New Delhi), 18 July 2013.

⁴⁴P. Stobdan, India and Bhutan: The Strategic Imperative, IDSA Occasional Paper No .36, September 2014, p.41.

⁴⁵Ibid.,42

⁴⁶ <http://www.easternpanorama.in/index.php/work-on-progress/2954-bhutan-hydelproject-assam-s-protest>, Retrieved on 14 August 2014.

on the international stage.⁴⁷ Of course, there is no indication whether subsidy restoration in exchange of Bhutan's willingness to forge the opening of the P-5 missions in Thimpu has any linkage. However, there will be elements tempted to raise stronger voice in favour of playing the China card against India's overweening presence. That is why the rationale that stirred the DPT government for stronger ties with China needs understanding from a broader perspective. In fact, it may no longer be possible to curb Bhutan from diversifying its external economic contacts especially with important powerhouse like China which has been able to expand its influence in South Asia despite India's efforts to contain it. Moreover, it may also be unfair and hypocritical to hinder Bhutan when India's own trade relations with China have grown many folds.

Secondly, India should note that the Bhutanese desire to be connected with China will remain easier said than done. A full engagement with China may not only create excessive hope within but also an exaggerated paranoia around and outside; therefore one of the initial challenges for Bhutan would be to overcome its inherent self-ambivalence. The geography especially access to seaport will continue to determine Bhutan's choice. Having used to being oriented towards the south, a switch over to the north will not be that easy especially when India too is also ascending economically. Much will also depend on future developments in Tibet. In the past, there had been paranoia over increasing Tibetan emigration into sparsely populated Bhutan. This among other things will avert a full embrace of China by the Bhutanese.

Thirdly, Prime Minister Modi's visit to the two Himalayan states has also clarified that these states have played the China card not so much to leverage their strategic location for balancing off India's influence but largely to disapprove New Delhi's often display of its inept carrot-and-stick policies against them and so dubbed every action of India's as interference in their internal affairs.

Trans-Himalayan Regionalism Prospect

There are several future scenarios unfolding in the Himalayas to which India has not started to respond in many articulated ways apart from adopting a defensive approach. In this regard, India should not confine friendship with Bhutan to China factor alone. Instead, India should factor Bhutan in its China policy and not the other way round. Even while Bhutan remains a close ally, it would be of India's interest to push the former's greater international engagements.

⁴⁷ Tsering Tobgay, "Not sure if you would like to mention a specific writing or leave it as is", *Hindustan Times* (New Delhi), 18 July 2013.

In a recent visit to New Delhi, China's Ambassador, Wei Weis' mention of having trans-border cooperation with India under the Trans-Himalayan Economic Growth Region needs to be noted and appreciated for its farsightedness.⁴⁸ Thus, both Bhutan and Nepal should fall into India's scheme for enlarging better connectivity with rest of Asia. China is already walking on that track in its policy guidelines. If China could look south, why India cannot look north? As C. Raja Mohan commented, "Instead of being defensive, Delhi must seek more details on this very interesting idea and offer a vision of its own for productive engagement with Beijing all across the Tibetan frontier."⁴⁹

The debate on the prospect of trans-Himalayan regionalism is fast gaining momentum. In fact, Prime Minister Modi has also been articulating his idea on these lines in his recent speeches. The idea could open up vast opportunities for India. Drawing from Modi's momentous speeches in Bhutan and Nepal, the trans-Himalayas holds the keystone for Asian culture, environmental, political and regional security. His speech was remarkable and if expounded it could change the Asian context.

Buddhism is fast becoming a factor of cultural mobilization and economic growth across Asia including China. Buddha-Industry alone could transform the lives of millions, providing lucrative career options to its youth. The followers of Shakyamuni (400-500 Million already) link their spiritual destinies to India.⁵⁰ Tangible actions are required not just for market import but also for staging India's soft-power lever. In many ways, Buddhism could affect the geopolitical trend, and in fact, China is grabbing the leadership role - controlling both trend and nature of discourse. India cannot afford to lose its ancient wisdom tool. Of course, both India and China require a synergy for a nuanced and adept policy pursuit in this regard.

