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# India’s Strategies on its Periphery: A Case Study in the India–Bhutan Relationship

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**Summary**
This paper explores India’s foreign policy strategies in its relationship with its neighbor Bhutan — probably one of the most asymmetric regional relationships in the world, and one that has come center stage in the context of the tensions between India and China over disputed territory in Doklam in 2017. Against this backdrop this paper takes a look back at the India–Bhutan relationship during the years 2007 to 2016, following Bhutan’s transition to democracy. It focuses on two specific policy fields: Bhutan’s diplomacy, and particularly its efforts to establish relations with China, India’s rival in the region; and Indo–Bhutanese development cooperation in the field of hydropower projects. The paper uses an analytical framework focused on three ideal-typical strategies that regional powers like India can pursue: empire, hegemony, and leadership. The findings show that while India tends to pursue a “leadership” strategy on hydropower projects, it has a contrasting approach when it comes to Bhutan’s diplomacy, indicating several incidences of “hard hegemony” These divergent strategies are related to the different interests connected to the two policy fields: while India is willing to establish an equal partnership in the economic-driven policy field of bilateral hydropower projects, it tends to pursue a very unequal and hard hegemonic strategy in the one of Bhutan's diplomacy because closer Bhutan–China ties are considered India’s own security interests.

**Keywords: South Asia, regional powers, Bhutan, India, foreign policy strategies, diplomacy**

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## Introduction

South Asia and the Himalayas in particular are characterized by an environment of regional discord. The geographical Indo-centricity on the ground has strongly contributed to this phenomenon, not only reinforcing India's supremacy in the region but further making it extremely difficult for the smaller states to bypass India and actively engage with each other directly. Concerning trade and transit, landlocked countries like Nepal and Bhutan are highly dependent on India — and relations among small South Asian countries are thus rather weak in comparison to India's own respective relations with them. This position has enabled India to become a regional power, constituting South Asia's core and turning the region's small states into its periphery. Simultaneously, this regional predominance has led to India facing primarily hostility from among its neighboring countries (Destradi 2010; 2012; Prys 2012).

The Government of India and the Government of Bhutan however both claim that their relationship is an exception to the norm: both countries — the regional power and the small neighboring state — "mutually benefit", and the bilateral projects are a "win-win situation" (MEA 2014a, 2015). On the surface, the Indo–Bhutanese relationship may look like an ideal partnership. After the Chinese annexation of Tibet in 1951, Bhutan closed the affected border, ended any diplomatic relations with China, and developed close ties with India — which included development cooperation, trade agreements, and bilateral hydropower projects. On a structural level, however, the power asymmetries between the two could not be greater. On one side of the spectrum is India: In 2015, the Indian economy was the world's seventh-largest by nominal GDP and third-largest by purchasing power parity (International Monetary Fund 2016). As an emerging regional power, India exercises a high degree of political influence over several of its smaller neighbors (Destradi 2012; Prys 2012). On the other side of the spectrum is Bhutan: it has one of the smallest economies in the world, heavily depends on imports, and is virtually controlled by India for its access to the outside world. Bhutan's huge trade deficit with India — and the latter being its almost exclusive trade partner — reinforce the extreme power asymmetries between the two countries.[1]

Despite these asymmetries, Bhutan is highly significant to India because of its geopolitical location (Murthy 2000: 129). The country functions as one of the Himalaya's buffer states, being landlocked by the two regional powers India and China. The Indo–Chinese relationship has been historically frosty due to border disputes, conflicting worldviews, the sovereignty of Tibet issue, and strategic posturing both during and after the Cold War (Rizal 2015: 328). Bhutan's

1 Since the Chinese annexation of Tibet, India has become Bhutan's most important trade partner with 84 percent of total imports stemming from India and 89 percent of total exports going to that country (Indian Embassy Thimphu, "India–Bhutan Trade Relations").

sovereignty is of great importance to India because a "Chinese-dominated Bhutan would flank India's position in the upper Assam, and strategically place the Chinese south of the Himalayas" (Belfiglio 1972: 680). The China factor is therefore a fundamental component in the study of India's relations with its Himalayan neighbors — including Bhutan. This has become all the more relevant recently in the context of a military standoff in summer 2017 between Indian and Chinese troops in the Doklam area. This paper thus contributes to our understanding of this situation by exploring the Indo–Bhutanese relationship during the years 2007 to 2016, and particularly India's chosen strategies vis-à-vis Bhutan against the backdrop of China's growing influence in the region.

India's security interests in Bhutan as well as the structural differences between the two countries make the relationship extremely complex, and offer an interesting and rather unusual set of circumstances compared to other South Asian countries. Additionally, Bhutan is the only former Indian protectorate that exists as a sovereign country today, having agreed to let India control its foreign policy until 2007. For these reasons, this paper takes issue with the simplified and romanticized views of the India–Bhutan "friendship" postulated in official accounts, and offers a more detailed and critical assessment thereof.

Studying the India–Bhutan relationship provides a contribution to two major areas of research. First, it offers another piece in the puzzle of the study of India's South Asia policies toward its small neighbors; thus, generally contributing to the study of India as a regional power. Sandra Destradi (2010) has developed a taxonomy of strategies exercised by regional powers, and has applied it to three case studies analyzing India's strategies in its neighborhood policy toward Sri Lanka, Bangladesh, and Nepal. However, what is missing is the application of her theory to the case also of Bhutan. This paper attempts to fill this gap by applying her taxonomy of strategies to the India–Bhutan relationship. In other words, it assesses the different policy strategies that India pursues in its relationship with Bhutan.

