

Michał ADAMEK
KEN Univ., Krakow, Poland

BHUTAN AND NEPAL GEOPOLITICAL IMPORTANCE

Abstract:

The article is dedicated to geopolitical situation of Bhutan and Nepal. The author seeks to define similarities and differences characteristic for their geopolitical situation. For this purpose he analyzes chosen factors in fields of geography, economy, social situation, ecological, political and shows development barriers. The relations of both countries with China and India are analyzed, especially according to recent violation of Bhutan's territorial integrity. The author attempts to find strategic directions of Bhutan and Nepal's development as well as potential upcoming changes in their relations with China and India.

Key words:

Bhutan, Nepal, China, India, social problems, economic growth, ecology

INTRODUCTION

The past few decades have been a time of undeniable growth in the geopolitical significance of the world's two most populous countries – India and China. Alongside dynamic economic and technological development, as well as the growth of their military forces, there is a noticeable increase in the political ambitions of both nations and competition between them, which in many aspects takes the form of direct rivalry. Within such areas, where their influences clash are the significantly smaller countries situated between these two powers – the Kingdom of Bhutan and the Federal Democratic Republic of Nepal.

Prithvi Narayan Shah, the ruler who unified Nepal in the 18th century, described his country as a "gourd (yam) between

two rocks", recognizing the challenges and threats associated with being located between two much more powerful neighbors, and the resulting need to pursue a careful policy of balancing influences (Pulami, M. J. 2022). Despite the centuries passing and the complete transformation of the character of the neighboring countries, Nepal's geopolitical position in many aspects seems to resemble that defined by its 18th-century ruler. In many ways, the same applies to Bhutan. This geographical location naturally makes these countries a field of rivalry for their colossal neighbors and, as experts often observe, they are regarded as buffer states.

The aim of this study is to take a closer look at the current geopolitical situation of both countries, with particular emphasis on geographical conditions, historical processes over the past century, and economic development.

SELECTED CONDITIONS OF BOTH COUNTRIES

This work does not constitute a study in physical geography, however, for the purposes of further analysis, it is necessary to highlight at least a few of the most significant similarities and differences between the two countries. The Kingdom of Bhutan covers an area of 38,394 km², while the Federal Democratic Republic of Nepal spans on 147,181 km². Bhutan is a mountainous country, reaching the world's highest average elevation of 3,280 m above the sea level. In this aspect, it is very similar to Nepal, where the average elevation is 3,265 m above the sea level. This statistics, however, can be misleading on its own, as despite both countries have mountainous and high-altitude areas of the Himalayas, a significant part of Nepal is occupied by the low-lying Terai Plain. The plain stretches along the country's southern border with India, where the elevation ranges between 67 and 300 m above the sea level. These lands, covering 33,998.8 km², or 23.1% of Nepal's total area, are densely populated and used for agricultural purposes, providing most of Nepal's agricultural production. They have also become locations for many of the country's industrial centers. A small section of the eastern Terai also lies within Bhutan's borders, where it is referred to

as the Dooars. Together with a few other small plains located in the south of the country and some river valleys, these areas constitute Bhutan's main agricultural regions, primarily used for rice cultivation. The climatic conditions of the two countries are very similar, in both cases varying roughly from north to south, ranging from the cold, dry mountain climate prevalent among the Himalayan glaciers and in places, the polar frost climate and polar tundra climate, through the moderate, humid highland climate, to the humid subtropical climate characteristic mainly of the low-lying southern valleys and plains of both countries (Bhattacharya, A., Bhattacharya, B., Fraser, N., 2001). As a result of geographical features, most importantly due to the atmospheric and topographic conditions listed above, Nepal has a total of 2,114,000 hectares of agricultural land, constituting 14.7% of its total area, while Bhutan has only 94,000 hectares of agricultural land, making up 2.5% of its area. The size of these areas has not undergone significant changes over the years, as it is determined by geographical constraints. Similarly, the amount of food produced is relatively fixed, and consequently, Bhutan's population has always been significantly smaller than Nepal's. International institutions encounter difficulties in determining the exact number of Bhutan's inhabitants, but it is estimated that the population was approximately 780,000 people in 2023. The natural growth rate, which was very high in the last century, has declined significantly since the 1980s, and over the past decade, it has even fallen below the replacement level. If this trend continues, Bhutan's population may soon cease to grow, much earlier than might have been expected. In 2023, Nepal's population reached 30.896 million, and although its natural growth rate has also declined as the country has developed, the decrease has been relatively slight in recent years. Annual population growth remains at a stable level, giving no cause for concern in the years ahead.

