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From Monarchy to Democracy: Indo-Bhutan Relations in Transition

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Abstract

The enduring “special relationship” between India and Bhutan has evolved over the decades, shaped by shared cultural affinities, strategic interests, and developmental goals. This article examines how Bhutan’s gradual shift from monarchy to democracy has redefined diplomatic dynamics and policy frameworks between the two nations. While Bhutan’s transition to democracy was largely self-driven, India’s support has been crucial in facilitating this shift. Economically, India remains Bhutan’s largest trading partner and primary development aid contributor, supporting Bhutan in key sectors like hydropower, education, and infrastructure. Yet, Bhutan’s economic reliance on India brings certain limitations, including limited diversification and vulnerability to economic fluctuations within India. Geopolitically, Bhutan’s position between the major powers of India and China requires careful diplomacy to safeguard its sovereignty. For India, Bhutan’s independence and stability are vital to its broader regional security strategy. The article further explores points of convergence, such as hydropower collaboration, and areas of divergence, like Bhutan’s growing desire for more diplomatic freedom, which sometimes contrasts with India’s strategic priorities.

Keywords: *Indo-Bhutan relations, democracy transition, economic ties, geopolitical strategy, hydropower collaboration*

Introduction:

The Indo-Bhutan relationship is a unique, enduring partnership shaped by geographical proximity, cultural ties, and strategic cooperation. Formalised by the 1949 Treaty of Friendship, this “special relationship” was built on mutual non-interference and development collaboration, with India playing a key role in Bhutan’s infrastructure, economic stability, and political security during its monarchical era. However, Bhutan’s transition to a democratic constitutional monarchy in the early 2000s marked a turning point, allowing Bhutan to explore diversified foreign relations, including ties with China, and work towards self-reliance. For India, Bhutan’s democratic transition brought both opportunities and challenges. Preserving a close partnership with Bhutan became essential, not only to support its democratic journey but also to maintain regional stability and protect mutual interests, particularly in

the critical hydropower sector, which benefits both economies. Bhutan's democratic evolution requires a rebalancing of this relationship to accommodate each country's evolving interests and priorities. This article examines the current dynamics in Indo-Bhutan relations, exploring areas of economic cooperation, the challenges and benefits of India's support, and the broader geopolitical considerations shaping the relationship. It will analyse points of convergence and divergence, offering insights into a stable, future-oriented partnership.

Indo-Bhutan Special Relationship:

The Indo-Bhutan relations are regarded as a special friendship based on mutual economic dependency, as well as similar religious, cultural, and historical links. Bhutan and India set up formal diplomatic relations right after India's independence. India's first Prime Minister, Jawaharlal Nehru, recognised the significance of Bhutan in India's security environment. The rise of China and its assertive stance towards Himalayan states influenced Nehru's foreign policy towards these countries and his approach to Bhutan. The basis of this relationship is the 1949 Treaty of Friendship, which established a special tie between the two nations and made it possible for India to assist Bhutan's economic growth (Mitra, 2010:27). The treaty emphasises key ideas such as maintaining "peace and friendship" and promoting "free trade and commerce" between Bhutan and India. An important article of the treaty is Article 2, which guarantees that India will not interfere in Bhutan's internal affairs in exchange for Bhutan's agreement to follow the advice of the Government of India regarding its external relations (Mitra, 2010:27). However, Bhutan expressed discontent over Article 2, which imposed limitations on Bhutan's foreign policy decisions by requiring India's "guidance" and Article 6 which directed Bhutan to seek India's permission for arms imports (Mitra, 2010:27), as they felt these provisions restricted their ability to forge relationships beyond India. Nevertheless, considering the aggressive posture of China towards the Himalayan region and its territorial claims, Bhutan chose to sign the treaty. From India's perspective, this treaty holds particular importance, as Bhutan serves as a protective buffer along India's Himalayan frontier, supporting regional security interests. The subsequent visit of Indian Prime Minister Jawaharlal Nehru to Bhutan in 1958 (Chakrabarty, 2015:24) strengthened Indo-Bhutan relations, as Nehru emphasized the importance of building roads to improve communication within Bhutan and connect it to nearby Indian territories. Following this visit, Bhutan embarked on a program of planned development, receiving significant assistance from India.