Second, this paper contributes to another area of research by addressing the issue of how India would react if Bhutan and China established even closer ties. More than nine years have passed since Padmaja Murthy first analyzed trends in the India–Bhutan relationship and claimed that the regional power has followed a "flexible interpretation of Article 2 of the treaty of 1949" (2008: 129), thereby referring to the agreement whereby India controlled Bhutan's foreign policy until 2007. According to Murthy, a flexible interpretation implies that India did not strictly implement the treaty and therefore did not fully control Bhutan's foreign policy, despite the fact that Bhutan expanded its relations with the outside world. At the end of her paper, Murthy poses the question of whether India would maintain flexibility in its interpretation of Article 2 if China and Bhutan moved closer together — a circumstance that she calls "inimical to India's security" (2008: 130). This paper therefore takes Murthy's postulation as an invitation to

evaluate more recent trends. Not only is there an obvious temporal research gap in the analysis of trends since 2008, but it also needs to be taken into account that Bhutan transitioned to a multiparty democracy in December 2007. An important subquestion that follows is whether India's strategy in its relationship with Bhutan has changed since the small kingdom underwent this democratic transition.

The aim of this paper then is to evaluate the strategies that India has pursued in its relationship with Bhutan from the end of 2007 until late 2016. The main theoretical underpinning for this objective will be Destradi's taxonomy of strategies, consisting of three ideal-typical ones: empire, hegemony, and leadership. These strategies are placed on a continuum, and evaluate India's foreign and security policies toward its neighbors — in addition to studying borderline cases, or grey zones (Destradi 2010: 908). The paper will assess India's strategies vis-à-vis Bhutan in two policy fields: development cooperation, with particular emphasis on bilateral hydropower projects, as well as the mountain kingdom's diplomatic relations with China. More specifically, it will evaluate which of Destradi's strategy types — empire, hegemony (subdivided into hard, intermediate, and soft hegemony), and leadership — India pursued in these two policy fields.

The paper begins with a brief discussion of appropriate theoretical approaches to regions and regional powers, and then elaborates on the main theory applied in this contribution — namely Destradi's three ideal-types of strategy. It will then turn to the case selection of the India–Bhutan relationship, and discuss methodological choices. The longest section of the paper is devoted to the analysis of India's strategies in its relations with Bhutan. It provides the historical background to the India–Bhutan relationship, and highlights particularly developments therein since the kingdom transitioned to a democracy in 2007. The paper will show that India's strategies in its relationship with Bhutan differ according to the policy field. While the regional power tends to pursue a leadership strategy on hydropower projects, it has a contrasting approach when it comes to Bhutan's diplomacy — indicating several incidences of hard hegemony.

## Analytical framework

The phenomenon of regional powers has received increased attention by the international academic community in recent years. While Peter Katzenstein conceptualized the rise of regional powers by claiming that our world has become a "world of regions" (2005: 1), Barry Buzan and Ole Wæver (2003) developed the regional security complex theory (RSCT) which suggests that states are bound to specific regions based on common threats and interactions. Detlef Nolte (2010) developed an analytical concept to compare regional powers, whereas Miriam Prys (2012) developed a method to classify and evaluate different types of regional power. In her book *Indian Foreign and Security Policy in South Asia*, Destradi

(2012) emphasizes the strategies that regional powers pursue as part of their regional neighborhood policy. She developed, as noted, a taxonomy consisting of three ideal-types thereof. These are, once again: empire, hegemony, and leadership. The three are placed on a continuum reaching from a unilateral and highly aggressive strategy to an extremely cooperative one (Destradi 2010: 904).

Empire involves utilizing force or the threat of force to achieve a regional power's goal (Destradi 2010: 909). The second strategy, hegemony, applies more subtle means, ranging from the provision of material incentives up to the discursive propagation of the superior power's ideals (Destradi 2010: 913). With this strategy, the core intention of the supreme power is especially important. Destradi further divides hegemony into three subcategories: hard, intermediate, and soft. Hard hegemony employs sanctions and political pressure, while its intermediate form denotes a strategy that provides material benefits and rewards to subordinate states (Destradi 2010: 919). Soft hegemony, by contrast, is centered on the modification of the norms and values of subordinate states so as to achieve the superior power's own objectives (Destradi 2010: 920).

Last, the third ideal-type, leadership, aims at the implementation of common goals; this is in stark contrast to hegemony, which is always primarily concerned with the realization only of the superior power's own ambitions. Destradi (2010: 921) admits that leadership is "controversial" because it incorporates common goals between regional powers and the subordinate neighbor countries. In reference to Peter Northouse, Destradi defines leadership as the "process whereby an individual influences a group of individuals to achieve a common goal" (Northouse, cited in Destradi 2010: 922). Hence, the subordinate state takes an important role in leadership because the dominant one could not exist without followership. Destradi divides leadership into two subcategories — leader-initiated and follower-initiated. The first entails the leader striving for collective goals, whereas follower-initiated leadership does not describe a particular strategy but still helps to identify the specific role of the follower.

Destradi's study of India's relationships with Bangladesh, Sri Lanka, and Nepal reveals that the regional power's main foreign policy objective is actually stability (Destradi 2012: 60). This is because India can thereby focus on its own development without being hindered by the instability of its regional neighbors, in addition to reinforcing its image as the economic driving force of the region — from which the whole of South Asia is expected to benefit (Destradi 2012: 60). Gowher Rizvi describes India's general strategy in the region as by preference bilateral "because at the one-to-one level, India's size and position ensures that her interests are not ignored by the smaller neighbors" (1986: 131). In case of multilateral relationships, India fears that the smaller states may gang-up on it and extract more concessions than it is willing to make (Rizvi 1986: 131). This paper

explores whether or not this phenomenon is also applicable to the case of the India–Bhutan relationship.

