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POLITICAL CHANGES IN NEPAL AND BHUTAN

Emerging Trends in Foreign Policy
in Post 2008 Period

Nihar R. Nayak



MANOHAR PARRIKAR INSTITUTE FOR
DEFENCE STUDIES AND ANALYSES

मनोहर पर्रिकर रक्षा अध्ययन एवं विश्लेषण संस्थान

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LIST OF ABBREVIATIONS

AIIB	Asian Infrastructure Investment Bank
BCIM EC	Bangladesh-China-India-Myanmar Economic Corridor
BI	British India
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BIPA	Bilateral Investment Promotion and Protection Agreement
BPUP	Bhutan People's United Party
BRI	Belt and Road Initiative
BSC	Bhutan State Congress
CPA	Comprehensive Peace Accord
CPN-UML	Communist Party of Nepal (Unified Marxist-Leninist)
DPT	Druk Phuensum Tshogpa
FDI	Foreign Direct Investment
FOSS	Forum of Small States
GDP	Gross Domestic Product
GNH	Gross National Happiness
IC	Interim Constitution
INC	Indian National Congress

LDC	Least Developed Country
LLDC	Landlocked Developing Country
LTTE	Liberation Tigers of Tamil Eelam
MCC	Millennium Challenge Corporation
NA	National Assembly [Bhutan]
NAM	Non-Aligned Movement
NC	Nepali Congress
NC-B	National Congress Bhutan
ODA	Official Development Assistance
PDP	People's Democratic Party
PLE	Policy of Limited Engagement
PM	Prime Minister
SAARC	South Asian Association for Regional Cooperation
SCO	Shanghai Cooperation Organisation
TAR	Tibet Autonomous Region
UCPN (Maoist)	Unified Communist Party of Nepal (Maoist)
UNCTAD	United Nations Conference on Trade and Development
UNGA	United Nations General Assembly
UNMIN	UN Mission in Nepal
UNSC	United Nations Security Council
WTO	World Trade Organization
ZoP	Zone of Peace

INTRODUCTION

Since the end of the Cold War, the world has been passing through a period of power transition. The center of gravity of international politics has shifted to Asia because of the economic and military rise of two aspiring powers—India and China. Most importantly, the rise of China as a revisionist power, which has been attempting to set up a new world order by challenging the US-led western dominated world order,¹ and growing strategic partnership between the US and India to maintain a balance of power in the Asia-Pacific region, has larger geopolitical ramifications. In this regard, three regions (Indo-Pacific West, the Himalayas, and the Indian Ocean region), three countries (the US, China, and India), and three issues (climate change, controlling of the global supply chain, and humanitarian intervention) will dominate international politics in the future. These three regions have already witnessed intense competition between these three powers in the post-globalisation period. While the US has been trying to maintain the power balance in the Indo-Pacific region ever since it adopted the policy of Asia pivot, it has perhaps felt the imperative to diversify its engagement in the Himalayan and the Indian Ocean Regions (IOR) with increasing focus on power balance due to Chinese expansionist designs and aggression in these areas against India since May 2020.

In this context, the geo-physical location of the Himalayas makes it important not only in the Asian politics but also the entire world. The

¹ The concept of revisionist power dominated international politics discourse in the post-Cold War period when China directly and indirectly attempted to set up a new world order by challenging the existing US-dominated world order. The debate gained momentum during the period of Obama Administration. For further reading see, Bennett Collins, “USA: Status Quo or Revisionist Power?”, *E-International Relations*, 7 October 2010, available at <https://www.e-ir.info/2010/10/07/usa-status-quo-or-revisionist-power/>, accessed on 4 February 2021.

Himalayas works as an axis of Asia by connecting South Asia, Central-Northern Asia, and the South East Asia. Its varied topography and climatic conditions has worked both as a facilitating and disjoining system between major civilisations of Asia. Therefore, since time immemorial, “stability” in the Himalayan region has remained the central issue to all the countries that are part of the region. Historically, many military expeditions, conflicts, treaties, and agreements have been undertaken to keep the region stable, both in terms of bilateral relations and domestic politics. However, the concept of stability is not limited to only strategic balance. The region has to maintain ecological, cultural, and domestic power politics balance to make it safe and conflict-free.

In the contemporary world, the stability factor in the Himalayan region has reached its zenith as the two Asian giants—India and China—attempt to dominate global politics. Given their structural differences and internal fault lines, their mutual suspicion increases as they grow and try to set up a new world order. In that context, both countries interpret peripheral (immediate neighbourhood in case of India) stability² as the first line of defence to secure the core. While stability is a common issue for both countries, differences in their approach and understanding to maintain stability in the common neighbours have resulted in instability in those countries. This has baffled smaller countries in South Asia in general and the Himalayan countries—Nepal and Bhutan—in particular. For instance, while China interpreted monarchy as the stable institution in Nepal, India felt that constitutional monarchy with multi-party system

² Commenting on the dissolution of the House of Representatives in Nepal in December 2020, former Foreign Secretary of India and Ex-Ambassador to Nepal, Shyam Saran, observed that “India’s long term interest in [Nepal] is best served by a stable multiparty democracy and economic prosperity for which India remains an irreplaceable partner” (“Unfolding Crisis in Nepal”, *The Tribune*, 30 December 2020, available at <https://www.tribuneindia.com/news/comment/unfolding-crisis-in-nepal-191159>). Earlier, commenting on the same situation, Chinese Foreign Ministry spokesperson, Zhao Lijian, said “...relevant parties in Nepal can take into account the national interests...commit themselves to political stability and national development” (Ministry of Foreign Affairs, PRC, 28 December 2020, available at https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/t1843027.shtml).

would ensure better stability. In the post-monarchy period, while China has been trying to establish a single party communist government by unifying major Marxist–Leninist–Maoist parties of Nepal, India, on the contrary, has been trying to consolidate multi-party democracy under an inclusive new constitution. In this race for stability, Nepal has witnessed series of political transitions since its emergence as a buffer between India and China in 1950.

Given the growing interests of the major powers in the Himalayan region and its intrinsic linkages with the Indian Ocean, both in terms of conventional and non-conventional aspects, it is pertinent to understand the responses and approach of Nepal and Bhutan to achieve their economic, security and foreign policy objectives, which are mentioned in their newly adopted constitutions, in the context of changing geo-political scenario.

Unlike other countries (emphasis here is on sea-opening countries), given the geo-political factors, these Himalayan countries' foreign policy is mostly determined by peripheral developments and less by internal issues. While analysing the foreign policy behaviour of Nepal, Prof. Lok Raj Baral has observed that “it is more so for a small and landlocked country like Nepal whose maneuverability is low because of the geography which continues as a determining factor in foreign policy.”³ However, there are instances of small countries having taken advantage of big power rivalry. For instance, despite their geographical proximity to two emerging powers in Asia, Sri Lanka and the Maldives have shown better maneuverability capacity. Both are strategically important to India and China, given their strategic location and access to sea lanes.

From India's point of view, both Nepal and Bhutan are special neighbours that share open border with deepening civilisational linkages. The open border arrangement facilitates people-to-people contact, tourism, bilateral, and transit trade. Most importantly, it also reflects

³ Lok Raj Baral, “Foreign Policy: Aspirations and Realities”, *The Kathmandu Post*, 6 September 2020, available at <https://kathmandupost.com/columns/2020/09/06/foreign-policy-aspirations-and-realities>, accessed on 4 February 2021.

mutual trust, friendship, and respect for each other's sovereignty and independence. The open border makes livelihood easier and comfortable for millions of unskilled citizens of these three countries. Other than that, India has been suspicious about Chinese expansionist programme, which has been guided by Mao Tse Tung's policy of "Tibet as palm and five Himalayan kingdoms as the fingers."⁴ Chinese occupation of Tibet is deeply ingrained in Indian psyche that China might attempt to integrate other countries in the Himalayan region. Keeping that in mind, in the post-independence period, India continued the British India frontier policy with Himalayas as the formidable defence barrier (FDB). India integrated its frontier policy with the security of Nepal and Bhutan. The 1949 and 1950 Treaty of Peace and Friendship with Bhutan and Nepal respectively were used as deterrent against Chinese aggression towards south of Himalayas. Not only Nepal, but also other immediate countries find special place in India's neighbourhood policy given their deepening cultural linkages and geographical proximity. Therefore, India expects its immediate neighbours to take note of its sensitivity while engaging with extra-regional powers.

STRATEGIC HIMALAYAS

The strategic importance of the Himalayas (broadly known as Hindu Kush Himalayas, which connects eight countries) underscores both in terms of conventional and non-conventional aspects. Both aspects are equally important to human security of Asian region. From the non-conventional security point of view, the Himalayas have been the major source of ten Asian rivers with largest deposit of snow after the Antarctic and the Arctic. Therefore, it is called the Third Pole because it holds the largest reserve of fresh water outside the Polar regions. These rivers have been contributing towards growth and prosperity

⁴ "Mao Described Tibet Right Palm and Ladakh, Sikkim, Bhutan, Nepal and Arunachal Five Fingers", *Tibetan Journal*, 3 November 2017, available at <https://www.tibetanjournal.com/mao-described-tibet-right-palm-ladakh-sikkim-bhutan-nepal-arunachal-five-fingers/>, accessed on 30 August 2021.

of Asian civilisations since time immemorial because of their perennial flow due to snow and monsoonal rains. That provides irrigation, power, and drinking water to over 250 million people who live in the Himalayan region and another 1.65 billion living downstream of these rivers.⁵ There is also an intrinsic linkage between the Indian Ocean and the Himalayas. The Himalayas regulates the South Asian monsoon, which supports livelihood of millions of people in South Asia. The Himalayas also prevents cold waves from the Central and Northern Asia towards the South Asian sub-continent.

The Himalayas has been a major source of economic life for eight Hindu Kush Himalayan countries—Afghanistan, Bangladesh, Bhutan, China, India, Myanmar, Nepal, Pakistan—as an attractive tourist destination, deposits of precious minerals, and herbs for medicinal purposes.

From the conventional security point of view, since time immemorial, the Himalayas has been protecting Indian sub-continent against military expeditions from Central and North Asian rulers due to high elevations, rough terrain and hostile climatic conditions. The significance and vitality of the Himalayas to the Indian sub-continent is also mentioned in various ancient Indian religious texts, including the *Vedas* and the *Puranas*. The Himalayas was one of the geo-cultural identifications of India in the ancient history.

*The Vishnu-Purana makes it clear that the Himalayas formed the frontier of India. It states that the country south of the Himalayas and north of [Indian] Ocean is called Bharat, and all born in it are called Bharatiyas or Indians.*⁶

In fact, various ancient and modern historical evidences suggest that Himalayas was considered a “formidable defence barrier” to protect

⁵ Chelsea Harvey, “World’s ‘Third Pole’ is Melting Away”, *Scientific American*, E&E News, 4 February 2019, available at <https://www.scientificamerican.com/article/worlds-third-pole-is-melting-away/>, accessed on 16 December 2020.

⁶ “Historical Background of the Himalayan Frontier of India”, Historical Division, Ministry of External Affairs (MEA), Government of India, 1959.

large empires like Maurya and Gupta from the challenges across the Himalayas. These empires had used the Himalayas as the northern frontiers and adopted special security, neighbourhood, and trade policies with the neighbouring countries.⁷ For example, ancient Indian political thinker, Chanakya, mentioned about *Raja-mandala* in the *Arthashastra* to deal with immediate neighbours and frontiers.

Similar policy was adopted during the British rule in India. The British policy of recruiting Gurkhas in the Indian security forces was an attempt to send clear message to the smaller countries of the sub-continent to feel ownership of the region and lend their support to protect both cultural and territorial unity of the region. Since India inherited the British India territory, independent India continued with the same policy. The Himalayas figured strongly in India's northern defence and foreign policy. Describing the importance of the Himalayas to protect India's northern frontier, former Prime Minister of India, Jawaharlal Nehru, on 6 December 1950, said in the parliament: "From the time immemorial the Himalayas have provided us with magnificent frontier...we cannot allow that barrier to be penetrated because it is also the principal barrier to India".

Unfortunately, the relevance of the Himalayas as a formidable defence barrier (FDB) reduced drastically after the Chinese occupation of Tibet. It brought a landmark change in the balance of power in the Himalayan region. The buffer between the two biggest civilisations of the world shrank. As China's border expanded up to the Indian border, India landed into border disputes with China, which was not a signatory to the McMahon Line as per the 1914 Shimla Convention between British India and Tibet. While the Republic of India inherited the British India land and accepted the McMahon Line as the legal border, China rejected the same by stating that Tibet was never independent.

China established first direct road link between Kathmandu and Lhasa by constructing Arniko Highway in 1963. The impregnable barrier has been under challenge after Nepal joined the Belt and Road Initiative (BRI) in May 2017. China has also declared setting up of China–Nepal

⁷ Ibid.

multimodal trans-Himalayan connectivity network. Under this project, China has committed to set up railways, highways, transmission lines, and integrated check posts at the China–Nepal borders. China’s ambitious trans-Himalayan policy synchronises with Nepal’s aspirations of reducing dependence on India and re-tuning India–Nepal bilateral relations by bringing changes in the 1950 Treaty, other bilateral agreements and the open border arrangement. The changing dynamics in the Himalayan region and structural changes in India–Nepal relations could weaken India’s guard in the northern frontiers.

Similarly, China has been using multiple pressure tactics with Bhutan to have its presence in Thimphu. First, it claimed Bhutanese territory in the northern and western borders and forced Bhutan to engage in border dialogue since 1984.⁸ During the border dialogue, China offered bigger territory (originally that was Bhutanese territory) in the northern border in exchange for smaller territory in the western border, which is closer to India’s chicken neck region. Surprisingly, China once again claimed more territories of Bhutan in July 2020 when China objected to Bhutan’s application for a grant from the Global Environment Facility (GEF) Council to develop the Sakteng Wildlife Sanctuary located in eastern Bhutan. One media report indicated that on 5 July 2020, the Chinese foreign ministry officially reiterated its claim that the China–Bhutan boundary has never been delimited and there “have been disputes over the eastern, central, and western sections for a long time”, cautioning “third party” to refrain from stepping into the breach.⁹ Second, China had unilaterally tried to change the border position in the Doklam region, a disputed tri-junction between Bhutan–China–India, on 16 June 2017. According to Ministry of Foreign Affairs, Bhutan, it conveyed to the Chinese side, both on the ground and through

⁸ Felix K. Chang, “No Sanctuary: China’s New Territorial Dispute with Bhutan”, Foreign Policy Research Institute, 29 July 2020, available at <https://www.fpri.org/article/2020/07/china-territorial-dispute-bhutan/>, accessed on 30 August 2021.

⁹ “China Stakes Claim to Land in Bhutan, Calls it Disputed Territory”, *The Quint*, 6 July 2020, available at <https://www.thequint.com/news/world/india-china-border-dispute-china-claims-land-in-bhutan>, accessed on 4 February 2021.

the diplomatic channel, that “the construction of the road inside Bhutanese territory is a direct violation of the agreements...”¹⁰ Third, Bhutan still figures in the Chinese Himalayan occupation policy as stated in Mao Tse Tung’s statement of Tibet as palm and five Himalayan kingdoms as the fingers. China has not yet withdrawn this statement/policy officially.

FOREIGN POLICY OF SMALL STATES¹¹

There are many definitions of small states. While some have argued that geography, population, and level of international influence constitute the major objective criteria, others are of the view that many small countries do not conform to that framework as they have played a major role in international politics despite being small in size. Since the material aspects were not sufficient to define the small states, two scholars—Robert Rothstein and Robert Keohane—argued that the psychological dimension must form part of any objective criterion to define the small states; while some states believe that they are unable to protect their territorial integrity in their own capacity.¹² This definition may not be sufficient to explain the behaviours of small states. In fact, there are many big countries which have joined military alliances to defend their territory. Therefore, a state’s capacity to defend itself or secure itself should not be the only criterion for defining small states.

¹⁰ Press Release, 29 June 2017, Ministry of Foreign Affairs, Royal Government of Bhutan.

¹¹ Scholars have defined small states in terms of geography, economy, population, and military capability. For example, Miriam Fendius Elman (1995) has projected the US as a small state prior to the mid-1800s. He uses the word small in the context of economy and power. Geographically, demographically and economically in comparison to India and China, Nepal is a small country but not in comparison with the Maldives and Bhutan. In terms of military capability and economics, it is a small state. Therefore, Nepal is deemed as a small state in terms of geography, military, and economic size, in this study.

¹² Jeanne A.K. Hey (ed.), *Small States in World Politics: Explaining Foreign Policy Behavior*, London: Lynne Rienner Publishers, 2003, pp. 2–3.

For example, Nepal does not fall into the small state category in terms of geography and size of population if one takes into consideration the definition given by the United Nations (UN). Although the UN does not differentiate between small and big states and treats them equally, there is a Forum of Small States (FOSS), with population under 10 million, within it. The FOSS was formed at the initiative of Singapore in 1992 in New York as an informal grouping of small states. The Commonwealth and World Bank define a small state as sovereign country with a population size of 1.5 million or less.¹³ Population-wise, Nepal does not qualify as a small state, but its economy and military is small compared to two previous material criteria. In fact, many scholars, including those from Nepal, consider Nepal a small state compared to its two neighbours. Therefore, this study analyses the foreign policy behaviour of Nepal as a geographically small and landlocked country.

In the case of Bhutan, it falls in the small state category in all aspects. However, some Bhutanese scholars often argue that Bhutan is a small state only on the basis of geography and population, not on the basis of sovereignty, national security, resources, and culture.¹⁴

Small States in Global Politics

In the present times, as in the past, studies on International Relations have been driven by the politics of the big powers, or mainly the five permanent members of the UN thereby reflecting the hegemony of the P5 in the UN Security Council. They have the power to veto any UN resolution that affects them or any of their allies. They often justify interventions in the name of preservation and protection of human

¹³ Commonwealth secretariat on small state, available at <http://www.thecommonwealth.org/Internal/180407/>, accessed on 11 July 2013. Also see Baldur Thorhallsson, “Small States in the UN Security Council: Means of Influence?”, *The Hague Journal of Diplomacy*, Vol. 7, No. 2, 2012, pp. 135–160, available at <http://uni.hi.is/baldurt/files/2012/08/Small-States-UN-Security-Council-by-Thorhallsson.pdf>, accessed on 11 July 2013.

¹⁴ Passang Dorji, “The Sino-Indian Competition over Bhutan and Nepal: Small State Responses to Great Power Politics”, *Ph.D. Thesis*, submitted to City University of Hong Kong, 2019, p. 31.

rights, stability, global norms, and world peace, without taking into account the interests or sentiments of other countries. No small country has the luxury of ever acting in this way, because for them “diplomacy [not demonstration of power] is the tool of statecraft.”¹⁵ Therefore, when (offensive) Realists argue that states are seeking to maximise their power, it is true only in a limited sense in case of small countries. In the past, small countries like Cuba, Finland, and Taiwan, have taken advantage of the competition between big powers, but very few small countries have the ability to manoeuvre or influence world politics. In the post-Cold War period, small states received more international visibility and feel secure because of the presence of UN and other multilateral organisations that play active international roles to defuse crises. However, some small states, which played key roles during the Cold War period, have lost their influence in the post-Cold War time. Nepal is an example. Although it did not play any major role internationally, it certainly played a major role at the Himalayan sub-regional level. It managed to leverage its own interests by engaging both India and China, sometimes playing one against the other. At the same time, it also kept its option of engaging with western powers, especially the US, open. The US has reciprocated the same with the objective to monitor India–China relations from Nepal.¹⁶

There is a dominant view (Neo-Realism) in International Relations (IR) that the foreign policies of small states are affected more by international politics and less by domestic developments. M.L. Elman observes: “The received wisdom in the field [International Relations theories] is that domestic determinants will be less salient when studying small state behaviour because external constraints are more severe and the international situation is more compelling.”¹⁷ This premise may not,

¹⁵ Annette Baker Fox, “Power of Small States: Diplomacy in World War II”, Chicago University Press, reprinted in *Small States in International Relations*, Seattle: University of Washington Press, 2006, p. 40.

¹⁶ Jeanne A. K. Hey, n. 12, p. 1.

¹⁷ M.F. Elman, “The Foreign Policies of Small States: Challenging Neorealism in its Own Backyard”, *British Journal of Political Science*, Vol. 25, 1995, p. 172.

however, apply to all small states. Some small states are more affected by their immediate neighbours' foreign policy. In the case of Nepal, its foreign policy is determined more by regional political developments, especially those relating to China and India, than its domestic requirements. Their strategic rivalry has deep impact on Nepal much more than the other states of the same size and capability.¹⁸ Therefore, the small states find less importance in the Realist Schools' analysis since these states cannot create and influence any international system established by the major powers.

A small country's ability to pursue an independent foreign policy further declines if it is landlocked and economically dependent on another country. Even a third power is less effective in terms of becoming a balancer or protector due to its physical remoteness.¹⁹ Although Nepal tried to diversify its foreign policy during the 1960s by establishing relationships with other countries, it did not yield the desired results. Nepal established diplomatic relations with the US in 1947, before it did with any of its neighbours. Interestingly, on several occasions, both China and the US expressed their inability to offer any help to Nepal when its relations with India were strained. Informally, both recognised the southern Himalayas as India's sphere of influence.

Since small countries' foreign relations are more prone to external developments, their foreign policy behaviour changes accordingly. S.D. Muni has observed that both internal and external variables have determined the foreign policy of Nepal. As far as external variables are concerned, it has been observed that the small countries in South Asia, including Nepal, took advantage of the big power politics in the region during the Cold War and enhanced their bargaining power *vis-à-vis* India. As far as internal variables are concerned, Nepal's internal politics has influenced the country's India policy more than India's policy towards Nepal. This is because of the frequent conflict between the

¹⁸ M.G. Partem, "The Buffer System in International Relations", *Journal of Conflict Resolution*, Vol. 27, No. 1, March 1983, p. 5.

¹⁹ Ibid.

forces who wanted to retain status quo and those who wanted change at internal political level since 1950s. The regimes in Nepal took advantage of international developments rather than influencing them in any manner.²⁰ Its tactics have been mostly hedging in the post-Cold War period. At the same time, its dependence on India forced Nepal to take cognizance of India's sensitivities about its relationship with China. Thus, the foreign policy of Nepal has been operating at three levels: domestic/regime interests, sub-regional power politics, and global developments.

A small and landlocked country located between two big powers is less affected directly by international developments because the big powers surrounding it absorb the pressure. However, since small countries are part of the international system and regional sub-system, they are more influenced by their immediate neighbours rather than a third power or any external powers. According to Barry Buzan and Ole Waever: "Smaller states will usually find themselves locked into an RSC [Regional Security Complex] with their neighbours, great powers will typically penetrate several adjacent regions, and superpowers will range over the whole planet."²¹ There have been occasions, when small states have invited third parties to counterbalance their neighbours. But even if Nepal takes help of a third power, it may not be effective *vis-à-vis* India, and, at the same time, its geo-strategic location would demand that it maintain a non-antagonistic relationship with China. For example, western countries have been trying to influence Nepal on the Tibet issue for the last 50 years. But Nepal has ignored them and adopted a policy that has largely suited Chinese interests. Similarly, despite the pro-monarchy policy (especially against the Maoists) followed by the US since 2001 and its opposition to the 12-point agreement, the US felt compelled to support India's 2005 peace initiative in Nepal given its influence in this region. As one Nepali analyst observed: "On

²⁰ S.D. Muni, *India and Nepal: A Changing Relationship*, Delhi: Konark Publishers, 1992.

²¹ Barry Buzan and Ole Waever, *Regions and Powers: The Structure of International Security*, Cambridge: Cambridge University Press, 2003, p. 46.

regional issues, with exception of those related to Pakistan, the US administration was content to give India the lead,”²² for larger strategic gains. Moreover, given the complexity of the regional power-play and asymmetry of Nepal with its neighbours, it is perceived that Nepal is well-placed to take advantage of the economic development of both India and China without having to play them off against each other.

However, that may not be the case all the times. It would be worth mentioning that except during India–China conflict in 1961, Nepal has largely failed to reap benefits of India–China rivalry. It has been observed that Nepal’s importance or ability to use India–China rivalry in its favour diminishes during the period of friendly and cooperative relationship between India and China. Post 1961, there have been many phases of strained relationship between India and China. During those periods, Nepal once again failed to take advantage because it chose to remain neutral in face of tension between the two countries. For example, during Doklam conflict, Nepal had declared to stay neutral. Moreover, over a period of time, Nepal has failed to prove itself as a credible regional power, one that can influence international system. Other factors include its internal political instability, imbalanced dependence on neighbours, and western donors’ influence in the society.

Survival Tactics of Small States

There could be a psychological reason behind diversifying of foreign policy to make Nepal and Bhutan feel free of any territorial interest from its two immediate neighbours. They also adopt tactics like balanced relationship, non-alignment and promotion of multilateralism to dissociate from their neighbours and send a message across the international community that their foreign policy is independent. They use these tactics as deterrent against any aggression towards their survival and security. This has been an inherent syndrome of the small and landlocked countries, especially those located between two major

²² Prashant Jha, “A Nepali Perspective on International Involvement in Nepal”, in Sebastian V. Einsiedel et al. (eds), *Nepal in Transition: From People’s War to Fragile Peace*, New Delhi: Cambridge University Press, 2012, p. 356.

powers. Therefore, they use different tactics in foreign policy like “isolation, alliance, submergence to dominant power, policy of equidistance, development of leadership, reliance on international organisations and regional systems.”²³ Some international scholars have recently argued that small states use hedging tactics to seek economic benefits from big powers.²⁴ Among these, diversification of foreign policy has been the most popular tactic because it gives the small state political, economic, and security guarantee. Although these smaller countries enter into alliances and treaties with major powers close to their borders, they continue to suspect the neighbouring countries’ behaviour towards them and thus prefer multilateral arrangements.

