

**India–Bhutan Strategic Partnership in the Post–Cold War Era: Security,  
Diplomacy and Regional Stability**

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**Abstract**

India–Bhutan relations constitute one of South Asia’s most enduring and strategically significant partnerships, characterized by deep historical trust and evolving geopolitical relevance. In the post–Cold War era, this relationship has transformed from a traditionally protective arrangement into a mature and reciprocal strategic partnership founded on sovereign equality, mutual security cooperation, developmental collaboration and shared concerns for regional stability. This study examines three interconnected pillars shaping the contemporary India–Bhutan partnership: security cooperation and border stability, diplomatic coordination through institutional frameworks and regional stability fostered through economic interdependence, particularly in the areas of hydropower development, connectivity and cross-border integration. Adopting a qualitative, document-based research methodology, the paper traces the significance of the 2007 India–Bhutan Friendship Treaty, which institutionalized mutual security assurances and cooperation on “national interests” while enabling Bhutan greater diplomatic autonomy in international affairs. The research further evaluates the strategic importance of the 2017 Doklam standoff as a critical stress test for Bhutan’s territorial security and India’s Himalayan deterrence posture, highlighting the strategic convergence between the two countries. Moreover, the paper argues that recent connectivity initiatives, energy cooperation and high-level political engagements have broadened the scope of the partnership beyond traditional security concerns toward a comprehensive model of regional stability. However, challenges persist, including Bhutan’s growing debt burden linked to hydropower projects, its delicate diplomatic balancing with China and the need to diversify economic cooperation beyond the energy sector. Overall, the study concludes that the India–Bhutan strategic partnership continues to play a stabilizing role in the eastern Himalayas, provided both countries effectively manage emerging geopolitical and economic challenges in a rapidly changing regional order.

**Keywords:** India–Bhutan, strategic partnership, Himalayas, Doklam, hydropower diplomacy, regional stability, connectivity, South Asia

**Introduction**

The post–Cold War international system has been defined by shifting power balances, rising regionalism and the growing strategic significance of borderlands and small states. Within South Asia, Bhutan occupies a unique geopolitical position: a small Himalayan kingdom situated between two major powers India and China while maintaining an identity anchored in

sovereignty, cautious diplomacy and development guided by Gross National Happiness. For India, Bhutan is both a trusted partner and a strategically vital neighbor whose territorial stability intersects with India's security calculus across the eastern Himalayas. In the post-1991 era, three dynamics have shaped India-Bhutan ties. First, China's increasing engagement with Bhutan through prolonged boundary negotiations and diplomatic overtures has introduced new strategic uncertainty in the Himalayan security environment. Second, India's own regional security priorities have expanded beyond traditional border defense to include connectivity, economic integration and resilient supply chains in its immediate neighborhood. Third, Bhutan has undergone political transformation through democratization (constitutional monarchy and parliamentary politics), which has broadened domestic stakeholders in foreign policy and increased the need for transparent, mutually beneficial partnership models. Against this backdrop, India and Bhutan have institutionalized their relationship through modern treaty frameworks and deep development cooperation. The India-Bhutan Friendship Treaty (2007) explicitly commits both states to cooperate closely on issues relating to their national interests and not allow their territory to be used for activities harmful to the other's security. This formulation reflects a post-Cold War shift: rather than a one-sided guidance relationship, the treaty frames security as mutual and cooperative, while affirming "perpetual peace and friendship" as the normative foundation. This paper examines how the strategic partnership has evolved in the post-Cold War era and asks: How does India-Bhutan cooperation in security, diplomacy and economic integration contribute to regional stability and what constraints could weaken this role?