Destradi's three ideal-typical strategies will be the main theoretical framework applied in this paper, in evaluating the strategies that India pursues as a regional power as part of its relationship with Bhutan. This will be done in form of a case study. Robert K. Yin explains that "the distinctive need for case studies arise out of the desire to understand complex social phenomena," because "the case study method allows investigators to retain the holistic and meaningful characteristics of real-life events" (2003: 2). In particular, the focus will be on two policy fields in the India–Bhutan relationship between 2007 and late 2016: 1) India's reaction to Bhutan attempting to establish diplomatic relations with China and 2) India–Bhutan development cooperation, with particular emphasis on bilateral hydropower projects. In order to relate India's policies to the ideal-types of empire, hegemony (hard, intermediate, and soft), and leadership, the analysis will follow Destradi's (2010) own approach: it will focus on the more or less cooperative means pursued by India (threats, incentives, persuasion, etc.), and on the degree of commonality between the goals of India and Bhutan.

The paper draws on a combination of academic literature, newspaper articles, and press releases by the Indian Ministry of External Affairs (MEA), the Bhutanese Ministry of Foreign Affairs (MFA), and the Chinese Ministry of Foreign Affairs (MoFA). Since neither the Government of Bhutan nor the Government of India publishes official documents outlining their foreign policy objectives, the paper will primarily rely on these press releases instead. Freely accessible information on both Bhutan's and India's foreign policy objectives is extremely limited. This is also because Bhutan only recently transitioned to a democracy, and maintains censorship over media outlets (Rizal 2015: 266). Data from such official primary sources will be complemented with newspaper articles, secondary literature, as well as an expert interview.

## Historical background to the India–Bhutan relationship

Before proceeding to the analysis of India–Bhutan relations since the kingdom transitioned to democracy in 2007, a brief overview of the history of the two countries' diplomatic interactions will be useful to provide some background on the core features of this highly asymmetric relationship.

Until the nineteenth century, Bhutan had been actively involved in the "diplomacy" of the Himalayan region and thus also engaged with India (Rose 1977). However, as British and Chinese power extended in the Himalayas, "Bhutan's response was to isolate the country and to place strict controls over intra-regional trade between India and Tibet" (Holsti 1982: 23). An important aspect in the India–Bhutan relationship is the fact that, unlike India, Bhutan was never colonized by the

British. The Bhutanese take great pride in the fact that their country has remained an independent nation throughout history, which is important to consider when analyzing the India–Bhutan relationship (Mehta 2007: 572).

After the end of the British Raj, relations between India and Bhutan were formalized by the "Treaty of Friendship" in 1949 (National Legislative Bodies / National Authorities 1949). Even though Bhutan has a long history and tradition of political isolation, it had signed the 1910 "Treaty of Punakha" — under which Great Britain guaranteed Bhutan's independence but took control of its foreign relations, thus designating the country a British protectorate (Rose 1977). This agreement was also kept in the aforementioned treaty of 1949 between India and Bhutan, in which Article 2 states that "the Government of Bhutan agrees to be guided by the advice of the Government of India in regard to its external relations." This "special diplomatic character" of the India–Bhutan relationship made Bhutan give up its freedom to conduct foreign relations with other neighboring states to India, thus "keeping with the spirit of Bhutan's relations with former British India" (Roy Choudhury 1981: 476).

Apart from that special diplomatic character, development cooperation has been the most defining aspect of the India–Bhutan relationship to date. India has been Bhutan's largest aid donor, ever since the mountain kingdom began transitioning toward modernization and internationalization (Rustomji 1971: 194). Since 1961 the Government of India has financially supported Bhutan with more than USD 1.8 billion. Even though the Indian percentage share has decreased over the years, India's total contribution has continuously increased.

**Table1: India's Contribution in Bhutan's Five-Years Plans**

| Year | Total allocations in USD | India's total contribution in USD | Percentage of India's contribution |
|---|---|---|---|
| 1st FYP 1961–1966 | 1,611,000 | 1,611,000 | 100 % |
| 2nd FYP 1966–1971 | 3,039,000 | 3,039,000 | 100 % |
| 3rd FYP 1971–1976 | 7,143,000 | 6,412,000 | 90 % |
| 4th FYP 1976–1981 | 16,628,000 | 12, 822,000 | 77 % |
| 5th FYP 1981–1987 | 66,747,000 | 20,142,000 | 30.2 % |
| 6th FYP 1987–1992 | 142,798,000 | 60,126,000 | 42.1 % |
| 7th FYP 1992–1997 | 353,237,000 | 112,735,000 | 31.9 % |
| 8th FYP 1997–2002 | 601,255,000 | 157,829,000 | 26 % |
| 9th FYP 2002–2008 | 1,337,793,000 | 392,340,000 | 29.3 % |
| 10th FYP 2008–2013 | 2,239,675,000 | 511,067,000* | 23 % |
| 11th FYP 2013–2018 | 3201,684,000 | 676,412,000 | 22 % |

* excludes India's assistance towards mega projects

Source: own figure. Data from: *Indian Embassy Thimphu* and manually converted to USD.

Due to India's independence in 1947 and the developments in Tibet during the 1950s, Bhutan could not maintain its policy of isolation indefinitely. When the Chinese invaded Tibet in 1959, the Bhutanese decided to seal their border with their northern neighbor. This action had fundamental consequences — halting the export of surplus rice to Tibet led to a glut in Bhutan's rice market, forcing the kingdom to reorient itself (Holsti 1982: 27). The construction of roads became the main issue of discussion in Bhutan's subsequent Assembly sessions, and India was considered the only possible source of aid because of the entire absence of diplomatic relations with other countries (Priesner 2004: 219). This is why Bhutan agreed to the subsidy offered by India's first Prime Minister, Jawaharlal Nehru, for the construction of a road that would connect India with west and central Bhutan. This subsidy was implemented as part of Bhutan's first Five-Year Plan (FYP), inspired by India's own five-year planning.[2]

Since 1961 Bhutan has launched 11 FYPs, with the first two of them being entirely funded by India (see Table 1). Until the 1950s Bhutan's economic system was based on barter trade and subsistence farming, and especially in the first years of development the Bhutanese were overwhelmingly dependent on India — financially as well as ideologically. As Bhutan did not have a secular schooling system prior to 1955, it had no choice but to heavily rely on Indian manpower in order to meet the domestic objectives of modernization (Holsti 1982: 26). The first chief accounts officer was an Indian national, who was responsible for taxation policy, banking, and customs — but most importantly for preparing the annual budget and controlling expenditure (Holsti 1982: 27). By the end of the 1970s, the Indian government had virtually taken over the entire planning function for Bhutan (Holsti 1982: 28). Bhutan's process of modernization is thus a prime example of India's normative persuasion and socialization.