Although, initially, survival and security were the major guiding principles of formulating foreign policy of Nepal and Bhutan, they have been adopting completely different tactics to preserve their independence, sovereignty and territorial integrity given their common geographical location. Even when they went for diversification of foreign policy, their approaches varied. In the post-democratic period, both the Himalayan countries have laid emphasis on economic development along with security concerns. While Nepal was already in dilemma to reconcile between India’s neighbourhood policy and the BRI, the US offer of \$500 million grant under the MCC (Millennium Challenge Corporation) complicated the matter further. Instead of taking advantage of the triangular competition, Nepal is soaked into the big powers’ rivalry. Likewise, Bhutan has been in dilemma to reconcile between diversifying economy, India’s sensitivities, Chinese pressure on opening mission in Thimphu, and American involvement in rehabilitating Bhutanese refugees. As small states in comparison to these three powers, both Nepal and Bhutan cannot influence, alter or impact on their own or in a small group the unfolding situation in Asia in general and the Himalayan region in particular at present.²⁵

²³ Sangeeta Thapliyal, “Mutual Security: The Case of India-Nepal”, New Delhi: Lancer Publishers, 1998, p. 8.

²⁴ Passang Dorji, n. 14, pp. 42–72.

²⁵ Robert O. Keohane, “Lilliputian’s Dilemmas: Small States in International Politics”, *International Organization*, Vol. 23, 1969, pp. 291–310.

With this background, it is worth examining the responses of Nepal and Bhutan to the emerging regional order unfolded due to development and infrastructure packages offered by the major powers—India, US, China—in the Himalayan region.

SIGNIFICANCE AND METHODOLOGY OF THE STUDY

Most recent studies on Nepal and Bhutan have generally focused on their relationship with India. In case of Nepal, recent studies are mostly on its policy towards two neighbours in the pre-2015 Constitution period. There has been no in-depth study conducted to analyse new trends in foreign policy of Nepal and Bhutan in the post-monarchy period and establishment of democratic rule. Although democracy in Nepal was introduced formally in 1990, this study covers the foreign policy behaviour of Nepal in the post-monarchy period, which also coincided with introduction of democracy in neighbouring Bhutan.

The present study is based on information collected from both primary and secondary sources. Government documents, foreign policy reports, statements of senior leaders and interviews have been used as primary sources. Secondary research inputs have involved constant monitoring of day-to-day developments and events from open sources. Books, research articles, commentaries, private research institutes' reports and relevant websites have also been used for the study.

Certain sections in this monograph are taken from my earlier publications. Those sections are improved and updated as per the contemporary geo-political developments in the Himalayan region.

FOREIGN POLICY OF NEPAL IN THE POST-MONARCHY PERIOD

Nepal occupies a unique position in South Asia. It is a small and landlocked semi-buffer state,²⁶ located between two Asian powers that have fought a war with each other. It shares geographic, historical and cultural linkages with both countries. There are several empirical studies on the foreign policy of small and buffer states, but not many on a country with the special characteristics of Nepal—landlocked and located between two rival powers.

Nepal figured prominently in world politics during the Cold War. It lost its importance, to some extent, with the China–US rapprochement in 1972 and then again post 1991. However, it has always figured prominently in the power politics of the Himalayan region. Since the mid-1990s, Nepal gained importance because of the strategic developments following the start of the Maoist movement in the country (in 1996), the emergence of China and India as Asian economic

²⁶ Many scholars do not consider Nepal as a buffer state because they believe that Nepal is not a neutral country. John Chay and Thomas E. Ross (*Buffer States in World Politics*, 1986, pp. 25–30) observed that a “country with buffer state status is the result of two powerful states desiring a stable or neutral zone located between them. The buffer serves to keep the peace by functioning as physical barrier between the potential combatants.” Since its formation, Nepal has behaved as a neutral country. It did not take sides during 1962 Sino-India conflict. It has been adhering to *Panchsheel* as part of its foreign policy. It does not have any military alliance with its two neighbouring countries. Nepal was also one of the founder members of the Non-Aligned Movement. However, geographically, it has failed to form a physical barrier given the large borders it shares with China and India on its northern and southern flanks. Therefore, Nepal’s role as a buffer is limited to separating the two rival powers and is mostly based on “the distribution of power within the regional context, i.e., balance of power among the rival states.”

powers, and the global campaign by the US against terror beginning 2001. The presence of US since then has altered the geo-political dynamics of the region. Traditionally, India, which considered South Asia as its natural sphere of influence, has not been comfortable with the idea of sharing its influence with extra-regional powers in the region. Given the changing relationship between the US and India from 2000 onwards, the former has, to some extent, endorsed the latter's policy towards Nepal. However, the two countries differ significantly in their perspectives towards Nepal. For example, the US was opposed to India's move to engage the Maoists in 2005. On the other hand, China was suspicious of the US presence in Nepal, because the presence of extra-regional powers in the country could instigate anti-China movements spearheaded by Tibetan refugees there.

The US revisited its policy towards Himalayan region, including Tibet and Nepal, by integrating that in its Indo-Pacific strategy to counter the BRI, which Nepal joined in May 2017. The US passed several legislations related to Tibet from 2018 onwards. Four months after the BRI agreement, the US signed the \$500 million MCC agreement with Nepal. While Nepal was already in dilemma to reconcile between India's neighbourhood policy and the BRI, the offer from the US complicated the matter further. Instead of taking advantage of the triangular competition, Nepal is now soaked into the big powers' rivalry.

EVOLUTION OF NEPAL'S FOREIGN POLICY

Being a small and landlocked country, the focus of Nepal's foreign policy was on survival and protecting its territorial integrity from its neighbours.²⁷ During the Panchayat regime, any threat to the monarchy was considered a threat to the sovereignty of the country and vice versa. Thus, the survival of the monarchy became synonymous with state security. As a result, Nepal's foreign policy was designed to protect its territorial integrity by maintaining a balance between India and China; adherence to UN principles and joining regional organisations;

²⁷ S.D. Muni, *Foreign Policy of Nepal*, New Delhi: National Publishing House, 1973.

establishing relations with extra-regional powers to reduce dependence on both countries; and international recognition.²⁸ Articulating Nepal's foreign policy priorities in view of its geographic reality, King Prithvi Narayan Shah opined that Nepal was like a yam between two boulders and should maintain an equal relationship with China (then Tibet) and India. S.D. Muni has observed that the foreign policy objectives of small states like Nepal are motivated by security (territorial integrity and military), stability (political and economic) and status, but these motivations may not be enough to decipher Nepal's foreign policy. Therefore, some structural factors that influence it need to be examined. The structural factors may be constant (for example, geography, history, socio-cultural ties with its larger neighbour) or variable (for example, nationalism and political system).²⁹ To fulfil its foreign policy objectives, Nepal adopted the strategy of:

- (i) taking advantage of differences and clash of interests between India and China;
- (ii) reducing dependence on both neighbours by diversifying its foreign relations; and
- (iii) mobilisation of international contacts for building counter-pressures.³⁰

The Rana rulers established a good relationship with British India by acknowledging the Empire as the pre-eminent power in the region. This policy continued till the departure of the British from the sub-continent. While India was passing through its post-independence political transition, the Ranas established diplomatic relations with the US and other countries to counterbalance India, which wanted the Ranas to keep pace with political changes in the region (in other words,

²⁸ Lok Raj Baral, "Nepal's Security Policy and South Asian Regionalism", *Asian Survey*, Vol. XXVI, No. 11, November 1986.

²⁹ S.D. Muni, n. 27.

³⁰ S.D. Muni, "The Dynamics of Foreign Policy", in S.D. Muni (ed.), *Nepal: Assertive Monarchy*, Delhi: Chetana Publications, 1977.

bring about political reforms), and seek international recognition. Meanwhile, the communist movement in China and its aggression in Tibet in 1950 altered the security situation in the Himalayas. The Chinese view of Tibet as the palm of a hand and adjacent territories like Nepal, Bhutan and some parts of Indian territory, such as Sikkim and Arunachal Pradesh, as the fingers increased Nepal's vulnerability. Worried over these developments, India and Nepal signed two treaties in July 1950: the Treaty of Peace and Friendship, and the Treaty of Trade and Commerce.

Given the growing dissatisfaction against the Rana autocracy and demand for establishment of democracy, which was spearheaded by the Nepali Congress (NC), India helped to establish constitutional monarchy and multi-party democracy in the country. This was to ensure a progressive, stable and strong Nepal that would be sensitive to India's security concerns. Some Nepalese believe that India exploited the anti-Rana feelings of the democratic forces to compel the then rulers to sign the 1950 Treaty. But the fact of the matter was that while both Nepal and India were negotiating a standstill agreement, the Communist victory in China in October 1949 and its claim on Tibet in January 1950 altered the geo-political dynamics in the Himalayan region. An intelligence input over a possible Chinese military move into Tibet by the mid-1950s heightened security concerns for both India and Nepal. Furthermore, Nepal might have been interested in entering into a new agreement with India after the British withdrawal from India and objections of the Soviet Union and Ukraine to Nepal's entry into the UN on the issues of sovereignty and independence in May 1949.³¹ Since then, the Friendship Treaty has remained the guiding force in India–Nepal relations. Moreover, India and Nepal shared a special relationship given India's role in the restoration of the monarchy. Till 1955, India largely influenced the foreign policy of Nepal.³² However,

³¹ S.D. Muni, n. 20, p. 33. Also see, A.S. Bhasin, *Documents on Nepal's Relations with India and China, 1949–1966*, Bombay: Academic Books Ltd, 1970, pp. 1–22.

³² S.D. Muni, n. 27.

after 1955, the monarchy became increasingly assertive and was reluctant to allow the democratic forces to function independently. One of the main reasons for India's support for restoration of the monarchy was to see a democratic regime which embodied people's aspirations to assume power. But the monarchy perceived India as being inimical to its interests as democracy would lead to dilution of its power.

Nepal's foreign policy took a new shape after King Mahendra assumed power in 1955. He deviated from his father's India-dependent foreign policy and formulated an independent foreign policy by diversifying Nepal's relationship with other countries. The major driver for this change was his desire to consolidate the monarchy, weaken the democratic movement, and mobilise international support for the monarchy. Since India was proposing a mixed (constitutional monarchy) political system, he tried to neutralise India's influence by signing a parallel Treaty of Peace and Friendship with China in 1960. He also tried to reduce Nepal's dependence on India by seeking more development aid from western countries. In doing so, Mahendra took advantage of the differences between China and India, and also became a party to the containment policy of the big powers. His policy was compatible with the interests of external forces in the Himalayas.

China reciprocated Nepal's efforts towards neutralising India's influence and offered "political support for the Nepal King's domestic policies together with generous economic assistance".³³ China, in fact, took advantage of the rift between Mahendra and the Indian establishment. It did not react immediately after King Mahendra's dissolution of the first democratically elected government and the royal coup. China's silence was a signal that the monarchy was a stable power centre. Its support for the authoritarian regime was reflected in Chinese Vice President Chen Yi's praise for King Mahendra's leadership while welcoming the Nepali delegation to the Joint Committee on Nepal–India Boundary Commission to Peking in February 1961. Subsequently, China also assured King Mahendra of all kinds of economic and military

³³ S.D. Muni, n. 20, p. 24.

support.³⁴ Moreover, being a small country under constant threat for its survival, Nepal adopted the principle of non-interference in the internal affairs of others and articulated it at the UN and other international summits.

Mahendra's son Birendra, who assumed power in 1972, followed his father's domestic and international policies but went one step ahead by declaring Nepal a Zone of Peace (ZoP) in 1975. Pakistan and China endorsed this seven-clause declaration, which was immediately accepted by more than 70 other countries which endorsed it on the condition that it should be accepted by Nepal's neighbours. India, however, did not endorse it. A major objective of the ZoP was to neutralise India's influence in Nepal by undermining the 1950 Friendship Treaty. Despite knowing that India would not endorse the proposal, the king went ahead with the plan to consolidate his regime by neglecting India's security concerns. The ZoP remained a major objective of Nepal's foreign policy till the establishment of multi-party democracy in 1990, but did not figure prominently in its foreign policy articulation because India ignored it altogether. The proposal, it may be noted, was made soon after the formation of Bangladesh. The US was among the countries interested in restraining India in the aftermath of the emergence of Bangladesh.³⁵ The king may have been apprehensive that monarchy might face a similar fate in the future. Birendra was also worried about India's support to the democratic forces in Sikkim. Last, but not the least, the proposal came while the monarchy was facing stiff resistance from the NC, which was using Indian territory for its campaigns. Under Clause 5 of the ZoP proposal, India would have been forced to take action against the NC and the monarchy would have maintained the status quo forever.

Nepal's foreign policy acquired a new shape with the promulgation of the 1990 Constitution. With the introduction of democracy and multi-

³⁴ Lok Raj Baral, *Oppositional Politics in Nepal*, Kathmandu: Himal Books, 2006, p. 188. Also see, Leo E. Rose, *Nepal: Strategy for Survival*, Kathmandu: Mandala Book Point, 1971 (reprint 2010), p. 235.

³⁵ S.D. Muni, n. 20, p. 71.

party system, the role of monarchy in politics diminished to some extent. The political parties were not interested in the ZoP proposal. Nepal's relationship with India also improved significantly. Thus, post 1990, the ZoP proposal evanesced. The democratically elected governments focused more on maintaining a balanced relationship with India and China.

A few years later, Nepal attracted international attention once again with the onset of the Maoist insurgency in 1996. The complex relationship that Nepal shared with India and the US underwent change with the onset of the global war on terrorism and a consensus emerged between the three countries. Nepal–US relations were strengthened with the exchange of high-level visits. During this period, US aid to Nepal, which had been reduced between 1970 and 2001, was doubled. Review of the existing treaties between India and Nepal dominated discussions during bilateral visits. However, during the royal takeover in February 2005, King Gyanendra tilted towards China and Pakistan to counterbalance the Indian and Western opposition to his action.

Though, at one point of time, the Chinese authorities branded the Maoists as “anti-government forces” and suspected their intentions, the Maoists had retained King Mahendra’s policy of maintaining equidistance with both India and China, which the former Prime Minister Pushpa Kamal Dahal (Prachanda) had defined as “non-alignment”, and remaining neutral. This policy has also been followed by the succeeding coalition government led by the Communist Party of Nepal (Unified Marxist–Leninist) (CPN-UML). The Maoists have even gone a step further and projected India as an enemy state. In their political resolutions, India has been designated as an interfering neighbour and China as a benign power.³⁶

³⁶ The UCPN (Maoist) party, until its split on 18 June 2012, identified India as its “principal enemy”. While the new faction called the CPN-Maoist (Baidya faction) has been identifying India as its “principal enemy”, the UCPN (Maoist) has changed its political line and the so-called “class enemy” by not branding India as its enemy in the Hetauda convention in February 2013. For details see “CPN-Maoist Names New Principal Enemy”, *Republica*, 1 November 2012, available at http://www.myrepublica.com/portal/index.php?action=news_details&news_id=44215, accessed on 13 July 2013.

While China was looking for a reliable political force, which could offer political stability in Nepal in the absence of the monarchy, the Maoists' policy helped it to push forward its strategic and economic policies. However, political parties in general, and Maoists in particular, have contradicted their own declared equidistance policy. During their private and official visits, these leaders have reiterated the continuation of strong bilateral relations with India as, for example, Prachanda's statements during his official visit to India in September 2008. Baburam Bhattarai, the then Vice Chairman of the Maoist party, in an interview to this author in June 2009, said: "[T]he equidistance policy is just a party decision to satisfy our neighbours. In reality, we are more dependent on India than China."³⁷

NEPAL AND MULTILATERALISM

India's neighbours, including Nepal, on many occasions have branded it as an interventionist power. This perception has emanated mostly due to historical issues, regime incompatibility as well as multiple asymmetries between India and its neighbours. These neighbours have been adopting certain policy measures to overcome what they see as their disadvantaged position. They resort to strategies like multilateral diplomacy, seeking the help of external forces and multilateral agencies, ganging up against India for reducing its influence in the region by forming regional organisations like SAARC, and portraying India as a hegemonic power.³⁸

For details on political debate, see Prashant Jha's editorial article: "Maoists in Nepal: The Differences Within", *The Hindu*, 6 December 2010, available at <https://www.thehindu.com/opinion/op-ed/Maoists-in-Nepal-the-differences-within/article15581942.ece>, accessed on 4 February 2021. Also see Nihar Nayak, "Maoist's New Political Line and Challenges", *IDS/ Comment*, 18 February 2013, available at https://idsa.in/idsacomments/MaoistsNewPoliticalLineandChallenges_nnayak_180213, accessed on 4 February 2021.

³⁷ Author's interaction with Baburam Bhattarai in Kathmandu in June 2009.

³⁸ Muchkund Dubey, *India's Foreign Policy: Coping with the Changing World*, Delhi: Pearson, 2013, pp. 58–59.

Nepal has, on many occasions, successfully utilised multilateral forums and the UN to neutralise and minimise the influence of neighbouring countries in its internal matters. For example, Nepal was a founding member of both the Non-Aligned Movement (NAM) and SAARC. In both these multilateral arrangements, Nepal has successfully raised the concerns of small states and sought to establish that it is not influenced by any country; that being a sovereign country, it has created a space for itself at the international level. According to Muchkund Dubey, Nepal and Bhutan, with the “support of other smaller member countries, have used the SAARC forum to put pressure on India to provide transit through the Indian territory to trade with Bangladesh, and to the ports of Chittagong and Mongla for their trade with other countries.”³⁹ Pakistan and extra-regional powers have taken advantage of Nepal’s India phobia.

Nepal and United Nations

Nepal has achieved its national objective more through multilateral forums than through bilateral relations. Therefore, it always emphasises the UN’s role in ensuring collective security. Nepal joined the UN in December 1955 at a time when the sub-continent was witnessing some major geo-political readjustments. There was a fear of Chinese aggression towards the Himalayan kingdom. It must be remembered that Mao Zedong had claimed Chinese dominance over Tibet and the Himalayas in 1950.⁴⁰ Moreover, the ruling class of Nepal did not feel secure from possible external intervention despite the 1950 Treaty with India, more so after India’s defeat in the Sino-India War of 1962. This was also the period when Nepal strove for an independent foreign policy beyond its neighbours. Its first effort to become a UN member in May 1949 was thwarted by Soviet allegations that its independence and sovereignty was compromised by the 1923 Treaty between Nepal

³⁹ Ibid., p. 59.

⁴⁰ S.D. Muni, n. 20, p. 33.

and British India. The country joined the UN as a symbol of international recognition of its sovereignty.⁴¹

Nepal's leaders, while addressing the world community in the UN General Assembly (UNGA), have expressed the view that joining the UN was a strategic move for Nepal to safeguard its independence and territorial integrity. From Nepal's point of view, the UN is the ultimate platform to raise the concerns of small states. This could be one of the reasons why Nepal often tries to have friendly relations with China and the US. Addressing the UNGA in 2011, former Prime Minister Baburam Bhattarai said: "The General Assembly is the voice of the voiceless of the world."⁴² In the UN, Nepal has been focusing on the plight of the small countries. In the post-monarchy period, in its Interim Constitution of 2007, Nepal reiterated its commitment to support the UN at various levels. Then Deputy Prime Minister and Minister for Foreign Affairs Narayan Kaji Shrestha said at the 67th session of the UNGA held on 28 September 2012:

While every country has the legitimate right to pursue its enlightened national interests ... the wider respect and observance of the principles of sovereignty, territorial integrity, political independence and non-interference are the bedrock principles of international relations. These principles cannot and should not be made subject to political test under any circumstances.

Shrestha also argued that given the global political scenario, "the UN must ensure that it works for the advancement of the world's poorest and most vulnerable countries."⁴³

⁴¹ Ibid. The author took this information from A.S. Bhasin, *Documents on Nepal's Relations with India and China, 1949–66*, Bombay: Academic Books, 1970, pp. 1–22.

⁴² United Nations General Assembly, Sixty-sixth session, 22nd Plenary Meeting, 24 September 2011.

⁴³ Inaugural Address at the Seminar on "Institutionalization of the Foreign Policy of Nepal", Kathmandu, 17 August 2012.

Under the new Constitution, which was adopted in September 2015, Nepal has expressed its commitment to formulate its foreign policy based on the Charter of the United Nations. Guided by the new Constitution, while addressing the 75th session of UNGA in September 2020, Prime Minister Oli reiterated Nepal's faith in the UN system. He said "Nepal reposes enduring faith in multilateralism with the United Nations at the centre. We [Nepal] underline the need to reform the UN Security Council to make it more representative, transparent, democratic, and accountable. The principle of sovereign equality must remain at the core of all reform initiatives."⁴⁴ In the post-Constitution period, the left government in Kathmandu led by PM Oli has been asking for "sovereign equality" in the bilateral relations too.

United Nations Mission in Nepal

Nepal's faith and reliability on multilateralism and UN was proved when Nepalese leaders preferred the UN to play key role in monitoring the peace process after the peace agreement was signed between the Maoists and the seven-party alliance (SPA) in November 2006. Despite India's significant role in concluding the 12-point agreement in November 2005 and its support to the *Jan Andolan II*, the Nepalese leaders did not consider India as a neutral observer of the peace process. They were apprehensive that this task of monitoring the peace process would increase India's intervention in Nepal. Interestingly, it was reported that the Nepali Congress (NC) and the CPN-UML leaders proposed the UN as a deal-maker, suspecting India to be sympathetic towards the Maoists.⁴⁵ They wanted India to use its good offices

⁴⁴ Statement by Prime Minister, K.P. Sharma Oli, at the General Debate of the 75th Session of UNGA, 25 September 2020. For details see <https://mofa.gov.np/statement-by-right-honorable-prime-minister-mr-k-p-sharma-oli-at-the-general-debate-of-the-75th-session-of-unga/>, accessed on 4 February 2021.

⁴⁵ On 24 July 2006, Prachanda wrote to the UN Secretary-General, "...the letter [of 2 July 2006] was written and sent unilaterally and secretly without any consultation with us [the Maoists] in utter violation of the spirit of ongoing negotiation between the Government of Nepal and the CPN (Maoist)."

informally to support the successful completion of peace process; at the same time, leaders of major political parties strove for a consensus among themselves in favour of UN role in monitoring the peace process. The United Nations Mission in Nepal (UNMIN) was thus invited to monitor the peace process, including integration of former Maoist combatants into the Nepali Army.

Nepal and UN Programmes

Other than reposing its faith on UN system, Nepal has been consistently contributing towards various UN programmes like peace keeping, climate change and protecting rights of the landlocked developing countries (LLDC). Since 1955, it has been an active participant of most UN peace operations. The Nepal Army (NA) has participated in over 43 UN missions and contributed over 1,32,524 personnel. The role of Nepali keeping forces in conflict zones for restoring peace, stability, and normalcy has been appreciated internationally.⁴⁶

Nepal utilised the UN platform to flag its constraints as an LLDC with the support of other landlocked countries. Nepal has also been Bureau Member of the Group of the Landlocked Developing Countries (LLDCs) in 2010–12. In view of the increasing debt burden of the LDCs and LLDCs, Nepal has been demanding the easing—or, wherever possible, writing off—of such debts. It also supported the Highly Indebted Poor Countries (HIPC) initiative and expressed the belief that this initiative should be extended to LDCs as well.⁴⁷ Nepal as an LLDC articulated its view that grant of transit by any country is not a “favour” but is a right affirmed by the principles of international law and practice.⁴⁸

⁴⁶ “The Nepali Army in UN Peace Support Operations”, *Nepali Army*, available at https://www.nepalarmy.mil.np/page/na_in_un, accessed on 29 January 2021.

⁴⁷ *Nepal and the United Nations (1955–2012)*, Ministry of Foreign Affairs, Government of Nepal.

⁴⁸ Sita Shrestha, “Nepal in the United Nations”, in S.D. Muni (ed.), *Nepal: Assertive Monarchy*, New Delhi: Chetana Publications, p. 174.

Demanding central role of UN for LLDCs, Narayan Kaji Shrestha, then foreign minister of Nepal, pointed out at the 67th session of the UNGA in 2012, that the least developed countries and landlocked developing countries, as well as other vulnerable groups of countries need special attention.⁴⁹ Later, while delivering a statement on behalf of Nepal at the 11th Annual Ministerial Meeting of the LLDCs in New York on 26 September 2012, Shrestha said that the implementation of the Almaty Programme of Action is a must to help LLDCs overcome their inherent geographical difficulties and provide them with support to eradicate poverty and hunger, achieve sustained economic growth and facilitate better integration into the world economy through increased flow of trade and investment.⁵⁰

NEPAL AND LDCs

Nepal also assumed a distinctive identity in the UN by seeking more global attention for the LDCs. According to a publication of Nepal's Foreign Ministry, as chair of the Global Coordination Bureau of LDCs, a position Nepal obtained in September 2009:

Nepal...urged for the effective partnership between LDCs and their development partners in order to achieve the goals set by the Millennium Summit for development and poverty reduction. Nepal has also taken the position that the debt burden of the LDCs should be written off; the commitments of donors to allocate 0.15–0.20 per cent of GNP as official development assistance (ODA) to LDCs should be fulfilled; and duty-free and quota-free access be given to the markets of the developed countries for the exports of LDCs.⁵¹

⁴⁹ <https://news.un.org/en/story/2012/09/421842>

⁵⁰ Statement by Narayan Kaji Shrestha at the 11th Annual Ministerial meeting of the Landlocked Developing Countries on 26 September 2012 in New York, available at <http://unohrlls.org/UserFiles/File/LLDC%20Documents/11th%20ministerial%20meeting%202012/nepal.pdf>, accessed on 29 January 2021.

⁵¹ *Nepal and the United Nations (1955–2012)*, Ministry of Foreign Affairs, Government of Nepal.

Nepal has also been supporting the shared interests of LDCs in the UN and other important regional and multilateral forums since it took over the responsibility of chairmanship of LDCs Global Coordination Bureau in September 2009.⁵²

As political situation improved in Nepal in the post-conflict period, the democratically elected governments needed more foreign funds/ FDI and technology to address people's aspirations like infrastructure development, job opportunities, industrialisation, and good governance. Nepal attempted to graduate from the LDC status to a developing country with an objective of receiving more foreign investments and acquiring a new status at the international level. In this regard, in 2015 Nepal requested UN to consider it for graduation from the LDC status. One media report indicated that in the last two triennial reviews conducted in 2015 and 2018, Nepal could meet two of the three criteria related to human asset index and economic vulnerability index. It had failed to meet the per capita income criterion. The Committee for Development Policy under the United Nations Economic and Social Council will review Nepal's case in 2021. The policy makers in Nepal are in dilemma about meeting the per capita income criterion in the COVID-19 situation. The Nepal Human Development Report 2020: *Beyond LDC Graduation—Productive Transformation and Prosperity* suggested reviewing of Nepal's graduation process due to devastating impact of COVID-19 on Nepal's economy. "The COVID-19 pandemic may have profound impacts on the graduation criteria. . . All of these factors may require a fresh review of the scheduled graduation plan while developing a transition strategy."⁵³ Earlier, Nepal had requested UN agencies for postponement of graduation considering the impact of earthquake in 2015.