The mountainous and high-altitude nature of large areas in both countries limits the possibilities for establishing industrial centres and agricultural activity, as already indicated above. Both countries have not been particularly blessed with valuable mineral resources that could potentially boost industrial development. Extraction and transportation in

difficult mountainous terrain are both costly and require advanced technology, which is especially challenging for countries far from wealth and innovation. However, a more significant geopolitical obstacle arises. The second half of the last century marked a period of extraordinarily rapid growth for many East Asian nations, some of which earned the title of “Asian Tigers.” In short, successful economic model for poorer countries involved capitalizing on competitive advantages such as cheap labour, enabling goods to be sold at significantly lower prices on global markets. Low costs attract foreign investors. However, Bhutan and Nepal could not replicate the success of other countries. Due to geographical conditions, they would have to bear enormous costs for constructing road and rail infrastructure, as well as importing raw materials and exporting finished goods over vast distances. Worse still, the only neighbours of these landlocked countries are China and India, which have built their current global positions largely through cheap industrial production. These giant economies have little incentive to facilitate competition from Bhutan and Nepal. Additionally, a developed industrial sector would also entail significant environmental costs, starting with the inevitable conversion of large forested areas to industrial use. The problem of deforestation and its consequences -primarily soil erosion, landslides, and shrinking water resources - a sore spot for Nepal. Exploitative forest management led to a significant decline in forest cover in the early 1990s, with areas being converted into pastures or plantations. The resources obtained from logging were mainly exported to India, bringing little benefit to Nepal, which lacked its own timber processing industry. Since then, Nepal’s policies have changed significantly, and forested areas have been substantially increased, now covering over 40% of the country’s territory. The Bhutanese government has also been systematically pursuing afforestation policies for decades, placing even greater emphasis on ecological issues. Bhutan’s constitution mandates that at least 60% of the country’s land area must remain forested; currently, forests cover over 70% of the country. Maintaining high levels of forest cover is one element in preserving the fragile ecological balance that regulates the existence of Bhutanese and Nepalese residents, and in a

broader context, the entire Indian region (Wilczyński, W. 2021). In recent decades, Nepal has chosen to focus on developing its tourism sector, primarily targeting at relatively wealthy tourists from affluent countries in Europe and North America. The country relies on its natural attractions, such as the snow-capped Himalayan peaks, forests, and rivers that have largely retained their pristine character. The biodiversity of both countries is exceptionally high. Nepal's strategy has therefore concentrated on developing tourism to attract as many visitors as possible each year, hoping this would be one of the more promising paths to achieving prosperity, given the limited opportunities for development. Tourism generates annual revenues of approximately USD 2.2 billion for Nepal, accounting for 6.7% of the country's GDP. Bhutan, however, has opted for a different approach (Karst, H. Nepal, S., 2016), imposing restrictions on the number of tourists, allegedly to protect the environment and cultural heritage. This includes a ban on climbing mountain peaks considered to be sacred. For this reason, the Himalayan peaks located in Bhutan will remain the last unconquered among the world's highest mountains. Tourist presence in Bhutan is primarily limited by the high fee visitors must pay simply for staying in the country. This fee is a component of the kingdom's sustainable development policy, whereby every foreigner in the country must pay compensation. The funds raised are also intended to finance development programs and education. The legal basis for the fee and the allocation of its proceeds can be found in Article 14 of Bhutan's constitution (2008)¹. The pandemic significantly reduced tourist traffic in Bhutan, and upon its resumption, the sustainable development fee was increased in 2022 to INR 16,509 (approximately USD 200). However, this decision caused tourist numbers to drop significantly below pre-pandemic times level. As a result, in September 2023, Bhutan's authorities decided to reduce the mandatory fee to INR 8,254 (approximately USD 100). Tourist resorts in Bhutan are therefore geared towards wealthy visitors, offering a wide range of high-standard services to compensate for the small number of tourists with high revenues per visitor. Access to the mountainous country by air is limited to a single international

