

# Bhutan: Between Two Giants

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**T**HIMPHU—A short walk past the shops lining Norzin Lam, the main street in Bhutan’s capital Thimphu, reveals most of the merchandise on display is “Made in China”—shoes, silk, toys, heaters, and kitchen utensils. While diplomatic relations between Bhutan and China have yet to be established, the market in the capital city is already flooded with Chinese-made goods. Bhutanese are fast adopting Chinese products and cuisine. Like many countries in the region and beyond, it might not be long before Thimphu has its own little “Chinatown.” Thimphu already has a rather cramped section of town popularly known as “Hong Kong market,” defined by its narrow alleys, tall buildings, and the proliferation of Hong Kong goods sold there. It was once also a hotspot for street fights, alcohol, and gambling.

History has shown that the northern routes through 20,000-foot passes of the high Himalayas, though tough, have long served as critical connections for merchants from Bhutan, India, and Tibet. As early as 1773, Bhutan was already a gateway for trade with Tibet, and the British East India Company sent many missions to extend and explore

the frontiers and trade routes to Central Asia during the British Raj in India.

“In olden days, salt used to be brought to Bhutan from the township of Phari,” recalls Dawa Namdu, a 69-year-old businessman and resident of Thimphu. Phari, some 14,000 feet above sea level, bordering Bhutan in the east, was an important frontier town in Yadong County in the Tibetan Autonomous Region. It served as the main business hub for merchants from both Tibet and Bhutan. But as border disputes increased after the annexation of Tibet by China, trading along this and other towns in the northern route diminished. Now, most basic staples, from salt and vegetables to oil and fuel, come from India.

**SANDWICHED**

Bhutan—a landlocked Himalayan kingdom sandwiched between the two political and economic powers, India and China—has long faced challenges to its frontiers from incursions and border disputes. In 1865, the country lost the Duars region to British India. More recently, in 2007, Bhutan lost its northern snow-capped mountains to China. The Bhutan map, over the years, has changed significantly in its shape and size. Bhutan, with 14,820 square miles of land area, now looks like a miniature upside-down version of the map of Mongolia, the latter being more than 40 times larger than Bhutan and sandwiched between two other major powers—Russia and China.

**REGIONAL INTEGRATION WITH ITS NEIGHBORS HAS BECOME IMPERATIVE FOR BHUTAN.**

Bhutan considers India its closest friend. The two countries have cooperated for more than 50 years. As Bhutan’s Prime Minister Tshering Tobgay observed recently, “the relations between Bhutan and India have really stood the test of time; we’ve worked together. Our good relationship was founded and given shape by our kings and former kings and leaders of India.”

Bhutan’s Third Monarch, King Jigme Dorji Wangchuck and India’s Prime Minister Jawaharlal Nehru launched this special relationship between the two countries in August 1949. Deeply rooted in religious, cultural, historical, and economic

ties, Bhutan and India signed the Treaty of Friendship, calling for “peace and friendship” and “free trade and commerce,” and ultimately allowing Bhutan duty-free transit across India. Bhutan is, after all, a landlocked nation, and it is vital for its economic development to have access to a seaport.

Bhutanese-Indian relations strengthened further after China annexed Tibet in 1950. Tibet’s fate was a warning to Bhutan that an isolationist policy could place its independence in jeopardy. In the wake of cross-border incursions by Chinese soldiers and China’s publication of a map showing altered traditional Sino-Bhutanese borders in their favor, Bhutan restricted cross-border trade in the north and quietly extended its relations with India. Indeed, Bhutan’s process of modernization began with the acceptance of India’s assistance in its development programs.

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India has repeatedly reiterated its support for Bhutan's independence. Bhutan, for its part, proved its ability to safeguard its sovereignty when, led by His Majesty the Fourth King, the country's armed forces conducted operations against the United Liberation Front of Assam insurgents who were using Bhutan's land to carry out attacks on Indian soil.

#### NATIONAL SECURITY

What followed was a new Friendship Treaty, signed in 2007, replacing the provision that required Bhutan accept India's guidance on foreign policy. Under the new agreement, Bhutan and India are required to "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." This was seen to provide greater freedom for Bhutan to manage its sovereignty and external relations. In 2008, welcoming Bhutan's move towards democracy, India also allowed 16 entry and exit points for Bhutanese trade with other countries (excluding China).