⁵² "DPM Shrestha Calls for Int'l Support for LDCs", *The Himalayan Times*, 28 September 2012.

⁵³ "LDC Graduation Requires Transition Strategy, Report Says", *The Kathmandu Post*, 17 December 2020, available at <https://kathmandupost.com/national/2020/12/17/ldc-graduation-requires-transition-strategy-report-says>, accessed on 4 February 2021.

NEPAL AND NAM

After UN, Nepal has given priority to NAM and its principles, which figures strongly in its approach towards other countries. It also helps Nepal maintain a balance between its two neighbours and assert its sovereignty and independence. Nepal has been one of the founding members of NAM. King Mahendra had participated at the Afro-Asian Conference in Bandung, Indonesia in April 1955, which marked Nepal's entry into the international organisations other than the UN. The concept of NAM evolved to create a separate identity for the Afro-Asian countries at the international level that had painful history of being colonised by European countries. They were apprehensive about being colonised again by taking side between the then two superpowers that had divided the world into two blocks. These countries also wanted to send out a message to the developed countries that a cooperative framework might protect them against exploitation and interventions by the dominant global powers.

It is worth noting that Nepal was never a colony. Despite that, it took a leading role in promoting NAM broadly due to four reasons. First, King Mahendra was unsure about the intentions of India and China towards adhering to territorial integrity and sovereignty of Nepal. This insecurity emanated from India's support towards democratic forces and pushing for maintaining a special relationship as per the Treaty of Peace and Friendship signed in 1950. Second, in 1955, King Mahendra wanted to get rid of India's intervention in internal matters of Nepal. Bandung Conference gave Nepal a platform to reposition itself as a sovereign, independent, and a neutral country since the international community was under the impression that Nepal could not formulate its foreign policy independently due to its 1950 Treaty with India. Third, the formation of NAM coincided with King Mahendra's policy of diversifying foreign policy to maintain strategic autonomy. Nepal's NAM membership had helped to demilitarise its territory by ousting Indian military missions and check-posts.⁵⁴ One Nepali scholar observed that "with regards to Nepal whose geography is both a challenge and

⁵⁴ Ibid.

an asset depending on how tactfully we balance our bilateral relations with India and China, adherence to NAM can be our effective tool of strategic autonomy.”⁵⁵ Four, NAM provided a platform for Nepal to express concerns which it could not at the bilateral levels. Moreover, from Nepal’s point of view, NAM was a message to its neighbours to prevent them from pressurising Nepal to gang-up against other countries. According to Kirti Nidhi Bista, former Prime Minister of Nepal, by joining NAM Nepal wanted to send “a message to various countries that Nepal would never involve itself in bilateral conflicts or wars by pitting one against the other (India versus China, or India versus Pakistan), which was honoured at the time.”⁵⁶

Since the Bandung Conference, Nepal has consistently argued in favour of strengthening NAM. The importance of NAM for Nepal was once again apparent when Prime Minister Baburam Bhattarai ignored the advice of some Western diplomats to not attend the 16th NAM summit in Tehran in August 2012. Addressing the Tehran summit, Bhattarai appealed to the member countries to make “NAM a voice for the voiceless and power for the powerless and asking to make a pledge to work in a coherent, cooperative and concerted manner for justice and peace at home and more importantly for justice and peace in the world.”⁵⁷

The first elected government of Nepal under the new Constitution reiterated significance of NAM. Before leaving for the 18th NAM summit, in an interview to National News Agency and Nepal Television, Foreign Minister Pradeep Kumar Gyawali said there was a consensus

⁵⁵ Hira Bahadur Thapa, “NAM and Nepal’s Strategic Autonomy”, *The Rising Nepal*, Kathmandu, 1 November 2019, available at <https://risingnepaldaily.com/opinion/nam-and-nepals-strategic-autonomy>, accessed on 30 January 2021.

⁵⁶ Kirti Nidhi Bista, “Getting it Right”, *myRepublica*, 17 September 2012, available at http://www.myrepublica.com/portal/index.php?action=news_details&news_id=41841, accessed on 13 July 2013.

⁵⁷ “In Iran, PM Reiterates Nepal’s Loyalty to NAM Principles”, *The Himalayan Times*, 31 August 2012.

at the ministerial meeting of NAM that “NAM is linked with our significance and development, which is why our foreign policy is based on the principles of the non-aligned movement and given our geopolitical situation non-alignment, neutrality and non-intervention, sovereign equality are very important. It’s an opportunity for Nepal to reaffirm its commitment to NAM principles”.⁵⁸

Prime Minister Oli had led a 21-member Nepali delegation to the 18th NAM summit held in Baku, Azerbaijan, on 25–26 October 2019. The presence of a large delegation, including PM and foreign minister in the Baku summit, indicated relevance of NAM to Nepal. Addressing the summit on 25 October 2019, Prime Minister Oli suggested that Nepal visualises a NAM that is “internally cohesive, united, strong and externally influential so that entrenched global inequalities are uprooted for once and for all.”⁵⁹

NEPAL AND SAARC

At the regional level, Nepal played a key role in the formation of South Asian Association for Regional Cooperation (SAARC). As a founding member, Nepal has been firmly committed to making SAARC a dynamic regional organisation. While the UN and NAM took care of Nepal’s strategic and diplomatic needs, SAARC provided a platform for its economic interests.⁶⁰ Unlike NAM, Nepal used SAARC mostly

⁵⁸ “18th NAM Summit Begins Today: Nepal to Reaffirm its Commitment to NAM Principles”, *myRepublica*, 25 October 2019, available at <https://myrepublica.nagariknetwork.com/news/18th-nam-summit-begins-today-nepal-to-reaffirm-its-commitment-to-nam-principles/>, accessed on 4 February 2021.

⁵⁹ Statement by Right Honourable Mr. K.P. Sharma Oli, Prime Minister of Nepal and Leader of the Nepali delegation to the 18th Summit of Non-Aligned Movement (NAM), 25 October 2019, MoFA, Nepal.

⁶⁰ Deputy Prime Minister and Foreign Minister Shri Narayan Kaji Shrestha’s keynote address at the conference on “Institutionalization of the Foreign Policy of Nepal” on 17 August 2012 in Kathmandu. For details, visit <http://ifa.org.np/seminar-on-institutionalization-of-nepals-foreign-policy/>, accessed on 4 February 2021.

to negotiate with India in a group, which it could not do bilaterally. There were occasions when Nepal along with other SAARC members tried to put pressure on India for sharing of river waters, dams and other economic issues and also tried to reduce India's influence by recommending the inclusion of extra-regional powers as observers. For example, at the 13th SAARC summit in Dhaka in November 2005, Nepal and Pakistan proposed China as an observer to counter India's proposal to offer membership to Afghanistan. It is believed that Gyanendra wanted to neutralise India's influence at the domestic and regional level. He suspected India of having designs to mobilise the Maoists against the monarchy.⁶¹

Nepal successfully conducted the 18th SAARC summit in November 2014. The Kathmandu summit focused on past issues like terrorism, climate change, regional connectivity and a common market. However, it also came up with some fresh agendas such as launching of a regional communication satellite, railway services, SAARC motor vehicles agreement and energy cooperation in South Asia. Other issues included making concerted efforts and cooperation to contain communicable diseases such as Ebola, HIV/AIDS, etc. The Kathmandu Summit re-emphasised "the relevant bodies/mechanisms for effective implementation of the SAARC Agreement on Rapid Response to Natural Disasters, SAARC Convention on Cooperation on Environment and Thimpu Statement on Climate Change, including taking into account the existential threats posed by climate change to some SAARC member states."⁶²

However, the fate of the Kathmandu summit once again dismayed the people of this region and the international community. The summit ended with signing of only the SAARC framework agreement on energy cooperation (electricity). The summit had earlier proposed to

⁶¹ Shyam Saran, *How India Sees the World*, New Delhi: Juggernaut Books, 2017, p. 157.

⁶² Kathmandu Declaration, 18th SAARC Summit, Kathmandu, Nepal, 26–27 November 2014.

ratify the Motor Vehicles Act (MVA) and Regional Railways Agreement (RRA). Both the proposals were initiated by India. “Pakistan had expressed reservations over three pacts that were expected to be signed during the summit.”⁶³ Despite the initial enthusiasm of some improvement in India–Pakistan relations after Pakistan PM Nawaz Sharif attended the oath taking ceremony of PM Modi, the firings on the LoC and the cancellation of foreign secretary level talks, just before the Kathmandu summit, once again affected the SAARC meeting. As a result, the leaders were reluctant to recognise each other’s presence during the inaugural session of the summit. Prime Minister Sushil Koirala played a crucial role in trying to break the stalemate between the two leaders during a retreat at Dhulikhel on the sidelines of the summit. Pakistan opposed India’s proposal on MVA and rail agreement and later agreed to sign on the Nepal-backed energy proposal.

The 19th SAARC summit, which was supposed to be held in Islamabad, was cancelled due to Pakistani sponsored terrorist group’s attack on an Indian Army camp in Uri, Kashmir. Bangladesh, Bhutan, and Afghanistan had condemned the attack and supported India’s decision to stay away from the summit citing cross-border terrorist attacks in the region. Interestingly, Nepal did not condemn the attack in Uri. It only officially (as SAARC chair) cancelled the 19th SAARC summit since four countries declared their unwillingness to participate.⁶⁴ As one of the signatories of SAARC regional convention on suppression of terrorism and as a friendly neighbour, India expected Nepal’s support at that crucial juncture. Rather, Nepal insisted on holding the summit in Islamabad. In September 2020, Foreign Minister of Nepal, Pradeep Kumar Gyawali, while chairing the virtual meeting of the

⁶³ Khaganath Adhikari, spokesperson, Ministry of Foreign Affairs, Government of Nepal. For details, visit “Indo-Pak Tension Shadows Pacts”, *The Kathmandu Post*, 27 November 2014, available at <https://kathmandupost.com/miscellaneous/2014/11/27/indo-pak-tension-shadows-pacts>, accessed on 27 November 2014.

⁶⁴ “Islamabad SAARC Summit Cancelled”, *The Hindu*, 28 September 2016, available at <https://www.thehindu.com/news/national/Islamabad-SAARC-summit-cancelled/article14845327.ece>, accessed on 4 February 2021.

SAARC Foreign Ministers had urged the member states to explore all viable options to hold the 19th summit at an early date. In the same meeting, Pakistan expressed its willingness to hold the summit. Once again, while other SAARC members expressed inability to hold the 19th SAARC summit due to COVID-19 pandemic, Nepal supported Pakistan's proposal during the virtual meeting held in September 2020.⁶⁵ The same was reiterated by PM Oli on the occasion of the 36th Charter Day of SAARC. PM Oli appealed for “giving fresh impetus to the stalled SAARC process including through the early convening of the Summit”.⁶⁶ Most importantly, while there is no change in Pakistan's position in supporting cross-border terrorism and terror financing, Nepal's tacit support to Pakistan on the SAARC summit has been a subject of concern to New Delhi.

NEPAL AND BIMSTEC

Nepal is also a part of BIMSTEC and regional initiatives like the Asian Highway and Asian railway networks. Though not a founding member of the BIMSTEC, Nepal decided to join it in 1997 and was given the observer status on 19 December 1998. Due to a five-year moratorium set in 1997 on the consideration of applications for new membership, Nepal was granted full membership only in 2003. Since then, Nepal has been actively participating in various meetings of BIMSTEC.⁶⁷

⁶⁵ “Nepal Tacitly Supports Pakistan's Renewed Bid to Host Long-pending SAARC Summit, but India, Others Shoot Down Proposal”, *Deccan Herald*, 24 September 2020, available at <https://www.deccanherald.com/national/nepal-tacitly-supports-pakistan-s-renewed-bid-to-host-long-pending-saarc-summit-but-india-others-shoot-down-proposal-892573.html>, accessed on 4 February 2021.

⁶⁶ “Nepalese PM Urges SAARC Member States to Give Fresh Impetus to Stalled Regional Bloc”, *The New Indian Express*, 8 December 2020, available at <https://www.newindianexpress.com/world/2020/dec/08/nepalese-pm-urges-saarc-member-states-to-give-fresh-impetus-to-stalled-regional-bloc-2233591.html#:~:text=KATHMANDU%3A%20Nepalese%20Prime%20Minister%20K%20P,needed%20political%20will%20and%20commitment>, accessed on 4 February 2021.

⁶⁷ BIMSTEC, Ministry of Foreign Affairs, Government of Nepal, see <http://www.mofa.gov.np/en/bimstec-170.html>, accessed on 12 July 2013.

Nepal joined BIMSTEC for rapid economic growth and also due to the slow progress in the SAARC. Secondly, joining BIMSTEC would help Nepal improve its economic cooperation with the member countries and take advantage of connectivity and poverty alleviation programmes. Interestingly, it is the first member of BIMSTEC which does not have direct access to sea, and depends on India and Bangladesh for that. Nepal has been demanding special facilities for landlocked countries in the BIMSTEC Free Trade Agreement (FTA). Lastly, as discussed earlier, being a small country, Nepal believes that multilateralism would help in addressing the concerns of the LDCs on economic issues. In 2005, Bangladesh and Nepal disagreed on India's proposal over the rules of origin (ROO) issue and both demanded that the LDCs in the BIMSTEC should be allowed a "less stringent value addition norm".⁶⁸

Nepal hosted the 4th BIMSTEC summit in Kathmandu on 30–31 August 2018. The summit recognised the special needs and circumstances of the least developed and landlocked developing countries and required sustained efforts and cooperation and comprehensive approach involving active participation and collaboration of the member states against terrorism and transnational organised crimes. Based on this declaration, unofficially, New Delhi had proposed to the member countries to hold a joint military exercise to share its experience in counter-insurgency, terrorism and disaster management. Quoting one unanimous Indian official, some media reports said "participation depended entirely on the comfort level of participating countries"⁶⁹ and Nepal had reportedly agreed to participate

⁶⁸ "Bimstec Members Partly Solve ROO Issue", *The Financial Express*, New Delhi, 6 October 2005, available at <http://www.financialexpress.com/news/story/150379>, accessed on 12 July 2013.

⁶⁹ "On Nepal's Pull Out from BIMSTEC Military Drill, India says Move 'Not Convincing'", *Hindustan Times*, 11 September 2018, available at <https://www.hindustantimes.com/india-news/as-nepal-pulls-out-of-bimstec-military-exercise-delhi-tells-kathmandu-it-s-not-done/story-xKivU9LSljqtcVVvIQQR3BJ.html>, accessed on 4 February 2021.

in the exercise. Interestingly, just over a week after Kathmandu summit, Nepal withdrew from the exercise citing internal political pressure. India expressed its displeasure to Nepal diplomatically over its decision because “The Indian position is this was something in the works for a while. Nepal had agreed. A planning meeting was held much earlier. PM Modi mentioned it in his speech in Kathmandu in front of everyone on August 30.”⁷⁰

The strategic community in India believed that Nepal withdrew from the military exercise under the pressure from China and not due to internal political pressure. This impression was deduced from two bilateral developments between Nepal and China. The first event was the Nepal Army’s media briefing on 11 September 2018, about holding the second joint military exercise with China, Sagarmatha Friendship-2, from 17 to 28 September in Chengdu. This declaration happened interestingly after Nepal’s decision to withdraw from BIMSTEC military exercise. The second event was after a meeting with Chinese delegation in Kathmandu, Nepal’s Commerce Ministry on 7 September 2018 confirmed that “Nepal and China finalised a protocol during a meeting in Kathmandu giving Nepal access to the Chinese ports at Tianjin, Shenzhen, Lianyungang and Zhanjiang.”⁷¹

Despite this, Nepal continues to be committed towards strengthening BIMSTEC. Nepal is a lead country in implementing BIMSTEC Poverty Plan of Action (PPA) which was endorsed in the Second Ministerial Meeting held in Kathmandu in 2012. Nepal will benefit economically under connectivity network specially connecting the sea routes. From its limited access to sea ports, Nepal will have multiple sea port connectivity options under BIMSTEC programme. Since Nepal is not connected by air with many South East Asian countries, BIMSTEC

⁷⁰ Ibid.

⁷¹ “Nepal says China to Allow Access to Ports, Ending Indian Monopoly on Transit”, *Reuters*, 7 September 2018, available at <https://www.indiatoday.in/world/story/nepal-says-china-to-allow-access-to-ports-ending-indian-monopoly-on-transit-1334997-2018-09-07>, accessed on 4 February 2021.

inland connectivity will fill up that gap and promote Buddhist tourists from these regions. Moreover, energy cooperation has featured prominently in the agenda of BIMSTEC. Being a leading producer of renewable energy (hydro power), BIMSTEC grid inter-connectivity will offer market options for Nepal beyond India.

NEPAL'S FOREIGN POLICY UNDER THE INTERIM CONSTITUTION

Although Nepal's Interim Constitution (IC) followed the foreign policy parameters of the 1990 Constitution, it was slightly modified in view of the peace and constitution making process, the objective of its foreign policy being to "enhance the dignity of Nepal in the international arena by maintaining the sovereignty, integrity and independence of the country."⁷² Nepal's foreign policy was based on the basic principles of international laws and norms such as:

1. Mutual respect for each other's territorial integrity and sovereignty;
2. Non-interference in each other's internal affairs;
3. Respect for mutual equality;
4. Non-aggression and peaceful settlement of disputes; and
5. Cooperation for mutual benefit.⁷³

According to Article 26 (15, 16) of the 2007-Interim Constitution, the foreign policy of Nepal was to be guided by the principles of the UN Charter, non-alignment, *Panchsheel*, international law, world peace along with continuous efforts to ensure peace for Nepal through international recognition, by promoting cooperation and good relations with other countries in economic, social and other spheres on the basis of equality.

⁷² Ministry of Foreign Affairs, Government of Nepal. See <http://www.mofa.gov.np/foreignpolicy/>

⁷³ Ibid.

The IC also provided for ratification and approval of previous treaties and agreements in Parliament. According to Article 156(2):

The laws to be made pursuant to clause (1) shall, inter alia, require that the ratification of, accession to, acceptance of or approval of treaty or agreements on the following subjects be done by a two-thirds majority of the total number of members of the Legislature-Parliament existing:

- (a) peace and friendship;
- (b) security and strategic alliance;
- (c) the boundaries of Nepal; and
- (d) natural resources and the distribution of their uses.

Article 156(4) says that “Notwithstanding anything contained in clauses (1) and (2), no treaty or agreement shall be concluded that may be detrimental to the territorial integrity of Nepal.”

FOREIGN POLICY IN POST-MONARCHY PERIOD

From August 2008 to September 2014,⁷⁴ Nepal had five governments—the UCPN-Maoist and CPN-UML both leading two of each. Foreign policy of Nepal during that period was guided by IC. There has been a perception in Nepal that India was sympathetic to the governments of Madhav Kumar Nepal and Baburam Bhattarai. It may be noted that India’s bids were ignored for most of the mega projects in Nepal during these two regimes. For example, the machine-readable passport project was given to France by Madhav Kumar Nepal’s government. Three mega projects—Lumbini and Pokhara airports and West Seti hydro project—went to Chinese companies during Baburam’s premiership. Also, while Indian companies⁷⁵ were

⁷⁴ Baburam Bhattarai, elected in August 2011, was the fourth Prime Minister of Nepal after the CA elections.

⁷⁵ The list of Indian joint ventures or companies, whose business was affected adversely in Nepal were: Surya Nepal (Garment), Nepal Lever, Manipal Medical, GMR (hydro), ITC Surya, Satluj Jal Vidyut Nigam (holding expansion plan), and Soaltee Hotels Limited.

facing difficulties in operating in the hydro, garment, hotel and infrastructure sectors in Nepal on account of the unfavourable business environment in the country, Chinese companies started investing in those sectors. All the four governments, instead of striving to enhance the dignity of Nepal in the international arena, tilted towards China to neutralise the perceived Indian influence prompted by party ideology and individual agendas.

UCPN (Maoist) led Government

There have been major changes in Nepal's foreign policy outlook since the Maoists assumed power in August 2008. The Federal Democratic Republic of Nepal has emphasised independence in the conduct of its foreign policy. The Maoist government adapted the "equidistance policy" into a policy of "non-alignment" and neutrality. The practical application of that was, instead of feeding the people of Humla with Indian rice transported by helicopter from Nepalganj, the government would get rice from the nearby markets in Tibet.⁷⁶ Prachanda, the then Prime Minister, visited Beijing in August 2008 to attend the concluding ceremony of the Olympic Games, departing from the tradition of a new Nepali PM officially visiting New Delhi first. In April 2009, China proposed a revised peace and friendship treaty with Nepal to improve its own standing in that country. Prachanda, however, cancelled the visit scheduled for May 2009. Earlier, China was more focused on the Tibet issue, but it diversified its interests in Nepal being encouraged by

⁷⁶ C.P. Gajurel, "No Special Relation between Nepal and India", *Telegraphnepal.com*, 25 December 2008, available at http://www.telegraphnepal.com/backuptelegraph/news_det.php?news_id=4576, accessed on 16 July 2013. The paper was formally submitted at the Institute of Foreign Affairs-FES (Friedrich Ebert Stiftung, Germany) Seminar in Kathmandu, 23 December 2008. C.P. Gajurel wrote this while he was a Politburo member of the Communist Party of Nepal (Maoist). He is presently Vice-Chairman of the Communist Party of Nepal-Maoist (Mohan Baidya faction). This faction in January 2013 identified India as its "Principal Enemy".

the Maoists' policy of maintaining equidistance with India and China. One Nepalese scholar has observed that:

The new trend evident over the past three years [since 2008] now has China's interest in Nepal shifting from being almost exclusively focused on Tibet-related security issues (essentially preventing any "Free Tibet" activity out of Nepal) to being part of Beijing's larger geo-strategic plan for South Asia.⁷⁷

On the other hand, the UCPN-Maoist, which had not abandoned its "revolutionary political objective", was eager to seek China's support to counterbalance India. To oblige China, the Prachanda government took strong action against the Tibetan refugee movement in Nepal and increased border security to prevent transit of Tibetan refugees across the border with China.

Several high-level visits have been exchanged between China and the Maoist government in Nepal. These included Prime Minister Prachanda's trip to Beijing in September 2008, followed by the visit of Defence Minister Ram Bahadur Thapa a few days later. China's Foreign Minister Yang Jiechi visited Nepal in December 2008. During Thapa's visit in September 2008, China agreed to provide security assistance worth \$2.61 million to Nepal and the agreement was signed on 7 December 2008.⁷⁸ China also agreed to provide technical assistance for the merger of the Maoist armed cadres with the Nepal Army, and economic assistance worth NPRs 1.2 billion to support Nepal's infrastructure and technical development.

⁷⁷ Purna Basnet, "China's Success", *Himal*, Kathmandu, April 2011, available at <http://himalmag.com/component/content/article/4350-chinas-success.html>, accessed on 13 July 2013.

⁷⁸ Peter Lee, "Sino-Indian Rivalry Fuels Nepal's Turmoil", *Asia Times*, 14 November 2009, available at http://www.atimes.com/atimes/South_Asia/KK14Df01.html, accessed on 13 July 2013. For more information, see Anand Gurung, "Reversal of Role: Is China Playing 'Nepal Card' Now?", *Canada Tibet Committee*, 6 March 2006, available at <http://www.tibet.ca/en/newsroom/wtn/5641>, accessed on 13 July 2013. Also see "China Agrees to Provide Rs 200 Million worth Security Assistance", *Nepal News*, 7 December 2008.

Like the kings in the past, the democratic governments since 2008 sought to reduce India's influence in Nepal, with the Maoists (before the split) even projecting India as an enemy state in their manifesto. Maoist demands mentioned therein are: (i) regulated or closed border, (ii) more trade and transit facilities, (iii) formation of Greater Nepal, (iv) civilian nuclear units with the help from China, (v) demarcation of borders, and (vi) diversification of trade and free arms import.

Although Prachanda undertook the first official visit to India, his first foreign trip to Beijing had indicated that the Maoists would prefer China over India. During his visit to the Nordic countries in March 2009, Prachanda articulated the view that sustainable peace was not possible in Nepal without economic prosperity and support from the international community. He requested Norway to invest in hydropower development and other sectors of mutual interest.⁷⁹ Even after his resignation, the Maoists mobilised international support to come back to power and projected India as an interventionist power.

When the Maoists returned to power for the second time with Baburam Bhattarai as prime minister in August 2011, he restored the tradition of making the first official visit to India at the invitation of India's prime minister. While articulating Nepal's foreign policy priorities in the changing global and regional order, he said that Nepal needs to reorient its foreign policy and become a "vibrant bridge" between the two Asian economic giants. In this regard, road and rail connections between Tibet and India through Nepal needed to be augmented. He noted that the "country's focus on India, China and US will be instrumental in developing Nepal."⁸⁰ Despite the UCPN-Maoists'

⁷⁹ "PM in Norway, Holds Talks on Energy Deal", *The Rising Nepal*, Kathmandu, 29 March 2009. For details of Prachanda's interaction with journalists and Nepalese in Norway, see "Prime Minister Prachanda in Norway", *Democracy and Class Struggle*, 30 March 2009, available at <http://democracyandclasstruggle.blogspot.in/2009/03/prime-minister-prachanda-in-norway.html>, accessed on 13 July 2013.

⁸⁰ "Govt. to Establish Think Tanks on Foreign and Strategic Issues: PM", *The Kathmandu Post*, 15 January 2012, available at <http://www.ekantipur.com/the-kathmandu-post/2012/01/15/nation/govt-to-establish-think-tanks-on-foreign-and-strategic-issues-pm/230440.html>, accessed on 13 July 2013.

declared policy of equidistance, Bhattarai believed that Nepal is economically more dependent on India than China. However, given the growing presence of China in Nepal, it could be a major challenge for Nepal to maintain a balance between the two neighbours. While earlier India had a major share in the Nepalese economy and investments, the situation has become more competitive for India since 2013. Both countries exert pressure on Nepal if it enters into any agreement with the other. There is also domestic pressure to maintain a balance in the relationship. For example, after the conclusion of BIPA (Bilateral Investment Promotion and Protection Agreement) between Nepal and India, there was pressure both from China and the UCPN-Maoist party on Nepal to enter into a similar agreement with China. In an effort to maintain a balance in hydro projects in Nepal, the Interim Constitution's directive on foreign policy was ignored—for the first time in the last four years—by allotting the West Seti project to China. There has been a constant demand from the radical Maoist factions to allocate more hydro and infrastructure projects of Nepal to China to neutralise India's influence.

