

# India & South Asia — Part 2

Day 42 of your revision. Nepal, Bhutan, Sri Lanka, Maldives — two Himalayan buffers and two Indian Ocean neighbours, carried up to the 2026 record. **Revise**  
→ write a little → don't break the chain.

## A India & Nepal

### I Nepal — the unique neighbour

- Land-locked; bounded by China's Tibetan region to the north and India on three sides; smaller than several Indian states.
- S.D. Muni** — Nepal is India's **unique neighbour**: the two are bound in a complex web of linkages and contiguities across civilisational, historical, socio-cultural, economic, geostrategic and political terrains.
- A border of over **1,850 km** with five Indian states — Sikkim, West Bengal, Bihar, Uttar Pradesh, Uttarakhand — with **open borders**. No two countries in the world are as closely interdependent; the relationship is more a by-product of people-to-people ties than of government-to-government ties.
- A. Bhattacharya** — strategic weight arises from location between two rising Asian giants and from Nepal's transformation into a **buffer zone** in the 1950s. **David Scott** — 'India-China rivalry in Nepal' defines its main strategic importance.
- David M. Malone** (*Does the Elephant Dance?*) — the tensions and interdependencies typical between small and large neighbours; historical, geographical, economic, political, religious and sociocultural links, and constant population flows, create deep attachments and also deep resentments. The **Treaty of Peace and Friendship, 1950** is the bedrock of the special relationship; because it was driven by Indian security considerations, Nepalese resent Indian domination.

### Why Nepal matters for India

- As an immediate neighbour, Nepal forms the **inner circle** of the *raja-mandala* — a natural security buffer between India and China.
- Internal security** — no anti-India terrorists or Maoists should find haven there.
- The Chinese opening** — political instability and economic crisis open the door; reports suggest China brokered a deal between factions of the ruling Nepal Communist Party, and its **cheque-book diplomacy** offers loans and grants for infrastructure.
- Nepal's position is vulnerable to China–United States rivalry and to unanticipated Sino-Indian conflict along the Himalayan borders. Instability also compromises India-aided projects, where timely completion would create much-needed goodwill.
- Flood management and hydropower** — the Gandak and Kosi feed India's perennial river systems; Nepal's cooperation is essential to control floods in Bihar, and its hydropower potential can be tapped through joint ventures.
- Open border** — citizens cross for livelihood and marriage, so unrest spills over.
- S.D. Muni** — new connectivity and communication technologies, missiles and cyber security have reduced the salience of the Himalayas as a barrier; India's defence and security concerns in Nepal have become more subtle and mundane, relating to the use of Nepali territory to India's disadvantage by China, any third country, or non-state actors.

"India's relations with Nepal are shaped as much by geography as by history and sentiment." — **Shivshankar Menon**

### The two-soils formulation

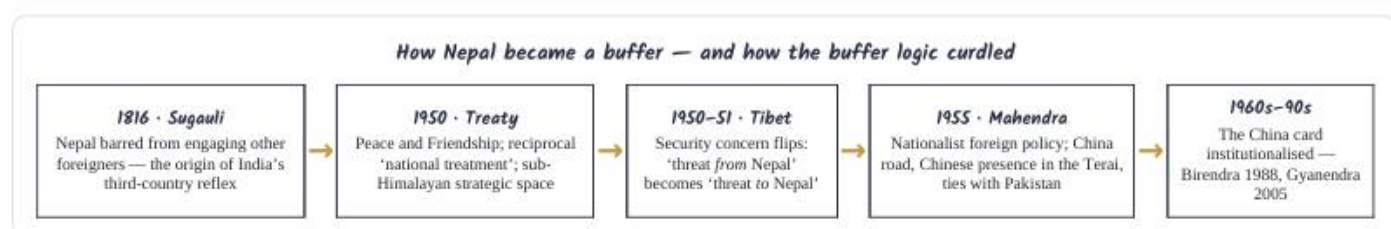
**C. Raja Mohan** — for India, Nepal is the *punya bhoomi*, its sacred geography a living repository of the subcontinent's spiritual heritage; for Nepal, India is the vast economic hinterland and may well be called its *karma bhoomi*. Destinies are inseparably intertwined, and problems have arisen whenever Delhi or Kathmandu has acted against the logic of extraordinary interdependence. **Sushma Swaraj** called it the "**roti beti ka rishta**".

## 2 Chronology — Sugauli to the present

| Year  | Marker                                                                                                                                                                                                           |
|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1816  | <b>Sugauli Treaty</b> between British India and Nepal — it forced Nepal not to engage other foreigners, setting a precedent for later Indian engagement. A Supplementary Boundary Treaty followed the same year. |
| 1948  | Nepal contributes troops at the time of the integration of Hyderabad.                                                                                                                                            |
| 1950  | <b>Treaty of Peace and Friendship</b> ; Nepal is reinforced as an integral part of India's sub-Himalayan strategic space.                                                                                        |
| 1951  | China occupies Tibet; India redefines its posture from 'threat from Nepal' to 'threat to Nepal'. Rana rule ends under <b>King Tribhuvan</b> .                                                                    |
| 1955  | <b>King Mahendra</b> ascends; resentful of Indian influence, he opens Nepal's external relations.                                                                                                                |
| 1960s | Mahendra allows China and Pakistan to build a presence, countering Indian pressure for restoration of democracy.                                                                                                 |
| 1988  | <b>King Birendra</b> procures arms from China in violation of the understanding with India.                                                                                                                      |
| 1989  | <b>Anti-Panchayat Movement (Jan Andolan-I)</b> ; India extends support.                                                                                                                                          |
| 1995  | Maoist revolution begins with the aim of abolishing the monarchy.                                                                                                                                                |
| 1999  | Hijacking of Indian Airlines flight <b>IC 814</b> from Kathmandu, ending in Kandahar.                                                                                                                            |