Linked to this is the imperative of promoting a brand of sustainable cultural tourism. China plans to invest \$10 billion to build infrastructure projects (roads, airports and hydropower stations) to develop the Kailash-Manasarovar, supremely sacred for billions of Hindus, Buddhists and Jains.⁵¹ A series of pilgrimage corridors across the Himalayan ranges could serve as engines of economic growth for the people living in the region.

Coordinated policies are essential to mitigate the environmental challenges. Gradual glacial attrition means water scarcity. The case of Brahmaputra's diversion by China has raised some eyebrows in India. Here again the solution may lie in culture than in politics. Just as the Mt.

⁴⁸ P. Stobdan, India and Bhutan: The Strategic Imperative, IDSA Occasional Paper No .36, September 2014, p.45.

⁴⁹ Cited in C. Raja Mohan, "Chinese takeaway: Panchsheel Blues", *Indian Express*, 25 June 2014.

⁵⁰ P. Stobdan, India and Bhutan: The Strategic Imperative, IDSA Occasional Paper No .36, September 2014, p.46.

⁵¹ Ibid.

Kailash is the abode of Lord Shiva, the Shuomatan Point or Brahmaputra's U-Bend is the home of *Vajra Yogini* – a sacred deity, worshipped by millions in both India and China.⁵² In this sense, eventually water, environment and culture would become the keystone of policy planning.

SUMMARY AND CONCLUSION

Bhutan however, until recently as per the treaty obligation of 2007 followed the Indian direction, kept India's interest in mind and evaded a settlement with China. A very important point that one cannot fail to notice is that Bhutan does not rely on powers outside the region for the maintenance of a strategic order in the South Asian region. This difference is very striking when put into contrast to all the countries in south Asia. Consequently, Indo-Bhutan ties have not developed that dysfunctional quality arising out of disparities in size and human resources or political –economic capability which one finds in the case of India's bilateral relations with other countries in the sub-continent. There is a broad strategic consensus between New Delhi and Thimpu. Their security perception on regional and global issues coalesce largely rather than collide. One explanation of course is that for physical security or defence of Bhutan depends upon India. It can be regarded both the cause and effect of strategic agreement. Legally or technically speaking, defence of Bhutan is her own responsibility and the Bhutanese leaders have proclaimed this repeatedly. There is of course no treaty and agreement under which Thimpu has delegated this responsibility to India. As a matter of fact, Bhutan resents protective responsibility of India and this was done even in the early 1960s when threat from China was most imminent and Bhutan was totally defenseless. The illicit presence of the ULFA-NDEF-KLO militants on Bhutanese soil was another shared concern of both India and Bhutan, Bhutanese leaders were clear on their stand that such immediate security threat to its sovereignty would take into stride. Thus, the military operation by the Bhutanese army to flush out the militants in December 2003 not only provided assurance of Bhutan's capability to safeguard its own security, it was also another commitment made toward the maintenance of strong Indo-Bhutan ties. However, both subsidy withdrawal and the 2013 election episode caused the stable relationship with Bhutan adrift. The two countries may have salvaged some of the impending crisis; however, the elements of wariness seemed have to creep into the relationship. The issues though appeared enigmatic, the consequences could have been perilous. There was a need for understanding the ominous trends. In fact, it was important for the new incumbent to grasp the issues from a broader perspective

that shapes the processes at work. Ideally, the relationships are successful when the mutual differences get resolved without the need for either side making compromises on its core national values and interests. Resolving deadlocks through coercive and at the triumph of a single party is a recipe for long-term trouble and if such a trend continues, it gives an opportunity to country like China to fill the space with neither negative repercussions for India which is neither desirable nor portent for India-Bhutan relations.

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