However, given the controversies related to the West Seti project and the delay in the process, China sensed a conspiracy. These doubts emanated from Nepali media stories that Baburam Bhattarai government was supported by India. This perception was strengthened further when Bhattarai told the media in advance about Chinese Prime Minister Wen Jiabao's visit to Nepal in December 2011. Perhaps, the Chinese establishment was apprehensive about protests/demonstrations by Tibetan refugees in Nepal during the Premier's visit. As a result, the visit was postponed to January 2012. Moreover, China has never been comfortable with a pro-India regime in Nepal. It has the impression that the regime might not take strong action against Tibetan refugees in Nepal. Since China had limited options of replacing the Baburam Bhattarai government, it expressed its displeasure by not responding positively to the Nepal government's request to meet Wen Jiabao on the sidelines of the United Nations Conference on Sustainable Development at Rio in June 2012. The message was repeated thereafter when China reportedly facilitated Netra Bikram Chand's visits to China before the split in the UCPN-Maoist in June 2012 and during an

unofficial visit of Ai Ping.⁸¹ During his visit, surprisingly, Ai Ping did not meet the prime minister. Although China claimed that it was against the split in UCPN-Maoist, surprisingly, it did not put pressure on the Baidya faction to merge with the parent party during Baidya's China visit in July 2012. Rather, China acknowledged that the CPN-Maoist party was a "nationalist force".⁸²

Since the Maoists' declared "equidistance" policy had been a non-starter because of both the domestic situation in Nepal and the regional power balance between India and China, the Maoists had moderated their policy by emphasising on economic and development programmes with a fresh proposal of "trilateral cooperation" between Nepal-India-China. The proposal came from the UCPN (Maoist) Chairman, Pushpa Kamal Dahal, on 26 October, after his five-day visit for attending the Shanghai Expo 2010.⁸³ The proposal was reiterated by Dahal after signing a MoU with Asia Pacific Exchange and Cooperation (APEC) Foundation on 7 November 2012 for the Lumbini development project and again during his official visits to Beijing and New Delhi in April 2013. India was lukewarm about the proposal even before Dahal could formally discuss with Indian decision makers. Sensing India's negative response, Dahal modified his proposal during an interaction with Indian intellectuals at ICWA on 29 April 2013 and said that "trilateral cooperation in various mutual projects in Nepal is very much possible. It is our vision for the future. Let me also clarify that by no means do

⁸¹ Vice Minister of International Department for South Asian Affairs of the Communist Party of China (CPC).

⁸² "Chinese Leaders Caution Baidya against Foreign Interests in Federalism", *nepalnews.com*, Kathmandu, 26 July 2012, available at <http://www.nepalnews.com/archive/2012/jul/jul26/news18.php>, accessed on 31 July 2012.

⁸³ "Dahal Returns from China; Prescribes Trilateral Talks for Strategy on Nepal", *nepalnews.com*, 27 October 2010, available at <http://www.nepalnews.com/home/index.php/news/2/10090-dahal-returns-from-china-prescribes-trilateral-talks-for-strategy-on-nepal.html>, accessed on 13 July 2013.

I wish to undermine or replace our centuries-old bilateral relations.”⁸⁴ In the same meeting, Dahal also emphasised that a prosperous and developed Nepal can manage the security concerns of the region effectively. Interestingly, India did not respond to the proposal.

CPN-UML led Government

The Maoist policy of equidistance was also followed by the succeeding coalition government led by Madhav Kumar Nepal of the CPN-UML, but with some moderation in policies *vis-à-vis* India. The new prime minister visited India soon after assuming office. Interestingly, his visit to Beijing in December 2009 was a high-profile one and the two countries agreed to further strengthen their relationship. Since this was the first official visit of the Nepali prime minister to China after it became a Republic, China took the visit very seriously. One of the longest and most detailed joint statements was issued at the end of that visit. The two countries agreed to “lift their bilateral relationship to a higher level by establishing a comprehensive partnership of cooperation,”⁸⁵ which hinted at taking the relationship to a higher level from the previous “good-neighbourly partnership” to “closer ties between China and Nepal”. China’s top legislator Wu Bangguo,⁸⁶ during an interaction with Nepal, clarified that the objective of the comprehensive partnership was “strategic”. The joint statement further widened the window of opportunities for China in Nepal.

⁸⁴ “Vision for Tomorrow: India-Nepal Ties”, edited excerpts from Dahal’s speech at Indian Council of World Affairs (ICWA) in New Delhi on 29 April 2013, available at http://www.myrepublica.com/portal/index.php?action=news_details&news_id=53965, accessed on 12 July 2013.

⁸⁵ “China, Nepal to Advance Bilateral Ties”, *Xinhua English*, 30 December 2009, available at http://news.xinhuanet.com/english/2009-12/30/content_12731012.htm, accessed on 13 July 2013. Also see Joint Statement declared during the visit on 30 December 2009, Beijing, available at <http://www.fmprc.gov.cn/eng/wjdt/2649/t649608.htm>.

⁸⁶ Chairman of the Standing Committee of the National People’s Congress (NPC).

Madhav Kumar Nepal's successor, Jhlanath Khanal, further facilitated Chinese presence in Nepal. One scholar observed: "Although both Madhav Nepal and Prime Minister Khanal belong to the same party, the CPN-UML, the latter, who became prime minister through a secret deal with Maoist Chairman Dahal, is perceived more positively by Beijing."⁸⁷ During this period, several Chinese political and business delegations visited Nepal. Surprisingly, in his 15 months' tenure, Khanal did not undertake any official visits to Nepal's two important neighbours.

NC and UML Coalition Government

The Nepali Congress (NC) led new coalition government formed after the CA elections in November 2013 continued the previous government's foreign policy (equidistance policy between India and China and fighting for LDCs' cause) and also in accordance to the IC. However, the new government tried to utilise various tools of diplomacy to take advantage of economic growth of India and China "beyond the mere rhetoric of 'being a bridge' between these two economies and act to translate our vision into reality". Taking into consideration Nepal's "structural constraints", the government's foreign policy objective was utilising diplomacy to generate resources, especially attracting foreign direct investment (FDI), for domestic socio-economic transformation and development by modernising foreign policy related institutions.⁸⁸

Keeping faith in its southern neighbour, which was not the case during the first phase of Maoist government and the UML, Prime Minister Sushil Koirala paid an official visit to Delhi during 25–28 May 2014 on the invitation of PM-designate Narendra Modi, to attend the oath

⁸⁷ Purna Basnet, n. 77.

⁸⁸ Address by Mahendra Bahadur Pandey, Minister for Foreign Affairs, at the 67th Anniversary of Nepal Council of World Affairs Kathmandu on 18 February 2015, available at <http://www.mofa.gov.np/en/news/detail/973#sthash.Efvt5qjs.dpuf>, accessed on 9 July 2015.

taking ceremony along with other SAARC leaders. The invite from India perhaps gave a relief to the NC and PM Koirala because China invited the PM to attend the inaugural ceremony of the Second China–South Asia Exposition at Kunming from 6–10 June 2014. Nepal was chosen as “Country of Honour” for the Expo 2014. Foreign Minister Mahendra Pandey’s statement on the PM’s visit to India reflected that it seemed PM Koirala did not want to visit China first by breaking the tradition of undertaking the first official visit to Delhi. The statement said “Koirala’s India visit has paved the way for his sojourn to Kunming, China, for the second China–South Asia Trade Exposition. The deck has been cleared for the PM to visit China once he returns from India respecting Nepal’s long-standing tradition of visiting India first.”⁸⁹ Koirala’s visit to China in June was the third visit of a Head of the government to that country in the post-Monarchy period and the visit happened after around five years of PM Madhav Kumar Nepal’s visit to Beijing in December 2009.

The neighbourhood has been the prime focus of PM Koirala’s foreign policy. While committing to address the security concerns of the two neighbours, the government also expected its neighbours to respect its geo-political sensitivities. Articulating Nepal’s foreign policy during the political transition period and changing geo-political dynamics in Asia and at the international level, PM Koirala said “Nepal’s foreign policy priority begins with its neighbours, India and China. We immensely value our relations with them.”⁹⁰

Like previous regimes, this government also maintained very good relations with other countries and multilateral organisations. Some of the major foreign policy achievements of the Koirala government were:

⁸⁹ “PM’s Delhi Visit for Modi Swearing-in Confirmed”, *ekantipur*, 23 May 2014, available at <http://www.ekantipur.com/2014/05/23/top-story/pms-delhi-visit-for-modi-swearing-in-confirmed/389924.html>, accessed on 9 July 2015.

⁹⁰ Address by Prime Minister Sushil Koirala at a programme organised by the Nepal Council of World Affairs to mark its 67th anniversary, Kathmandu, 18 February 2015, available at <http://www.mofa.gov.np/en/news/detail/972#sthash.7qL4E0RG.dpuf>, accessed on 9 July 2015.

(i) joining AIIB (*Asian Infrastructure Investment Bank*) as one of the founding members; (ii) successfully organising the 18th SAARC summit; (iii) successfully utilising diplomacy to generate international community support in the International Conference on Nepal's Reconstruction organised in the post-earthquake period; (iv) positive response from both China and India to include Nepal in the Trans-Himalayan connectivity project; and (v) SCO (*Shanghai Cooperation Organisation*) decided to grant the status of dialogue partner to Nepal in July 2015, at Ufa, Russia. Nepal's entry into AIIB and SCO would bring fresh support to its infrastructure projects, energy and trade with Central Asian countries through the Silk Route. Nepal had signed a four-point document endorsing the Silk Road Economic Belt with China in January 2015. Nepal government requested concessional loan for infrastructure building for post-earthquake reconstruction. The way China has been planning to integrate Himalayan region by roadways and railways, Nepal and Bhutan would prefer joining the BCIM (Bangladesh, China, India and Myanmar) Economic Corridor in the near future.⁹¹

THE NEW FOREIGN POLICY

Since Nepal became a federal, democratic, secular republic, the parliamentary committee on the International Relations and Human Rights recommended that Nepal's foreign policy be updated in the changed context. It said Bhutanese, Tibetans and other refugees are a burden on Nepal, and that Nepal should send them back with respect, through bilateral and multilateral diplomatic channels. Tibetan refugees should be allowed to stay on but on the condition that they would not indulge in anti-China activities, which would affect Nepal's commitment to the one-China policy. The report further said that the scope of Nepal's foreign policy should be diversified to support the economic and social development of the country. Nepal should also remain

⁹¹ For details see "Integrating Tibet with the World", *The Hindu*, 13 July 2015, available at <https://www.thehindu.com/opinion/op-ed/sichuantibet-railway-project-integrating-tibet-with-the-world/article7414017.ece>, accessed on 4 February 2021.

committed to international organisations like the UN, World Bank, IMF, ADB, WTO, etc.⁹²

Keeping in mind the shifts in internal and external situation, the new Constitution (2015) guides the new foreign policy of Nepal to be adopted on the following lines: Article 5 says “Safeguarding of the freedom, sovereignty, territorial integrity, nationality, independence and dignity of Nepal, the rights of the Nepalese people, border security, economic wellbeing, and prosperity shall be the basic elements of the national interest of Nepal.”

Likewise Article 51 (m) (1) of the Constitution guides Nepal to “conduct an independent foreign policy based on the Charter of the UN, non-alignment, principles of *Panchsheel*. . . remaining active in safeguarding the sovereignty, territorial integrity, independence and national interest of Nepal”. Moreover, Section (2) of the same article advised the State to “review treaties concluded in the past, and make treaties, agreements based on equality and mutual interest”.⁹³ It would be worth mentioning here that as of September 2015, Nepal has maximum number of treaties and agreements with India, including the most controversial “1950 Treaty”. The objective of this section could be to revise and update the 1950 Treaty of Peace and Friendship with India. The issue has been a contentious issue between the two countries for a long time. Apart from that, many agreements between India and Nepal on water and hydropower could be updated or revised in the changing situation. There has been a perception amongst the people in Nepal that these treaties have not benefitted the country much. The new Constitution also directs the Union Government to ensure “Abiding and Protecting the sovereignty, unity, national sovereignty (or national independence) and national interest; conduct independent foreign policy based on United Nations Charter, Non-Alignment, *Panchsheel* Agreement, International Law and Global Peace.” This indicates that

⁹² English translation of the Report of the Parliamentary Committee (Constituent Assembly 2008) on the International Relations and Human Rights, Nepal.

⁹³ The Constitution of Nepal, 2015, p. 43.

being a small and landlocked state, the core of Nepal's foreign policy would be to focus on protecting its territorial integrity and identity, and mobilise international support in case of any threat to its sovereignty. Both political and economic diplomacy would be utilised to achieve national interest and national security.

Foreign Policy during Oli Government: Old Wine in New Bottle?

After 57 years of political struggle for multi-party democracy, including ten years of a Maoist insurgency, Nepal adopted the first democratic Constitution in September 2015. The process formally ended the monarchy, the Maoist conflict, and the prolonged debate over the new Constitution, all of which had stalled economic growth and infrastructure development in the country.

A strong new government in Kathmandu led by the Nepal Communist Party (NCP) after 2017 parliamentary elections raised people's expectations that the country would finally move forward. There was a realisation in the ruling party that the old style of foreign policy might not address the developmental aspirations of the people and that it should be updated as per the new provisions of the 2015-Constitution.⁹⁴ After assuming power in April 2018, Prime Minister K.P. Sharma Oli indicated the need to adopt more independent and norms based foreign policy. In May 2018, the NCP's first policy and programme gave free hand to the government to take "any domestic-international policy, decision and play the role as an independent and free country. We would believe in a good neighbourly relation with our both neighbouring countries." With this in mind, "our foreign relation will be based on mutual benefit and respect, international commitment and duties, and national interest and justice. Diplomatic missions will be made active for national interest, tourism development, export, and attracting foreign investment."

⁹⁴ Nepal's Foreign Policy, Ministry of Foreign Affairs, Nepal, available at <https://mofa.gov.np/foreign-policy/>, accessed on 4 February 2021.

In this regard, the Oli government formed a task force to provide concrete suggestions and prepare a new foreign policy suitable to the changed context of the world. In an interview to the media on 8 October 2020, Foreign Minister Pradeep Gyawali said, “The government is in final stage of drafting a new foreign policy of the country that will transform Nepal’s geographic position between two giant countries [India and China] as an opportunity for economic development.”⁹⁵ He was perhaps hinting about transforming Nepal to a transit country between India and China by developing trans-Himalayan connectivity and trade corridor.

In an effort to remove past perceptions about Nepal as investment unfriendly country, the top business houses and government of Nepal organised infrastructure conclaves (2017) and investment summit (2019) in Kathmandu. A large number of foreign companies and leaders participated in these mega events which drew large scale commitments. China alone committed to invest \$8.3 billion in Nepal in 2017.⁹⁶ In February 2020, Nepal also organised a tourism investment summit.

The Oli government formally announced the new foreign policy of Nepal in December 2020. The policy broadly talks about Nepal’s engagements with neighbours, major powers and its commitment towards multilateral organisations such as the UN, SAARC, and NAM. Most importantly, it has emphasised on diversifying economic policy to attract more FDI and track-two diplomacy to resolve disputes and amend bilateral treaties. For the first time, Nepal also laid emphasis on

⁹⁵ “Nepal’s New Foreign Policy to Transform Country’s Geopolitical Situation into Opportunity: Minister”, *onlinekhabar.com*, 8 October 2020, available at <https://english.onlinekhabar.com/nepals-new-foreign-policy-to-transform-countrys-geopolitical-situation-into-opportunity-minister.html>, accessed on 4 February 2021.

⁹⁶ “Nepal Secures Nearly \$12 Billion from Investment Summit 2019”, *The Kathmandu Post*, 3 January 2020, available at <https://tkpo.st/2QJ4qMchttps://kathmandupost.com/money/2020/01/03/nepal-secures-nearly-12-billion-from-investment-summit-2019>, accessed on 4 February 2021.

thematic issues like climate change, labour migration and soft power (*Budhatma*) in its foreign policy.⁹⁷

Except soft power and *Budhatma*, Nepal has been practicing other issues since 1955. Therefore, the new foreign policy appears like an old wine in a new bottle. The Oli government has only prepared a consolidated report while those issues were scattered earlier. Most importantly, the operational aspect of foreign policy is important than just having that on paper. As discussed earlier, small states have limited capacity to operate their foreign policy against the system established by the major powers. The manoeuvrability of the same diminishes further for a landlocked country like Nepal, located between two major powers.

Foreign Policy during Sher Bahadur Deuba

Irrespective of whether the CPN-UML is in power or the Nepali Congress, the foreign policy of Nepal towards China has remained unchanged, mostly due to geographical constraints. Nepal has been adhering to the “one China policy” and not irritating or upsetting the northern neighbour despite knowing the fact that there have been three major border disputes⁹⁸ with China. While taking the vote of confidence on 18 July 2021, Prime Minister Sher Bahadur Deuba said in the Parliament that Nepal’s foreign policy will prioritise “neighbouring countries” and then go on to include the region, the major powers of the United States, and Europe and others. He also mentioned that there are no permanent friends and enemies in foreign policy, and international relations, but there is always a permanent interest. However,

⁹⁷ “Several Holes in New Foreign Policy Document, Say Leaders and Experts”, *The Kathmandu Post*, 10 December 2020, available at <https://kathmandupost.com/national/2020/12/10/several-holes-in-new-foreign-policy-document-say-leaders-and-experts>, accessed on 4 February 2021.

⁹⁸ Humla, Kimathanka region of Sankhuwasabha, and Mustang districts of Nepal. Encroachment of Nepali territory by China in these districts has been repeatedly reported in the Nepali media.

the government emphasised securing vaccines as the first and foremost priority in foreign policy.⁹⁹

Other than King Mahendra, Deuba's was the first democratically elected government in Nepal that attempted to diversify and consolidate the foreign policy beyond the core sector—India and China—by giving due consideration to the contemporary domestic and regional developments. Even after 70 years of diplomatic history, regime security has remained a key determinant of Nepal's foreign policy. The new governments in Kathmandu give priority to win the goodwill of neighbouring countries, especially India. However, in the post-monarchy period, the search for resources and technology to address domestic demands has been another prime factor that drives Nepal's foreign policy.

Interestingly, the common minimum programme (CMP)¹⁰⁰, one of the important policy documents of the ruling coalition of the political parties, emphasised just opposite of what Prime Minister Deuba articulated in the Parliament in the previous month. As reported in the Nepali media, “the CMP underlined the need to resolve issues relating to the Limpiyadhura, Kalapani and Lipulek region through diplomatic means with India. The region was included in the national map of Nepal following its endorsement by the federal Parliament last year. The CMP underlined the need for Nepal to adopt a ‘Neighbours First’ policy while striking cordial relations with the other countries as well.”

It would be worth mentioning that the CMP did not mention Nepal's border disputes with China, especially in Humla, which was reported by the party's own members, Jeevan Bahadur Shahi, a member of Karnali Provincial Assembly. After a field visit of border areas with

⁹⁹ “From Vaccines to a Balancing Act, Deuba Faces Tough Foreign Policy Challenges”, *The Kathmandu Post*, 24 July 2021, available at <https://kathmandupost.com/national/2021/07/24/from-vaccines-to-a-balancing-act-deuba-faces-tough-foreign-policy-challenges>.

¹⁰⁰ “Govt's Common Minimum Program: Effective Implementation Expected”, *myRepublica*, 15 August 2021.

China, Shahi in October 2020 had submitted a report¹⁰¹ to the party headquarters saying some parts of Nepal had been encroached upon by China—Namkha Rural Municipality of Humla.¹⁰² Other than Shahi, in the same year, other NC lawmakers Devendra Raj Kandel, Satya Narayan Sharma Khanal and Sanjay Kumar Gautam had even registered a resolution motion in the federal parliament claiming that China has encroached Nepali land in Gorkha, Solukhumbu, Darchula, and Humla districts.

The NC, then as the opposition party, had claimed that pillar no. 11 has been missing for years in the Lapcha area, where the Chinese government has constructed buildings. That area was part of Nepal earlier. The claim was made after a government team led by the then Chief District Officer (CDO) of the Humla district, Chiranjivi Giri, had gone for the field inspection at pillar no. 11 at the Nepal–China border in September 2020. The party also later claimed that China has ventured two kilometers inside in the Humla district and urged the then K P Sharma Oli government to send a protest note to China.

It appears that Deuba-led ruling coalition government has given priority to the Belt and Road Initiative (BRI) of China against the US-funded Millennium Challenge Corporation (MCC) programme. This policy of the Deuba-led government has been criticised by some senior leaders of the party. NC's Vice-President Bimalendra Nidhi took exception to exclusion of the US-funded MCC and border disputes with China in the common minimum programme. Interestingly, responding to Nidhi's remarks, PM Deuba said "I tried to include the

¹⁰¹ Shahi had reported that boundary pillars numbering 9, 10, 11, 12, 5 (1), 6 (1), 7 (1) and 8 (1) were damaged and Pillar No. 12 was replaced with a new one. With the installation of Pillar No. 12 inside the Nepali territory, a large chunk of Nepali land has slipped into the Chinese territory.

¹⁰² "Border Dispute Issue with China Raised at Congress Senior Leaders' Meeting", *The Kathmandu Post*, 12 August 2021, available at <https://kathmandupost.com/national/2021/08/12/border-dispute-issue-with-china-raised-at-congress-senior-leaders-meeting>.

issues you have raised but Pushpa Kamal Dahal [CPN (Maoist Center) Chairman] did not agree.”¹⁰³

CONCLUSION

Despite all these signs of progress in the post-Constitution period, Nepal continues to remain an economically poor country in South Asia and is dependent on its neighbours and other countries for aid and growth. It suffers from poor infrastructure, especially internal highways. Given the small size of its market, investors often look for India’s support to export their products. For example, in hydro sector, non-Indian companies seek assurances/guarantees from India for future purchase of electricity due to easy access and large market.¹⁰⁴ Most importantly, many Nepalese products face sharp competition from Indian and Chinese companies due to similarities in products. In that regard, Nepal has been looking for an integrated market economy with its neighbours or as a bridge between them to increase FDI inflow and rapid economic growth. Nepal has thus often proposed trilateral cooperation (TC)¹⁰⁵ between Nepal, India, and China. Nepal wants to regain its previous status as a transit economy between Tibet and India by reviving old silk routes and connecting those with China’s flagship BRI project.

¹⁰³ Prashanna Pokharel, “Nidhi Slams Deuba for Not Including MCC and Border Dispute with China in Common Minimum Program”, *Setopati*, 12 August 2021, available at <https://en.setopati.com/political/156684>.

¹⁰⁴ Norwegian government wanted India’s commitment to purchase power while PM Prachanda requested for Norwegian investment in hydro sector in March 2009. For details see, John Acher, “India Key to Nepali Hydropower Ambition, PM Says”, *Reuters*, 31 March 2009, available at <https://www.reuters.com/article/idINIndia-38813620090331>, accessed on 4 February 2021. In another context, the Energy Ministry of Nepal discussed with the Indian Power Ministry over latter’s December 2016 guidelines on cross-border power trade which prohibit private and third country hydropower developers in Nepal from exporting electricity to India with a one-time approval.

¹⁰⁵ For Nepalese perspective about TC, see Bhaskar Koirala, “Sino-Nepalese Relations: Factoring in India”, *China Report*, Vol. 46, No. 3, 2010, p. 237.

Given the unfolding regional competition between China, the US, and India, the new governments in Kathmandu have been attempting to use the bargaining power to their advantage by drawing investments from both their neighbours. Instead of that, in the three and a half years, the K. P. Sharma Oli-led NCP government failed to attract investments and initiate any major development projects like connectivity, hydro energy, or any other infrastructure projects. Guided by party ideology and public pressure to reduce dependency on India and diversify its foreign investment options, initially, the Oli government in Kathmandu maintained a distance from New Delhi. The NCP government was more comfortable with China due to ideological factors. Nepal and China had a number of MoUs and agreements related to economic cooperation, transit trade investments, and others mainly signed during PM Oli's Beijing visits. Despite that, the much-hyped nine development projects under the BRI did not progress substantially. Rather, under pressure from China, Nepal delayed the parliamentary approval of the much-needed \$500 million development assistance under the MCC programme due to intense division within the NCP.

The Cold War time notion of extracting maximum benefit from rivalry between major powers by smaller countries worked partially in the case of Nepal. Former King Mahendra took advantage of the India–China conflicts in the early 1960s. As the rapprochement between China and the US took shape in 1972 and again between China and India after Prime Minister Rajiv Gandhi's official visit to Beijing in 1988, the manoeuvrability capacity of Nepal reduced drastically. The direct contacts and political level communications between India and China did not give much space to the smaller neighbours of India, including Nepal, to create misunderstanding on broader geo-strategic front. Moreover, Nepal has hardly been a bridging point between China and India in shaping their bilateral relations ever since the establishment of diplomatic ties. India–China bilateral trade reached over \$90 billion without using trans-Himalayan connectivity networks. Nepal became unsuccessful in its attempt to project itself as an unavoidable and effective economic bridge between India and China despite several attempts by its leaders.

The Himalayan region is going to witness intense competition between the US, China, and India in the future. In this scenario, there are less

possibilities of any early solution to the border disputes between India and China. Both the countries will try to focus more on improving border infrastructure in the Himalayan region. From India's point of view, the Himalayas will continue to remain the first line defence barrier against Chinese aggression in the northern front. At the same time, India will also try to continue projecting itself as a dominant power by signalling to both the US and China not to cross the redline(s) and challenge its sphere of influence in the South Asian region.

At the same time, it will also be a litmus test for Kathmandu to show that it can strike a balance between the country's domestic aspirations and its neighbours' sensitivities. Neither China nor India can fully achieve the development aspirations of Nepal on their own. While its southern neighbour offers transit facilities and an easy market for Nepal's trading activity, its northern neighbour has ability to extend technological and financial support. However, at any point in time, India will be in advantageous position while dealing with its South Asian neighbours, perhaps except Pakistan, in matters related to democracy, regional economic developments, disaster management, and cultural issues. In fact, India has been the first and the quickest responder during the crisis situation (natural disasters) in South Asia due to its geo-cultural proximity.