From the Indian perspective, the construction of the India–Bhutan road was primarily motivated by strategic considerations (Holsti 1982: 36). Bhutan was easily accessible by China but not by India; in 1958, it took Jawaharlal Nehru and Indira Gandhi six days to trek by foot, horse, and yak to Bhutan — "for India, Bhutan stood out as a wide gaping vacuum on a frontier of vital strategic importance" (Rustomji 1971: 163). The Bhutanese expert interviewed explains this as follows:

> Politically, it was said that India provided Bhutan with international assistance such as roads, but behind the scenes it was to allow the movement of Indian troops to the northern part of Bhutan (October 30, 2016).

2 As in the case of India, Bhutan's FYPs are also centralized national economic programs, which — unlike socialist planned economies — do not give any detailed determination of output (Pfaff 2011: 11).

Initially, then, the economic aid given by India was highly influenced by security concerns, and thus enabling Bhutan to have an essential infrastructure (Trivdedi 2008: 146). Today a 1,000 person-strong Indian Military Training Team is permanently based in western Bhutan to train and regularly cooperate with the Royal Bhutan Army (Ramachandran 2017).

Simultaneous to the first years of Indian development cooperation, "Chinese aggression on the northern front border" became more and more obvious (Bhutanese expert, October 30, 2016). This is why the need for essential infrastructure was questioned neither by India nor by Bhutan, so that the mountain kingdom would be easily accessible by the Indian military in case of a Chinese attack. A Chinese map published in 1961 showed that country claiming three territories in Bhutan.[3] One of them is the Doklam area in western Bhutan, which overlooks India's Siliguri Corridor — also called the "Chicken's Neck." It is a narrow tract of land, not more than 20 to 60 kilometers wide and connects India's northeastern states with the rest of the country. If China were to control the Doklam area, it would have "the key to India's choke point in the Siliguri" (Panda 2013).

Not only is it important to India that Bhutan maintains sovereignty in the strategically key Doklam area, but it is also vital that Bhutan stays politically stable so that it can strategically function as one of the Himalayan buffers between the two regional powers. India has great interest in its periphery being politically stable (Destradi 2010; Mitra 2013). There are two main examples in South Asia where political instability led to a change in power that had an indirect impact on Bhutan itself. Not only was the aforementioned annexation of its northern neighbor Tibet a factor that encouraged the Bhutanese to end their isolationist politics, but the unstable political situation in its eastern neighbor Sikkim influenced the mountain kingdom's political decision to join several international organizations. The Kingdom of Sikkim, also strategically important to both India and China, was annexed by India in 1973 after political instability increased following a coup attempt by the domestic Nepali population (Duff 2016: 24). While there is still debate about whether or not India had secretly supported the Nepali uprising, it is certain that political instability was highly threatening to India — since China could have easily taken advantage of this situation. Bhutan's political stability is thus essential to the regional power because "for India, even today a weak Bhutan means to politically state 'extended frontiers' with China" (Mitra 2013: 195).

Bhutan began the process of opening up to the rest of the world with India's active support: it joined the Colombo Plan in 1962, the United Nations in 1971, the Non-Aligned Movement in 1973, and the South Asian Association for Regional

3 The map can be found on this web page: https://indianexpress.com/article/explained/india-china-standoff-sikkim-doka-la-simply-put-where-things-stand-on-the-dolam-plateau-4763892/.

Cooperation (SAARC) in 1985 (Mehta 2007: 572). The membership of the UN was, nonetheless, most fundamental to Bhutan since it was seen as international recognition of its sovereign status (Mehta 2007: 572). This was not only an advantage to Bhutan but also to India, since "an independent Bhutan recognized by the international community ensured that its territorial integrity could not be easily violated and that Bhutan remained a buffer state" (Trivdedi 2008: 144).

Prior to the mountain kingdom's democratization, India and Bhutan renegotiated the 1949 Treaty of Friendship in 2007, in which the article that required the smaller state to take its larger neighbor's guidance on foreign policy was finally abolished. Instead, Article 4 was introduced. This allows Bhutan freedom to import arms without India's permission "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" (India–Bhutan Friendship Treaty 2007). Through this renegotiation, Bhutan gained more sovereignty and changed the nature of its relationship with India.

In December 2007, as noted, Bhutan became the world's youngest democracy. In contrast to most democratization processes, the transition was not marked by violent incidents, but by the active encouragement and participation of Bhutanese monarchs ever since the 1950s. Some scholars consequently romanticize the fourth King of Bhutan, and attribute the success of this process to Buddhist spirituality (Gallenkamp 2012). In contrast, Rizal (2015: xxix) argues that the king established a "semi-authoritarian royal democracy" with royalist political parties — one dominated furthermore by royalist sympathizers, without an effective opposition. He claims that the all-powerful role of the king is still present even now, and with it the "'patronage-client' relationships between the king and conservative royalist elites" (Rizal 2015: 204).