Since the early 1960s, especially after India's defeat in the 1962 Sino-Indian border war, Bhutan began to question India's ability to ensure its security. Concerns grew over India's capacity to shield Bhutan if China attempted a Tibet-like intervention. This led Bhutan to rethink its foreign policy and gradually diversify its international relations. Bhutan joined the Colombo Plan in 1961, the Universal Postal Union in 1966, and the United Nations in 1971 (Muni, 1984:519), marking significant moves toward broader diplomatic engagements. As a UN member, Bhutan began casting independent votes,

sometimes diverging from India's stance, as seen at the 1979 NAM Summit in Cuba, where Bhutan aligned with China and some Southeast Asian nations over the Khmer Rouge issue (Ram, 1980:32). Additionally, Bhutan opposed India's stance by strongly objecting to the Soviet Union's troop presence in Afghanistan after their invasion in December 1979 (Muni, 1984: 519). In the 1980s, Bhutan expanded diplomatic relationships with several countries, including Nepal, the Maldives, Japan, South Korea, Switzerland, Denmark, Norway, the European Economic Community (EEC), the Netherlands, Kuwait, Finland, Sri Lanka, Austria, and Pakistan (Labh, 2016:12). It also joined international organizations such as the FAO, IDA, and IMF in 1981, and SAARC in 1985 (Chakraborty, 2023:8). The initiation of boundary talks with China in 1984 (Bisht 2010:3) further demonstrated Bhutan's intent to move beyond the "aid and advice" framework of the 1949 Indo-Bhutan Treaty. From the 1990s onward, India prioritized its relationship with Bhutan, deepening cooperation in culture, education, science, and particularly hydropower, fostering a relationship built on trust, mutual respect, and regular high-level exchanges.

Background of Bhutan's Political Transition:

As the main theme of this article is the impact of Bhutan's transition from monarchy to democracy on Indo-Bhutan relations, it is pertinent to understand the background of Bhutan's democratic transition. Historically, Bhutan was fragmented, with clan chieftains competing for power until ZhabdrungNgawangNamgyal, a Tibetan prince and abbot, unified Bhutan under a central administration in the early 1600s (Kohli, 1982:7). NgawangNamgyal established the dual governance system called the Choe-Sid, which divided religious and administrative authority between the Je Khenpo (head of religious affairs) and the DrukDesi (head of secular affairs) (Malik 2016:135). After his passing in 1651, Bhutan saw frequent conflicts as influential figures like the DrukDesis and Penlops contested for power. This period of turmoil set the stage for UgyenWangchuck, the Penlop of Tongsa, to stabilize the kingdom in 1907, ultimately leading to his recognition as Bhutan's first hereditary king. UgyenWangchuck's strategic diplomacy with British India earned him the title of "Knight Commander of the Indian Empire (NCIE)", establishing strong ties that helped shape Bhutan's modern state (Labh 1974:28). Following his impactful leadership, UgyenWangchuck was succeeded by His Majesty JigmeWangchuk, who became Bhutan's second King (Pal, 2022a:127). He continued a centralised rule until JigmeDorjiWangchuck, the third king, initiated significant reforms between 1952 and 1972. These reforms, including the creation of the "Tshogdu" (National Assembly) in 1953 and the formation of the "LodoiTshogde" (Royal Advisory Council) in 1965. Additionally, serfdom and slavery were abolished, aimed to modernise Bhutan but met opposition from conservative factions (Joseph, 2006:1311).