FOREIGN POLICY OF BHUTAN: INTEGRATING WITH THE GLOBAL ECONOMY

Small countries figure in the top foreign policy agenda of any big and emerging power when they significantly influence the geo-politics of the region. Bhutan has emerged as an important nation in global as well as Asian politics in the 21st century because of its strategic location and diversification of its foreign policy. The tiny Himalayan landlocked country, which had hardly played an important role in world politics and which struggled to survive as an independent state till the 17th century, has attracted global attention for its focus on GNH (Gross National Happiness) and its campaign against climate change. It has gradually emerged as a strategically important country in the contemporary world. The geo-political shifts in Asia, emergence of India and China as major powers in the world politics, border disputes between the two most populated countries of the world, and separatist movement in Tibet have helped Bhutan gain significance in Asian politics. As a result, major world powers like the US, China, Australia, and Japan are trying to establish direct diplomatic relations with Bhutan.

Bhutan further attracted attention of the international community when Indian Prime Minister Narendra Modi undertook his first official foreign trip to Thimphu in June 2014. From the Bhutanese point of view, this was the first bilateral visit from a big country, which selected Bhutan as its first foreign destination. The visit indicated the strategic relevance of Bhutan to India and a diplomatic victory for Bhutan to stand one step ahead of other South Asian countries. Articulating India's relationship with Bhutan, PM Modi said, "Bhutan and India share a

very special relationship that has stood the test of time.”¹⁰⁶ Modi’s ‘B4B’ (Bharat for Bhutan) announcement with a B2B (Business to Business) model reflects that India is equally dependent on its smaller neighbours as far as security and unhindered search for renewable energy and development are concerned. This is a stark departure from earlier thinking in India’s neighbourhood policy that looked at smaller neighbours as being more dependent on India and that the relation was essentially a one-way traffic. Soon after, Modi’s visit to Nepal further emphasised India’s neighbourhood priority and also signalled the strategic significance of the Himalayan countries.

STRATEGIC RELEVANCE OF BHUTAN

Bhutan is strategically an important country for China, India and other major powers of the world. However, its potential is not fully utilised due to its limited interaction with major powers. From India’s point of view, first, Bhutan is part of its northern security system. There is also an open border and free movement of people between the two countries. The overwhelming presence of any other foreign country in Bhutan makes India vulnerable. Second, the western border of Bhutan could offer an easy access route for Chinese troops to the Siliguri corridor, also known as the chicken neck area of India. Chinese control over this area would cut the North-East from the mainland. Third, the strategically important Himalayan pass created by Manas river, eastern Bhutan, is again important for both China and India. This pass does not get snow during winter. This route was used by the Indian army to retreat to Kameng district of Bhutan during the 1962 war.¹⁰⁷ Four, from the Chinese point of view, Bhutan is part of its extended periphery. The unsafe extended periphery might affect internal security. Moreover, this is the only neighbouring country which does not have any direct

¹⁰⁶ “Narendra Modi Arrives in Bhutan on First Foreign Visit as Prime Minister”, *NDTV*, 15 June 2014, available at <https://www.ndtv.com/india-news/narendra-modi-arrives-in-bhutan-on-first-foreign-visit-as-prime-minister-578203>, accessed on 4 February 2021.

¹⁰⁷ Leo E. Rose, *The Politics of Bhutan*, Ithaca: Cornell University Press, p. 81.

diplomatic relations with China. Lack of information on Bhutan and Indian military training to the Bhutanese army makes China curious to have its presence in Thimphu. Five, there is a cultural linkage between Bhutan and Tibet and more than 1,000 Tibetan refugees live in Bhutan. The Chinese feel that given the easy access to Tibet from Bhutan, external forces, including India, might create instability in Tibet. Lastly, from the western countries' point of view, like Nepal, Bhutan could be used as a monitoring point about the internal situation in Tibet, conflict in the North-East region of India and the border dispute between China and India.

Most importantly, the Chinese railway connection near Bhutan's north-western border would have immense strategic and economic potential. The railway might revive some of the traditional trade routes between Tibet Autonomous Region (TAR) and Bhutan. That could prove to be an alternative transit route for Bhutan in future. 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."¹⁰⁸ Phari was a traditional border trading hub for Bhutan and the TAR. The modern Bhutan's trade with China (limited to only Hong Kong as of January 2021) is mostly carried over sea routes by using Indian and Bangladeshi sea ports. According to Bhutan trade statistics, Bhutan's import from China stood at Nu 611M in 2010. There are reports about increase in number of Chinese tourists in Bhutan. A total of 6,878 Chinese tourists visited Bhutan in 2018 and all of them reportedly travelled by air.¹⁰⁹ The purpose of Chinese railway connectivity closer to Bhutan border could be to push for cross-border bilateral trade and tourism in future.

¹⁰⁸ Gopilal Acharya, "When the Small Dragon Met the Big One", Research & Analysis House, available at <http://www.ipajournal.com/2012/07/30/when-the-small-dragon-met-the-big-one/>, accessed on 4 February 2021.

¹⁰⁹ Zhou Shengping, "Chinese Tourists in South Asia", *The Druk Journal*, available at <http://drukjournal.bt/chinese-tourists-in-south-asia/#:~:text=While%20India%20is%20predominantly%20the,only%20around%2045%2C000%20Chinese%20tourists>, accessed on 31 January 2021.

POLICY OF LIMITED ENGAGEMENT (PLE)

Geographical location, territorial and population size, preservation of national identity and sovereignty, limited economic resources, Buddhism and underdevelopment have determined the foreign policy of Bhutan since the 17th century. Until 1959, Bhutan in fact had adopted a policy of limited engagement (PLE). The Chinese annexation of Tibet in 1959 was the eye opener for the Bhutanese leadership about its own vulnerability given the then policy of territorial readjustment followed by the People's Republic of China and subsequently by the Republic of India. Although it had signed the 1910 Treaty of Friendship with British India, known as the Treaty of Punakha, and the Treaty of Peace and Friendship with India in 1949, its foreign policy was confined mostly towards Tibet. It had trade and cultural relations with Tibet. Although PLE was adopted due to the then circumstances facing the country and that later became successful in preserving its territorial integrity, the same became gradually irrelevant with application of modern communication technology and globalisation. The PLE of Bhutan has been a tactic that small states often adopt to survive in the international system due to resource and structural scarcity in terms of limited economic and military capabilities to defend their territory. The policy of isolationism has both security and preservation of "traditional religio-cultural identity."¹¹⁰ As a result, they are often dependent on other powerful states.¹¹¹ Therefore, Bhutan, gradually and carefully, while taking India's sensitivity into consideration, diversified its foreign relations since 1962 when it became a member of the Colombo Plan.

DIVERSIFICATION OF FOREIGN POLICY: PHASE I

While Bhutan's PLE was successful in achieving its goal initially, the same gradually became obsolete with new international order in the

¹¹⁰ B.C. Upreti, "Gross National Happiness and Foreign Policy of Bhutan: Interlinkages and Imperatives". Paper presented in a Conference. Further details are not available. Available at <http://www.gpiatlantic.org/conference/papers/upreti.pdf>, accessed on 31 January 2021.

¹¹¹ Karma Galay, "International Politics of Bhutan", *Journal of Bhutan Studies*, Vol. 10, 2004, p. 91.

post-colonial period and again in the post-Cold War period. As a result, like any other small state, Bhutan also devised new techniques to survive as a sovereign and independent country. Meanwhile, Chinese annexation of Tibet in 1959 made Bhutan feel insecure. Therefore, Bhutan's strive to join the UN in the late 1960s and also other international organisations had a combination of security, political, and economic imperatives. Had Bhutan joined the UN only to protect its sovereignty and territorial integrity, as interpreted by some scholars, then it could have withdrawn the 1949 Treaty with India. Prof. Muni observes that Bhutan's attempt for regional and international initiatives have been "inspired by a combination of fears and aspirations."¹¹²

Second, international recognition is an inherent right of any sovereign country without which formation of a sovereign state is incomplete. This has been a practice in the international system. "A sovereign, independent state is a normal international person with the capacity to enter into international relations with other States."¹¹³ For example, when Bangladesh was formed in 1971, it was recognised by India and Bhutan immediately as a sovereign independent country.

Third, former Prime Minister Jawaharlal Nehru, during his official visit to Bhutan in 1958, suggested to the then king that Bhutan should abandon its isolationist policy and take India's support to improve its economy. Although Bhutan took two years' time to execute the suggestion, it was a conscious decision of Bhutan and India that the former must be economically and militarily strong to defend its territory. Bhutan introduced its first five-year plan for rapid economic growth in 1961. It was in this period that Bhutan introduced a new philosophy called "Gross National Happiness". Bhutan needed huge amount of economic support to implement this philosophy, although it did not evaluate the overall happiness in terms of material gains in totality. Since economic and technological support from India was not sufficient to fulfil its requirement, Bhutan perhaps thought of taking help from

¹¹² S.D. Muni, "Bhutan Steps Out", *The World Today*, December 1984, p. 516.

¹¹³ T.T. Poulouse, "Bhutan's External Relations and India", *International and Comparative Law Quarterly*, Vol. 20, No. 2, April 1971, pp. 203–204.

other sources. Bhutan was extremely careful in selecting countries to establish bilateral relations beyond India. Since it did not want to get trapped in the Cold War rivalry and taking into account India's sensitivity over the presence of external forces on Bhutanese territory, Bhutan decided to seek help of UN agencies. In case of bilateral relations, it selected only small countries witnessing problems similar to Bhutan in order to generate a common voice against possible aggressions from big powers.¹¹⁴

Four, despite Bhutan having a treaty and receiving periodical assurance from India for its territorial and independent status, it suspected India. This was unfounded. Some scholars argue that this began after Sikkim merged with India in 1974. Bhutan felt that the same fate might befall on it. One Bhutanese scholar observed that "a very close and intimate relationship with India does not mean that Bhutan took India into a total trust."¹¹⁵ Therefore, it diversified its foreign policy and joined various international organisations in the 1970s.

Other scholars have argued that yet another factor for opting for diversification was to protect the monarchy and neutralise India's influence in the internal matters of Bhutan. Bhutan was not comfortable with India's interference in the internal matters of Nepal and the way it supported democratic forces from its soil. Bhutan thought that the same might happen with it in future. However, the balance of power in the Sub-Himalayan region tilted in favour of China after the defeat of India in the 1962 war. India's image before small countries as a protector was in shambles.¹¹⁶

But the fact of the matter was that Bhutan was already a member of seven international organisations that included: the Colombo Plan (1962), the Universal Postal Union (1966) and UN (1971), the United Nations

¹¹⁴ Karma Galay, n. 111, p. 93.

¹¹⁵ Ibid.

¹¹⁶ A.G. Naidu, "Bhutan Looks Outwards: Its Search for Identity", *The Indian Journal of Political Science*, Vol. 47, No. 4, October–December 1986, pp. 537–539.

Conference on Trade and Development (UNCTAD-1971), Group of 77 (1971), the United Nations Economic & Social Commission for Asia & the Pacific (ESCAP-1971), and the Non-Aligned Movement (1973). The memberships had materialised despite Bhutan facing restrictions in its foreign policy choices due to the then existing Bhutan–India Friendship Treaty of 1949. Moreover, Bhutan did not face any opposition while taking UN membership like Nepal faced in 1949 due to its 1950 Treaty with India. Rather, the international community accommodated its membership as a sovereign, independent country.

Further, Bhutan had already established diplomatic relations with Bangladesh in April 1973. As per the existing international norms, only one sovereign and independent country needs to recognise a State as sovereign and independent country and establish diplomatic relations. If India had any territorial interest in Bhutan, it would not have supported Bhutan's joining these international organisations. Bhutanese elites, perhaps, misinterpreted the scenario that India was obsessed with security issues, especially for integrating the Himalayan countries with its northern security system. Therefore, linking Bhutan's diversification with the Sikkim merger was unfounded. The diversification was more of an economic imperative than insecurity of Bhutan against India. Officially, no such grievance was brought up during bilateral meetings or exchange of high level visits since the establishment of diplomatic relations between both the countries. Rather, Bhutanese suspicion towards China has some substance because the latter on some occasions claimed suzerainty over Bhutan and published maps claiming some territories of northern Bhutan after Tibet's occupation.¹¹⁷ That has never been the case from the Indian side.

Therefore, India supported the UN membership of Bhutan because, first, it was a right of a sovereign country to become part of the international organisation. India always considered Bhutan as a sovereign independent country with special relations with India. In 1971, the then

¹¹⁷ Karma Galay, n. 111, p. 98.

India's Deputy Minister for External Affairs Surender Pal Singh stated, "Bhutan is a sovereign, independent state with special treaty relations with India."¹¹⁸ Second, UN was considered as an alternative source of funding for Bhutan's development programmes rather than the big powers. This shared India's burden on funding development programmes in Bhutan. For example, by the mid-1980s, Indian aid to Bhutan was reduced to 42 per cent.¹¹⁹ Also, there was a convergence of interest between Bhutan and India to protect Bhutan from further Chinese expansion towards the south of the Himalayas. Being a UN member, any attack on Bhutan would have brought serious international pressure on China, although there have been incidents of military attacks on other UN member countries. Third, in the event of an India–Pakistan war and formation of Bangladesh, India might have thought of blocking free passage of Chinese troops crossing to the Indian side by using the territory of a sovereign independent country with UN membership. Lastly, India wanted support of some countries to recognise Bangladesh immediately after its formation. Bhutan's membership in the UN made India's task easy.¹²⁰

Despite having a friendly and cooperative relationship, Bhutan was to some extent perplexed with integration of Sikkim with India in 1974 and failure of India to convince China on behalf of Bhutan to discuss matters regarding Chinese claim of some Bhutanese territories. Bhutan felt that it would be difficult to negotiate directly with China on border disputes. Therefore, it demanded to bring amendments in the 1949 Treaty. Reacting to India's cold response over the proposal, on 30 January 1961 the king of Bhutan expressed that "Bhutan is a sovereign and independent State. If Bhutan desires, she can have direct negotiations with China."¹²¹ The same was reiterated by the then acting Prime Minister

¹¹⁸ T.T. Poulse, n. 113, p. 206.

¹¹⁹ A.G. Naidu, n. 116, p. 542.

¹²⁰ "Bhutan Recognised Bangladesh First", *Dhaka Tribune*, 8 December 2014, available at <https://www.dhakatribune.com/uncategorized/2014/12/08/bhutan-recognised-bangladesh-first>, accessed on 30 August 2021.

¹²¹ T.T. Poulse, n. 113, p. 205.

of Bhutan Lhendup S. Dorji on 9 August 1964. He said, “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.”¹²² This was also the time when India was reluctant to allow Bhutan to expand its bilateral relations with major powers, particularly in 1974.¹²³ Although the two countries resolved the issue amicably in 1972, Bhutan was uneasy with the compromise.

During this period, Bhutan also closely monitored India’s role in supporting democratic forces in Nepal. Later when Lhotshampas demanded democracy in Bhutan and some media reports linked Nehru’s support to the movement, Bhutan’s anxiety over its territorial integrity and threat to its monarchy doubled. Some pro-China groups in Bhutan took advantage of the situation. They demanded that Bhutan should not be overdependent on India and emulate the foreign policy of Nepal to maintain a strategic balance between India and China. Since the 1949 Treaty was written in Dzongkha, some Bhutanese elites, in fact, interpreted that Bhutan is not obliged to India’s advice as suggested in clause 2 of the 1949 Treaty. Bhutan repeatedly expressed its desire to revise this treaty until 1979. Thereafter, Bhutan interpreted the treaty on its own and took initiatives in foreign policy without consulting India.¹²⁴ At a press conference in Bombay in September 1979, King Jigme Singye Wangchuk stated that the Indo-Bhutanese treaty of 1949 needed to be updated in the interest of both countries so that nothing was left to “open interpretation”.¹²⁵ This interpretation culminated into

¹²² Ibid.

¹²³ T.T. Poulouse has quoted D.K. Sen, the Constitutional Adviser to the Bhutanese Government. He stated that Bhutan was intending to establish direct diplomatic relations with some big powers like the US, Britain and the Soviet Union, p. 205.

¹²⁴ S.D. Muni, n. 112, p. 519.

¹²⁵ Syed Aziz-al Ahsan and Bhumitra Chakma, “Bhutan’s Foreign Policy: Cautious Self-Assertion?”, *Asian Survey*, Vol. XXXIII, No. 11, November 1993, p. 1046.

differences of views between Bhutan and India on certain issues in the NAM conference in Havana in 1979 and at various other international forums. For the first time, Bhutan demanded more transit and trade concession from India as member of the LLDC. The two countries also had differences over holding border dialogue with China. In 1984, India flexed its policy by allowing Bhutan to hold talks on border disputes with China. One scholar observed that “significant developments in Bhutan’s gradual assertion of autonomy in relations with India began in the late 1970s. Its diplomatic mission in New Delhi was renamed as the Royal Bhutan Embassy in 1978.”¹²⁶ By June 2003, Bhutan had diplomatic relations with 22 countries and was a member of 54 international organisations.

There were also domestic factors behind the diversification of Bhutan’s foreign policy. Like Nepal, Bhutan was also equally vulnerable to political conflict due to intense rivalry between the ruling clans of the Wangchuks and the Dorjjs. This rivalry was so intense that Prime Minister Jigme Dorji was assassinated in 1964 and there was an assassination bid on the former King as well. This clan competition for holding important positions in the Bhutanese policy vitiated further due to a strong pro-China group lobbying against Bhutan’s close relationship with India. “The sudden and drastic changes in the power balance in the Himalayas in the immediate post-1962 war period inevitably led to a re-evaluation of certain aspects of Bhutan’s foreign policy. For the first time, some support was expressed among the Bhutanese elite circles for emulation of the Nepali foreign-policy model based upon equal friendship with India and China combined with a balance-of-power strategy.”¹²⁷ Another dimension to the internal conflict was suspicion between Drukpas and Lhotshampas (the latter also known as Nepalese).¹²⁸

By the early 1980s, Bhutan had taken the initiative to establish relationships with regional countries along with other small countries

¹²⁶ Ibid.

¹²⁷ Leo E. Rose, n. 107, pp. 81–82.

¹²⁸ S.D. Muni, n. 112, pp. 517–518.

of other regions. The objective was to send a message to the international community that Bhutan is a sovereign independent country like others, and not only dependent on India. Another factor could be to seek regional support to join SAARC, which was just proposed by Bangladesh then. In this regard, Bhutan had sent its then Trade and Industry Secretary, Om Pradhan, to Nepal to discuss possibilities of the prospect for Bhutanese export of surplus agricultural products to that country. The visit was followed by Nepal's Foreign Secretary's trip to Bhutan in 1980 and both the countries discussed about establishment of diplomatic and trade relations. Bhutan also initiated similar discussion with Bangladesh during King Jigme Singye Wangchuk's visit to Dhaka in February 1984.¹²⁹

THE DEMOCRATIC EXPERIMENT

Bhutan's experiment with democracy began in 1998 when King Jigme Singye Wangchuk voluntarily surrendered many of his executive powers and declared that Bhutan would become a constitutional monarchy. He ordered legal experts to study the constitutions of the world's major democracies. The final version of the Constitution was mailed to every home in the country. In 2001, the King handed over the powers of day-to-day governance to the Council of Ministers. The King then abdicated the throne in favour of his son Jigme Khesar Namgyel in 2006. Under the draft Constitution of 2007, the King would become the head of the state, but Parliament would have the power to get him to abdicate by a majority two-thirds vote followed by a referendum.

Bhutan held the first elections for the National Congress (NC-B), the Upper House of Parliament, on 31 December 2007. The NC has 25 seats, five of which are nominated by the King. The elections were held in 15 constituencies out of the 20 elected seats in the presence of the international media and observers. The process was peaceful, with

¹²⁹ Ibid., p. 515. Also see Syed Aziz-al Ahsan and Bhumitra Chakma, "Bhutan's Foreign Policy: Cautious Self-Assertion?", *Asian Survey*, Vol. 33, No. 11, November 1993, p. 1048.

around 40 per cent voter turnout. There was either no candidate or only one candidate in five other constituencies, namely Haa, Gasa, Thimphu, Lhuentse, and Trashiyangtse. Elections to these seats were held on 29 January 2008 after new candidates showed their willingness to contest these seats. However, the general low voter turnout and non-availability of candidates reflects a fault line in the new Constitution. Since the members of the NC–B do not belong to any political party, people took less interest in the elections. It is observed that stringent electoral laws and two-party system discouraged people's participation in the electoral process.¹³⁰

However, the democratic experiment in Bhutan was strengthened further with the successful conclusion of the National Assembly (NA), the Lower House of Parliament, elections on 24 March 2008. The elections witnessed high voter turnout (around 79.4 per cent of the 3,18,465 registered voters). There were 94 candidates in the election fray. Of the 47 seats in Parliament, 44 went to the Druk Phuensum Tshogpa (DPT). The party's chief, Jigmi Thinley, was a former prime minister who promoted the gross national happiness (GNH) policy. The People's Democratic Party (PDP) won three seats as the Opposition Party under the new Constitution.¹³¹ According to the August 2007 Constitution, Bhutan became a democratic country after the elections for the National Assembly. As per the two-party system, the DPT and the PDP were positioned as ruling and opposition parties in the Parliament, respectively. The poor performance of the PDP raised questions over the role of opposition in the new political system. People were sceptical over two-party system, in general, and the PDP's role as opposition in particular. Soon after the elections, Karma Ura, Director of the Centre for Bhutan Studies, a government-financed organisation,

¹³⁰ "Bhutan Elections 2.0: A Critical Appraisal", *IPA Journal*, 28 January 2013, available at <http://www.ipajournal.com/2013/01/28/bhutan-elections-2-0-a-critical-appraisal/>, accessed on 31 January 2021.

¹³¹ "DPT to Form the New Government", *Kuensel*, 25 March 2008, available at www.kuenselonline.com, accessed on 25 March 2008.

remarked, “Functioning of democracy requires a good opposition. I don’t know what will happen now. It’s not an ideal situation.”¹³²

Although the King initiated the democratic process, the power of the monarchy remains virtually intact, since the abdication procedure in the Constitution against the King is very complicated. Also, the two political parties have close proximity to the palace: the PDP was headed by Sangay Nidup, maternal uncle of the King; the DPT was headed by Jigme Thinley, a matrimonial relative of the King.¹³³ A third party, Bhutan People’s United Party (BPUP), formed by Sigay Dorji, was disqualified by the Election Commission on 27 November 2007, on the grounds that it lacked the will, competence, experience, qualification and appropriate support to contest elections. Political parties in exile were also banned.¹³⁴ Those political groups which were seen as not being favourable to the palace were disqualified from the process, thereby putting a question mark over the sanctity of this stage-managed democratic transition.

ROLE OF INSTITUTIONS IN FOREIGN POLICY MAKING

Until the adoption of multi-party democracy in Bhutan, the monarchy was the final authority on foreign policy matters. Earlier, the King nominated a cabinet headed by a prime minister. Since 1953, debates and discussions on foreign policy issues in the National Assembly added value to Bhutan’s domestic discourse on foreign policy. For example, in 1967–68, the NA put pressure on the monarch to discuss with India for Nepal to become a member of the UN.

In the post-democratic period, the cabinet got, to some extent, a free hand in formulating foreign policy according to people’s and party

¹³² “Heavy Turnout in First Bhutan Election”, *The New York Times*, 25 March 2008, available at <https://www.nytimes.com/2008/03/25/world/asia/25bhutan.html>, accessed on 25 March 2008.

¹³³ Rongthong Kuenley Dorji, “The King’s Democracy”, *Kantipuronline*, 10 January 2008.

¹³⁴ “Bhutan Poll Panel Disqualifies Political Party”, *The Hindu*, 30 November 2007.

mandate. But, the fact of the matter is that as per the 2008 Bhutanese Constitution, the King has a major role in determining the external affairs of the country. The King “may promote goodwill and good relations with other countries by receiving state guests and undertaking state visits to other countries.”¹³⁵ He, however, would be advised by the Lhengye Zhungtshog and the prime minister on international affairs from time to time. The Parliament can debate on any issue related to external affairs of Bhutan. The country’s foreign policy would be guided more by domestic demands and would be people-centric. Since the Lhengye Zhungtshog is to “protect and strengthen the sovereignty of the Kingdom, provide good governance, and ensure peace, security, well-being and happiness of the people”¹³⁶ and is accountable to Parliament and the King on these issues, it would have a major say in the formulation of the foreign policy to achieve these goals given Bhutan’s geo-economic situation. Apart from that, the ruling parties have to formulate a balanced foreign policy taking into consideration people’s interest, security interest and neighbours’ sensitivity. For example, one of the factors that led to DPT’s failure in the 2013 elections could be due to its poor foreign policy towards India during its five years’ rule. That resulted in a trade imbalance with India, poor GDP and investment, and short supply of cooking gas. Since Bhutan has been dependent on India, people thought that the DPT policy in handling relations with India would increase their plight in future if they were voted back to power for a second term.

BHUTAN–INDIA FRIENDSHIP TREATY 2007 AND ITS FOREIGN POLICY

The second phase of foreign policy diversification began in 2007 with changes in the 1949 Treaty. The treaty was updated on 2 March 2007 through mutual consent. According to the new treaty, the government of Bhutan would be no more obliged to consult and seek advice of India on its external affairs issues. It would be free to have diplomatic

¹³⁵ Article 2, The Constitution of the Kingdom of Bhutan, 2008.

¹³⁶ Article 20, The Constitution of the Kingdom of Bhutan, 2008.

relations at both bilateral and multilateral levels. Both the countries agreed 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” (Appendix 2). This was a major departure from the 1949 friendship treaty under which the Bhutan government agreed to be “guided by the advice of the Government of India in regard to its external relations” (Appendix 3). This change has encouraged Bhutan to diversify its foreign policy according to its national interest. The democratically elected government took advantage of this and used the foreign policy to fulfil the domestic demands.

DIVERSIFICATION OF FOREIGN POLICY—PHASE II

Thinley Period (2008–2013)

Bhutan witnessed the most diversified foreign policy during Jigmi Y. Thinley led government from 2008 to 2013. It had diplomatic relations with 22 countries when Thinley started to lead the first democratically elected government. Within five years’ time, the country established diplomatic relations with 31 countries. As a result, Bhutan had diplomatic relations with 53 countries by the end of Thinley government’s rule.