Today, the cornerstones of India–Bhutan cooperation are several bilateral hydropower projects in the latter; these have helped significantly boost the country's economic development (Bhutanese expert October 30, 2016). The first project was implemented in 1975, with the Chukha Hydel Project on the Wang Chhu River. The bilateral model consists of India supporting Bhutan in building hydropower projects, specifically by providing finance — in the form of a mixture of grants (30%) and loans (70%) — and technical support for design and construction (The World Bank 2014; Dharmadhikary 2016). In exchange, Bhutan generates electricity for its own consumption as well as earnings gained by exporting surplus power to India. Bhutan's ability to harness these natural resources has thus only been possible through India providing "both technical and financial assistance to develop the numerous hydropower projects in Bhutan" (Sustainable Development Knowledge Platform 2016). India strongly benefits from the cheap energy it imports from Bhutan, because it suffers from a chronic energy deficit — especially in the east of the country. Hydropower is the current

backbone of the Bhutanese economy, contributing around 40 percent to Bhutan's national revenue and another 25 percent to its GDP through the construction sector (The World Bank 2014). It is thus essential to Bhutan's economy because "industrialization to a very large extent is not possible" (Bhutanese expert, October 30, 2016). Furthermore Bhutan follows a unique development concept, Gross National Happiness (GNH), which especially emphasizes environmental protection. Hydropower makes it possible "to develop fast without harming the environment because they are using the renewable resources Bhutan has, the rivers, for economic growth" (Bhutanese expert, October 30, 2016).

## India–Bhutan relations since Bhutan's democratic transition

This section provides a brief summary of relevant events in the India–Bhutan relationship occurring since Bhutan became a democracy in 2007. In April 2008 Jigme Y. Thinley became Bhutan's first democratically elected prime minister, winning 45 out of 47 parliamentary seats. On the sidelines of the Rio+20 Summit in Brazil in 2012, Thinley and Chinese Premier Wen Jiabao had a surprise meeting where they discussed bilateral issues. However, both sides contradict each other on what was said during the meeting. Afterward, the website of the MoFA stated that "China is ready to forge formal diplomatic relations with Bhutan" — and noted further that Bhutan's Prime Minister Thinley regarded the meeting as being of "great historic significance, as it marks the first meeting between the heads of the two governments," and that "Bhutan wishes to forge formal diplomatic ties with China as soon as possible" (MoFA 2012). On the Bhutanese side, the website of the country's Cabinet Secretariat (CS) solely stated that the two heads of government had "discussed bilateral issues of mutual interest and multilateral cooperation, including Bhutan's bid for a non-permanent seat on the UN Security Council for the term 2013–2014, elections for which are to be held in fall this year" and claimed that "local Chinese media had misreported that Bhutan and China will establish diplomatic ties" (Choden 2012).[4]

In early summer 2013, India's United Progressive Alliance (UPA) government announced the withdrawal of fuel subsidies for Bhutan — just a few weeks before the latter's second-ever democratic elections. In July 2013 the pro-Indian candidate for prime minister, Tshering Tobgay, of the People's Democratic Party (PDP) replaced Jigme Thinley and his Druk Phuensum Tshogpa (DPT) party, winning 32 of 47 parliamentary seats. A few months later, India agreed to contribute to Bhutan's 11th Five-Year Plan. With a contribution of USD 676,412,000, India's share represented 68 percent of the total committed external assistance to the mountain kingdom (Embassy of India n.d., "Economic Cooperation with Bhutan").

4 Unfortunately the CS does not possess an archive, and this information is hence only accessible through an article by *The Bhutanese* (Choden 2012).

In spring 2014 meanwhile, India and Bhutan signed an agreement on four more joint venture hydropower projects (MEA 2014). In June of the same year, Narendra Modi chose to make Bhutan the first foreign country to visit after he had become India's newly elected prime minister. His state visit came just ahead of another round of dialogue between Bhutan and China; the day after Modi had left, Bhutan's Prime Minister Tobgay announced that "there is no question of [sic] Chinese embassy in Bhutan" (Kumar 2014). In September 2016, a SAARC meeting was meant to take place in Islamabad — this was set to be a historic regional summit. However due to "increasing cross-border terrorist attacks and growing interference in the internal affairs of member states" (Swarup 2016), India decided to boycott the conference — interestingly, Bhutan also joined in with the boycott too.

These briefly delineated main events in India–Bhutan relations between 2007 and 2016 already reveal the complexity of this highly asymmetric relationship. Against this backdrop, the following sections will proceed to analyze in greater detail India's foreign policy strategies by applying the analytical framework outlined earlier. The first section evaluates India's strategy toward Bhutan after the latter made attempts to establish diplomatic relations with China. The second section then analyzes India's strategy in the policy field of development cooperation, with particular emphasis on the bilateral hydropower projects.

## The role of China in India–Bhutan relations

India's strategies during the first years of Bhutan's democracy are characterized by a combination of soft and intermediate hegemony. Destradi contends that while soft hegemony is "based on the hegemon's efforts to modify and reshape the norms and values of subordinate states" (2010: 920), intermediate hegemony "is centered around the provision of material benefits and rewards to subordinate states" (2010: 919). Not only did India highlight the special relationship that it and Bhutan share, but also reaffirmed its role as Bhutan's main donor when it comes to development aid (MEA 2008a). New Delhi has consistently chosen to support the Bhutanese monarchy because of its likely stabilizing effect within the mountain kingdom, because it required minimum external involvement, and most importantly because it was cooperative regarding Indian strategic interests (Rizal 2015: 330). Since the transition to a democracy in 2007 was strongly promoted by the fourth king, India welcomed this event and expressed its intention to continue providing financial support for Bhutan's nascent democratic institutions. This was conveyed in a MEA press release at the time:

> This (the successful conduct of the first-ever elections) is indeed a great moment in Bhutan's history and an important step in Bhutan's transition into a new system of governance. India is committed to extending full support in the