### **Strategic Significance of the 2007 India-Bhutan Treaty**

The 2007 India-Bhutan Friendship Treaty represents a defining milestone in the post-Cold War recalibration of bilateral relations and serves as the cornerstone of their contemporary strategic partnership. This treaty replaced the earlier 1949 agreement and symbolized Bhutan's emergence as a more autonomous diplomatic actor while preserving the depth of its strategic alignment with India. One of its most significant provisions explicitly states that both governments shall "cooperate closely on issues relating to their national interests" and shall not allow the use of their respective territories for activities harmful to the security and interests of the other. This clause goes beyond symbolic reassurance and institutionalizes mutual security commitments, reflecting a shift from a historically asymmetrical relationship toward one based on sovereign equality and shared strategic responsibility. In the post-Cold War context, where security threats are increasingly transnational and multidimensional, this provision underscores the recognition that the stability of one partner is intrinsically linked to the security of the other. At the same time, the treaty carefully balances Bhutan's growing diplomatic agency with the practical realities of interdependence. While Bhutan remains reliant on India for access to international markets, transit routes and essential imports due to its landlocked geography, the treaty frames this dependence within a partnership model rather than a hierarchical structure. It affirms free trade and commerce between the two countries and commits both governments to assist each other in trade facilitation and economic cooperation, thereby strengthening institutional mechanisms for development partnership. This approach enables Bhutan to pursue

its developmental objectives while benefiting from India's infrastructural support and market access. Importantly, the treaty also reflects India's acknowledgment of Bhutan's sovereignty and independent foreign policy aspirations, even as both countries continue to coordinate closely on strategic matters. Thus, the 2007 treaty embodies a post-Cold War recalibration that combines security cooperation, diplomatic respect and economic interdependence, laying a durable foundation for long-term regional stability in the eastern Himalayas.

### **Balancing Autonomy and Security: Bhutan's China Diplomacy**

One of the most complex post-Cold War challenges confronting Bhutan has been the management of its evolving relationship with China. For decades, Bhutan and China have engaged in protracted boundary negotiations aimed at resolving their disputed border areas, yet no final settlement has been reached. This unresolved boundary has acquired heightened strategic significance because Bhutan's territorial disputes are closely intertwined with India's security interests in the eastern Himalayas. Any alteration in Bhutan's border arrangements has the potential to affect sensitive strategic zones, particularly those linked to India's northeastern states and vital connectivity corridors. Consequently, while Bhutan has consistently emphasized its commitment to sovereignty, territorial integrity and the peaceful resolution of disputes through dialogue, India maintains a strong interest in ensuring that any eventual border settlement does not generate strategic vulnerabilities or shift the regional balance of power to its disadvantage. This situation places Bhutan in a classic small-state dilemma, wherein it must carefully balance the pursuit of diplomatic autonomy with the strategic expectations of a powerful and trusted partner. On the one hand, Bhutan seeks greater flexibility in its foreign policy to safeguard its national interests and respond to changing geopolitical realities. On the other hand, its deep security partnership with India necessitates close coordination on issues of strategic importance. The India-Bhutan relationship thus functions simultaneously as reassurance and constraint: reassurance through India's consistent political, economic and security support and constraint through the implicit expectation that Bhutan's diplomatic engagements particularly with China will remain sensitive to India's core security concerns. This dual dynamic underscores the delicate equilibrium Bhutan must maintain as it navigates external pressures, highlighting the complexity of small-state diplomacy in a region marked by major power rivalry. Ultimately, Bhutan's China equation illustrates how regional geopolitics shapes foreign policy choices and reinforces the strategic interdependence between Bhutan and India in the post-Cold War era.

### **Bhutan's Strategic Significance in India's Himalayan Security Framework**

Bhutan's strategic importance within India's Himalayan security calculus is fundamentally rooted in its unique geographical position at the intersection of South Asia's most sensitive border regions. Situated between India and China, Bhutan forms a crucial buffer zone that directly influences India's defensive posture across the eastern Himalayas. Of particular strategic significance is the Bhutan-China-India tri-junction area, including the Doklam plateau, which lies in close proximity to the Siliguri Corridor India's narrow "chicken's neck" connecting the northeastern states with the rest of the country. Any instability or territorial shift in this region has the potential to threaten India's vital communication and supply lines, thereby