Ethnic and cultural complexities further impacted Bhutan's journey toward democracy. Bhutan is home to diverse ethnic groups, including the Ngalong, making up 16.5% of the population, the Kjheng at 3.64%, the Bumthangpa at 4.37%, the Sharchop at 23.92%, and the largest group, the

Lhotshampa, who comprise 30.82% (Mitra 2010:46). As modern reforms progressed, the Lhotshampa community faced increasing marginalisation, especially following the annexation of Sikkim by India in 1975, which sparked fears of a similar fate in Bhutan. In response, the Bhutanese government implemented strict citizenship acts in 1977 and 1985, as well as the 'Driglam Nam Za'¹ policy (Ghosh, 2010:240) mandating cultural conformity. Many Lhotshampas were labeled as "illegal immigrants," resulting in widespread displacement, with about 108,000 Lhotshampas eventually seeking refuge in Nepal (Shrestha, 2023)². In the face of ethnic tensions, the democratic movement gained momentum, supported by organizations such as the Bhutan State Congress and the Bhutan People's Party (BPP), both of which advocated for a limited monarchy and multi-party system (Sinha, 2002:180). A critical milestone was reached in 1998 when King JigmeSingyeWangchuck delegated some powers to the prime minister, initiating a phased democratic transition. The King also began drafting Bhutan's first constitution, culminating in the 2005 release of a draft that laid the groundwork for a constitutional monarchy. In a surprising move, the fourth King JigmeSingyeWangchuk, declared his immediate abdication on December 14, 2006 (Gallenkamp, 2010:17). In June 2007, the embargo on political parties was repealed in anticipation of the approaching elections (Gallenkamp, 2010:12).

The path toward democracy accelerated with the 2008 elections, marking Bhutan's first democratic election between the DrukPhuensumTshogpa (DPT) and the People's Democratic Party (PDP). India supported Bhutan throughout this period, ensuring fair elections and aiding the political transition. On July 18, 2008, Bhutan adopted its first written constitution, solidifying its status as a constitutional monarchy and officially marking its democratic transition. JigmeKhesarNamgyelWangchuck was crowned as Bhutan's fifth king on November 6, 2008, symbolising the country's commitment to its new political framework (Gallenkamp, 2010:16). Today, Bhutan's democratic journey represents a unique blend of traditional monarchy and democratic values, with India playing a supportive role in Bhutan's stable political transition.

Impact of the shift from monarchy to democracy:

India's engagement with democratic Bhutan has proven more challenging than simply pleasing the Druk King. While there is no strong anti-India sentiment in Bhutan, the younger generation of Bhutanese desire more transparent and competitive diplomatic relations with India. Recognising the changing dynamics of Bhutan's internal politics, both countries revised their 1949 Friendship Treaty in 2007 prior to the first general election of Bhutan. Article 2 of the amended treaty states that Bhutan doesn't need to follow India's advice on foreign policy or obtain its consent for the import of weapons. The article now states that both the countries "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" (Stobdan, 2017)³. This updated treaty reflects the modern nature of their relationship and establishes the basis for future development in the twenty-first century. It indicates that the days of taking Thimpu for granted are no more. By this, "Bhutan achieved

a significantly greater freedom in foreign and defence politics- areas hitherto controlled by New Delhi for nearly sixty decades” as an author points out (Hussain, 2007:51).

With its newfound autonomy, Bhutan embarked on a diplomatic expansion to diversify its economic partnerships and attract foreign investments. In the 2013 parliamentary elections, the People’s Democratic Party (PDP) emerged victorious and came to power in Bhutan (Chandra 2015:143). At this time, Thimphu decided to broaden its international contacts, leading to an expansion in its diplomatic ties with other countries, which grew from 25 in 2011 to 53 by 2013. (Stobdan, 2014:9). In mid-2013, an atmosphere of mistrust developed between the two countries when the DrukPhuensumTshogpa (DPT)-led government abruptly shifted Bhutan’s India-centric foreign policy, placing greater emphasis on strengthening ties with China. This extra overture of Bhutan to Beijing seemed to have exploded the crisis. Indeed, there was widespread belief that New Delhi withheld petroleum subsidies from the then-DPT government of Bhutan a few days prior to the July 2013 general election as a form of retaliation for their growing proximity to Beijing (Malik, 2016:137). For this initiative, Indian government faced criticism inside and outside India. As a result of the initiative, India’s relations with Bhutan were severely damaged and Bhutanese eternal goodwill for India vanished overnight.