But many critics see recent events as part of India's continued efforts to expand its influence over Bhutan's foreign policy, trade, and security. Many people—hoteliers, shopkeepers, civil servants, journalists—argue that India's warm embrace of Bhutan is turning increasingly into a stranglehold. This perception came into focus during Bhutan's 2013 national elections. India cut its subsidy on cooking gas and kerosene—commodities for which Bhutan is highly dependent on India—leaving many Bhutanese spending days to stockpile gas cylinders before prices skyrocketed. Some diplomats called this "bad timing" and "a

coincidence" as the country had not signed a new agreement with India in the absence of a newly elected government. The subsidy cut was bad timing as it left many of Bhutan's middle class facing difficult times. For months during that period, Dawa says, he saw the depot where the cooking gas cylinders were distributed—thronged by people hoping to get their hands on a single cylinder. It also dramatized Bhutan's critical dependence on India.

#### OPENING TO BEIJING

Some commentators have suggested that the timing of the subsidy cuts had to do with the meeting of Chinese Premier Wen Jiabao and then Prime Minister Jigmi Y. Thinley in Rio De Janeiro on the sidelines of the Rio+20 Summit. Xinhua, China's official news agency, reported both leaders "expressed willingness to establish formal diplomatic ties" between their countries, adding, "China is willing to complete border demarcation with Bhutan at an early date and strengthen exchanges in various fields so as to push bilateral ties to a higher level."

A statement from the Bhutanese Prime Minister's office said the meeting carried "great historic significance as it marks the first meeting between the heads of the two governments." While many in the country welcomed the news, calling it a "good move," it was received with some considerable skepticism in neighboring India. The meeting—amid a backdrop of growing border tensions between India and China—raised the prospects of thawing border disputes between Bhutan and China. For India, the Bhutan-China border talks are intimately related to its own border conflicts with China. India is particularly concerned with the territory in Doklam near the contentious Chumbi

valley—strategically located at the corner where Bhutan, India, and China intersect. If Bhutan agrees to China's offer of territory in the disputed Jakarlung and Pasamlung areas in the north, it could mean that India's Siliguri corridor, the 12 mile wide and 120 mile long corridor surrounded by Nepal, Burma, Bangladesh, and Bhutan, would be threatened.

That's why soon after the 2013 elections, India's National Security Advisor, Shivshankar Menon arrived in Thimphu to congratulate the new prime minister, Tshering Tobgay. India also just promised 50 billion rupees (\$810 million) to assist in the implementation of Bhutan's 11th Five Year Plan. During that visit, Shivshankar Menon was accompanied by the Indian Foreign Secretary Sujatha Singh—the main purpose of the visit clearly to “advise” Bhutan on handling border talks with China, with the next round of negotiations following several weeks later.

Before the next round of boundary talks, however, came reports that Bhutan had acquired 15 Chinese-made buses. Commuters quickly started taking advantage of traveling in these modern buses, the inscription on their back reading: “Take a Ride and Be Happy.” One Saturday morning as these buses began operating, several critical onlookers near the Thimphu bus station were heard commenting that Bhutan was being “taken for a ride (by China),” followed by helpless laughter from others gathered around.

#### GROWTH ON BOTH SIDES

Reflecting back, Dawa thinks that perhaps “the historic and economic ties that Bhutan and India established early on led to relations between the two countries growing over the years, while the uninhabitable northern belt and the inconclusive border talks between Bhutan and China deterred Bhutan from formalizing its relations with China.” Bhutan shares a 260-mile border with China, which has yet to be demarcated. India, with more than 370 miles of border, continues to be Bhutan's largest trading partner, and accounts for over 90 per cent of its imports.

Regional integration with its neighbors has become imperative for Bhutan in overcoming the hurdles posed by its small domestic market and lack of capital available to take advantage of trade and commercial opportunities in hydropower, tourism, textiles, and traditional Himalayan herbs. Therefore, Bhutan will continue to explore any regional cooperation that is to its advantage.

But for the moment, Bhutan's priority regarding China is to finalize and demarcate its borders. “Only after that, when the time is right, we can have formal diplomatic ties with China,” says Prime Minister Tshering Tobgay. On the other hand, both India and Bhutan are mindful of each other's security and national interests and will continue, albeit cautiously, to strengthen the special relationship built upon years of cooperation and understanding. ●