



## **Geopolitics in the Himalayas: A Kingdom sandwiched between China and India**

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### **About ISPSW**

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The small sovereign Kingdom of Bhutan, located in a remote part of the Himalayas, lies as a buffer state between India and China. A military standoff between India and China in a disputed territory along the Bhutan-China border area in June 2017 renewed anxieties about China's strategic intentions in the Himalayan region. India also remains concerned about China's Belt and Road Initiative (BRI) with India's South Asian neighbours. It perceives it as a threat to its historic dominance in South Asia and has intensified its relations with South Asian neighbours through its Neighbourhood First and SAGAR (Security and Growth for All in the Region) policies. Because of the increasing US-China geopolitical rivalry, India also seeks greater geopolitical flexibility. In a fine balancing act, India actively supports the renewed focus of the US Administration on the Indo-Pacific region through the "Quad" collaboration and has increased its defence cooperation with the US. At the same time, it follows a path of increased economic engagement with China and pragmatic political cooperation with China in multilateral institutions such as BRICS. Bhutan has no direct trade and no official diplomatic relations with China because of unresolved border disputes. With India's continued political and development support, Bhutan continues to keep China at arm's length. China has tried to mend fences with Bhutan after the 2017 standoff but does not seem to have given up its territorial claim.

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## Analysis

### The 2017 China-India standoff at the Bhutan-China border

In the middle of June 2017, a ten-week long standoff between China and India started over a 269 square km territory in the Chumbi valley. The area which borders China and Bhutan and is near the mountainous Indian state of Sikkim, has been claimed by both Bhutan and China. The area is known as the Donglam region in China, as the Doklam Plateau in Bhutan and as Dok La in India. Bhutan has long declared the Doklam Plateau to be part of Bhutan and administered it from its capital Thimphu. China has, however, insisted that the area has historically been an integral and legitimate part of Tibet. For China, the historic 1890 “Convention between Imperial China and Great Britain relating to Sikkim and Tibet” is at the heart of the Doklam dispute. Since 1984, Bhutan and China, which share a 470 km long border, have held 24 rounds of border negotiations but failed to resolve their territorial differences over the Doklam Plateau and other areas. There was an agreement that no changes were to be made before the finalization of the negotiations. In June 2017, China started to build a road on the Doklam Plateau in order to improve the connection between the Plateau and the adjacent Tibetan Yadong province with its PLA army camp. It sent in hundreds of soldiers and repeated historic claims about the Doklam Plateau. Bhutan strongly rejected China’s claims and sent a diplomatic protest note to Beijing. India, which had always supported Bhutan’s territorial claims, came to Bhutan’s defence and sent a few thousand troops into the area to stop China’s road construction. Indian troops and PLA soldiers clashed in minor skirmishes, the first military encounter since the 1962 Sino-China war. It remains unclear whether Bhutan had asked India to assist.



Map: Deepak Dogney

India had strong strategic reasons to intervene: full control of the Doklam Plateau would give China a vantage point over the narrow Indian Siliguri Corridor nearby, located in the Indian State of West Bengal, also known as the Chicken’s Neck. This strategically important corridor is a small strip of land connecting the lifelines between eight northeastern Indian states with the rest of India. Once in control, China could have easily cut off India’s access to its North Eastern states. Thus, India needed to counter an imminent threat to its security in the North East.



Indian Defence News, Oct. 2019

China subsequently accused India of interfering in a bilateral issue with Bhutan as well as violating the 1890 Convention which, according to China, acknowledges the Doklam area as part of Tibet. It also reminded India of its massive defeat in the 1962 Sino-India War and demanded the withdrawal of Indian troops before negotiations with Bhutan could restart. India accused China of bullying tactics. There were also voices in India that Tibet was not part of China. A number of countries, among them Japan, supported India. UN Special Envoy for South-South Cooperation, Jorge Chediek, and others urged both sides to resolve the issue peacefully through dialogue.

After more than two months of military confrontation, both India and China backed down and withdrew thousands of soldiers on August 28, 2017 to their previous positions. According to some reports, however, both countries subsequently maintained or even increased their military presence near the disputed area.