elevating Bhutan's territorial security to a matter of paramount importance for Indian national defense planning. Consequently, the stability of Bhutan's northern and western frontiers becomes integral to India's broader regional security assessment, as these borders serve as critical lines of strategic depth against external threats. Beyond immediate military considerations, Bhutan's geographical relevance also extends to intelligence, surveillance and strategic mobility in high-altitude terrain. Control over key mountain passes, ridgelines and border approaches allows for effective monitoring of movements along the contested Himalayan frontier. From India's perspective, a secure and friendly Bhutan provides strategic reassurance by limiting the scope for adversarial presence in sensitive border areas. This geographical reality has reinforced long-standing security cooperation between the two countries, including joint consultations and coordinated responses to potential threats. Thus, Bhutan's location transforms it from a small Himalayan state into a pivotal actor in India's regional security architecture. In the post-Cold War context, where geopolitical competition in the Himalayas has intensified, Bhutan's role as a strategic partner remains indispensable for maintaining stability, deterrence and balance of power in the eastern Himalayan region.

#### **Doklam Crisis (2017): Testing Deterrence and Strategic Coordination**

The Doklam crisis of 2017 emerged as a critical test of India-Bhutan security coordination and significantly reshaped strategic perceptions in the Himalayan region. The standoff unfolded near a disputed territory claimed by both Bhutan and China and quickly escalated into a prolonged India-China military confrontation lasting more than two months, from June to August 2017. This episode underscored Bhutan's strategic vulnerability when border disagreements intensify, highlighting the risks faced by small states located at the intersection of major power rivalries. At the same time, the crisis demonstrated India's willingness to incur escalation risks in order to prevent unilateral alterations to the status quo in a sensitive tri-junction area, reflecting its commitment to protecting not only its own territorial interests but also Bhutan's sovereignty. The standoff further emphasized the importance of close coordination between the two partners, as Bhutan's territorial claims and India's broader security concerns converged in operational reality on the ground. Beyond the immediate military disengagement, Doklam produced lasting strategic consequences by altering regional risk perceptions. It clearly revealed that Bhutan's border negotiations with China cannot be treated as purely bilateral matters, as any territorial adjustment carries broader implications for India's security environment in the eastern Himalayas. The crisis also reinforced the credibility of deterrence by signaling that attempts to change the status quo through coercive measures would encounter coordinated resistance. In this context, the relevance of the 2007 India-Bhutan Friendship Treaty's provision on cooperation over "national interests" becomes particularly evident. The Doklam episode validated the practical significance of this clause, showing how institutionalized security cooperation can translate into real-time strategic coordination during periods of heightened tension. Thus, Doklam stands as a defining moment in the post-Cold War era, reaffirming the strategic interdependence between India and Bhutan and underscoring their shared commitment to regional stability and deterrence credibility in the Himalayan region.