> establishment of institutions required for the consolidation of democratic constitutional monarchy in Bhutan. (2008a)

Moreover, India highlighted several times the special relationship that the two countries share, "characterized by close consultations, mutual trust and understanding" (MEA 2008b). India's strategies in the first years of Bhutan's democracy can thus be defined as a combination of soft and intermediate hegemonic. It made full use of its historic ties by trying to charm Bhutan's new government into continuing the bilateral relations as they had been practiced before by the Bhutanese monarchy. This is where Destradi's soft hegemony comes into play, by realizing the "hegemon's goals through normative persuasion and socialization" (2010: 926). By reminding the Bhutanese government of its shared values with India, which were initially shaped in the way that they were by Bhutan's process of modernization being mainly ideologically dependent on India, the regional power pursued a soft hegemonic strategy. Nonetheless, since these values are highly connected to development cooperation and bilateral hydropower projects — as well as to the favorable prospects of continuing a relationship characterized by material benefits for Bhutan — Destradi's intermediate hegemony is also applicable here.

When Bhutan attempted to establish diplomatic ties with China, India's strategy changed instead to a "big brother attitude" (Bhutanese expert, October 30, 2016). From here on, India's strategy can be classified as hard hegemonic. After Bhutan's Prime Minister Thinley met with China's Premier Wen Jiabao at the Rio+20 Summit in Brazil in 2012, the MoFA claimed, as noted, that Bhutan wished to establish diplomatic ties, whereas the CS explained that no such plans were ever made. While the MEA did not publish an official statement, the Indian media reacted with alarm. India's concern was reflected in headlines such as "China's coziness with Bhutan rings security alarm for India" (Bagchi 2012), "China, Bhutan 'ready' to establish diplomatic ties" (Krishnan 2012), and "Bhutan switches focus to China" (Arora and Simha 2012). The media dramatically claimed that "India confronts a new strategic situation in its neighborhood as its staunchest ally Bhutan prepares to establish full diplomatic ties with China" (Bagchi 2012). Even though not officially issued by the CS, it is very likely that Prime Minister Thinley asserted Bhutan's "right to have formal ties with China, its northern neighbor and India's archrival" for the first time (Arora and Simha 2012). Security analysts have argued that Thinley's attempt to establish diplomatic ties with China should be seen as a statement being made — that the 2007 revision of the Treaty of Friendship with India is not enough, and that Bhutan wishes to now have an independent domestic and foreign policy (Rizal 2015: 328).

Considering Thinley's statement in the regional context of South Asia, it becomes obvious that he played the so-called "China Card" — just as many other small South Asian states have often done in the past too. He turned toward China in order

to "neutralize India's dominance and perceived hegemony in the region" (Rizal 2015: 325). The Bhutanese expert interviewed elaborated that even though New Delhi never officially positioned itself on Thinley's pro-China politics, "it definitely irritated India to a large extent" (October 30, 2016).

When New Delhi withdrew the fuel subsidies for Bhutan a year later, the Indian government officially reasoned that this decision was purely "developmental, financial, and technical" (Thinley 2014). However, the Indian Oil Corporation (IOC) revealed in a letter sent to the Government of Bhutan that "the Ministry of External Affairs (MEA), Government of India, has advised IOC through the Ministry of Petroleum and Natural Gas regarding the withdrawal of subsidy for SKO (Kerosene) and LPG to Bhutan with immediate effect" (Lamsang 2013). Regarding this letter, New Delhi never took any official position. The withdrawal of subsidies was deliberately introduced prior to the second elections in Bhutan, which led to hostile sentiment toward Prime Minister Thinley and his DPT party (Dikshit 2013; Bhutanese expert, October 30, 2016). Obviously, Prime Minister Thinley had "committed an unforgivable sin in New Delhi's eyes" (Madsen 2013) as "Bhutan [being] close to China undermines the geopolitical interest India has in Bhutan" (Bhutanese expert, October 30, 2016). India's strategic implementation of sanctions can thus be classified as hard hegemony, since "sanctions imposed by hard hegemons are of an economic nature, for example, the denial of access to the hegemon's market; the revocation of trade agreements; or the reduction, intermission, or cancellation of foreign aid" (Destradi 2010: 919).

In the election held in July 2013, India achieved the desired result — the more pro-India and anti-China candidate for prime minister, Tshering Tobgay, of the PDP trounced Thinley in the election, winning as noted earlier 32 out of 47 parliamentary seats (Madsen 2013). New Delhi welcomed this election result, reiterating "India's undiminished commitment to Bhutan" in an MEA press release (2013). Furthermore, it stated that "India–Bhutan relations, which are indeed exemplary, have been carefully nurtured and fostered over many decades with the guidance and vision of Their Majesties the Druk Gyalpos of Bhutan and the constructive cooperation of our Governments" (MEA 2013). India thereby made clear that it was primarily the Bhutanese fourth king, and much less the democratically elected leaders, who was responsible for the positive ties between the two countries. Jigme Thinley thus became a scapegoat for both India and the king (Rizal 2015: 327). After being elected Bhutan's new prime minister, Tobgay's first action was to halt the mountain kingdom's outreach to other countries and to pledge loyalty to India outright instead, expressing a "clear preference for India, which gives Bhutan considerable financial assistance, over China" (Harris 2013).

To summarize, Thinley's attempt to establish diplomatic relations with India's archrival China led to a shift in the South Asian regional power's strategy toward Bhutan. New Delhi increased its pressure on Thimphu by withdrawing petrol and

kerosene subsidies, thus pursuing hard hegemonic foreign policy means. India's aim was to realize its own goals — ones focused on its security concerns in the region — and as part of this forced Bhutan to change its politics by enforcing sanctions on the kingdom.