As discussed, in the first phase, Bhutan’s foreign policy objective has been to secure its territory with its distinctive culture and identity. Geopolitical changes in South Asia in general and Himalayan region in particular, made Bhutan insecure. The anxiety was managed by diversifying its foreign policy and expanding diplomatic relations. Leo Rose has observed that “the basic principle of Bhutan’s foreign policy in the 1970s [was] to gain international recognition of its status as a sovereign component of the comity of nations without, however, at the same time becoming entangled in international politics—beyond South Asia.”¹³⁷ The question arises: Was the same anxiety factored into undertaking the second phase of diversification which resulted in

¹³⁷ Leo E. Rose, n. 107, p. 100.

establishing diplomatic relations with 55 countries during the initial democracy period?

DPT Election Manifesto

The Druk Phuensum Tshogpa (DPT) began its election campaigning by promising GNH through “growth with equity and justice”. The DPT 2008 election manifesto promised sustainable technology-based economic growth (industrialisation, infrastructure building and investment in agriculture) and clean environment to promote holistic human development and happiness. Therefore, the party gave priority to furthering economic liberalisation to attract more FDI and sharing of state burden by encouraging the private sector to support rapid economic growth in Bhutan. In this regard, the party utilised diplomatic channels like attempting for WTO membership and taking advantage of SAARC and BIMSTEC facilities without compromising with the GNH. Interestingly, for the first time in the diplomatic history of Bhutan, the party openly declared taking advantage of Chinese economic growth to make Bhutan an excellent centre for international banking and financial services. The party further promised that the country’s foreign policy would be based on GNH and it would promote that at the international level. In this regard, the party emphasised promoting the image and profile of Bhutan and advancing goodwill and friendship with other countries.¹³⁸

After five years in government, the DPT again offered to diversify the foreign policy further. The party felt proud after expanding Bhutan’s bilateral relations with 53 countries. This effort strengthened Bhutan’s sovereignty and security. According to its 2013–18 elections manifesto, the party promised to take Bhutan towards self-reliance in the next five years. In this regard, it promised to continue its economic policy with private sector as the driving force of growth, which had started

¹³⁸ Manifesto 2008–2013, Druk Phuensum Tshogpa (DPT) party, Bhutan. Jigmi Y. Thinley was President of the DPT during the 2008 elections. He became Prime Minister of Bhutan after victory of the DPT in the 2008 National Assembly elections.

from 2008 to 2013. Emphasis would be given to drive Bhutan from a dependent economy to a self-reliant economy. The party claimed that it brought Bhutan from an era of “isolation to a globalised world”. The party believes that “multilateralism is the key to finding solutions to the growing number of problems challenging the world”. The DPT emphasised multilateralism rather than bilateralism, both at the global and regional levels. The DPT foreign policy would focus more on issues like sustainable development and campaign to popularise GNH at the global level. Economic diplomacy would be a major focus. Diplomacy would be used to generate resources both at multilateral and bilateral levels to support Bhutan’s goal of self-reliance by 2020. If possible, new donors would be arranged for the 11th five-year plan.¹³⁹

As reflected in the manifestos and foreign policy line adopted during the Thinley government, the DPT foreign policy was focused more on seeking global support for Bhutan for its economic growth, strengthening its sovereignty and security in the last five years. The DPT utilised regional and bilateral engagements of economic support and the engagement at the global multilateral level for strengthening sovereignty and security. Although the Thinley government acknowledged India as a major contributor to Bhutan’s development and the relationship has been very successful, it did not stop its search for new donors and global partners, including China. The economic issues dominated while establishing diplomatic relations with new countries. Overall, the foreign policy was oriented towards maintaining a balance between the global and regional level.

Both bilateral and multilateral relations/engagements were revived under the democratically elected government. These relations were mostly used for looking for alternative resources to cater to the economic growth of Bhutan. This took care of Bhutan’s security, identity, and economic issues. PM Thinley articulated, “When we [Bhutan] make contacts and interact with more and more countries it strengthens our

¹³⁹ Manifesto, Second Parliamentary Elections, 2013–2018, DPT, Bhutan.

[Bhutan's] image, it raises our profile and it enhances and secures our sovereignty."¹⁴⁰ Moreover, Bhutan's growth till 2008 was stagnant due to excessive dependence on Indian investment. Thinley wanted rapid development with Chinese technology and reduced dependence on India. It was also difficult to ignore the rise of China. Considering that China emerged as a major global power, Thinley wanted to maintain a balance between India and China, in the same way the country tried in the 1970s.

GNH was one of the major guiding principles of Thinley's foreign policy. To achieve GNH, the government diversified its foreign policy in search of funds and resources. After being voted to power, as promised, the DPT brought out its FDI policy in 2010. Earlier, Bhutan had tried a similar policy. But that was confined to some countries and the UN by taking into consideration India's security concerns and also to avoid getting entangled in the super powers' race. He used GNH as cultural diplomacy of Bhutan at the international level, especially at the UN. Bhutan's Prime Minister made it clear: "We are looking for economic assistance from countries other than traditional donor nations, but we are determined to ensure that such aid has no political strings attached. We shall not seek aid from either the US or the USSR as we do not wish to get involved in the super power racket."¹⁴¹

Looking Beyond India

Bhutan–India relations have been one of the successful bilateral relations in the sub-continent. Ever since the 1949 Treaty was signed and formal diplomatic relations established in 1968, the relationship has been trouble-free. Political leaders of both the countries from time to time have acknowledged the relationship as "traditionally unique bilateral relations, characterised by trust and understanding have matured over

¹⁴⁰ Dawa T. Wangchuk, "PM Justifies Bhutan's Failed UNSC Bid, Brands Opposition Leaders Unpatriotic", *Business Bhutan*, 10 November 2012, available at <http://www.businessbhutan.bt/?p=10923>, accessed on 30 June 2015.

¹⁴¹ B.C. Upreti, n. 110.

the years.”¹⁴² India has been the largest trade and development partner of Bhutan since 1961. Despite this, Bhutan was to some extent not satisfied with the delay in completion of the infrastructure and hydropower projects and disbursement of funds committed to the five-year plans. Further, Bhutan wanted more development funds and technological support for rapid economic growth under a democratically elected government since 2008 so as to fulfil the commitments made in the election manifesto like rapid economic growth, infrastructure development, etc. It was difficult for India to fulfil Bhutan’s requirements. Therefore, the Thinley government used diplomacy to search for more resources with the aspiration of integrating Bhutan’s economy with the global market.

One of the major foreign policy achievements of the Thinley government was the proposals for establishing formal diplomatic relations with China and the US. Although Beijing did not have direct diplomatic relations with Thimphu, the Thinley government used the already existing Bhutan–China border talk arrangements. First, a round of border talks (19th round) was held under the democratically elected government in January 2010 in Thimphu. The 20th round of border talks were also held in Thimphu. On both the occasions, the Chinese delegation met Bhutan’s prime minister and the monarch on the sidelines. During the meetings, the Chinese delegation reiterated Beijing’s proposal for establishing diplomatic and trade relations with Bhutan. In 2010, the Chinese Vice Foreign Minister Fu Ying, who led the Chinese delegation to Thimphu for border talks, had explicitly expressed China’s desire to “build bridges of friendship and cooperation” with Bhutan. The proposal generated public support in favour of China and some sections in Bhutan argued that it should take advantage of this. People in Bhutan thought that India should not oppose a formal relationship between Bhutan and China as India’s own relations with China had improved substantially. China reportedly also made a similar proposal in 1998 during the 12th round of border talks. The Thinley government perhaps thought of utilising that opportunity to establish relations with China and seek public support in the forthcoming National Assembly elections.

¹⁴² India–Bhutan Relations, Embassy of India, Thimphu.

Taking advantage of the domestic atmosphere, for the first time, since the Chinese occupied Tibet in 1959, the prime ministers of both the countries met on the sidelines of the Rio Summit in June 2012. It is believed that the meeting was initiated by China. There are conflicting reports about issues discussed in the meeting. Bhutan's official press release stated: "They discussed bilateral issues of mutual interest and multilateral cooperation including Bhutan's bid for a non-permanent seat in UN Security Council for the term 2013–2014."¹⁴³ On the contrary, the official press release by the Ministry of Foreign Affairs of the People's Republic of China said, "He [Prime Minister Thinley] confirmed that Bhutan wishes to forge formal diplomatic ties with China as soon as possible. Bhutan is willing to settle border issues with China in a cooperative manner, enhance bilateral economic and trade cooperation and people-to-people and cultural exchanges, and carry out close communication and coordination in international and regional affairs."¹⁴⁴

However, the fact of the matter was that there was a mutual interest to improve the relationship and take it to higher levels. Most importantly, Bhutan thought that China, being a permanent member of the UNSC and an influential power, might use its clout at the international level to support Bhutan's candidature to a non-permanent seat in the UNSC. Further, Bhutan does not have any direct diplomatic relations with the P-5 of the UNSC. Just like Nepal thought, in the early 1950s, that having diplomatic relations with the P-5 would ensure double security to its sovereignty and territorial integrity, Bhutan too might have thought on similar lines. Some also suspect that it could be a tactic of pro-Chinese groups in Bhutan to use the UNSC issue to allow China to open its mission in Thimphu.

There could also be a business dimension to Thinley's approach towards China. As proposed in the DPT election manifesto that private sector

¹⁴³ Official Press Release by the Cabinet Secretariat of the Royal Government of Bhutan, 21 June 2012.

¹⁴⁴ Official Press Release by the Ministry of Foreign Affairs of the People's Republic of China, 22 June 2012.

would play a significant role in economic development, during the Thinley regime Bhutanese business houses wanted to have more economic engagement with China. In fact, some say that China used the aspirations of the newly emerging business class in Bhutan to influence Bhutan's foreign policy in its favour.¹⁴⁵ For example, in July 2012, the Thinley government approved Global Traders and Gangjung (GT) to supply Chinese made buses to Bhutan. Media sources said, "The company's owner is the Bhutanese Prime Minister's son-in-law."¹⁴⁶ There is also convergence of interest about deepening trade relations. Hong Kong is the second major trading partner of Bhutan after India. Bhutan had exported software to Hong Kong worth \$73 million with a partner share of 16.18 per cent in 2011.¹⁴⁷ In 2014, Hong Kong was the second key export destination with 10.8 per cent of the total trade and India was the top destination with 83.8 per cent export.¹⁴⁸ According to the United Nations COMTRADE database on international trade, Bhutan's export to Hong Kong was \$1.48 million during 2012.¹⁴⁹ Hong Kong's import from Bhutan was at \$36.7 thousand during 2019.¹⁵⁰ The intensity of trade relationship was even more evident when some influential business houses of Bhutan wanted to cancel the government's decision of importing copper and issuing of "certificates of origin"

¹⁴⁵ Amitava Mukherjee, "The India-China Tug of War over Bhutan", 18 June 2014, available at <http://www.geopoliticalmonitor.com/india-china-tug-war-bhutan/>, accessed on 4 February 2021.

¹⁴⁶ Media sources were quoted by Medha Bisht in "Chinese Inroads into Bhutan: Diplomatic Gimmick or Strategic Reality?", *IDSIA Commentary*, 14 August 2012.

¹⁴⁷ "Trade Summary for Bhutan in 2011", *The World Integrated Trade Solution*, available at <http://wits.worldbank.org/CountryProfile/Country/BTN/Year/2011/Summarytext>, accessed on 5 July 2015.

¹⁴⁸ "The Kingdom of Bhutan", a document available online by FICCI, India. For details, see http://ficci.in/international/75211/Project_docs/FICCI_Bhutan.pdf, accessed on 30 August 2021.

¹⁴⁹ See <https://tradingeconomics.com/bhutan/exports/hong-kong>, accessed on 30 August 2021.

¹⁵⁰ Trading Economics, an online portal on trade data. Other details are not available. See <https://tradingeconomics.com/hong-kong/imports/bhutan>, accessed on 30 August 2021.

for export of software to Hong Kong. Bhutan's government had imposed restrictions on import and export of copper to check liquidity of Indian Rupees due to the 2008 economic crisis. Therefore, under pressure from the corporates, the Thinley government was exploring to establish direct trade relations with China. From the Chinese point of view, restoring trans-Himalayan trade could be a strategic gain in the South Himalayas. This would enable China to access the Bhutanese market and common people without having any direct diplomatic presence in Thimphu.¹⁵¹

Major Bilateral Visits during the Thinley Period

During the Thinley period, the major bilateral visits were as follows:

1. 7–9 February 2013: Jigmi Y. Thinley undertook an official visit to New Delhi.
2. 17 November 2012: Jigmi Y. Thinley went for a two-day visit to Thailand to speak on Gross National Happiness.
3. 30 August 2012: Attended the 16th NAM Conference in Tehran.
4. June 2012: Attended the United Nations Conference on Sustainable Development in Rio.
5. September 2011: Attended 17th SAARC Summit in Addu, Maldives.
6. 24 September 2011: Undertook an official visit to Tokyo.
7. September 2011: Jigmi Y. Thinley addressed the UN General Assembly.
8. 26 October 2010: Attended 4th Asian ministerial conference on disaster risk reduction in Republic of South Korea.
9. 28–29 April 2010: Bhutan hosted the 16th SAARC Summit in Thimphu.

¹⁵¹ Thierry Mathou, "Bhutan-China Relations: Towards a New Step in Himalayan Politics", pp. 405–409, available at <http://www.bhutanstudies.org.bt/publicationFiles/ConferenceProceedings/SpiderAndPiglet/19-Spdr&Pgl.pdf>, accessed on 4 July 2015.

10. July 2008 to December 2011: He visited different parts of India once a year.

FOREIGN POLICY UNDER TSHERING TOBGAY

PDP Election Manifesto

Quite contrary to the DPT, the PDP foreign policy focused on “from global level to sub-regional level”. The PDP manifesto said, “Foreign policy will prioritise to strengthen our time-tested friendship with India. We will foster good relations with the neighbouring Indian states of West Bengal, Arunachal Pradesh, Assam, Sikkim and Bihar to ensure the safety of Bhutanese travelling through those states and to convenience business relations.”¹⁵² In the first two years of the PDP government, Bhutan’s foreign policy focused on strengthening relations with India, Bangladesh, and Nepal and supporting SAARC, BIMSTEC and sub-regionalism to improve Bhutan’s economy. Bhutan also strengthened its relationship with other countries. It had been cautious though and prioritised Bhutan’s security and sovereignty. Further, while the DPT emphasised more on economic issues, the PDP focused on security and sovereignty issues. Interestingly, while the DPT tried to glorify the GNH during its regime and promised to do that further in its 2013 manifesto, the PDP believed that no party should take ownership of the GNH. In this regard, Prime Minister Tshering Tobgay said, “I believe it’s not the job of the government to do that (exporting GNH). What we know of it we’ll seek to aggressively implement (for domestic purposes only).”¹⁵³ He feels that the GNH has failed to fulfil people’s expectations since it became the “basis for Bhutan’s foreign policy”.¹⁵⁴

¹⁵² Manifesto, 2013, PDP, Bhutan, p. 18.

¹⁵³ “Happiness Abroad” (Interview), *Business Standard*, 1 August 2013, available at http://www.business-standard.com/article/news-ians/bhutan-pm-won-t-sell-gross-national-happiness-abroad-interview-113080100740_1.html, accessed on 25 June 2015.

¹⁵⁴ Jonathan DeHart, “Bhutan’s New PM Tshering Tobgay Questions the Politics of Happiness”, *The Diplomat*, 5 August 2013, available at <https://thediplomat.com/2013/08/bhutans-new-pm-tshering-tobgay-questions-the-politics-of-happiness/>.

Bilateral Visits Undertaken by Tshering Tobgay (2013–2018)

1. 12 April 2015: Tshering Tobgay undertook an official visit to Sri Lanka.
2. 10–18 January 2015: Undertook official visit to India and attended Vibrant Gujarat Global Summit 2015 in Gandhinagar.
3. 26 November 2014: Eighteenth SAARC Summit, Kathmandu, Nepal.
4. 4–8 August 2014: Attended the UN economic and social commission for Asia and the Pacific Phase II: Bangkok.
5. 29 June–3 July 2014: Tshering Tobgay visited Japan.
6. August 2013: Undertook an official visit to India.

A comparison of major foreign visits during Thinley and Tobgay periods reflected that Thinley's foreign policy was more inclined towards the UN, multilateral organisations and major powers. Other than India, he undertook more visits to non-South Asian countries or regions. During these visits, he mostly discussed GNH and climate change issues. He also requested major powers, including China, to invest in infrastructure development of Bhutan. While Thinley's foreign policy was more outward, Tobgay's was inward-looking.

On the contrary, Tobgay paid more visits to South Asian and East Asian countries. Interestingly, no major diplomatic relations were established during Prime Minister Tobgay's government till June 2015. The PDP manifesto did not elaborate on the foreign policy of Bhutan. When PM Tobgay was questioned, he replied that his government would continue "to follow the foreign policies put in place by our wise monarchs. It has served us exceedingly well over the last half-century and we believe it will continue to do so for the foreseeable future."¹⁵⁵ This indicated that PDP reversed the foreign policy adopted

¹⁵⁵ Jayanth Jacob, "India, Bhutan Share Unshakeable Friendship: Tobgay", *The Hindustan Times*, 18 July 2013, available at <https://www.hindustantimes.com/delhi/india-bhutan-share-unshakeable-friendship-tobgay/story-mQY4OixN0sfobFf6GwSKyI.html>, accessed on 4 February 2021.

during the Thinley period. His foreign policy focused more on building partnership with South Asian countries, especially with India. During this period, Bhutan wanted to set an example by taking a lead role in regional cooperation and integration. Although both the regimes acknowledged India's contribution towards the economic well-being of Bhutan and as a benign all-weather friend, Thinley went one step ahead by seeking help of China and multilateral organisations for technological and economic support. Tobgay expressed more faith on India's timely economic support than his predecessor. During Prime Minister Modi's visit to Thimphu in June 2014, Prime Minister Tobgay said, "India is the cornerstone of Bhutan's foreign policy. The Bhutan Government is committed to this policy."¹⁵⁶ In an interview to one Indian private news channel, he in fact categorically said, "There is no question of a Chinese embassy in Bhutan".¹⁵⁷

However, the Tobgay government continued with the previous government's policy for attracting more FDI in infrastructure development. Immediately after assuming power, the PDP invited private foreign investments in small hydro projects. In January 2015, the government further relaxed the FDI policy to attract investors. While around 33 FDI projects worth Nu 24.77B (billion) were approved from 2010 to 2014, around 18 new projects were approved in principle as of January 2015.¹⁵⁸

¹⁵⁶ "India is Cornerstone to Bhutan's Foreign Policy, Reiterates Bhutan PM Tshering Tobgay", *DNA*, Mumbai, 16 June 2014, available at <https://www.dnaindia.com/india/report-india-is-cornerstone-to-bhutan-s-foreign-policy-reiterates-bhutan-pm-tshering-tobgay-1995908>, accessed on 4 February 2021

¹⁵⁷ "No Question of Chinese Embassy in Bhutan: PM Tshering Tobgay", *NDTV*, 17 June 2014, available at <https://www.ndtv.com/india-news/no-question-of-chinese-embassy-in-bhutan-pm-tshering-tobgay-to-ndtv-578839>, accessed on 4 February 2021.

¹⁵⁸ Tshering Dorji, "FDI Policy Relaxed to Attract Investors", *Kuensel*, 8 January 2015, available at <http://www.kuenselonline.com/fdi-policy-relaxed-to-attract-investors/#.VZUT8xuqqko>, accessed on 2 July 2015.

FOREIGN POLICY OF DR LOTAY TSHERING GOVERNMENT

While the future of Bhutan's foreign policy was rigorously debated during the 2008 and 2013 elections, the same was missing in the 2018 elections. No political parties elaborately discussed the future foreign policy of Bhutan. While the PDP manifesto talked about strengthening Bhutan's relations with the wider world through active participation in global, regional and multilateral organisations like EU, SAARC, and BIMSTEC,¹⁵⁹ there was no mention of foreign policy issues in the manifesto of the DPT and Druk Nyamrup Tshogpa (DNT), which won the 2018 elections. Interestingly, the DNT in fact appealed for vote by branding the PDP and the DNT as pro-India and pro-China parties respectively.

Despite being critical of PDP over its foreign policy, a micro analysis of Lotay Tshering's foreign policy since 2018 reflects that it has almost replicated PDP's foreign policy with minor modifications. Since the DNT was a new political party and it did not have much experience on Bhutan's foreign policy, there was speculation in the Indian media that the DNT government could follow a Nepal-like rebalancing policy between India and China as Lotay Tshering gave lot of emphasis on resuming border dialogue with China, during the election campaign. In the post-democratic period, there is a growing and open voice in favour of having direct diplomatic relations with China. Surprisingly, in the post election period, PM Lotay Tshering, in an interview to *The Telegraph*, stated, "Our [DNT] views are very clear on foreign policy and we believe that it cannot change every five years. Our King (Jigme Khesar Namgyel Wangchuck) will be the guiding force on matters of foreign policy... And on India, we believe that Bhutan-India relationship is non-negotiable."¹⁶⁰

¹⁵⁹ Election Commission of Bhutan, Election Manifesto of PDP, p. 41.

¹⁶⁰ "Bhutan Polls Bring Cheer to Delhi", *The Telegraph Online*, 19 October 2018, available on <https://www.telegraphindia.com/world/bhutan-polls-bring-cheer-to-delhi/cid/1672161>, accessed on 4 February 2021.

After assuming office, PM Dr Tshering undertook first overseas bilateral visit to India during 27–29 December 2018, which was also the year when the two countries celebrated 50 years of diplomatic relations. PM Modi was the first world leader who congratulated Dr Tshering over DNT's electoral success and Bhutan's interim government over successful completion of the third parliamentary elections in October 2018. PM Modi reciprocated the visit by undertaking a two-day state visit to Thimphu in August 2019. This was his first official visit to Bhutan after assuming office second time and second visit to Bhutan in the last five years. Earlier, as part of neighbourhood first policy, Prime Minister Modi chose Bhutan as his first visit abroad after assuming office in May 2014.

India as priority country for Bhutan was apparent when Foreign Minister Dr Lyonpo Tandi Dorji undertook a week-long visit to India in November 2019, when the DNT government completed one year in office on 7 November 2019. During the visit, Dr Dorji held bilateral discussions with his Indian counterpart External Affairs Minister Dr S. Jaishankar and reviewed the entire gamut of Indo-Bhutan relations.

Besides India, Bhutan gave high priority to Bangladesh. PM Dr Tshering paid a state visit to Bangladesh during 12–15 April 2019 coinciding with the celebration of Bangla New Year, *Pokhela Boisakh*. The visit strengthened the bilateral relationship between both the countries further. After India, Bangladesh is a major bilateral partner and a transit-trade country for Bhutan. Bangladesh, on 7 December 2020, signed its maiden preferential trade agreement (PTA) with Bhutan to boost bilateral trade between the two countries. Some 100 Bangladeshi products will get duty-free access to Bhutan. In return, 34 Bhutanese products will get duty-free access to the Bangladeshi market.

Moreover, continuing with the tradition of diversifying foreign policy, Bhutan established formal diplomatic relations with the State of Israel on 12 December 2020. Like the previous governments, Prime Minister Dr Lotay Tshering on 5 August 2019, directed to prioritise economic diversification. He emphasised on two major aspects of the economic diversity. First, Bhutan should shift its import-driven economy to investment-driven economy. Secondly, Bhutan could diversify its revenue generating sectors from hydro projects. The larger objective of these steps being to attract FDI and technology for rapid economic growth,

and prepare Bhutan for post-LDC graduation period. The PM also indicated about reducing stress on hydro projects perhaps considering the environmental aspects.¹⁶¹

Is Bhutan on the US Radar?

Bhutan has limited diplomatic relations with the US. After changes in the 1949 Treaty in February 2007 and adoption of democracy, via constitutional monarchy, in 2008, major powers like the US and China have been trying to establish diplomatic relations with Thimphu. Then US ambassador to Delhi, David C. Mulford, visited Thimphu after two months of revision of treaty with India to explore the possibilities of having direct diplomatic relations with Bhutan. As part of its new policy towards Thimphu, the US rehabilitated around 80,000 Bhutanese refugees. Most importantly, US state department and defence department had invited Bhutan's military officials for military training centres in the US. USAID-supported trainings on a range of disaster management topics for Bhutanese officials were also held. The US also provided support to Bhutan to fight COVID-19 and its economic impact. Bhutan also received State Department-supported assistance to implement programmes to counter trafficking in persons and to support Science, Technology, Engineering, and Math (STEM) programming. Bhutanese officials and military officers have attended courses at the Asia-Pacific Centre for Security Studies.¹⁶²

The US policy towards Bhutan has been to work with India rather than supplant the traditional alliance between the two countries.¹⁶³ As a mark of the beginning of the diplomatic relations with Bhutan, US

¹⁶¹ "Economic Diversification must be Prioritised says PM", Komal Kharka, Thimphu, BBS, 5 August 2019, available at <http://www.bbs.bt/news/?p=118797>, accessed on 4 February 2021.

¹⁶² See <https://www.state.gov/u-s-relations-with-bhutan/>. Also see <https://www.state.gov/countries-areas/bhutan/>, accessed on 30 August 2021.

¹⁶³ Matthew F. Ferraro, "The Case for Stronger Bhutanese-American Ties", *The Diplomat*, 22 December 2014, available at <http://thediplomat.com/2014/12/the-case-for-a-stronger-bhutanese-american-relationship/>, accessed on 19 June 2015.

Senator John McCain's delegation arrived at Thimphu after the US Presidential elections in 2008. This visit was followed by the visit of US Assistant Secretary of State for South and Central Asian Affairs, Robert O. Blake Jr., in April 2010. Blake headed a delegation to the SAARC Summit in Thimphu on 28–29 April 2010. He met Bhutanese leaders on the margins of the Summit and discussed about the conditions of the refugees and other bilateral issues.¹⁶⁴ This was the first ever visit by a senior US official to Thimphu. Under Secretary of State for Democracy and Global Affairs, María Otero, then visited Bhutan in February 2011.