### Hydropower Cooperation as Strategic Infrastructure

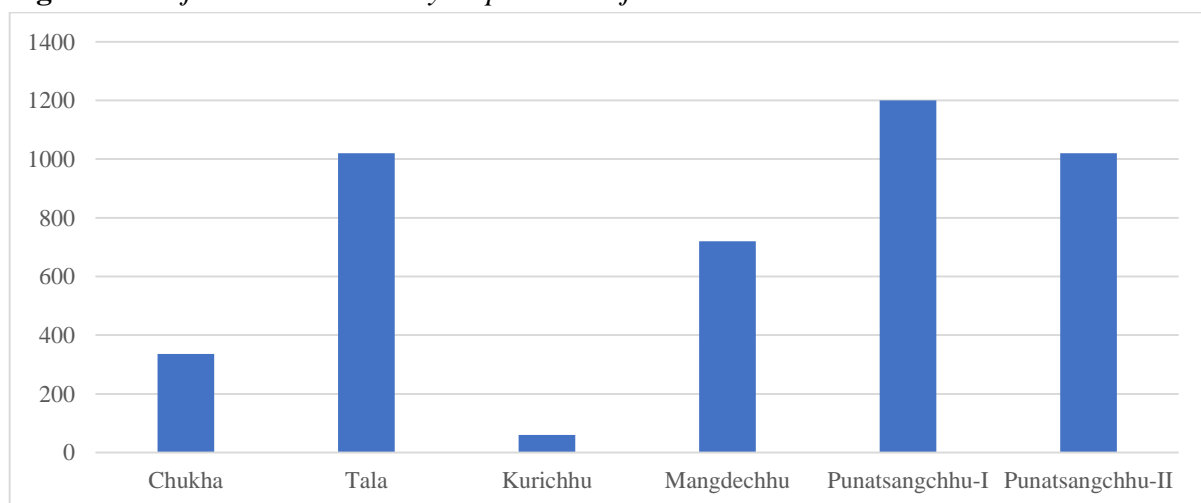
Hydropower has been the cornerstone of India–Bhutan economic relations for decades and is increasingly framed as a regional-stability asset: clean energy export revenues stabilize Bhutan’s economy, while India gains reliable electricity imports and grid integration. Recent official statements reaffirm that India and Bhutan have jointly developed multiple hydropower projects, including Chukha, Tala, Mangdechhu, Kurichhu and Punatsangchhu-II, with Punatsangchhu-I under construction. Hydropower cooperation is not simply commercial, it functions as strategic infrastructure that deepens interdependence and strengthens partnership resilience during geopolitical stress.

**Table 1:** *Major India Bhutan Hydropower Projects (2024–25)*

Sr. No.	Hydropower Project	Capacity (MW)	Status (2024–25)
1	Chukha	336	Operational
2	Tala	1020	Operational
3	Kurichhu	60	Operational
4	Mangdechhu	720	Operational
5	Punatsangchhu-I	1200	Under Construction
6	Punatsangchhu-II	1020	Operational (expanded 2024–25)

**Source:** Government of India & Bhutan official project data

**Figure 1:** *Major India Bhutan Hydropower Projects*



**Source:** Based on Table 1



The above table presents major hydropower projects developed under the India–Bhutan energy partnership, highlighting their respective electricity generation capacities. Among the listed projects, Punatsangchhu-I emerges as the largest, with an installed capacity of 1200 MW, reflecting India’s significant investment in large-scale infrastructure to strengthen Bhutan’s power-export potential. This is followed closely by Tala and Punatsangchhu-II, each with a substantial capacity of 1020 MW, demonstrating their pivotal role in meeting regional energy demands and contributing to cross-border electricity trade. Mangdechhu, with a capacity of 720 MW, also represents a major project that enhances Bhutan’s domestic energy security while generating export revenue. In contrast, Chukha (336 MW) and Kurichhu (60 MW) are comparatively smaller projects, though historically significant as early milestones in bilateral energy cooperation. Collectively, these projects illustrate the depth of economic interdependence between India and Bhutan, where hydropower functions not only as a development tool but also as a strategic stabilizer in bilateral relations. The concentration of large-capacity projects further underscores Bhutan’s growing role as a clean energy supplier to India, reinforcing regional energy security and contributing to sustainable development goals. At the strategic level, such energy interdependence strengthens political trust, enhances economic resilience and deepens the long-term partnership between the two countries, thereby supporting regional stability in the eastern Himalayan region. This has also been reinforced by high-level political engagements. In November 2025, Reuters reported that India expanded energy ties with Bhutan, extended a major line of credit and highlighted the strategic significance of hydropower cooperation underscoring how development finance and energy projects serve diplomatic and security objectives in parallel.