In recent years, Bhutan’s economic growth has been sluggish, with an average growth rate of just 1.7 percent over the past five years. The country faces high inflation, significant youth unemployment (29 percent), and a mass exodus of its working population. More than 17,000 Bhutanese citizens departed the nation in 2022 alone, and around 5,000 civil personnel resigned from their jobs in 2023 to relocate (Pant, 2024)⁴. This migration is putting pressure on Bhutan’s economy, demographics, and everyday administration. Bhutan’s business and tourism sectors have struggled to recover from the COVID-19 pandemic, leading to increased borrowings and imports, dwindling revenues, and foreign reserves falling to a critical level of US\$ 467 million (Shivmurthy, 2024)⁵. Even though India has continuously supported Bhutan through currency swaps, subsidies, grants, hydroelectric power, major infrastructure projects, and funding for its Five-Year Plans, it has not been able to curb the economic recession. Some Bhutanese people now feel that if this situation continues, Bhutan might become even more dependent on India, which could lead to higher unemployment and greater debt for future generations.

As democracy and social media presence grow, more people in Bhutan are getting involved in foreign policy discussions. The generational shift in Bhutan, fuelled by the introduction of television and the internet in 1999 (Pal, 2022a:128), has further complicated the foreign policy landscape. Young people in Bhutan are becoming increasingly outspoken and questioning traditional views, including Bhutan’s close ties with India, as they are exposed to global perspectives through ICT and digitalization. This generation is less apprehensive of China and more open to its economic opportunities, contrasting with their predecessors who faced political and economic turmoil and were more grateful for India’s assistance. The younger Bhutanese are more critical of India’s role in Bhutan’s border negotiations with China and perceive India’s economic influence as overbearing.

Indo-Bhutan Economic Relations: Benefits and Limitations of India's Support

India and Bhutan have shared a unique and enduring economic partnership that has been central to Bhutan's development trajectory. India has historically been Bhutan's principal source of financial assistance, trade partner, and investment benefactor, playing a crucial role in shaping Bhutan's infrastructure, education, healthcare, and overall socio-economic fabric.

Financial Assistance and Infrastructure Development:

India's financial contributions to Bhutan's economic development are evident in the support it has provided to Bhutan's Five-Year Plans (FYPs) (Table-I). The First Five-Year Plan (1961-1966) was funded entirely by India, signalling the beginning of Bhutan's economic modernisation. At that time, Bhutan was an isolated kingdom with limited infrastructure and communication networks. With India's assistance, the priority during this period was to end Bhutan's isolation, primarily through the construction of essential transport links. India financed the construction of over 1,770 kilometers of roads, including the 208 km highway that connected Phuntsholing to Thimphu and Paro. India's financial assistance to Bhutan's FYPs has expanded significantly over the years, from INR 107.2 million during the 1st FYP to INR 45,000 million for the 12th FYP (Pal, 2022a: 111), reflecting India's long-term commitment to Bhutan's development. This support has significantly contributed to Bhutan's rapid economic growth. Its GDP grew from USD 128 million in 1980 to USD 400 million by 2000. By 2020, Bhutan's GDP had reached USD 2.3 billion (World Bank Open Data, n.d.), showing nearly six times growth in just two decades.