With the new government in Bhutan, India's strategy changed back to one of intermediate hegemony. In June 2014, as noted, Narendra Modi sent a strong message by making Bhutan the first foreign country that he visited after assuming the office of prime minister. Just ahead of another round of dialogue between India and Bhutan, the visit moreover assumed significance "against the backdrop of China's growing efforts to woo the small nation and forge full diplomatic ties with it" (Bhattacharjee 2014). During the two-day visit, Modi offered more intensive cooperation in the hydropower sector and more student scholarships (Times of India 2014) as well as increased loans by nearly 50 percent (Thakurl 2014). A day after his visit, Bhutan's Prime Minister Tobgay announced that there would not be any discussion about a Chinese embassy in Bhutan. It is unknown whether the two prime ministers talked frankly behind closed doors or whether Modi's financial promises were sufficient to bring Bhutan back on to the "Indian" track. What is clear, however, is that India provided material benefits to Bhutan for the realization of its own goals again, in this case Bhutan not establishing diplomatic relations with China. The Bhutanese expert interviewed revealed how this strategy was even more successful than India's hard hegemonic one of implementing sanctions. He explained that it was the first time Bhutan had dealt with a full-fledged Bharatiya Janata Party (BJP) government in power, and that the Bhutanese viewed Modi's visit with relief:

> Modi's visit helped to overcome the initial hiccups to deal with the BJP government and infused confidence. I remember it created euphoria among the Bhutanese people. Modi became a popular personality. This helped to erase (among the Bhutanese) the bad memory of India's big brotherly attitude before the second general elections in Bhutan. (Bhutanese expert, October 30, 2016)

On another note, and unrelated to the mountain kingdom's relations with China, we can observe a high degree of convergence between Bhutan's and India's positions on another matter too. As noted earlier, in September 2016 India boycotted the upcoming SAARC conference due to "increasing cross-border terrorist attacks and growing interference in the internal affairs of member states" (Swarup 2016). Even through Pakistan was not named explicitly, the reference to cross-border terrorist attacks and interference in internal affairs clearly points to the Uri attack (Ahmad et al. 2016). Despite Bhutan not being the only country to join India in the boycott, this action still highlights the kingdom's exceptional loyalty to its neighbor — with it stating in a letter to the SAARC chair in Nepal:

> The Royal Government of Bhutan shares the concerns of some of the member countries of SAARC on the deterioration of regional peace and security due to

> terrorism and joins them in conveying our inability to participate in the SAARC Summit, under the current circumstances. (Sultania 2016)

As it is unknown whether or not Bhutan and India communicated prior to the conference, it makes most sense to argue that the former's choice to show solidarity with the latter and boycott the conference was not a result of direct political pressure. It was rather a consequence of Bhutan's foreign policy being historically dependent. Especially after the experience with Thinley, who dared to take a step toward independent relations for his country, Bhutan was taught the hard way that it was obliged to make a tradeoff between foreign policy choices and subsidies. When India stated that it would boycott the SAARC conference, Bhutan knew what was expected of it — thus subordinating itself to its big brother.

## Development cooperation

While India's strategy concerning Bhutan's foreign diplomatic relations changed back and forth from intermediate to hard hegemony during the period analyzed, its one in the policy field of development cooperation can be classified as continuously being that of intermediate hegemony. However, in the field of bilateral hydropower projects, as one defining aspect of Indo–Bhutanese development cooperation, a different trend can be observed: India's strategy herein can be classified as leader-initiated leadership, because it succeeded in the "pursuit of common goals through a socialization process launched by the leader" (Destradi 2010: 926).

As outlined earlier, since the 1960s India has regularly supported Bhutan's FYPs — with a rise in its total contribution every five years (see Table 1 above). The one to the 11th FYP was no exception. New Delhi gave USD 676,412,000 to this, representing more than 22 percent of the 11th FYP's entire funding. This was despite the fact that India could not be certain about the future policies of the Bhutanese government, since Tobgay had been elected Bhutan's new prime minister only a few months before the implementation of the 11th FYP. Aside from that contribution, India's UPA government also decided to finance three more hydropower projects in the mountain kingdom. Because India steadily continued its development cooperation with Bhutan, no shift in strategy can be observed since Bhutan transitioned to a democracy in 2007.

Its general strategy in development cooperation can be described as intermediate hegemonic, as it is centered around the provision of material benefits and rewards to Bhutan as the subordinate state. While India regularly describes its relationship with Bhutan in glowing terms, its actual actions are inconsistent with these positive descriptions. As Destradi (2012: 60) originally claimed, New Delhi has created the narrative that its small neighbors can only benefit if India itself is stable and

economically rising. With the example of Modi's speech during his visit in Bhutan, this narrative becomes very obvious:

> [A] strong Bhutan will benefit India like a strong and prosperous India will be beneficial for the countries of the region, especially the SAARC members. India's prosperity is important as then it can help small countries and perform its duty of a good neighbor. But if India is weak and struggling with its own problems, then how can it help others? ("Stability in India will help Bhutan," Modi 2014)

Even though India continuously describes its relationship with Bhutan as being an equal partnership, the actual nature of it reveals that the Government of India does not put genuine emphasis on the notion of equality: "Rather, it much more deliberately portrays itself as a generous stronghold in the family of South Asian economies" (Prys 2012: 149).

While India's foreign aid to Bhutan was initially strongly motivated by security interests (Trivdedi 2008: 146), today that assistance predominantly has as its aim the ensuring of Indian access to vital energy resources instead. The bilateral hydropower projects have brought about a general shift in the core dynamics of the India–Bhutan relationship. Marginally speaking, there are some critical voices questioning Bhutan's "Look South" policy of dependence on India for meeting all its economic and military needs (Rizal 2015: 325) — ones criticizing these bilateral hydropower projects as "electricity colonization" (Terton 2013). However, as the Bhutanese expert interviewee put it, the hydropower projects "make the [Indo–Bhutanese] relationship a mutually dependent one" (October 30, 2016). Several scholars and economists also agree with this assessment (Dhakal 1990; Uddin et al. 2007; Bisht 2012).