### **Where does Bhutan stand in this geopolitical triangle?**

Bhutan is a small, sovereign country with a population of 734, 000 (2018). It became a member of the United Nations in 1971 and later, of most international institutions. It was a founding member of the South Asian Regional Cooperation Association (SAARC). The major pillars of Bhutan's foreign policy are the safeguarding of its territorial integrity and the support of India in international fora. During the last decades, under the guidance of the 4<sup>th</sup> King Jigme Singye Wangchuck and later his son, the present King Jigme Khesar Namgyel Wangchuk, Bhutan took important steps from absolute monarchy towards democratic monarchy, modernization and reforms. It also followed a path of safeguarding its sovereignty over internal policies and pursuing environmental and social sustainability. The now famous policy of the "Gross National Happiness Index" comprising nine domains, was presented by the then Bhutanese Prime Minister in 1998 to the United Nations as a new "compass to a just and harmonious society".

In 1949, Bhutan had signed a friendship treaty with newly independent India, article two of which gave India the right for 'guidance' and 'consultation' in the external affairs of Bhutan. Bhutan has since relied on India for its security and Indian soldiers have been stationed in Bhutan, supporting the Bhutanese Army. The treaty was revised in 2007 giving Bhutan more control of its external affairs.

At some stage, India needed Bhutan's support to keep Indian separatist groups such as the United Liberation Front of Asom (ULFA) in its northeast at bay. Since the 1980ies, ULFA wanted to establish an independent Assam and has been labelled a terrorist group by India. In 2003, the Bhutanese army ejected ULFA fighters from their



headquarter camps in Bhutan close to the Indian border. Thirteen years later, the Assam regional government started negotiations with the banned group.

To this day, Bhutan's international trade and investment relations remain at a very low level, but Bhutan is expected to graduate from the Least Developed Country Status (LDC) in 2023. India continues to be its biggest trading partner; 90 % of its trade is with India (2018: imports from India: US \$ 2.3 Bill, exports to India US \$529 Mill., ADB Key Indicators for Asia 2019). Bhutan has had the lowest Foreign Direct Investment in Asia. In 2017, the year of the China-India stand-off on its soil, foreign investments even became negative. It slightly recovered in 2018/19 (6 Mill. US \$). India has been the biggest investor in Bhutan (2016: 82 Mill. US \$, followed by Singapore) with infrastructure projects such as hydropower, road construction as well as manufacturing projects. Bhutan, with its many glacial rivers, is providing India with hydroelectricity. This bilateral hydroelectric cooperation dates back fifty years; two thirds of Bhutan's electricity is exported to India. Since 1961 India has been by far the largest development partner. There has also been a substantial increase in tourism from India to Bhutan and Indian scholarships for Bhutanese students to study at Indian universities.

Indian Prime Minister Narendra Modi's first official visit abroad in June 2014 after his election victory was to India's small neighbor, Bhutan. To counter China's growing presence in South Asia, PM Modi's policy of "Neighbourhood First" sought to invigorate India's relations with smaller regional neighbours such as Bhutan. PM Modi termed the India-Bhutan relationship as "unique and special". The visit of the King of Bhutan to India in November 2017, three months after the Doklam standoff was a clear signal to China of the continued security partnership between India and Bhutan. Right after PM Modi's re-election, his first visit abroad in August 2019 again was to Bhutan. This time it was focused on increased development cooperation.

Tibet and Bhutan look back to centuries of old religious affiliations of its Buddhist leaders as well as numerous conflicts between Bhutanese and Tibetan rival religious and political groups. The "Tibet (Xizang) Autonomous Region", which was annexed by the People's Republic of China in the 1950ies, is Bhutan's direct northern neighbor. Since then, Bhutan has been wary of China's strategic intentions. And due to the unresolved border dispute with China over the Doklam Plateau and other areas, Bhutan still has no official diplomatic relations with China. Until now, the bilateral border negotiations over the Doklam Plateau have not resumed. There is no direct border trade. Even the indirect China-Bhutan trade via India amounts to only US \$ 21,5 Mill. and there is no record of any Chinese investment in Bhutan. It also has not joined China's BRI unlike the other small South Asian countries like Nepal, Maldives, Bangladesh and Sri Lanka. China has tried to mend fences with Bhutan and reached out with a 2018 visit of the Chinese Vice Foreign Minister Kong and with scholarships for Bhutanese students.

It can be assumed that China, so far, has not given up its territorial claim to the Doklam area. And Bhutan continues to keep China at arm's length.