¹ https://www.constituteproject.org/constitution/Bhutan_2008 access: 29.04.2024

airport, and apart from two Bhutanese airlines offering flights primarily to India, entry is practically restricted to private jets. This approach reveals a certain hypocrisy: under the pretext of environmental protection, large numbers of potential tourists are excluded from Bhutan, yet private jets are welcomed. These jets emit enormous amounts of greenhouse gases per person and carry wealthy tourists who, within a few days of their stay, spend more money than the average Bhutanese citizen earns in a lifetime. At the same time, the high fees paid to the government deprive ordinary citizens of potential profits, which they could otherwise gain by developing tourism-related services from the ground up. In recent years, tourism has generated less than USD 100 million in annual revenue for the kingdom. Despite its environmental policies, which allow Bhutan to pride itself on being the world's only country that absorbs more carbon dioxide than it emits, it does not escape the negative effects of climate change. These include the shrinking ice cover of the Himalayas, leading to progressive transformations in the country's landscape and natural environment. Each year, new glacial lakes are formed as a result of melting glaciers (Aryal, J.P., Bisht, M., Dil Bahadur Rahut, D.B., 2024). The effects of climate change are also visible in Nepal, where the risks of environmental degradation and reduced biodiversity are not ignored, particularly given the tourism sector's role in the economy. Thanks to significant tourism revenues, the country possesses substantial resources that can be allocated towards maintaining a desirable state of the natural environment (Upadhyaya, P. 2011). The natural resource that both countries can effectively exploit, however, is their water resources. Bhutan has achieved significant success in this regard, not only fully meeting its energy needs through six hydroelectric power plants but also exporting surplus energy to India². Nepal, however, has encountered far greater challenges, and hydroelectric power remains more of a supplement than the foundation of the country's energy sector, which still relies heavily on imported fossil fuels (Dash, S.K., Ogino, K., Nakayama, M., 2019). In the field of hydroelectric energy, Nepal has partnered with China, which, for example,

² <https://ourworldindata.org/energy/country/bhutan#what-sources-does-the-country-get-its-electricity-from> access: 29.04.2024

designed and helped to construct the West Seti dam (Sharma, B. P., 2018). Bhutan exhibits very low levels of foreign investment and bases its economic relations primarily on India. The country appears to reject traditional notions of economic development, as its 2008 constitution prioritises increasing Gross National Happiness (ལྷན་པོ་དང་ས་དགའ་ལྷོད་དཔལ་འཛོམས།)³ over GDP growth. It is worth noting that this index is measured using entirely different categories and methodologies than the Human Development Index (HDI), which still classifies Bhutan as one of the least developed countries in the world.

Bhutan is inhabited by three main ethnic groups: the Ngalop, most closely related to Tibetan ethnic group and constituting about half of the country's population; the Scharchop, who account for approximately 15% of the population; and the Lhotshampa, descendants of ethnic Nepalese migrants who settled in Bhutan during the late 19th and early 20th centuries. The growing number of Lhotshampas, who even established their own political party, caused concern within the regime at the time, and from the 1970s, laws providing basis for discrimination against the Nepali-speaking population were gradually introduced. In the 1980s, the Bhutanese government began promoting a new form of nationalism and changed the rules for recognizing citizenship. The culmination of this "Bhutanisation" policy occurred in 1989, when the principle of "one nation, one people" was implemented. This included banning the teaching of the Nepali language in schools and introducing a mandatory requirement to wear traditional Bhutanese attire. These measures were met with resistance from the Lhotshampa people, manifesting in protests and even attacks on educational and state institutions, with few instances of setting buildings of said institutions on fire. This actions were met with harsh response, the government intensified repression and the police and military forces brutally suppressed the resistance, with numerous confirmed acts of torture and rape against the population and destruction of their homes. As a result, thousands of Lhotshampas fled into exile voluntarily or were forcibly deported. The Bhutanese government also