Hydropower Cooperation: A Win-Win Partnership:

The cooperation between India and Bhutan in hydropower development exemplifies a mutually beneficial alliance that has bolstered Bhutan's economic growth while contributing to India's energy security. With its mountainous terrain and fast-flowing rivers, Bhutan holds an economically viable hydropower potential of 23,760 MW from an estimated 30,000 MW (Lamsang, T. 2017)⁷. India has played a critical role in realising this potential, providing both technical expertise and financial support. Notable projects such as the 1,020 MW Tala, 336 MW Chukha, and 60 MW Kurichhu Hydroelectric Projects were established with India's assistance, underpinning the hydropower sector's importance to Bhutan's economy. In 2020, the hydropower sector contributed 17.74% to the Gross Domestic Product (GDP) (Pal, 2022:84). Bhutan exports hydropower exclusively to India, with significant growth over the years. In 2019, hydropower constituted 40.79% of Bhutan's exports to India, up from 34.38% in 2006 (Royal Monetary Authority of Bhutan, 2016:52). This increased revenue, reaching Nu. 11,918.67 million in 2019 from Nu. 11,681.98 million in 2018 (Pal, 2022:86), supports Bhutan's economic stability while helping India meet its projected electricity demand, expected to reach between 2,074 TWh and 2,785 TWh by 2030 (Sahil, 2018)⁸.

Nonetheless, Bhutan's dependence on hydropower exports exposes Bhutan to India's energy demands and external project risks, including project delays and rising debt. Bhutan's public debt from hydropower projects has been exacerbated by cost overruns. The Tala Hydropower Project, initially set to finish in 2005, was delayed until 2007 due to geological issues, raising costs from Rs/Nu 14 billion (US\$331.84 million) to Rs/Nu 41.26 billion (US\$1.02 billion) (Saklani et al., 2019)⁹. The Punatsangchu-I Project, delayed from 2016 to 2022, saw costs rise from Nu 35.148 billion to Nu 93.756 billion (Lamsang, T. 2017)⁷. Similarly, the Kolongchhu Project's costs increased from Nu 33.05 billion to Nu 54.818 billion since 2015 (Dechen, 2022)¹⁰. For example, Bhutan's major Tala Hydropower Project, initially set to finish in 2005, was delayed until 2007 due to geological issues, raising costs from Rs/Nu 14 billion (US\$331.84 million) to Rs/Nu 41.26 billion (US\$1.02 billion) (Saklani et al., 2019)⁹ and same thing happened to the other projects also. As a result, hydropower-related loans have increased significantly over the years. According to a report by the Royal Audit Authority (RAA), these loans account for 73% of Bhutan's external debt, totalling Nu. 162,359.048 million for 2020-21 financial year (Pal, 2022:86), heightening concerns about long-term economic sustainability. Additionally, most of the workers involved in various projects are Indian, which raises employment concerns among Bhutanese locals. Moreover, the low tariffs India pays for Bhutan's electricity at Rs. 1.80 per unit, compared to domestic Indian prices of Rs. 7-8 per unit (Pal, 2022:86), also exacerbate local grievances. Environmental impacts and technical difficulties further complicate this cooperation, with climate change posing threats like flood risk to downstream regions in India. The Talahydel project faced technical issues, including cracks in four turbine runners valued at Nu 280 million. Additionally, a high-voltage 500 MW cable, costing Nu 40 million, failed shortly after installation in the Tala powerhouse (Bisht, 2011)¹¹, highlight ongoing quality concerns. Despite these challenges, hydropower remains a cornerstone of Indo-Bhutan relations.

Trade and Investment Relations:

India is Bhutan's largest trade partner, with bilateral trade experiencing significant growth in recent years. The 1949 Treaty of Friendship laid the groundwork for free trade between the two nations, and subsequent agreements, such as the 1972 Trade and Transit Agreement and the 1983 Trade and Commerce Agreement (Pal, 2022a:186), further facilitated trade by simplifying customs procedures and allowing Bhutan to trade with third countries through India. In the early years of their trade relationship, Bhutan's exports to India primarily consisted of agricultural products like cardamom, oranges, and potatoes. However, as Bhutan's economy has diversified, so too has its export portfolio, which now includes products such as cement, wood, alcoholic beverages, and, most importantly, electricity. The value of bilateral trade between the two countries, excluding electricity, grew significantly from US\$ 484 million in 2014-15 to US\$ 1,606 million in 2022-23 ("Guj Exports to Bhutan Surge by 52% in 5 Yrs," 2024)¹². Both countries have taken steps to expand trade routes and strengthen their trade relationship. In 2021, they decided to open seven more entry and exit points, adding to the 21 that were approved in 2016 (Shivamurthy, 2022)¹³.