US Secretary of State John Kerry and Bhutan's Prime Minister Tshering Tobgay had a meeting on the sidelines of the 7th Vibrant Gujarat Summit in Ahmedabad in January 2015. After the meeting, a senior US official said US has been keen to strengthen ties with Bhutan but there is no plan to establish diplomatic relationship with the Himalayan nation.¹⁶⁵

Despite these high-profile visits and initiatives by the US to improve relations with Bhutan, the US–Bhutan relations never reached a comfortable position. Western countries view that in the post-democratic period, Bhutan has come out of India's shadow. The repatriation of Nepalese refugees has been a major obstacle in improving the relationship between the two countries. Bhutan perhaps does not want further discussion with the US on this issue. It suspects US role in rehabilitating over 80,000 Bhutanese refugees, who could create problems in future.

¹⁶⁴ Assistant Secretary Robert O. Blake Jr., Travels to Nepal, Bhutan, and China, Media Note, US Department of State, 23 April 2010. Also see Govinda Rizal, "Thimphu's Strategy to Disown its Responsibilities", *Bhutan News Service*, 21 April 2012, available at <http://www.bhutannewsservice.com/column-opinion/commentary/thimphus-strategy-to-disown-its-responsibilities/>, accessed on 19 June 2015.

¹⁶⁵ "No Plan to Establish Diplomatic Ties with Bhutan: US", *The Economic Times*, New Delhi, 18 January 2015, available at <https://economictimes.indiatimes.com/news/international/world-news/no-plan-to-establish-diplomatic-ties-with-bhutan-us/articleshow/45929759.cms>, accessed on 4 February 2021.

BHUTAN AND MULTILATERALISM

United Nations

Bhutan became a member of the UN in September 1971. Given its size, geo-political location and special relations with India under the then 1949 Treaty of Peace and Friendship, the UN membership reaffirmed its identity and status as a sovereign nation before the international community. The UN membership benefitted Bhutan both politically and economically. Politically, Bhutan, as a small country, got a platform to raise its concerns and participated in the debates of global issues affecting it directly and indirectly. Economically, Bhutan benefitted through UN specialised agencies, both in terms of financial and technical assistance. The UN agencies played a significant role in social transformation, skill and economic development since 1973. Since Bhutan has had limited diplomatic missions, its permanent missions in New York and Geneva worked as windows to reach the world community and coordinate with other countries for political, cultural, and economic programmes.¹⁶⁶

India played an important role in Bhutan's UN membership bid. India was the first country to support Bhutan in the UN. Unfortunately, some scholars, who have supported China's role in South Asia and in Bhutan and Nepal in particular, argue that Bhutan joined the UN because it was concerned about India's plan of merging Sikkim. It felt that there could be similar action against Bhutan despite having a standing Treaty with India. The anxiety of losing sovereignty prompted the then Bhutanese King Jigme Dorji to use the China card secretly to build pressure on India for seeking Bhutan's UN membership. As a former Foreign Minister of Nepal observed: "King Jigme Dorji initiated contact with China to help pressurise India. . . This was clearly a pressure tactics to prove support to Bhutan King to convince India

¹⁶⁶ Ministry of Foreign Affairs, Royal Government of Bhutan. For details, visit <http://www.mfa.gov.bt/foreign-policy/multilateral-relations>, accessed on 18 June 2015.

the need for Bhutan joining the UN.”¹⁶⁷ However, the fact of the matter is that Bhutan was already a member of the UN when Sikkim was merged with India in 1974. By that time, Bhutan had also joined NAM and had diplomatic relations with Bangladesh.

Rather, it was in the interest of India to protect the Himalayan countries from Chinese aggression so that their territories could not be used to attack India, thereby protecting its own interest in future. India thus helped them to join the UN. India perhaps also wanted a strong regional support to recognise Bangladesh after its formation in 1971. Bhutan was the second country which recognised Bangladesh as a sovereign country, after India. Bhutan also benefitted by having a newly independent country as its neighbour with alternative transit facilities.

Bhutan has been consistently contributing to UN programmes. It has become a member of around 20 UN specialised and related organisations over a period of time. It has held important positions in the UN such as the Vice President of the UN General Assembly, President of the Trade and Development Board, UN Conference on Trade and Development (UNCTAD), two terms as member of the UN Commission on Human Rights, two terms as member of the Economic and Social Council (ECOSOC, 1993–95), Executive Board of UNICEF and WHO, and Chairman of the Third Committee during the 50th Anniversary Celebrations of the UN in 1995.¹⁶⁸

Despite its commitment to international norms and “respect for international law and treaty obligations”, Bhutan is not a signatory of the 1951 UN Convention on Refugees relating to the Status of Refugees or the 1967 Protocol relating to the Status of Refugees. Around 1,298 Tibetan refugees have been living in seven settlements in Bhutan. In the absence of an asylum and refugee granting policy and strict provisions

¹⁶⁷ Madhukar SJB Rana, “Nepal Perspective: Bhutan through a Looking Glass”, *Bhutan News Network*, 18 April 2015, available at <http://www.bhutannewsnetwork.com/2015/04/nepal-perspective-bhutan-through-a-looking-glass/>, accessed on 19 June 2015.

¹⁶⁸ Ministry of Foreign Affairs, Royal Government of Bhutan, n. 166.

to get citizenship, these refugees have been living perpetually as stateless citizens.¹⁶⁹

In the post-democracy period, the Prime Minister of Bhutan represented the people and forcefully affirmed Bhutan's aspirations to seek a non-permanent membership at the Security Council. Addressing the 67th United Nations General Assembly on 28 September 2012, Prime Minister Jigmi Y. Thinley highlighted the serious implications of climate change in general and to the mountain ecosystem in particular. He demanded equality of opportunity in the UN system. He pointed out that "all states, regardless of size, population, level of development, must be permitted the opportunity to contribute by bringing diversity of thought, approach and indeed, their will, to the work of the Council".¹⁷⁰ During this period, Bhutan generated a new debate by writing to the UN members about GNH.¹⁷¹ Although the GNH formula was rejected by the UNGA, Bhutan kept on arguing that "development must be guided by a clear home-grown vision that placed people's welfare and happiness as its central objective".¹⁷²

¹⁶⁹ See <http://www.state.gov/documents/organization/160057.pdf>, accessed on 30 August 2021.

¹⁷⁰ "At UN, Bhutan's Premier Highlights World's Challenges and Aims for Security Council Seat", *UN News Center*, available at <http://www.un.org/apps/news/story.asp?NewsID=43107#.VYK—Pmqkko>, accessed on 18 June 2015.

¹⁷¹ Originally developed in 1972 by then King of Bhutan, Jigme Singye Wangchuck, there were four indicators of GNH. Those were: good governance, sustainable socio-economic development, cultural preservation, and environmental conservation. By 1974, it was further improved into nine dimensions: psychological well-being, health, education, time use, cultural diversity and resilience, good governance, community vitality, ecological diversity and resilience, and living standards. Source: <http://www.mintpressnews.com/exclusive-interview-with-bhutans-former-prime-minister-jigmi-thinley-o/179301/>, accessed on 30 August 2021.

¹⁷² Lyonpo Rinzin Dorje, Minister for Foreign Affairs of Bhutan, at General Debate, General Assembly of the United Nations, 24–30 September 2014, available at <http://www.un.org/en/ga/69/meetings/gadebate/30sep/>, accessed on 18 June 2015.

Thinley visited UNGA in September 2011 and 2012. He talked about GNH in 2011. He countered the concept of GDP by justifying the concept of GNH. In 2011, the General Assembly adopted a “happiness resolution”, noting that GDP “does not adequately reflect the happiness and well-being of people in a country” and empowering Bhutan to speak to member states about the need for happiness to be a key component of their economies. It countered the western definition and justified traditional concept of happiness. Bhutan created a new identity and remained in the limelight because of the GNH issue. In 2012, he focused on climate change and non-permanent membership of the Security Council. Thinley demanded that Bhutan be nominated as a non-permanent member of SC for the year 2013–14.

It is assumed that the King was dissatisfied with the Thinley government’s aggressive international public relations campaign to promote GNH at the expense of domestic needs. The GNH was propagated by Bhutan’s fourth king, Jigme Singye Wangchuck in 1972, which later became the Buddhist nation’s unique way of measuring national progress in terms of the well-being and happiness of its people instead of using GDP as the indicator. The objective of such a concept could have been to popularise monarchy and establish that monarchy had been benevolent to its subjects. The Thinley government’s initiative brought a bad name to the monarchy both at the domestic and international levels as UN passed resolutions against the concept. What could be the reason for the Thinley government to discuss GNH at the UN and organising a special conference in 2012? Was he anti-monarchy? How did his Harvard education help in shaping a new foreign policy for Bhutan?

The second democratically elected government led by Tobgay reverted to the foreign policy of Nepal and stated that the king should lead efforts to popularise GNH around the world and not the elected head of the government.¹⁷³

¹⁷³ “Bhutan PM Won’t Sell Gross National Happiness Abroad (Interview)”, *Business Standard*, Delhi, 1 August 2013, available at https://www.business-standard.com/article/news-ians/bhutan-pm-won-t-sell-gross-national-happiness-abroad-interview-113080100740_1.html, accessed on 4 February 2021.

NAM

Bhutan joined the Non-Aligned Movement (NAM) in 1973. The Permanent Mission of Bhutan in New York manages the regular Coordinating Bureau Meetings of NAM, which has added another feather to its sovereignty status. Bhutan actively highlighted the plight of small states and supported an agenda related to the sovereignty and territorial integrity of small states. It supported the NAM principles on imperialism and colonialism. Bhutan asserted its independent stance at the NAM summit conference in Havana, Cuba, in 1979, by voting along with China and some South East Asian countries (instead of with India) on the issue of allowing Cambodia's Khmer Rouge to participate in the conference.¹⁷⁴

In the 16th NAM summit in Tehran in 2012, Bhutan lobbied extensively with NAM members and observers for its non-permanent membership of UNSC.¹⁷⁵ The Bhutanese delegation was led by PM Thinley. It seems that Bhutan seized the Tehran summit as an opportunity to create some space in global politics by articulating its viewpoint confidently for the first time in the NAM summit. As a major diplomatic victory for the first time, Bhutan was elected as one of the vice chairs of the 16th summit of the NAM. Bhutan used the NAM platform to highlight and generate support of the global community on protection of small states against the adverse impact of climate change and food shortages. Bhutan also shared its experience of having “pursued GNH for over

¹⁷⁴ “Foreign Minister to Lead Bhutanese Delegation to 15th NAM Summit and to Present Bhutan’s 7th Periodic Report to CEDAW”, Ministry of Foreign Affairs, Royal Government of Bhutan, 14 July 2009, available at <https://www.mfa.gov.bt/?p=202>, accessed on 30 August 2021. Also visit “Understanding India-Bhutan Relations”, *One India News*, 18 June 2014, available at <http://www.oneindia.com/feature/understanding-india-bhutan-relations-1467521.html>, accessed on 19 June 2015.

¹⁷⁵ “Lyonchhen to Discuss Bhutan’s Non-Permanent Membership in the UNSC at NAM”, *The Bhutanese*, 29 August 2012, available at <http://www.thebhutanese.bt/lyonchhen-to-discuss-bhutans-non-permanent-membership-in-the-unsc-at-nam/>, accessed on 19 June 2015.

four decades by balancing material growth with mental and spiritual enrichment within a stable environment”.¹⁷⁶

Bhutan took a slightly different position at the 18th NAM Summit in Baku, Azerbaijan. Bhutan’s foreign secretary Sonam Tshong reiterated his country’s strong commitment to the movement’s principles of self-determination, respect for sovereignty, territorial integrity, non-aggression, and non-interference in internal affairs. Bhutan highlighted the relevance and importance of NAM, especially to smaller member states, and also called for greater financial and technical support to the least developed countries and middle income countries, to ensure that the climate change transition is sustainable. Since the Baku Summit happened after the Doklam incident, Bhutan contemplated discussing about security challenges to the small states. Unlike previous summits, Bhutan did not discuss about GNH at this summit.¹⁷⁷

LLDC

Bhutan is listed in the LLDC by the UNCTAD. According to the Committee for Development Policy (CDP) of the UN, Bhutan would graduate from LDC in 2023. However, the COVID-19 pandemic might force Bhutan to request UN agencies to hold the process since it might lose financial support from the UN and its agencies. It might also lose 26 per cent of the Official Development Assistance (ODA) revenues and loss of trade concessions.¹⁷⁸ Addressing the 75th UN General Assembly virtually from Thimphu in October 2020, Prime Minister Dr Lotay Tshering requested the UN to reset the LDC

¹⁷⁶ Prime Minister Jigmi Y. Thinley delivered keynote address on the second day of the 16th summit of the NAM in Tehran, Cabinet Secretariat, Government of Bhutan, available at http://www.cabinet.gov.bt/?page_id=195, accessed on 19 June 2015.

¹⁷⁷ “Bhutan Attends 18th Mid-term Ministerial Meeting of NAM”, *Kuensel*, 6 April 2018, available at <https://kuenselonline.com/bhutan-attends-18th-mid-term-ministerial-meeting-of-nam/>, accessed on 30 August 2021.

¹⁷⁸ “Bhutan Likely to Shed LDC Tag in 2021”, *Kuensel*, 13 December 2013, available at <http://www.kuenselonline.com/bhutan-likely-to-shed-ldc-tag-in-2021/#.VYKkwPmqkko>, accessed on 18 June 2015.

graduation path to help the country regain its grip on a smooth transition from the LDC category. “It would be extremely challenging especially for developing countries to reverse their economies. Now everything is changed. Our focus has shifted to saving lives and livelihoods from the challenges posed by the pandemic”, he said.

Interestingly, like Nepal, Bhutan is less active in LLDC debate over more transit facilities to these countries. It could be due to its friendly relations with India and multiple transit facilities offered by India to Bhutan in comparison to two transit ports to Nepal for third country exports. Another factor could be Bhutan’s limited trans-oceanic trade than other LLDCs. Most of its exports take place to/via India and Bangladesh. That way Bhutan saves foreign currency on transportation and insurance. Moreover, Bhutan’s transit trade with India is handled by its own customs agency.¹⁷⁹ In case any problems arise on the transit trade issue, both the countries prefer to resolve them at the bilateral level rather than discussing at international forums and politicising the issues unnecessarily. Lastly, Bhutan also avails duty-free transit of its goods for trade with third countries.¹⁸⁰ However, Bhutan played an important role along with Zambia, Mozambique, and Burkina Faso for the establishment of the LDC fund within the Kyoto Protocol and drew attention of the international community on the fragile mountain ecosystems in the sixth session of the Conference of Parties (COP), Part II to the United Nations Framework Convention on Climate Change (UNFCCC) held in Bonn in July 2001.¹⁸¹

¹⁷⁹ Michael I. Faye et al., “The Challenges Facing Landlocked Developing Countries”, *Journal of Human Development*, Vol. 5, No. 1, March 2004, pp. 40–49.

¹⁸⁰ “India and Bhutan to Have New Transit Routes Soon”, *The Economics Times*, 24 January 2014, available at <https://economictimes.indiatimes.com/news/economy/foreign-trade/india-and-bhutan-to-have-new-transit-routes-soon/articleshow/29304462.cms>.

¹⁸¹ “Bhutan Supports Creation of LDC Fund within Kyoto Protocol”, *Kuensel*, 11 August 2001, available at <http://www.kuenselonline.com/2015dev3/bhutan-supports-creation-of-ldc-fund-within-kyoto-protocol/>, accessed on 18 June 2015.

Campaign against climate change impacts and sustainable development has been a major agenda of Bhutan's foreign policy. It has garnered a fair amount of international recognition for that. Bhutan as a chair of the LDC groups at the UNFCCC, on 9 December 2020 hosted the Thimphu Ambition Summit: Momentum for a 1.5°C World, to encourage global climate action. The objective of Thimphu Ambition Summit was to convene and discuss critical issues around ambition, climate finance, and the green economic recovery.

SAARC

Like other small neighbours of India, Bhutan also supported the formation of SAARC. It was one of the founding members of the SAARC. When the concept of regional cooperation was proposed by Bangladesh, the then Bhutan King immediately supported the idea and wanted to join the group for his country's recognition as an independent country at the regional level. In one of the SAARC foreign ministers' meeting in Thimphu in 1985, the King pointed out that "the region needed harmonious cooperation among its members". He urged the seven nations to "forget their past differences and look into shaping the future on the basis of mutual trust and confidence in each other".¹⁸²

The South Asian region witnessed major territorial rearrangement in the 1970s like formation of Bangladesh in 1971, merger of Sikkim with India in 1974, Nepal's proposal of "Zone of Peace", frequent Chinese incursion into Bhutan's territory, etc. Given this geo-political turmoil, Bhutan was nervous over securing its territorial integrity. The then Bhutan King also demanded revision of the 1949 Treaty with India. There was a rumour that Bhutan could be the next target of India after Sikkim. As a result, Bhutan perceived India as a threat to its sovereignty, and in fact, took a different position in the NAM summit in Havana in 1979, perhaps to reaffirm its sovereignty and independence in foreign policy.¹⁸³

¹⁸² "Economic and Political Relations Between Bhutan and Neighbouring Countries", *Monograph 12*, April 2004, A Joint Research Project of The Centre for Bhutan Studies (CBS) and Institute of Developing Economies, Japan External Trade Organization (IDE/JETRO), p.66.

¹⁸³ *Ibid.*, pp. 62–63.

Bhutan and other smaller countries of South Asia felt that SAARC would benefit them more, rather than dealing with India bilaterally. They also felt that the arrangement would improve their bargaining power with India. One scholar observed that for Bhutan, “the association would be a mechanism through which it could expand its foreign relations with other countries without antagonising India and also expand its economic interaction with others to reduce the dependence on India.”¹⁸⁴ India’s reluctance to the SAARC proposal doubled the suspicion of its smaller neighbours, including Bhutan. The guarantee to “sovereign equality, territorial integrity, national independence, non-use of force and non-interference in internal affairs of other states and peaceful settlement of all disputes” in the SAARC Charter gave much solace to Bhutan. Former foreign secretary of India, Muchkund Dubey, observed, “The apprehension of loss of identity and the fear of threat to their sovereignty emanating from the bigger neighbour, is often so great that the smaller neighbours do not want to come closer to India even if it is clearly in their interest to do so.”¹⁸⁵ Later, Bhutan used the SAARC platform to put pressure on India on trade and transit route through Indian territory to use Bangladesh’s sea ports with the support of other smaller member countries.¹⁸⁶ During this period, India’s relationship with Bhutan also improved due to family friendship between Rajiv Gandhi and the then Prince of Bhutan. This was the period when the King represented Bhutan in the SAARC meetings (this continued till 2008).

As a founding member, Bhutan has been offered full cooperation in the regional development issues. Therefore, Bhutan’s contribution to SAARC is much higher in comparison to other international

¹⁸⁴ Padmaja Murthy, “Role of Smaller Members in the SAARC Forum”, available at <http://www.idsa-india.org/an-nov8-5.html>, accessed on 20 June 2015. Also see, Rajesh S. Kharat, “Role of Bhutan in SAARC”, Dissertation submitted to Centre for South, Central, South-East Asian, South-West Pacific Studies, JNU, New Delhi, 1989.

¹⁸⁵ Muchkund Dubey, *India’s Foreign Policy: Coping with the Changing World*, Delhi: Pearson, 2013, p. 55.

¹⁸⁶ *Ibid.*, p. 59.

organisations. Since Bhutan is considered as the most non-controversial member with good relations with other member countries, two important SAARC offices are also located in Bhutan SAARC Development Fund and SAARC Forestry Centre (SFC). Bhutan also organised several conferences and seminars on forestry, environment, agriculture, rural development, food crisis in the Himalayan region, etc. It facilitated a meeting between the LTTE and Sri Lankan government to resolve the ethnic conflict in the Island in July 1985. The purpose of this meeting was that Bhutan wanted to reduce the misunderstanding between India and Sri Lanka over the Tamil issue, which delayed the formation of SAARC.

Bhutan hosted the 16th SAARC Summit in April 2010 for the first time in the 25 years of formation of SAARC. The theme of the summit was climate change. During this period, as SAARC Chair, Prime Minister Thinley undertook extensive visits to all the SAARC member countries in an effort to “ensure that the momentum and positive environment generated by the Thimphu Summit are not lost and wasted.”¹⁸⁷ Bhutan appealed to the members and observers for cooperation to mitigate the common challenges and also to give special attention to the vulnerable smaller countries of the region. Thinley also appraised the members that the “GNH establishes happiness as the ultimate purpose of development.”¹⁸⁸ Bhutan also played an important role in obtaining an observer status for SAARC at COP 16 in Mexico in 2010 by sending a message to the world community that South Asian countries are together for mitigating their common challenges, including climate change.¹⁸⁹

¹⁸⁷ “Bhutan’s Role in Promoting Regional Peace and Prosperity in South Asia”, Jigmi Y. Thinley, Prime Minister of Bhutan, spoke at the Asia Society, New York, on 19 September 2011, available at <http://asiasociety.org/bhutans-role-promoting-regional-peace-and-prosperity-south-asia>, accessed on 20 June 2015.

¹⁸⁸ Address by Jigmi Y. Thinley, Prime Minister of Bhutan, at the Inaugural Session of the Sixteenth SAARC Summit, Thimphu, on 28 April 2010.

¹⁸⁹ “Bhutan’s Role in Promoting Regional Peace and Prosperity in South Asia”, Jigmi Y. Thinley, n. 187.

While SAARC has been criticised for lack of performance, perpetually on crutches due to intense rivalry between two of its members—India and Pakistan—and while some of its members argue for inclusion of non-South Asian countries as its members for better performance, Bhutan affirmed a strong faith on SAARC's capability and reiterated its utility for resolving differences between the members. Bhutan's approach to regional cooperation was based on the realisation that “national development objectives can be attained through collective regional efforts. The ultimate goal was, however, more political and strategic in nature. Bhutan realised that it was more important to enhance its internal stability while at the same time projecting itself as a sovereign and independent nation.”¹⁹⁰ Emphasising on SAARC as a regional organisation exclusively for the South Asian region, in an interview to *The Hindu* in November 2014, Bhutan's Prime Minister Tshering Tobgay said:

This could be an occasion in realising the collective hopes of the region to integrate and prosper together...if we did not have bilateral differences, we would not need a SAARC. We need a SAARC desperately to realise our collective potential because we have differences. This forum provides for us to go beyond individual differences and in doing so it provides us the platform to reconcile them. Despite bilateral problems, leaders meet because of the SAARC Summit.¹⁹¹

Bhutan also played an important role in bringing out a sub-regional Motor Vehicle Agreement (MVA), when the Kathmandu Summit failed to endorse the regional MVA due to Pakistan's reservations over the issue. Bhutan, along with Bangladesh, Nepal and India signed the historic Motor Vehicle Agreement (BBIN-MVA) in Bhutan for the “Regulation

¹⁹⁰ “Economic and Political Relations Between Bhutan and Neighbouring Countries”, n. 182, p. 64.

¹⁹¹ “If We Didn't Have Differences, We Wouldn't Need SAARC”, *The Hindu*, 21 November 2014, available at <https://www.thehindu.com/opinion/interview/full-transcript-of-the-interview-with-bhutan-prime-minister-tshering-tobgay/article6618578.ece>, accessed on 4 February 2021.

of Passenger, Personal and Cargo Vehicular Traffic” on 15 June 2015. The agreement encapsulates the spirit of economic integration emphasised in the SAARC Charter. Before signing the agreement, BBIN officials had a meeting in Kolkata in February 2015. The agreement was endorsed by the cabinets of the respective countries. This agreement is likely to yield maximum dividend for the two Himalayan landlocked counties—Nepal and Bhutan. The agreement has addressed their long-standing grievances concerning trade and transit issues with India. A Bhutanese official reportedly stated that the agreement would “increase people-to-people contact in the region” and boost trade and commerce amongst the four countries.

Bhutan has remained committed towards regional cooperation, development, and peace. In 2016, Bhutan along with Bangladesh and Afghanistan supported India’s decision to not participate in the Islamabad SAARC Summit due to Pakistan-supported militants’ attack on the Indian military base in Uri on 18 September. Similarly, Bhutan also supported other member countries’ views about not holding the SAARC Summit during COVID-19 pandemic when Pakistan and Nepal proposed holding of the same in the SAARC external affairs virtual meeting in September 2020. Further, on the occasion of 36th Charter Day of the SAARC, Bhutan’s foreign minister Lyonpo thanked India for taking the lead to organise the SAARC Leaders’ Video Conference in March 2020 to join hands to fight the pandemic and for the establishment of the SAARC COVID-19 Emergency Fund.¹⁹²

BIMSTEC

Bhutan joined BIMSTEC in February 2004 after seven years of its formation, and has benefitted by its area of cooperation, especially on transportation and communication, tourism, environment and disaster management, and agriculture. Bhutan is responsible for ensuring Cultural Cooperation between member countries. Bhutan used the platform

¹⁹² Press Release, 8 December 2020, Ministry of Foreign Affairs, Royal Government of Bhutan, available at <https://www.mfa.gov.bt/?p=8793>, accessed on 4 February 2021.

to widen its diplomatic reach by meeting heads of the member states on the sidelines of the BIMSTEC meetings. This provided an opportunity for Bhutan to expand its economic cooperation beyond India. For example, during the summit meeting at the Nay Pyi Taw, Myanmar, in March 2014, Bhutan's PM Tshering Tobgay discussed about resuming direct flights with Myanmar by rerouting to Singapore for getting more tourists. Both the countries also discussed about exchange of students and cooperation on trade and agriculture. The First BIMSTEC Ministerial Meeting on Culture was held in Paro, Bhutan from 23 to 25 May 2004. The meeting adopted the concept paper prepared by Bhutan for cooperation in culture as the Paro Initiative to serve as a roadmap for socio-economic progress driven by cultural industries in the BIMSTEC region. In 2014 in the Myanmar meeting, Bhutan signed the "Memorandum of Understanding on the Establishment of the BIMSTEC Cultural Industries Observatory (BCIO) and the BIMSTEC Cultural Industries Commission (BCIC)". The Cultural Industries Observatory will be located in Paro and will serve as the repository for information on cultural industries, disseminate such information and facilitate its access by member states.¹⁹³ It is an opportunity for Bhutan to extend its cultural linkages and share religious values with three important member countries—Myanmar, Sri Lanka, and Thailand—that have substantial followers of Buddhism. "Our membership of the BIMSTEC is, therefore, an extension of our policy of seeking closer economic cooperation, not only with our South Asian neighbours but also with countries of South East Asia".¹⁹⁴

FINAL OBSERVATIONS

The objective of the first phase of diversification was to protect its sovereignty and territorial integrity against external forces and to garner international recognition without entanglement in international politics.