³ https://www.constituteproject.org/constitution/Bhutan_2008 access: 29.04.2024

compelled them to sign “voluntary migration certificates,” which effectively amounted to renouncing their Bhutanese citizenship. The number of exiled Lhotshampas is estimated to be around 100,000 (Hutt, M. 1996). To this day, this ethnic crisis casts a shadow over Bhutanese-Nepalese relations. Despite numerous rounds of negotiations, Bhutan has refused to reinstate citizenship for the exiled population and allow them to return and resettle.

The last two years have seen a significant decline in Bhutan’s population due to unexpectedly high levels of emigration. While over the past 20 years the migration balance had remained stable at a level of a few hundred people per month, since 2021 it has risen sharply, reaching an average of several thousand per month in 2023. The primary destination for Bhutanese migration has been Australia, where 13,600 individuals have settled⁴. For a country with such a small population as Bhutan, this level of migration can be particularly damaging, especially since the median age of those leaving the country permanently is less than 35. People who attain higher education often prefer to remain abroad permanently, which further entrenches the nation’s underdeveloped position. This trend potentially signals growing impatience with the country’s slow pace of modernization - educated Bhutanese citizens face limited opportunities to find employment in advanced institutions within the country, let alone achieve satisfying earnings.

RELATIONS WITH INDIA AND CHINA

The unique nature of the relationship between Bhutan and India was established as early as 1949 through the Treaty of Perpetual Peace and Friendship⁵, which proclaims: “The Government of India undertakes not to interfere in the internal affairs of Bhutan. On its part, the Government of Bhutan agrees to be guided by the advice of the Government of India in

⁴ <https://www.statista.com/statistics/1003271/australia-net-overseas-migration-from-bhutan/>
access: 29.04.2024

⁵ <https://www.mea.gov.in/bilateral-documents.htm?dtl/5242/treaty+or+perpetual+p> access:
29.04.2024

its foreign relations.” In practice, this clause meant Bhutan’s partial renunciation of its sovereignty, implying that the direction of its foreign policy would be determined by India. Bhutan agreed to this treaty due to China’s territorial claims on its land and its own weak economic position. Ever since, India has contributed significantly to improving Bhutan’s situation, supporting its education, healthcare, and the development of various economic sectors, including the now highly important hydropower sector and agriculture. Additionally, with the help of the Indian army, 1,770 kilometers of roads were constructed in Bhutan during the 1960s. India also played a role in facilitating Bhutan’s admission to the United Nations in 1971 (Pal, S. 2020). India remains Bhutan’s primary trading partner, with more than 80% of Bhutanese imports and exports still conducted with India. Bhutan’s small military forces cooperate closely with those of India, and the security of its borders remains heavily dependent on Indian support.

Relations between Nepal and India are profound and deeply rooted in history, culture, and religion. 81% of Nepal's population practices Hinduism. India is Nepal's largest trading partner; although trade with China has been increasing year by year, approximately 70% of Nepal's imports and exports still take place with India annually. India remains the primary source of imported goods for Nepal, including fuel, food products, and construction materials. In return, Nepal exports agricultural products, clothing, and mineral resources to India. Indian investors are active in various sectors, such as energy, telecommunications, the food industry, and tourism. Indian government and investors are often involved in large infrastructure projects in Nepal, such as the construction of roads, bridges, and hydroelectric power plants (Khobragade, V. 2016). A major point of contention in Indo-Nepalese relations is the situation of the Madhesi ethnic group, who speak various Hindi dialects. They began arriving in Nepal from the late 18th century and now make up approximately 32% of Nepal's population. In the 20th century, ethnic conflicts in Nepal escalated, and the Madhesi people faced political and economic oppression from the more privileged castes. Currently, there are various movements and militias aiming to increase

autonomy and secure rights for the Madhesi, including some separatists organizations that advocate for independence or unity with India (Nayak, N. 2011). The Indian government has repeatedly expressed its support for the ethnically related Madhesi Hindu people, which has complicated relations with Nepal (Khobragade, V. 2016).