India has played a significant role in fostering economic growth in Bhutan through foreign direct investment (FDI), especially as Bhutan moved toward economic liberalisation. Initially conservative in its approach to FDI, Bhutan has gradually relaxed policies, with landmark policy amendments in 2002, 2010, and 2014, encouraging sustainable, socially responsible, and ecologically sound investments. India, Bhutan's largest FDI source, has driven impactful projects across various sectors. For instance, the State Bank of India (SBI) became Bhutan's first foreign investor in 1971 by holding a 40% stake in the Royal Bank of Bhutan (Rebel, 2016)¹⁴. India's influence extended further as Tata Power invested \$6 million in a joint hydroelectric project with Dagachhu Hydropower Corporation, and Sunayana Commodities Pvt. Ltd entered a \$11 million joint venture with Quality Gases Pvt. Ltd (Pal, 2024:49). These projects have bolstered Bhutan's economy, spurred job creation, and introduced advanced technologies, making India a vital partner in Bhutan's sustainable economic development.

Nevertheless, Bhutan consistently runs a trade deficit with India, exacerbated by its high reliance on imports, particularly fuel, machinery, and food. Bhutan's rupee crunch, caused by its negative balance of trade and payments, has strained its economic relations with India. In FY 2019-2020, Bhutan's current account deficit stood at Nu 16,849 million, and this increased to Nu 42,428 million by 2023-2024 (Pal, 2024:50). Although India extended a standby credit facility of INR 10 billion in 2012 to alleviate Bhutan's rupee crunch, this financial assistance has not completely resolved the issue. Furthermore, challenges such as illegal cross-border trade, tax evasion, and monopolistic practices by Indian contractors complicate the bilateral economic relationship, often leading to resentment within Bhutan towards India's economic dominance.

Limitations of India's Support and Bhutan's Economic Diversification:

While India's support has been indispensable for Bhutan's development, there are inherent limitations to this economic relationship. Bhutan's over-reliance on India for financial assistance, trade, and energy exports has created vulnerabilities that the kingdom is eager to address. Consequently, Bhutan's democratic government has been working to diversify its economic relations, as evidenced by its increasing engagement with European countries, including China. Since the initiation of Bhutan's First Five-Year Plan (FYP) in 1961, India has consistently provided financial support for both Bhutan's FYP and various development projects. But since the 5th FYP (1981-1987), the ratio of India's financial aid to Bhutan's total plan outlay dropped from 100% in the 1st FYP to 14.52% in the 12th FYP. In response to this declining percentage of financial assistance, Bhutan has made concerted efforts to achieve self-reliance by utilising internal resources and seeking support from new patrons among Western countries and international monetary and welfare organisations like EEC, UNCDF, and HELVETAS, DANIDA, JICA, and UNDP, etc (Pal, 2022a:112). These partnerships have provided Bhutan with greater autonomy in its economic planning and execution, reducing its reliance on India's financial assistance over time.

In recent years China-Bhutan relations have further deepened. Trade between Bhutan and China has surged recently, reflecting a growing economic connection. China-Bhutan trade relations have increased significantly in the last few years. In 2020, the trade volume between the two countries was only two billion, but it reached fifteen billion in 2022(Pant, 2024)⁴. Since 2008, the number of Chinese tourists visiting Bhutan has grown significantly, reaching 10,000 by 2015. These tourists contribute substantial revenue, spending around USD 250 on visas alone, in contrast to Indian tourists, who spend as little as USD 15 per day(Shivamurthy, 2022)¹³. This difference in spending has heightened Bhutan's need to build stronger diplomatic and economic ties with China.