The hydropower projects give Bhutan key material benefits in the form of revenue and infrastructure. Still, India's strategy should not be mistakenly interpreted as intermediate hegemony — but rather as leader-initiated leadership. According to Destradi, leader-initiated leadership describes a strategy by the regional power "based on its engagement in a socialization process with the aim of creating shared norms and values and generating 'true' followership" (2010: 924). She argues that soft hegemony and leadership represent different strategies: while in a first stage the hegemon initiates the socialization process with the aim of realizing its own goals, "in a second stage the adoption of its norms and values by subordinate states leads to a commonality of ends and interests" (Destradi 2010: 924).

This phenomenon can be clearly observed in the recent history of the India–Bhutan relationship. Since the 1960s India has supported Bhutan on its path to modernization, not only through immense amounts of money being donated but also through the extensive provision of manpower and consultation. Thereby, Bhutanese norms concerning economic and political issues were shaped to a large extent by India: Bhutan was introduced to the idea of economic planning based on

India's own concept of FYPs, and began to establish a modern nation-state. Furthermore, up until the 1980s, Bhutan's chief accounts officer was an Indian national. During his time in office, the first hydropower plant was installed. It is likely that the hydropower projects were initiated by New Delhi, keeping in mind the benefits of Bhutan's large hydropower potential for the regional power.

However, a shift has since taken place because the bilateral hydropower projects are nowadays designed for common goals: India ensures its access to energy resources and simultaneously provides Bhutan with the means for economic development. The mountain kingdom benefits twofold from the bilateral hydropower projects. First, hydropower has boosted its economy — thereby even making development possible. Second, Bhutan can develop in light of the earlier mentioned GNH — earning praise globally for its "emphasis on cultural and environmental protection, which seem like a welcome antidote to Western materialism" (Rizal 2015: xxix). Not only do both countries benefit from these projects; even more important are the social values that both countries, the regional power India and the subordinate state Bhutan, have internalized. India thus can ultimately be said to pursue a strategy of leadership in the policy field of hydropower projects.

## Conclusion

This paper has focused on the analysis of India's strategies vis-à-vis Bhutan in two policy fields during the years 2007 to 2016. The divergence found in them is not without reason. The alternate strategies pursued by India can, in fact, be attributed to the different interests connected to the respective policy fields. On the one hand, India as the regional power is willing to establish an equal partnership in economic-driven policy fields such as bilateral hydropower projects — because these projects give India access to energy resources while supporting economic prosperity for Bhutan. In addition, doing this presents India as a powerful and generous regional power. On the other hand, India pursues a very unequal and hard hegemonic strategy in the policy field of Bhutan's diplomacy — because the threat of close ties between Bhutan and China is considered a step against India's own national security interests, thus challenging its security perceptions. As a consequence, India immediately punished Bhutan with a hard hegemonic bludgeon when the small state attempted to establish diplomatic relations with China. The South Asian regional power made Bhutan understand that while the small country is officially allowed to master its own foreign affairs, it will not be allowed to do so in ways that contravene India's own national security interests.

By means of Destradi's three ideal-typical strategies, the findings of this paper prove two commonly cited misconceptions regarding Indo–Bhutanese relations wrong: India follows neither a flexible interpretation of Article 2 of the 1949

Treaty of Friendship, nor is their relationship an equal and mutually beneficial partnership. Murthy describing the possible scenario of Bhutan and China attempting to establish closer diplomatic ties in 2008 was only a postulation. She could not have known that his speculative analysis would become reality at the Rio+20 Summit only four years later. Until 2008, India might have followed "a flexible interpretation of Article 2 of the Treaty of 1949" (Murthy 2008: 129); however the situation at the Rio+20 Summit, and India's reaction to it, proved different. Once Bhutan acted against India's national security interests, the latter's interpretation of Article 2 became stricter — that despite the fact that Bhutan now had the right to have its own foreign policy following the renegotiation of the Treaty of Friendship in 2007.

The analysis of the two policy fields reveals some interesting features of India's powerhood. First, the country demonstrates its superiority as a regional power in both policy fields. Through its hard hegemonic strategy in the field of diplomacy, India shows its quasi-absolute influence by strongly impacting Bhutan's domestic affairs. Even though India's strategies in the policy field of bilateral hydropower projects are characterized by equality, in a regional context the large country still "hope[s] to present [itself] as powerful and self-reliant" (Chanana 2009: 13). Therefore, India's strategy in presenting itself as powerful and generous, despite officially acting according to an "equal" partnership with Bhutan, is an important characteristic of it projecting regional and indeed global power.

Second, the analysis has provided confirmation that ultimately India's main foreign policy objective is stability. The bilateral hydropower projects have contributed to Bhutan's economic prosperity, thus ensuring stability in the country and region. This is especially important to India given that Bhutan has to function as a Himalayan buffer state. Moreover, the analysis has shown that India does not take its national security interests lightly. Its relationship with the mountain kingdom fits into New Delhi's "Himalayan strategy," which inherited security perceptions from British India: namely the creation of buffer states — in this case Bhutan — along the Himalayas perched up high on the mountainous slopes, so as to isolate India from China (Rizvi 1986: 130). While its attitude can easily be criticized for adhering to security perceptions inherited from British India, it can be reasonably argued that if India did not have a presence in Bhutan then China most certainly would. The latter has not revoked its territorial claims in Bhutan, and having access to India's Siliguri Corridor would be very tempting (Bhutanse expert, October 30, 2016). The military standoff in summer 2017 between China and India in Doklam, over territory contested between Bhutan and China and risking precipitating a major conflict between the two regional powers, fits into this intellectual game.

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