#### **Trade, Development Assistance and Institutionalized Partnership**

India’s trade, assistance and institutionalized development cooperation with Bhutan constitutes one of the most structured and strategically meaningful development partnerships in South Asia in the post–Cold War period. Rather than being limited to ad-hoc aid, India’s support is embedded in Bhutan’s national planning architecture through Five-Year Plan financing, project-tied assistance and community-level development projects. For example, India committed INR 10,000 crore as grant assistance for Bhutan’s 13th Five-Year Plan (2024–2029) a level described as a major increase over the previous plan covering project-tied assistance, High Impact Community Development Projects, programme grants and an economic stimulus component. This institutionalized approach matters strategically because it strengthens Bhutan’s state capacity in core sectors such as roads, digital connectivity, energy, agriculture, ICT, health, education and urban development, thereby improving governance delivery and long-term economic resilience. A more capable and economically resilient Bhutan is less vulnerable to external leverage whether through economic inducements, infrastructural dependence, or coercive pressure in a competitive Himalayan environment making the wider region more stable and predictable. In parallel, trade interdependence reinforces this stability: India is consistently described as Bhutan’s top trading partner (as both import source and export destination), with India’s share of Bhutan’s total trade remaining around ~80% and bilateral trade reported at INR 12,669 crore in 2024 (Jan–Dec). Crucially, the developmental and trade

pillars reinforce each other Indian support helps build Bhutan's infrastructure and connectivity, which in turn expands commerce and cross-border movement, deepening mutual stakes in stability. This is why development partnership in the India–Bhutan context is not merely “aid”, it functions as a strategic instrument of regional stability by building economic buffers, enhancing institutional strength and consolidating long-term interdependence through predictable frameworks and shared development outcomes.

**Table 2: India–Bhutan Trade and Development Partnership (Post–Cold War, 2024–25)**

Component	Key Focus	Evidence / Latest Data (2024–25)	Strategic Significance
<b>Development Assistance (13th Five-Year Plan)</b>	Plan-based structured cooperation	INR 10,000 crore grant for Bhutan's 13th FYP (2024–2029)	Strengthens Bhutan's governance capacity and economic resilience
<b>Institutional Model of Support</b>	Not ad-hoc; embedded in national planning	Support through PTA + HICDP + Programme Grant + Economic Stimulus	Makes cooperation predictable, long-term and stable
<b>Grant Breakup (13th FYP)</b>	Multiple channels of assistance	PTA: 7000 cr, HICDP: 1000 cr, Stimulus: 1500 cr, Programme Grant: 500 cr	Supports development while reinforcing strategic trust
<b>Sectoral Development Coverage</b>	Infrastructure + social services	Roads, digital connectivity, energy, agriculture, ICT, health, education, urban development	Improves national capacity and reduces vulnerability to external influence
<b>Trade Interdependence</b>	India is Bhutan's biggest trade partner	India's share of Bhutan's trade: ~79.88% (2024)	Strong economic linkage increases mutual stakes in stability
<b>Total Bilateral Trade (2024)</b>	Expanding economic integration	INR 12,669 crore (Jan–Dec 2024)	Strengthens Bhutan's market access and mentionable economic reliance
<b>Trade Flow (2024)</b>	India both export & import partner	Exports (India→Bhutan): INR 9,538 cr; Imports (Bhutan→India): INR 3,131 cr	Deepens cross-border integration and supply chain stability

**Source:** Government of India & Bhutan official statements and trade/plan

### **Connectivity as a Strategic Stabilizer**

In the post–Cold War period, connectivity has become a strategic instrument of statecraft, where roads, railways, trade gateways and digital systems are no longer viewed only as development assets but also as tools that shape influence, resilience and regional balance. India–Bhutan cooperation increasingly reflects this logic of “connectivity competition,” as both sides have prioritized infrastructure that links borderlands to wider economic corridors and reduces structural vulnerabilities typical of landlocked states. In its September 2025 briefing, India’s Ministry of External Affairs explicitly framed connectivity as a shared priority and highlighted progress across road and trade routes, border management facilities (such as integrated checkpoints/entry points) and digital connectivity, including the expansion of payment platforms like RuPay and BHIM UPI in Bhutan. The most significant development in this direction has been the decision to establish the first cross-border railway links between the two countries Banarhat–Samtse and Kokrajhar–Gelephu formalized through an intergovernmental MoU signed on 29 September 2025. These initiatives contribute to regional stability in two deep and connected ways. First, they enable economic diversification and resilience by lowering Bhutan’s logistical and transaction costs, improving market access, strengthening supply chains and supporting new growth zones (including emerging hubs like Gelephu), thereby reducing overdependence on hydropower exports alone. Second, they provide strategic reassurance by embedding India–Bhutan interdependence in durable, physical infrastructure: dense cross-border connectivity strengthens coordination capacity during crises, stabilizes sensitive border economies through regulated movement and trade and reduces the space for coercive pressure by external actors seeking to exploit geographic isolation or economic chokepoints. In this sense, connectivity projects function as both economic multipliers and geopolitical stabilizers, transforming frontier regions from vulnerable peripheries into structured corridors of cooperation and shared security.