### **Political and economic reasons for India's de-escalation in 2017 and beyond**

Since the 1962 Sino-Indian war relations between China and India have been marked by controversial border issues but an escalation like the one in 1962 did not happen until June 2017. The Indian Prime Minister Modi faced a re-election campaign the next year; so, he and his Bharatiya Janata Party needed to focus on measures to improve the Indian economy. A long and costly border conflict with China in the remote Himalayan area of Bhutan was deemed an unnecessary distraction and not a suitable pathway for a second election victory. Also, trade ties between India and China had increased. China is now India's biggest trading partner. But the



continuing low level of Indian exports to China (US\$ 15 Bill. with total trade US\$ 87 Bill. in 2017, Asian Development Bank) has strained economic relations. India was hoping that an increase of exports to China through reduced tariff barriers for Indian exports was one way to lower the trade deficit.

Another reason for defusing the standoff could have been that India had garnered international support for a peaceful resolution of the border conflict and was assured that India's international standing had been enhanced. The upcoming BRICS leaders' summit (acronym for the association of Brazil, Russia, India, China, South Africa) in October 2017 offered a face-saving opportunity for Chinese President Xi Jinping and Indian Prime Minister Modi to calm things down. The bilateral meeting between the President Xi and Prime Minister Modi a year later in 2018 in Wuhan created the so-called Wuhan spirit. Economic cooperation in third countries such as Afghanistan and cooperation against terrorism, but not their border differences, were at the center of the two leaders' discussions. The Wuhan meeting was all about both leaders getting bilateral relations back onto a more normal footing.

When India revoked the long held autonomous status of Jammu and Kashmir in August 2019 through a constitutional amendment, it insisted that this policy change was an internal affair of India and had no influence on the Line of Control between the Indian Ladakh and China. This time, China only voiced muted criticism. The communique of the subsequent October 2019 bilateral summit in Chennai between Prime Minister Modi and President Xi mentioned that "border disputes would not prevent the two countries from cooperating on other issues". Cooperation on military and trade matters was agreed upon. It is not known whether they discussed Chinese telecom giant Huawei's participation in India's 5G network. It is, however, interesting to note that in January 2020, the Indian government allowed Huawei to participate in India's 5G trial phase, withstanding strong US political pressure to exclude Huawei.

India probably hopes that three bilateral conflict points with China can be better solved with a cooperative strategy: the 46 Bill. US \$ China-Pakistan Economic Corridor (CPEC), which runs through the Pakistan controlled Assad Kashmir (claimed by India), is seen as a major security threat by India; the regional water management of Tibetan rivers (esp. of the Tsangpo/Brahmaputra river) which adversely affects the all-important water supply of India; and China's continued blocking of India's membership application from 2016 onwards to the Nuclear Suppliers Group (NSG).

India also tried to increase its geopolitical flexibility. In 2017/18, the US restarted the efforts of previous administrations to woo India into its political and defense fold as it became more concerned about China's long-term strategic intentions and the effects on regional stability in Asia. The previously abandoned concept of security cooperation between the US, Australia, India and Japan, the "Quad", was revitalized at the end of 2017. In 2018, India and the US signed a defence pact which was followed by an unprecedented, comprehensive US-India military exercise codenamed "Tiger Triumph" of all three combined forces in the Bay of Bengal in November 2019. Having become a major defence partner of the US, India purchased a considerable amount of US defence equipment in early 2020.

In March 2015 PM Modi announced India's SAGAR policy (Security and Growth for All in the Region) to counter the China's BRI activities in South Asia. Its focus is on increased maritime cooperation and capacity building with Indian Ocean island and littoral neighbours (among them Sri Lanka, Maldives, Seychelles, Bangladesh). It also aims to improve regional connectivity with infrastructure projects, among them roads and waterways to Bhutan and Nepal. SAGAR has been hampered by limited coordination and capacity.



## China's long-term strategic interests during and after the Doklam stand-off

China's strategic intentions for letting off a trial balloon by venturing into the Doklam Plateau and increasing its military presence at the China-Bhutan-Indian border seemed to be less clear. It may have wanted to drive a wedge between India and Bhutan and challenge India's historic dominance over South Asia. It might also have just wanted to underline its sovereignty over Tibet and decided that it had made its point to the international audience. However, it is also interesting that the end of the stand-off in August 2017 came at a time when China was increasing its Belt and Road initiative with South Asian countries. India as well as Bhutan have so far refused to join BRI projects, unlike its neighbours Bangladesh, Nepal, Sri Lanka and India's arch enemy Pakistan.