Geopolitical Compulsions of Both India and Bhutan:

The India-Bhutan relationship is deeply influenced by their geographical closeness, historical ties, and regional power dynamics. Bhutan, positioned between India and China, has traditionally relied on India for economic support, security, and cultural affinity. For India, it's crucial to keep Bhutan as a close ally to balance China's growing presence in South Asia. This was especially evident during the 2017 Doklam standoff (Chengappa, 2017)¹⁵, which underscored India's need to ensure that Bhutan remains a secure buffer zone to protect its borders and prevent Chinese influence near the strategically sensitive Siliguri Corridor (also known as the "Chicken's Neck"). Bhutan, meanwhile, faces the complex task of safeguarding its sovereignty by balancing relations with its powerful neighbours. While it values India as an essential economic and security partner, Bhutan has cautiously started exploring limited engagement with China. China's territorial aspirations and efforts to increase its diplomatic influence in Bhutan add further complexity for both nations. Thus, Bhutan must carefully navigate its alliances to maintain its sovereignty, benefit from India's support, and cautiously engage with China in ways that won't undermine its longstanding ties with India.

Points of Convergence and Divergence:

India and Bhutan enjoy strong convergence on key issues like regional security, economic growth, and sustainable development, with hydropower cooperation being a pivotal example. Bhutan's hydropower exports to India are central to its economy, while India benefits from this clean energy, exemplifying a mutually advantageous arrangement. Both countries also share concerns over security threats from China. China's territorial claims, including incursions into Indian borders like Arunachal Pradesh and encroachments on Bhutanese land, illustrate a consistent strategy aimed at diminishing India's influence in Bhutan. Since 2015, China has developed settlements like "Gyalaphug" and "Pangda" in western Bhutan, with at least four more constructed as of 2021(Vishnu, 2020)¹⁶. Its 2021 Land Borders Law aims to strengthen border defenses and establish more border settlements (Shivamurthy, 2022)¹³, a move that pressures Bhutan and reinforces India's concerns over Chinese encroachment.

However, Bhutan's increasing desire for an independent foreign policy highlights emerging points of divergence. Bhutan's younger generation increasingly seeks a global identity beyond its traditional

ties with India, advocating for a more transparent, competitive diplomacy. Viewing India's economic assistance as self-serving, many support establishing diplomatic and economic relations with China. Bhutan's cautious engagement with China reflects a shift towards a balanced foreign policy that sometimes contrasts with India's priorities, especially concerning Chinese influence in South Asia. India's apprehension over China's activities in Bhutanese territory and potential shifts in Bhutan's foreign policy adds tension to their relationship, despite shared interests in security and economic cooperation.

Despite some areas of divergence between the two countries, Bhutan has consistently remained India's most reliable ally. There is not much possibility of Bhutan totally deviating from its friendship with India. Under Prime Minister Narendra Modi's leadership, India has remained the top economic and development partner of Bhutan, reinforcing the idea of a balanced and equal partnership between the two countries. Under his leadership, the country introduced the Neighbourhood First Policy (NFP). To emphasise his dedication to this policy, Modi chose Bhutan for his initial official trip on June 15, 2014, strengthening the strong ties between the two nations (Labh, 2016:119). He referred to the bilateral ties as "B2B" (Bharat to Bhutan) relations (Stobdan, 2014:51), emphasising parity between the two neighbouring nations regardless of other asymmetrical factors. During the visit, Modi laid the groundwork for the 600 MW Kholongchu Hydroelectric Project (Padma and Mani 2017:82), aimed at broadening the scope of cooperation between the two countries. On March 21–22, 2024, Modi made his third visit to Bhutan, where he was honoured with the Order of Druk Gyalpo. During this visit, both countries signed an agreement to initiate two railway projects: Kokrajhar to Gelephu and Banarhat to Samtse, aimed at enhancing connectivity and trade. India also committed to strengthening investment, trade, connectivity projects and infrastructure, particularly in the Gelephu Special Administrative Region (SAR). For Bhutan's 13th Five Year Plan (FYP), India assured a provision of \$100 billion, and in the 2024-25 budget, the Indian government allocated \$20.68 billion for Bhutan (Laskar, 2024)¹⁷. These efforts underscore India's ongoing support and investment in Bhutan's development, highlighting the emphasis on parity and mutual benefit in their relationship.