### **Gelephu Mindfulness City: A New Strategic Economic Corridor**

Bhutan’s proposed Gelephu Mindfulness City (GMC) represents a significant example of how a domestic development vision can reshape regional strategy in the post–Cold War era by turning a borderland into an economic and connectivity corridor. Announced in December 2023, GMC is envisioned as a large-scale economic hub and special administrative region near Bhutan’s southern frontier with India, explicitly designed to leverage cross-border location advantages and link Bhutan more effectively to wider regional networks. Strategically, this is important because it signals Bhutan’s attempt to diversify its growth model beyond hydropower by creating a new center for investment, services, logistics and innovation sectors that require seamless mobility, efficient border processes and dependable infrastructure connectivity. The project’s geography is therefore not incidental, locating GMC near India allows Bhutan to anchor its economic transformation in the most practical gateway for trade, transit and market access, while also reducing the structural constraints of being landlocked. From India’s perspective, GMC aligns closely with a broader neighborhood approach that emphasizes connectivity, investment facilitation and stable borderland development, where economic integration is used to reinforce political trust and strategic stability. This alignment



has been made explicit: during Prime Minister Modi's state visit to Bhutan (November 2025), the joint press release stated India's "full support" for realizing Bhutan's vision for GMC and announced steps such as establishing an Immigration Check Post at Hatisar, Assam to facilitate movement of investors and visitors directly tying GMC to cross-border governance mechanisms. In practice, such measures can add a stabilizing layer to India–Bhutan relations by institutionalizing mobility and investment flows, deepening interdependence and economically strengthening sensitive frontier regions thereby making bilateral cooperation more resilient against external pressure and regional uncertainty.

### **Constraints and Challenges**

Despite the partnership's strengths, several constraints could complicate future trajectory:

1. **Hydropower concentration risk:** Over-reliance on one sector can create fiscal vulnerability if project delays, cost overruns, or demand shifts occur.
2. **Strategic pressure from China–Bhutan engagement:** Bhutan's border negotiations and possible future normalization with China could create uncertainty in India's security planning.
3. **Domestic politics and expectations:** As Bhutan's democratic institutions and public expectations evolve, demands for diversified opportunities and balanced diplomacy may increase.
4. **Connectivity implementation gap:** Announcements on rail/road/digital initiatives must translate into timely execution to create real economic resilience.

### **Conclusion**

In the post–Cold War era, India–Bhutan relations have matured into a strategic partnership that integrates security cooperation, diplomatic coordination and economic interdependence. The 2007 treaty provides a modern legal foundation that ties the two states through cooperation on "national interests" and mutual security assurances. Doklam (2017) demonstrated the real-world strategic stakes of Bhutan's border environment for India's Himalayan deterrence and for regional stability more broadly. At the same time, the partnership has increasingly broadened beyond traditional security logic into a model of stability through interdependence notably via hydropower cooperation, development assistance, trade integration and expanding connectivity including proposed rail links and digital payment integration. Initiatives like Gelephu Mindfulness City further suggest an emerging phase where Bhutan's domestic economic transformation may intersect with India's regional connectivity vision. The India–Bhutan strategic partnership remains a key stabilizing axis in the eastern Himalayas. Its future durability will depend on managing the China factor prudently, diversifying Bhutan's economic base beyond hydropower and delivering connectivity projects that translate political trust into long-term shared prosperity.

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