For centuries, the Himalayas have served as a natural border separating the states located in the Indian region from Tibet, often marking the limits of conquests by successive dynasties ruling imperial China. During the Qing dynasty, Nepal, Bhutan, and the previously independent Kingdom of Sikkim (now one of India's states) became Chinese vassal states, paying tribute until they fell under British influence. However, the ambitions of imperial China did not end with establishing new tributaries. At the time, ambitious plans were drawn up to construct convenient routes through the vassal states to the heart of the Indian region, to further spread Chinese influence-causing concern in Delhi (Beena, M. B. 2019). In a twist of fate, the matter of a Chinese route leading across the Himalayas has resurfaced, though in a significantly different form. China claims rights to 495 km² of territory in northern-central Bhutan, which includes the Jakarlung and Pasumlung valleys, as well as 269 km² of land in northeastern Bhutan, consisting of the Doklam plateau. These claims are justified by the alleged belonging of the areas to the Tibetan Autonomous Region. The situation is further complicated by the fact that Bhutan does not formally recognize China. But such is the case of many other countries worldwide, with only 54 independent states formally recognized by Bhutan.

For years, China has pursued a policy of *fait accompli*, methodically occupying disputed territories, deploying its troops and building roads, forward posts, settlements and other infrastructure. In 2017, the physical presence of Indian troops on the Doklam plateau prompted China to halt the construction of a road there. However, the situation had drastically shifted by 2020, when India alarmed the Bhutanese officials about the renewed presence of Chinese soldiers and workers on the plateau. India received a response from Bhutan's ambassador, Vetsop Namgyel, stating that "there are no Chinese settlements in Bhutan." This reflects a shift in

Bhutanese policy that concerns India, suggesting Bhutan might be inclined to formalize its relations with China and relinquish at least part of the disputed territories. Satellite images from December 2023⁶ confirm the existence of Chinese roads, military infrastructure, and settlements in the Jakarlung valley, which were first observed two years earlier and have since that time been significantly expanded. The unconventional methods employed by China to assert its claims are well known to India, which has faced numerous of them while being engaged in the Kashmir conflict for decades. Despite this experience, Chinese advances have not been halted for the most part.

Nepal and China bilateral relations appear to be significantly more amicable. The roots of their formal relationship date back to the 6th century AD, when the Licchavi dynasty ruled Nepal and the Tang dynasty ruled China, and these ties primarily concerned trans-Himalayan trade. The trade route established in the past played an essential role, particularly during the 16th and 17th centuries (Sharma, K. M., 1973). Economic, cultural, and political relations, as well as trade exchanges, persisted in various forms, with a hiatus between 1911 and 1955. Despite being separated by the Himalayas and the Tibetan Plateau - neither a populous nor a wealthy region - and despite the fact that trade between Nepal and China in the 20th and 21st centuries is significantly smaller than that between Nepal and India, China continues to strive to maintain friendly relations while refraining from interfering in Nepal's internal affairs. This approach has largely been driven by concerns that Western powers or India might use Nepal to destabilize the situation in Tibet (Sharma, B. P., 2018). The democratization of Nepal and its opening to globalization processes, including tourism, have not hindered the maintenance of strong relations with China. It seems that Nepal aims to balance the influence of India and China to its advantage - India remains Nepal's largest trading partner, while the most valuable foreign direct investments come from China. So far, Chinese cooperation in the areas of defense and the arms industry has been marginal, but there are indications that it could deepen. In March 2024, a

⁶ Source: Satellite images Maxar Technologies.

delegation of representatives from China's armed forces visited Nepal, and both sides expressed a willingness to expand the scope of their cooperation⁷.