Conclusion:

In conclusion, the transition from monarchy to democracy in Bhutan marked a fundamental turning point in India-Bhutan relations. As Bhutan embraces democratic principles, new ideas and aspirations have also emerged, especially among the younger generation. India, as a long-standing friend of Bhutan, needs to change its approach in line with these developments. It is imperative that India addresses the negative perceptions created by its policies and actions in Bhutan as these can damage bilateral relations. India should seek to develop a balanced and beneficial economic relationship with Bhutan, moving away from traditional models of economic assistance linked to political loyalty. Instead, India should focus on building sustainable economic ties that enable Bhutan to become more self-reliant and economically resilient. This could include projects such as capacity building, local

infrastructure development and cross-border trade and investment facilitation. Moreover, India should recognise Bhutan's aspirations for greater independence and its desire to establish relations with other countries, including China. Instead of seeing Bhutan's engagement with China as a threat, India should see it as an opportunity to strengthen regional connectivity and cooperation soft-power initiatives such as educational reforms and cultural exchanges can also play an important role in enhancing India-Bhutan friendship.

At the same time, Bhutan needs to manage its relations with India carefully, keeping in mind its geopolitical responsibilities. As a small country between two powerful neighbours, Bhutan's adherence to the revised Indo-Bhutan Agreement of 2007 is key to maintaining diplomatic relations with India (Malik, 2016:133), especially in terms of security and border control. Bhutan's role in supporting India's national security, through responsible foreign policy coordination and active border vigilance, particularly along its border with China, is critical. Moreover, Bhutan's economic obligations are equally important, as India remains Bhutan's largest trading partner and a major contributor to its hydropower sector. Environmental cooperation, cultural diplomacy, and soft power initiatives, such as student exchanges and tourism, further reinforce the bonds between the two nations. And by performing these duties and responsibilities that forge ties on the strengthening of bilateral relations between the two countries, Bhutan ensures a stable and constructive relationship with India, essential for its security and development. Practical and realistic approaches to their growing partnership will serve Bhutan and India in navigating the challenges of changing geopolitics.

Notes:

1. Driglam Nam Za is Bhutan's traditional etiquette code, emphasizing respect for authority, family, and elders. Rooted in Buddhism, it includes specific dress codes—women wear the 'Kira', men the 'Gho'.
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Table-I

Five-Year Plan (FYP) Plan- Wise Allocations of Bhutan and India’s Contribution:

YEAR/PLANS	TOTAL ALLOTMENT (in Rs.million)	INDIA’S CONTRIBUTION (in Rs.million)	INDIA’S CONTRIBUTION (%)
1961-1966 (1 st plan)	107.2	107.2	100%
1966-1971 (2 nd plan)	202.2	202.2	100%
1971-1976 (3 rd plan)	475.2	426.6	90%
1976-1981 (4 th plan)	1106.2	853.0	77%
1981-1987 (5 th plan)	4440.5	1340.0	30.2%
1987-1992 (6 th plan)	9500.0	4000.0	42.1%
1992-1997 (7 th plan)	23500.0	7500.0	31.9%
1997-2002(8 th plan)	40000.0	10500.0	26%
2002-2008 (9 th plan)	89000.0	26100.0	29.33%
2008-2013 (10 th plan)	149000.0	34000.0	23%
2013-2018 (11 th plan)	213000.0	45000.0	21%
2018-2023 (12 th plan)	310000.0	45000.0	14.52%

Source: Annual Reports (From 1st to 12th), Ministry of External Affairs, Govt. of India & K.uensel Online.com, accessed on March 8, 2024

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