



Directorate of
Intelligence

SLB

MICRO

~~Secret
NOFORN NOCONTRACT
PROPIN-ORCON~~

CIA/NESA

NESAR 84-022

Near East and South Asia Review



(b)(1)
(b)(3)

28 September 1984

~~Secret~~

NESA/NESAR 84-022
28 September 1984

Copy 359

MICRO
50

APPROVED FOR RELEASE
DATE: MAR 2001

1 0 4 2

~~Secret~~
NOFORN-NOCONTRACT-
PROFIN-ORCON

Near East and
South Asia Review



28 September 1984



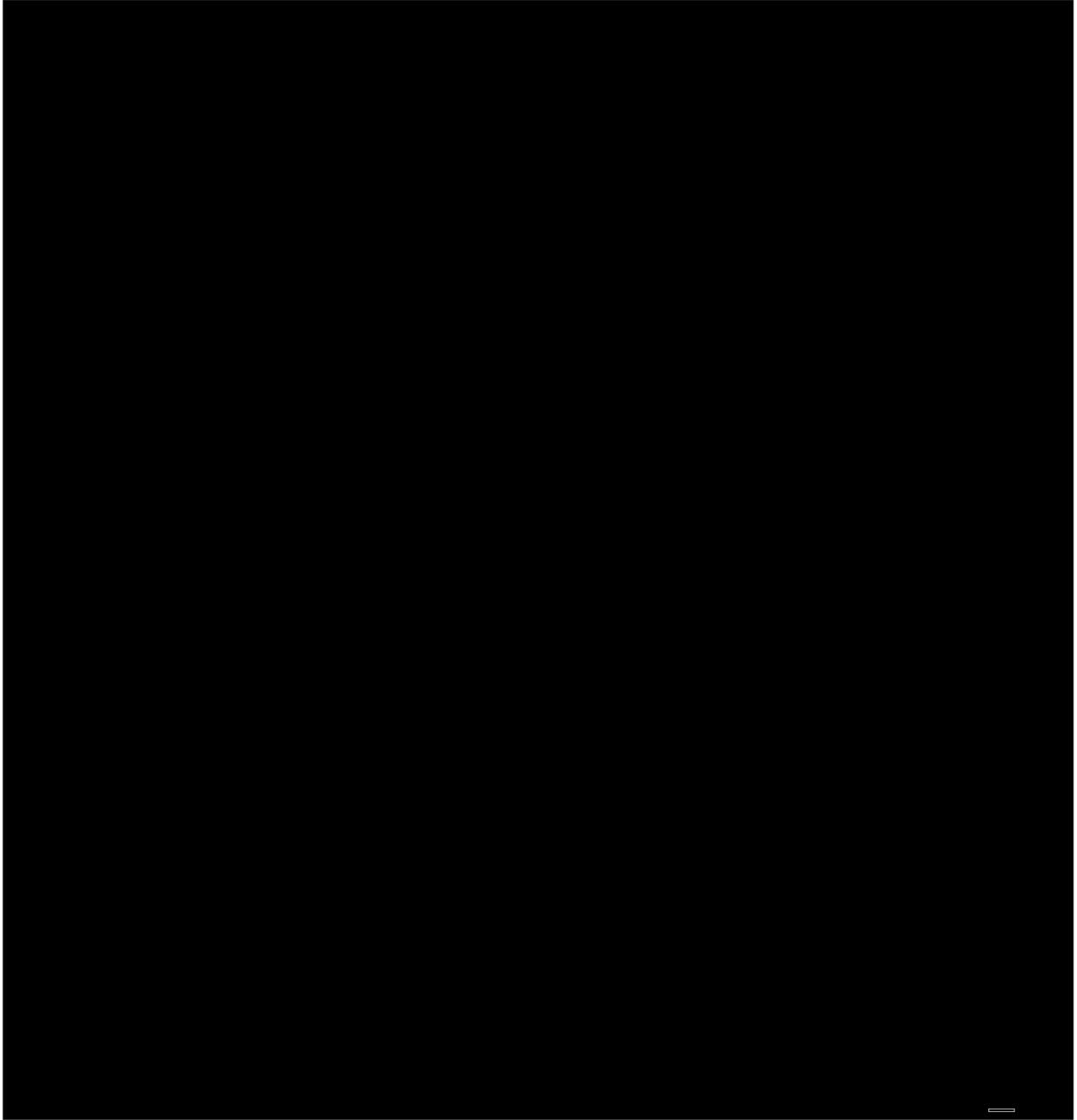
(b)(1)
(b)(3)

~~Secret~~

APPROVED FOR RELEASE
DATE: MAR 2001

1 0 4 .

~~Secret~~
NOFORN-NOCONTRACT-
PROPIN-ORCON



(b)(1)
(b)(3)

~~Secret~~

ii

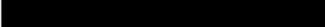
APPROVED FOR RELEASE
DATE: MAR 2001

1 0 4 1



Bhutan: Emerging From India's Shadow [redacted]

41



Bhutan is slowly asserting its independence from India and seeking formal diplomatic relations, trade agreements, and economic aid agreements with other countries. [redacted]

(b)(1)
(b)(3)

Publications of Interest

45

Some articles are preliminary views of a subject or speculative, but the contents normally will be coordinated as appropriate with other offices within CIA. Occasionally an article will represent the views of a single analyst; these items will be designated as noncoordinated views. Comments may be directed to the authors, whose phone numbers are listed. [redacted]

**Bhutan:
Emerging From India's Shadow**

Bhutan is slowly asserting its independence from India and seeking formal diplomatic relations, trade agreements, and economic aid agreements with other countries. The present monarch is well versed in international affairs and is an accomplished politician who seeks to retain Bhutan's special relationship with India while taking a more active role internationally.