CONCLUSIONS

China's occupation of disputed territories with Bhutan can be understood as a negotiation tactic, not only to settle border issues with Bhutan but also to influence its broader relationship with the country and draw Bhutan into Beijing's sphere of influence. At the same time, this precedent destabilizes the regional situation. The presence of Chinese armed forces on the Doklam Plateau poses a strategic threat to the security of India's Sikkim state, which is connected to the rest of the country by the narrow Siliguri Corridor located near the plateau. This situation also undermines India in the context of the ongoing hybrid conflict in Kashmir, where control over the region is contested between India and China, diverting Indian forces and attention. For now, however, Bhutan remains within India's exclusive political dominance, pursuing a gradual modernization policy since 2008. Nevertheless, current demographic, economic trends and China's mounting pressure may soon intensify desires to revise Bhutan's existing relationship with India, which in many aspects currently carries a quasi-vassal character. Nepal continues its policy of balancing India's colossal influence by seeking alternatives in China. This process has accelerated in recent years, and in many ways, China is emerging as a more significant partner for Nepal than India. Nepal effectively leverages the influence of its powerful neighbors, particularly in the energy sector, where it collaborates with both countries. Internal matters, including environmental and ethnic issues - which frequently inflame Nepalese-Indian relations - may prove to be critical. China, for the time being, avoids interfering in these matters. Nepal will likely aim to maintain peaceful relations and balanced influences from both neighbors,

⁷ <https://www.orfonline.org/research/china-nepal-military-relations-risks-and-opportunities-for-india> access: 29.04.2024

allowing it to continue benefiting economically from globalization processes.

References

- Aryal, J.P., Bisht, M., Dil Bahadur Rahut, D.B., (2024). *The Role of Tropics in Climate Change - Bhutan and the geography of climate change*, Elsevier.
- Beena, M. B. (2019). The Doklam Stalemate. *World Affairs: The Journal of International Issues*, 23(1), s. 60-69.
- Bhattacharya, A., Bhattacharya, B., Fraser, N., (2001). *Geography of a Himalayan kingdom: Bhutan*. Concept Publishing Company.
- Dash, S.K., Ogino, K., Nakayama, M. (2019). *Change to hydropower development in Bhutan and Nepal. Energy for Sustainable Development*, 50, pp. 1-17.
- Dixit, K. (2013). Nepal: Dictated by geography. *World Policy Journal*, 30(4) pp. 36-40
- Hutt, M. (1996). Ethnic nationalism, refugees and Bhutan. *Journal of Refugee Studies*, 9(4), 397-420.
- Karst, H. Nepal, S., (2016). *Tourism in Bhutan and Nepal*. [In:] *The Routledge handbook of tourism in Asia*, Routledge, pp. 307-318.
- Khobragade, V. (2016). India–Nepal Relations, *World Affairs: The Journal of International Issues*, 20(3)
- Nayak, N. (2011). The Madhesi Movement in Nepal: Implications for India. *Strategic Analysis*, 35(4), s. 640–660.
- Pal, S. (2020). Indo-Bhutan Relations: Prospects and Challenges in the Backdrop of Contemporary Geopolitics of the Region. *Connecting Asia*, 133.
- Pulami, M. J. (2022). Discursive Analysis of ‘Yam Theory’: Mapping King Prithvi Narayan Shah’s Essence to Contemporary Geopolitics. *Unity Journal*, 3(1), pp.1-12.
- Sharma, B. P. (2018). China-Nepal relations: A cooperative partnership in slow motion. *China Quarterly of International Strategic Studies*, 4(03) pp. 439-455
- Sharma, K. M., (1973). *The Economic Theme in Nepali Foreign Policy: A Historical Analysis up to the End of the Anglo-Nepal War*, University of Denver.
- Sijapati, B. (2012). *In pursuit of recognition: Regionalism, Madhesi identity and the Madhes Andolan*. [In:] *Nationalism and ethnic conflict in Nepal*, Routledge.
- Upadhayaya, P. (2011). Peace through tourism: A critical look at Nepalese tourism. *Nepal Tourism and Development Review*, 1(1), 15-40.
- Ura, K. (2023) *Migration of Bhutanese*. Kuensel (dostęp 29.04.2024 r).
- Wilczyński, W. J. (2021). *Regiony świata. Geografia i geopolityka*, Polskie Towarzystwo Geopolityczne, Kraków.