Some other interests of China could have been played a part in the China-India relationship. Until November 2019, sixteen nations, among them China and India, had negotiated the details of the Regional Comprehensive Economic Partnership (RCEP). RCEP, initiated by ASEAN in 2012, is supposed to be the largest trading bloc in Asia. It would give China a strategic advantage in influencing trade relations in Asia. RCEP was the "counterproposal" to the Trans Pacific Partnership agreement (TPP). TPP was initiated by US President Obama and then abandoned by President Trump on his first day in office in January 2017. Apart from China, India was to be the biggest economy among the RCEP countries. However, Indian Prime Minister Modi pulled the plug during the final RCEP Summit on November 4, 2019 in Bangkok. He announced that India would not be joining the RCEP as it "did not address satisfactorily India's outstanding issues and concerns." PM Modi seems to have bowed to domestic pressures as the RCEP was strongly opposed by his own party as well as the opposition. Many industry interest groups were concerned that RCEP would hurt some of India's main industries amid fears that the Indian market could be further flooded by Chinese imports and thereby increase the already high trade deficit with China and other RCEP countries. During the RCEP negotiations, China and other countries tried to persuade India to open its markets. India had been seeking in vain for special protection for some of its industrial and agricultural sectors and better market access into China to offset its trade deficit. The other fifteen countries, however, reached a basic agreement during the Bangkok summit and kept the door open for India to join at a later date. The signing of RCEP is planned for 2020.

Another reason for backing down in 2017 could have been that China didn't want to drive India back into a too close relationship with the US and Japan. In 2017, the Trump Administration started to revive the decade-old idea of the Quadrilateral Security Dialogue (QSD, also known as the Quad), a rather loose quadrilateral security alliance of four countries (USA, Japan, India and Australia) to advance the idea of a "Free and Open Indo-Pacific". Quad, also termed as an "Asian Arc of Democracy", is meant as a mechanism against perceived Chinese advancements in Asia (Previous Australian PM Rudd abandoned the Quad in 2008 for fear of alienating China). QUAD working groups with a focus on collaboration in a number of areas met four times in the last two years at senior official levels and in September 2019 in New York at Foreign Minister level. It is clear that the US wants to institutionalize this group of like-minded democratic Indo-Pacific partners. The numerous bilateral meetings between PM Modi and President Trump underline the US strategic goal of getting India as an important partner onboard. The last two summits in the US and in India in September 2019 and February 2020 were full of optics and lean in content. The US-India trade tensions had not died down fully and the negotiations of a well-publicized bilateral trade agreement could not be finalized.

For China, the BRICS cooperation with India remains important. Back to back with the QUAD in September 2019, there was a Foreign Ministers BRICS meeting in New York. It prepared the way for the 11<sup>th</sup> BRICS summit in November 2019, where President Xi and Prime Minister Modi had another opportunity to discuss bilateral and



regional affairs. BRIC was officially created in 2009 with four major “developing” countries to enhance economic cooperation and to “create better international governance”. South Africa was admitted in 2011, forming BRICS. The seat of its Secretariat is in Shanghai. BRICS states represents 42% of the world population and 23% of GDP worldwide. There have been political differences on some issues among member states. Despite its predicted decline or even demise, BRICS has not become irrelevant. It continues to pursue its development, economic cooperation and geopolitical goals. India and China have often taken similar stands on a range of BRICS topics. And the 2017 BRICS summit helped smoothen relations between India and China after their recent border conflict.

### Summary

India remains concerned about a more assertive China and its increased role in India’s neighbourhood and is determined to keep its sphere of influence with close neighbours in South Asia. Bhutan treads carefully and continues its close relationship with India, maintaining only minimal engagement with China. We are observing a fine balancing act by India: It is part of the renewed focus of the present US Administration on the Indo-Pacific region but at the same time keeps close economic contacts with China and is mindful of Chinese sensitivities. Trade continues to be the essence of the China-India relationship. India’s strategy is to intensify security and defence cooperation with the US and the other QUAD partners as well Indian Ocean island countries (SAGAR) on the one hand and to coordinate with China on regional matters and in multilateral institutions such as BRICS on the other hand. Given the current geopolitical uncertainties with the increasing China-US competition, India aims to have a greater geopolitical flexibility while reinforcing its ties with direct South Asian neighbours, among them Bhutan.

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**Remarks:** Opinions expressed in this contribution are those of the author.

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Dr. Anne-Marie Schleich was a German diplomat from 1979 until 2016. Most recently, she was the German Ambassador to New Zealand and seven Pacific Island Countries from 2012 to 2016. She was the German Consul-General in Melbourne, Australia from 2008 to 2012 and has also served in Singapore, Bangkok, Islamabad and London.



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