The Dragon Kingdom Expands International Ties
Bhutan entered the Olympics—with an archery team—for the first time in 1984. In our view, this move was part of a low-key effort to break out of its isolation and gain international recognition. Even though Bhutan did not win any medals, we believe it captured at least a bronze in diplomacy by expanding its foreign relations without offending India. Under the Indo-Bhutanese Treaty of 1949, Bhutan "agreed to be guided by the advice of the Government of India" in regard to its external relations.

Bhutan is also seeking to broaden its economic ties. Although it still depends mainly on India for aid, it has recently entered into bilateral aid agreements with other nations:

- An agreement with Japan will establish a National Agricultural Mechanization Center designed to train agricultural mechanical engineers.
- Kuwait's Fund for Arab Economic Development has approved loans and technical assistance.
- Finland extended aid through international organizations to build a children's hospital and medical school.
- Australia and Switzerland are also providing aid under new agreements.

Bhutan has met little resistance from India in these approaches. India benefits from Bhutan receiving aid from other sources because this eases the economic burden on New Delhi. As long as Bhutan is cautious in its dealings

with the outside world and does not go against India's wishes, New Delhi will continue to respond in a low-key manner to the Bhutanese desire for independence.

Bhutan has also opened its borders to tourism on a small scale, although it allows only visitors in package tours. Despite the controls, tourism has doubled since 1982, and it provides one of Bhutan's main sources of foreign exchange.

Tourism has been aided by the opening of Druk Airways; Bhutan's first airline made its flight in February 1983. The airline flies twice a week between Calcutta and Paro, cutting out the arduous trip across the Himalayas. The airline is one class—the pilot turns over the controls to the copilot and serves box lunches in midflight.

Bhutan is also expanding its trade with nations other than India. With India's approval it signed a trade agreement with Bangladesh on economic and technical cooperation. The Indo-Bhutan Trade and Commerce Agreement of December 1983 recognizes the kingdom's right to trade with third countries through Indian territory, granting Bhutan road, rail, and river routes to Bangladesh, transit via Panitanki to Nepal, and the use of Indian ports and air terminals.

Because Bhutan has only a small internal market for the goods it produces, it needs to export. It established honorary consuls in Singapore and Hong Kong for this purpose, and it hopes eventually to export products to the Middle East. The Indian market will continue to absorb most of Bhutan's exports.

(b)(1)
(b)(3)

~~Secret~~

Sometime in 1985, Bhutan will export hydroelectric power to India from the Chuka plant, which was financed by India. [REDACTED]

Sino-Bhutanese Talks

Longstanding border disputes with China led to bilateral negotiations in Beijing in April 1984. The talks were the first formal discussions between the two countries outside the United Nations and New Delhi. Bhutan pursued the talks with New Delhi's blessing, and India gave Bhutan maps prior to the talks. Both China and Bhutan report the talks went well, and they will resume negotiations later this year or in the spring of 1985. Bhutan is eager to resolve the

boundary dispute, and India will guide and advise them through the process. [REDACTED]

India appears more concerned than Bhutan about the incursions over the past few years by Chinese herdsmen and, more recently, by military patrols. Indian sources believe that, in exchange for a border agreement, China will want to open cross-border trade and eventually exchange ambassadors with Bhutan. [REDACTED]

(b)(1)
(b)(3)

~~Secret~~

42

APPROVED FOR RELEASE
DATE: MAR 2001

1 0 8 1

Portrait of Bhutan

The landlocked Himalayan Kingdom of Bhutan, about 47,000 square kilometers in area, is nearly the size of Vermont and New Hampshire combined. Much of the population lives in remote valleys that are just beginning to be touched by modern development and the laws and activities of the central government.

The majority of Bhutan's population of 1.4 million are Bhotias—Buddhists of Tibetan descent—who dominate the government and the clergy. People of Nepalese origin and a number of small tribal groups account for much of the rest of the population. Most of the Nepalese were brought in as part of a foreign work force, and we believe they plan to return to Nepal.

Because of difficult communications and transportation, most Bhutanese communities have traditionally been self-sufficient, meeting basic needs through farming, raising livestock, cottage industries, and trade. Compared to much of South Asia, living standards are relatively good.

Bhutan's official language, Dzongkha, is similar to Tibetan. A number of dialects are spoken in highland villages, and Nepali is widely spoken in the south. The medium of instruction in the country's secular schools is English.

A few hundred students attend secondary and higher schools in India, but an increasing number are being sent to Europe and the United States under UN auspices. It is estimated that approximately 10 percent of the adult population is literate.

Bhutan has been a monarchy since 1907. King Jigme Singye Wangchuck was crowned in 1974 at the age of 18. All political power is vested in the monarch, but increasingly he has delegated authority to the Council of Ministers, which was established in 1968.

Bhutan has no political parties. The National Assembly (Tshogdu) of 152 members is empowered to enact legislation and to approve or reject senior appointments.

(b)(1)
(b)(3)

Foreign Affairs Chronology

March 1982—sends delegation to Kuwait in search of concessional financing for forestry projects.

April 1982—formally joins the Asian Development Bank.

April 1982—becomes a member of UNESCO.

February 1983—opens air link between Calcutta and Paro.

June 1983—opens diplomatic relations with Nepal.

April 1984—discusses border demarcation with China.

August 1984—entered summer Olympics in Los Angeles.

Outlook

Bhutan will move cautiously in order not to offend India. India and Bhutan will retain close ties; both recognize their importance to each other. Bhutan is vital for India as a buffer against China. The Bhutanese still depend on India for aid and security.