¹⁹³ "Bhutan's Gains from The Third BIMSTEC Summit", *The Bhutanese*, 7 March 2014, available at <http://www.thebhutanese.bt/bhutans-gains-from-the-third-bimstec-summit/>, accessed on 20 June 2015.

¹⁹⁴ Statement by Lyonpo Jigmi Y. Thinley, Prime Minister of the Kingdom of Bhutan, at the first BIMSTEC Summit, in Bangkok, on 31 July 2004.

The second phase was mostly targeted at integrating the domestic economy with the global market economy. In between the first and second phases of diversification, and immediately after the first phase, Bhutan's monarchy also utilised the newly found external relations to protect itself against the domestic democratic movement led by Nepal. The King had to access his own challenges at home against the backdrop of the democratic movement in Nepal. Bhutan suspected India may support its Nepalese population, like the latter's support to Nepali Congress in Nepal. In the light of that, Bhutan voted against India in NAM and the UN. Just before the completion of Chinese annexation of Tibet in 1959, Bhutan had discussed with India its desire to diversify its foreign policy perhaps to maintain a balance between India and China and generating funds for economic development. During the second phase of diversification, Bhutan asserted its international identity and dealt both at the regional and international levels confidently. Economic agendas dominated security issues.

Given the rapid changes in the world order and geo-political changes in Asia, Bhutan's foreign policy was readjusted accordingly. Despite being a landlocked country, it is not immune to the influence of globalisation. Therefore, the following trends are observed in Bhutan's foreign policy in the post-democracy period. First, Bhutan's foreign policy during the pre-democracy period was to some extent consistent and adopted the traditional approach to deal with external issues. This consistency was largely not carried forward with the introduction of multi-party democracy despite the monarchy's significant role in the foreign policy making as enshrined in the 2008 Constitution. The choice of foreign policy changed with the change of government in Thimphu. As discussed earlier, the DPT and PDP took different foreign policy approaches during their respective regimes. PM Thinley's foreign policy was mostly economically oriented and focused more on the international level. On the contrary, Tobgay's foreign policy was focused more at the regional level and less at the international level. While the Thinley government projected the GNH as cultural diplomacy to create a new space for Bhutan before the international community, his successor treated the GNH as a domestic issue. The DNT government took the GNH as the guiding principle for improvement in rural health, education, and women issues.

Since coalition governments and political instability are part and parcel of multi-party democracy in the sub-continent, Bhutan might witness further dilution and incoherence in its foreign policy in the future.

A growing demand for linking Bhutan's economy with China and the US cannot be ruled out in the near future. There is already a growing domestic demand that Bhutan should establish diplomatic relations with China. India should not have any reservations on that because of its own growing economic activities with China. Once the BCIM corridor starts functioning, Bhutan might lobby for joining that to get a direct benefit from both India and China and could use that route for direct trade with China's prosperous Yunnan province and Myanmar. The Lhasa-Shigatse rail link to Yadong, could be a game-changer for Bhutan to trade with China.¹⁹⁵ Moreover, China is a global economic power. Being a neighbour, Bhutan could take advantage of that.

Second, the foreign policy of Bhutan is now more driven by economic imperatives rather than security, and this was quite evident during the Thinley regime. Thinley tried to establish diplomatic relations with China, despite being aware that China has been adopting undemocratic methods to suppress Tibetan culture and freedom. At the same time, China continues its claim on Bhutanese territory.

Third, an effort to create a new space in the international discourse on measuring growth and happiness and protection of small states against the threat of climate change has been another dimension of the new foreign policy of Bhutan. At the same time, Bhutan has also focused more on engaging with countries having a majority of Buddhist followers. Therefore, Bhutan has frequent engagements with countries located in South and South-Eastern region, mostly with the ASEAN members, to attract tourists.

¹⁹⁵ "Integrating Tibet with the World", *The Hindu*, 13 July 2015, available at <https://www.thehindu.com/opinion/op-ed/sichuantibet-railway-project-integrating-tibet-with-the-world/article7414017.ece>, accessed on 4 February 2021.

Lastly, Bhutan has been pursuing an independent foreign policy without consulting India since 2007. However, the foreign policy is formulated with due consideration of the security concerns of both Bhutan and India. Efforts are also being made to reduce dependence on India in terms of technological and financial assistance for infrastructure development. In this regard, support of multilateral financial institutions and other regional organisations are explored rather than just limiting to establishing diplomatic relations with major powers in the region.

CONCLUSION

Despite having common traits such as being landlocked, ruled by monarchical systems till 2008, developing and weak economies, mountainous terrain, and situated between India and China, the foreign policy behaviours of Bhutan and Nepal exhibit differences. During the pre-colonial period, external relations of these two countries were mostly decided according to the agreements with the then British India. According to the treaties, the foreign policy of both the Himalayan countries was decided by British India. In the post-colonial period, the two Himalayan countries entered into another round of agreements with the Republic of India almost on similar lines. However, one major difference was that India acknowledged these two countries as sovereign and independent neighbours. Moreover, the foreign policy of both the countries was mostly influenced by China's claims on the Himalayan region, including Nepal and Bhutan. Bhutan was more directly affected by the Chinese annexation of Tibet than Nepal because of its deep religio-cultural and economic interactions with Tibet. Therefore, when China occupied Tibet and destroyed cultural institutions in Tibet, Bhutan treated Chinese actions as an attack on its sovereignty. That was not the case with Nepal.

According to the India–Nepal 1950 Treaty and the “exchange of letter”, Nepal's foreign, defence and economic policies were to be guided by India under the so-called “special relationship”. Interestingly, instead of comforting Nepal against external threats, the arrangement made the ruling class of Nepal concerned about pursuing an independent foreign policy. Therefore, by 1955, Nepal ignored some of the clauses of the agreement and diversified its foreign policy by establishing diplomatic relations with other countries and multilateral forums. There were also other factors like domestic, regional, and international developments at that time responsible for this foreign policy diversification.

Similarly, Bhutan had signed the Peace and Friendship Treaty with India in 1949. As per the Treaty, the foreign and defence policies of Bhutan were to be guided by India. Bhutan had to consult India before establishing any diplomatic relations with other countries. Unlike Nepal, Bhutan had adopted a policy of limited external relations until 1961. The then rulers of Bhutan adopted this policy to protect the sovereignty, cultural identity, and political independence. Therefore, section 2 of the 1949 Treaty did not affect the foreign policy of Bhutan much and perhaps it was, to some extent, comfortable with the Treaty. However, the geo-political dynamics changed rapidly with Chinese annexation of Tibet in 1959 followed by India's unsuccessful military campaigning against China in the 1962 border conflict. These two events gave an impression to Bhutan that its policy of limited external interaction might not be relevant in the context of geo-political shifts in the Himalayan region and growing inter-state relations due to development of communication technology. Bhutan's realisation to get out of isolationist policy also coincided with India's policy shifts towards capacity building of the two Himalayan countries to resist spread of communism to south of Himalayas and any military campaign in future. In this regard, Nehru during his official visit to Bhutan in 1958, had offered economic and technological assistance for socio-economic and infrastructure development. Later, India supported Bhutan to join the Colombo Plan in 1961 and the UN in 1971.

Given their geo-political similarities, cultural linkages and common neighbours, historically, Bhutan has often adjusted its domestic and foreign policy by monitoring political developments in Nepal. For example, there was close relationship between the kings of Nepal and Bhutan. The first Dharmaraja Syawadung Nawang Namgyal introduced some political system in Bhutan after completing visits to the Gorkha kingdom. "The system of 'Mana-panthi' of Gorkha's known as 'Gorge Jhappa' among the Dukpa and Pyapsa people of Bhutan has been popularised in Bhutan."¹⁹⁶ There were also linkages between the Ranas

¹⁹⁶ Suman Dhakal, "Nepal-Bhutan Relations: A Study of Its Past", *Ancient Nepal*, Journal of the Department of Archaeology, No. 152, March 2003, p. 2, available at http://himalaya.socanth.cam.ac.uk/collections/journals/ancientnepal/pdf/ancient_nepal_152_01.pdf, accessed on 4 February 2021.

of Nepal and Dorji clan of Bhutan. Both the clans had occupied prime ministerial position in the monarchical system in their respective countries. Lhendup Dorji, former acting Prime Minister of Bhutan, had fled to Nepal in 1965 and took political asylum when his conspiracy against the King was exposed. It is believed that Lhendup and his brother were supported by China. Lhendup got the support of King Mahendra of Nepal, who suspected India's role behind promoting democracy in Nepal at that time. This reflected that Bhutan did not follow complete isolation in its foreign policy. Rather, it had selective foreign policy *vis-à-vis* Buddhist and small countries. Until the issue of Lhotshampa became serious in 1990 in Bhutan, both the countries had close cultural and economic interactions.

Despite having a close and dependent relationship, as was the case with the Kings in Nepal, the King of Bhutan was also suspicious about India's support to Lhotshampas, who demanded democracy and abolition of the feudal system. The formation of Bhutan State Congress (BSC) at Patgaon in Goalpara district of Assam in November 1952 (which drew inspiration from Indian National Congress and the Nepali Congress) with demand of closer ties with India, Bhutan's doubt about India's support increased. Like the NC of Nepal, the BSC also used Indian territory to carry out its democratic movement in Bhutan.¹⁹⁷ There were close relations and exchange of ideas between two parallel democratic movements in Nepal and Bhutan. Therefore, Bhutan followed the Nepal King's footsteps to diversify its external relations to reduce dependence on India and to minimise India's influence in its domestic politics. While Nepal established relationship with China and other major powers for international recognition and support as an independent country, Bhutan almost adopted a similar policy with some calculative moves by keeping a balance between India's security interest and its own political independence. Instead of establishing linkages with major powers and China, it preferred to become a member of multilateral forums such as the Colombo Plan, UN, NAM, SAARC,

¹⁹⁷ A.C. Sinha, "Political Development and Strategic Security in Bhutan", *Dialogue*, Vol. 11, No. 1, July–September 2009, available at http://www.asthabharati.org/Dia_July%2009/a.c.htm, accessed on 4 February 2021.

etc. In terms of bilateral relations, it again preferred to establish diplomatic relations with small countries whose relationship in turn with Bhutan did not affect India's security concerns.

Both Nepal and Bhutan carried out their foreign policy diversification in three phases. In the first phase (1947–1950), other than domestic issues, security concerns had dominated the foreign policy of both the countries. In the second phase of foreign policy diversification (1955–1985), they concentrated on protecting the monarchy against democratic movements and reducing dependence on India. In the third phase (1990 onwards), the Himalayan countries focused mainly on integrating their respective domestic market with the global economy and rapid search of external resources for socio-economic development. Therefore, both the Himalayan countries' quest for FDI and technology would continue under the multi-party democratic system. As a result, security issue would have less priority. In this scenario, while Nepal already has a robust diversified foreign policy; it is now Bhutan's turn to venture into some new relationships to fulfil its political and economic aspirations. Both the countries have also witnessed that despite having adopted diversified foreign policy and liberal economic policy to attract FDI, the actual foreign investment has been below their expectations. In this regard, to attract more FDI and cater to their growing domestic demands, they would prefer multilateral arrangements to overcome the problems faced at the bilateral levels. They would also prefer taking advantage of the economic growth of India and China. At the same time, they would use multilateral forums like UN, LDC and LLDC to raise their demands for trade and transit concessions, and special protections against the impact of climate change. However, the success of foreign policy for Bhutan and Nepal would depend on domestic political stability and consensus amongst the major political parties. At the regional level, these countries will push for bilateral trade with immediate neighbours and regional energy integration to explore multiple options to attract foreign investments and market.

TREATY OF PEACE AND FRIENDSHIP

31 JULY 1950

TREATY OF PEACE AND FRIENDSHIP BETWEEN THE
GOVERNMENT OF INDIA AND THE GOVERNMENT OF
NEPAL

Kathmandu, 31 July 1950

The Government of India and the Government of Nepal, recognising the ancient ties which have happily existed between the two countries; Desiring still further to strengthen and develop these ties and to perpetuate peace between the two countries; Have resolved therefore to enter into a Treaty of Peace and Friendship with each other, and have, for this purpose, appointed as their plenipotentiaries the following persons, namely,

1. THE GOVERNMENT OF INDIA

His EXCELLENCY SHRI CHANDRESHWAR PRASAD
NARAIN SINGH,

Ambassador of India in Nepal.

2. THE GOVERNMENT OF NEPAL

MOHUN SHAMSHER JANG BAHADUR RANA,

Maharaja, Prime Minister and Supreme Commander-in-Chief
of Nepal,

who having examined each other's credentials and found them good and in due form have agreed as follows:

Article 1

There shall be everlasting peace and friendship between the Government of India and the Government of Nepal. The two Governments agree mutually to acknowledge and respect the complete sovereignty, territorial integrity and independence of each other.

Article 2

The two Governments hereby undertake to inform each other of any serious friction or misunderstanding with any neighbouring State likely to cause any breach in the friendly relations subsisting between the two Governments.

Article 3

In order to establish and maintain the relations referred to in Article 1 the two Governments agree to continue diplomatic relations with each other by means of representatives with such staff as is necessary for the due performance of their functions. The representatives and such of their staff as may be agreed upon shall enjoy such diplomatic privileges and immunities as are customarily granted by international law on a reciprocal basis: Provided that in no case shall these be less than those granted to persons of a similar status of any other State having diplomatic relations with either Government.

Article 4

The two Governments agree to appoint Consuls-General, Consuls, Vice-Consuls and other consular agents, who shall reside in towns, ports and other places in each other's territory as may be agreed to. Consuls-General, Consuls, Vice-Consuls and consular agents shall be provided with exequaturs or other valid authorization of their appointment. Such exequatur or authorization is liable to be withdrawn by the country which issued it, if considered necessary. The reasons for the withdrawal shall be indicated wherever possible. The persons mentioned above shall enjoy on a reciprocal basis all the rights, privileges, exemptions and immunities that are accorded to persons of corresponding status of any other State.

Article 5

The Government of Nepal shall be free to import, from or through the territory of India, arms, ammunition or warlike material and equipment necessary for the security of Nepal. The procedure for giving effect to this arrangement shall be worked out by the two Governments acting in consultation.

Article 6

Each Government undertakes, in token of the neighbourly friendship between India and Nepal, to give to the nationals of the other, in its territory, national treatment with regard to participation in industrial and economic development of such territory and to the grant of concessions and contracts relating to such development.

Article 7

The Governments of India and Nepal agree to grant, on reciprocal basis, to the nationals of one country in the territories of the other the same privileges in the matter of residence, ownership of property, participation in trade and commerce, movement and other privileges of a similar nature.

Article 8

So far as matters dealt with herein are concerned, this Treaty: cancels all previous Treaties, agreements, and engagements entered into on behalf of India between the British Government and the Government of Nepal.

Article 9

This Treaty shall come into force from the date of signature by both Governments.

Article 10

This Treaty shall remain in force until it is terminated by either party by giving one year's notice.

DONE in duplicate at Kathmandu this 31st day of July 1950.

(Signed)

CHANDRESHWAR PRASAD NARAIN SINGH

For the Government of India.

(Signed)

MOHUN SHAMSHER JANG BAHADUR RAN,

For the Government of Nepal

Source: Ministry of External Affairs, Government of India. Available at <https://mea.gov.in/bilateral-documents.htm?dt1/6295/Treaty+of+Peace+and+Friendship>, accessed on 1 March 2021.

TREATY OF PERPETUAL PEACE AND FRIENDSHIP

8 AUGUST 1949

TREATY OF PERPETUAL PEACE AND FRIENDSHIP
BETWEEN THE GOVERNMENT OF INDIA AND THE
GOVERNMENT OF BHUTAN

Darjeeling,

8 August 1949

The Government of India on the one part, and His Highness The Druk Gyalpo's Government on the other part, equally animated by the desire to regulate in a friendly manner and upon a solid and durable basis the state of affairs caused by the termination of the British Government's authority in India, and to promote and foster the relations of friendship and neighbourliness so necessary for the well-being of their peoples, have resolved to conclude the following treaty, and have, for this purpose named their representatives, that is to say Sri Harishwar Dayal representing the Government of India, who has full powers to agree to the said treaty on behalf of the Government of India, and Deb Zimpon Sonam, Tobgye Dorji, Yang-Lop Sonam, Chho-Zim Thondup, Rin-Zim Tandin and Ha Drung Jigmie Palden Dorji, representing the Government of His Highness the Druk Gyalpo, Maharaja of Bhutan, who have full powers to agree to the same on behalf of the Government of Bhutan.

Article I

There shall be perpetual peace and friendship between the Government of India and the Government of Bhutan.

Article II

The Government of India undertakes 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 India in regard to its external relations.

Article III

In place of the compensation granted to the Government of Bhutan under Article 4 of the Treaty of Sinchula and enhanced by the treaty of the eighth day of January 1910 and the temporary subsidy of Rupees one lakh per annum granted in 1942, the Government of India agrees to make an annual payment of Rupees five lakhs to the Government of Bhutan. And it is further hereby agreed that the said annual payment shall be made on the tenth day of January every year, the first payment being made on the tenth day of January 1950. This payment shall continue so long as this treaty remains in force and its terms are duly observed.

Article IV

Further to mark the friendship existing and continuing between the said Governments, the Government of India shall, within one year from the date of signature of this treaty, return to the Government of Bhutan about thirty-two square miles of territory in the area known as Dewangiri. The Government of India shall appoint a competent officer or officers to mark out the area so returned to the Government of Bhutan.

Article V

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.

Article VI

The Government of India agrees that the Government of Bhutan shall be free to import with the assistance and approval of the Government of India, from or through India into Bhutan, whatever arms, ammunition, machinery, warlike material or stores may be required or desired for the strength and welfare of Bhutan, and that this arrangement shall hold good 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. The Government of Bhutan, on the other hand, agrees that there shall be no export of such arms, ammunition, etc., across the frontier of Bhutan either by the Government of Bhutan or by private individuals.

Article VII

The Government of India and the Government of Bhutan agree that Bhutanese subjects residing in Indian territories shall have equal justice with Indian subjects, and that Indian subjects residing in Bhutan shall have equal justice with the subjects of the Government of Bhutan.

Article VIII

The Government of India shall, on demand being duly made in writing by the Government of Bhutan, take proceedings in accordance with the provisions of the Indian Extradition Act, 1903 (of which a copy shall be furnished to the Government of Bhutan), for the surrender of all Bhutanese subjects accused of any of the crimes specified in the first schedule of the said Act who may take refuge in Indian territory.

The Government of Bhutan shall, on requisition being duly made by the Government of India, or by any officer authorised by the Government of India in this behalf, surrender any Indian subjects, or subjects of a foreign power, whose extradition may be required in pursuance of any agreement or arrangements made by the Government of India with the said power, accused of any of the crimes, specified in the first schedule of Act XV of 1903, who may take refuge in the territory under the jurisdiction of the Government of Bhutan, and also any Bhutanese subjects who, after committing any of the crimes referred to in Indian territory, shall flee into Bhutan, on such evidence

of their guilt being produced as shall satisfy the local court of the district in which the offence may have been committed.

Article IX

Any differences and disputes arising in the application or interpretation of this treaty shall in the first instance be settled by negotiation. If within three months of the start of negotiations no settlement is arrived at, then the matter shall be referred to the Arbitration of three arbitrators, who shall be nationals of either India or Bhutan, chosen in the following manner:

One person nominated by the Government of India;

One person nominated by the Government of Bhutan;

A Judge of the Federal Court, or of a High Court in India, to be chosen by the Government of Bhutan, who shall be Chairman. The judgement of this Tribunal shall be final and executed without delay by either party.

Article X

This treaty shall continue in force in perpetuity unless terminated or modified by mutual consent.

DONE in duplicate at Darjeeling this eighth day of August, one thousand nine hundred and forty-nine, corresponding with the Bhutanese date the fifteenth day of the sixth month of the Earth-Bull year.

HARISHWAR DAYAE Political Officer in Sikkim.

DEB ZIMPON SONAM

TOBGYE DORJI

YANG-LOP SONAM

CHHO-ZIM THONDUP

RIN-ZIM TANDIN

HA DRUNG JIGMIE PALDEN DORJI

Instruments of Ratification

WHEREAS a Treaty relating to the promotion of, and fostering the relations of friendship and neighbourliness was signed at Darjeeling on the 8th day of August 1949 by representatives of the Government of India and of the Government of His Holiness the Druk Gyalpo, Maharaja of Bhutan, which Treaty is, word for word, as follows:

The Government of India, having considered the treaty aforesaid, hereby confirm and ratify the same and undertake faithfully to perform and carry out all the stipulations therein contained.

IN WITNESS WHEREOF this instrument of ratification is signed and sealed by the Governor-General of India.

DONE at New Delhi, the 22nd day of September, 1949.

C. RAJAGOPALACHARI,

Governor-General of India.

WHEREAS a Treaty relating to the promotion of, and fostering, relations of friendship and neighbourliness was signed at Darjeeling on the eighth day of August, 1949 by Representatives of my Government and of the Government of India, which Treaty is, word for word, as follows:

My Government, having considered the treaty aforesaid, hereby confirm and ratify the same and undertake faithfully to perform and carry out all the stipulations therein contained.

IN WITNESS WHEREOF I have signed this instrument of ratification and affixed hereto my seal.

DONE at Tongsa the fifteenth day of September, 1949.

J. WANGCHUK Druk Gyalpo Seal.

Source: Ministry of External Affairs, Government of India. Available at <https://mea.gov.in/bilateral-documents.htm?dt1/6295/Treaty+of+Peace+and+Friendship>, accessed on 1 March 2021.

INDIA-BHUTAN FRIENDSHIP TREATY

The Indian-Bhutan Friendship Treaty, which was signed in New Delhi on February 8, 2007, came into force following the exchange of Instruments of Ratification between the two governments in Thimphu on March 2, 2007.

INDIA-BHUTAN FRIENDSHIP TREATY

The Government of the Republic of India and the Government of the Kingdom of Bhutan:

Reaffirming their respect for each other's independence, sovereignty and territorial integrity;

Recalling the historical relations that have existed between our two countries;

Recognizing with deep satisfaction the manner in which these relations have evolved and matured over the years into a model of good neighbourly relations;

Being fully committed to further strengthening this enduring and mutually beneficial relationship based on genuine goodwill and friendship, shared interests, and close understanding and cooperation;

Desiring to clearly reflect this exemplary relationship as it stands today; And having decided, through mutual consent, to update the 1949 Treaty relating to the promotion of, and fostering the relations of friendship and neighbourliness between India and Bhutan;

Have agreed as follows:

Article 1

There shall be perpetual peace and friendship between India and Bhutan.

Article 2

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.

Article 3

There shall, as heretofore, be free trade and commerce between the territories of the Government of Bhutan and the Government of India. Both the Governments shall provide full cooperation and assistance to each other in the matter of trade and commerce.

Article 4

The Government of India agrees that the Government of Bhutan shall be free to import, from or through India into Bhutan, whatever arms, ammunition, machinery, warlike material or stores as may be required or desired for the strength and welfare of Bhutan, and that this arrangement shall hold good 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. The Government of Bhutan agrees that there shall be no export of such arms, ammunition and materials outside Bhutan either by the Government of Bhutan or by private individuals.

Article 5

The Government of Bhutan and the Government of India agree that Bhutanese subjects residing in Indian territories shall have equal justice with Indian subjects, and that Indian subjects residing in Bhutan shall have equal justice with the subjects of the Government of Bhutan.

Article 6

The extradition of persons wanted by either state for crimes and for unlawful activities affecting their security shall be in keeping with the extradition agreements between the two countries.

Article 7

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.

Article 8

The Government of Bhutan and the Government of India agree to continue to consolidate and expand their economic cooperation for mutual and long term benefit.

Article 9

Any differences and disputes arising in the interpretation and application of this Treaty shall be settled bilaterally by negotiations in a spirit of trust and understanding in consonance with the historically close ties of friendship and mutually beneficial cooperation that form the bedrock of Bhutan-India relations.

Article 10

This Treaty shall come into force upon the exchange of Instruments of Ratification by the two Governments which shall take place in Thimphu within one month of the signing of this Treaty. The Treaty shall continue in force in perpetuity unless terminated or modified by mutual consent.

In witness whereof, the undersigned being duly authorized thereto by their respective Governments, have signed this Treaty.

Done at New Delhi on the Eighth Day of February Two Thousand and Seven, in two originals each in Hindi, Dzongkha and English

languages, each text being equally authentic. However, in case of difference, the English text shall prevail.

For the Government of

For the Government of

The Republic of India

the Kingdom of Bhutan

Sd/-

Sd/-

(Pranab Mukherjee)

(H.R.H. Trongsa Penlop
Jigme Khesar Namgyel Wangchuk)

Minister of External Affairs

The Crown Prince of Bhutan

Source: *Ministry of External Affairs, Government of India.* Available at <https://mea.gov.in/bilateral-documents.htm?dtl/6295/Treaty+of+Peace+and+Friendship>, accessed on 1 March 2021.

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The two Himalayan states—Nepal and Bhutan—adopted a new political system in 2008. Nepal upgraded the existing multiparty system by excluding the monarchy. Therefore, Nepal had Constituent Assembly elections in May 2008. Similarly, keeping pace with the geopolitical changes in the Himalayas, Bhutan adopted democracy with constitutional monarchy under the new Constitution. These changes had an impact on their approach to diplomatic relations. In Nepal, there was a strong domestic demand to adopt a new set of foreign policies to negotiate bilateral issues with other countries as an equal partner, diversify investment market for rapid economic growth, and re-negotiate the existing treaties.

Bhutan wanted to build a new image at the global level by ending the traditional approach of depending on others. In this regard, the key foreign policy drivers of Bhutan have been: (I) diversifying investment sources by reducing dependence on foreign aid, and (II) adopting a proactive role in climate change negotiation, and popularising the concept of Gross National Happiness. In this context, the Monograph analyses new trends in the foreign policy approach of elected governments of these Himalayan countries under the new political arrangement.



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