|            |                                                                                                                                                                                             |
|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2001       | The royal family massacre.                                                                                                                                                                  |
| 2005       | <b>King Gyanendra</b> approaches China for arms after India's embargo following his direct takeover.                                                                                        |
| 2005–06    | <i>Jan Andolan-II</i> ; India helps mainstream the Maoists.                                                                                                                                 |
| 2006       | Parliament reinstated; <b>Comprehensive Peace Agreement</b> signed.                                                                                                                         |
| 2008       | Monarchy abolished; Maoists come to power; India supports the electoral process.                                                                                                            |
| 2015       | Constitution enacted; India, unhappy with certain provisions, imposes an undeclared economic blockade. India extends <b>USD 1 billion</b> after the earthquake ( <b>Operation Maitri</b> ). |
| 2020       | Nepal claims the <b>Limpiyadhura–Lipulekh</b> tri-junction area.                                                                                                                            |
| 2021       | <b>Sher Bahadur Deuba</b> visits India; agreements on railways, transmission lines and the International Solar Alliance. Both Prime Ministers meet at COP26 in Glasgow.                     |
| 2022       | Visit to Lumbini on Buddha Purnima; Shilanyas of the India International Centre for Buddhist Culture and Heritage.                                                                          |
| 2023       | <b>Pushpa Kamal Dahal 'Prachanda'</b> visits India; cooperation agreements in many fields.                                                                                                  |
| 2024 (Dec) | Nepal and China sign the <b>Framework for Belt and Road Cooperation</b> , settling a grants-versus-loans dispute on "aid assistance financing".                                             |
| 2025 (Aug) | Oli raises the Lipulekh dispute with Xi Jinping.                                                                                                                                            |
| 2025 (Sep) | <b>Gen Z protests</b> force Oli to resign; <b>Sushila Karki</b> heads an interim government; parliament dissolved.                                                                          |
| 2026 (Mar) | The <b>Rastriya Swatantra Party</b> wins <b>182 of 275 seats</b> on 5 March; <b>Balen Shah</b> becomes prime minister on 27 March.                                                          |
| 2026 (Apr) | Stricter tariffs on Indian goods enforced from 19 April.                                                                                                                                    |

### 3 Evolution — monarchical Nepal to federal republic



#### Phase I — monarchical Nepal

- S.D. Muni** — a strong imprint of British legacy forced India not to allow other foreigners into Nepal's economic and strategic affairs; India remains uneasy about third-country involvement even today, while continuing to recruit Nepali Gurkhas despite dissent within Nepal.
- Jawaharlal Nehru** took a **realist posture**, accepting openly that India's security interests had priority over Nepal's sovereignty.

*"From time immemorial, the Himalayas have provided us with a magnificent frontier ... We cannot allow that barrier to be penetrated because it is also the principal barrier to India. Therefore, such as we appreciate the independence of Nepal, we cannot allow anything to go wrong in Nepal or permit that barrier to be crossed or weakened as that would also be a risk to our security." — Jawaharlal Nehru, in Parliament, December 1950*

- S.D. Muni** — the **geographical determinism** of India's security interests led Nehru to build a 'special relationship' involving guarding Nepal's northern border, modernising its defence capabilities and closely coordinating its foreign policy.
- Nepal assisted India in 1948 with troops for Hyderabad and for the situation created by Pakistan's tribal invasion of Kashmir. With Tibet invaded in 1950, the **1950 Treaty** was signed and the security concern was redefined from *'threat from Nepal'* to *'threat to Nepal'*.
- India supported the end of hereditary Rana rule in 1951 in favour of monarchy under **King Tribhuvan** with a cabinet system; relations soured once **King Mahendra** succeeded in 1955.
- In 1959 a constitution established multiparty democracy and constitutional monarchy. Deteriorating India–China relations in the 1960s gave Mahendra room for **two decisions**: he **dismissed the elected Koirala government**, discarded the constitution and assumed absolute power; and he promoted a **nationalistic foreign policy**, for which the projection of nationalism meant resistance to India's pervasive political, economic and cultural presence.
- He allowed China to build a **road connection** and encouraged Chinese traders and officials in the **Terai**, close to India's Indo-Gangetic heartland, and established diplomatic relations with Pakistan.
- King Birendra** and **King Gyanendra** continued to use China, Pakistan and other players to balance India and extract concessions. Relations from the **1960s to the 1990s were tense, sour and non-cordial**; India's security and economic interests suffered most during the decades of monarchical supremacy.
- The last decade of the twentieth century saw absolute monarchy give way to a hybrid dispensation of multiparty democracy and constitutional monarchy, opening political space for ethnic groups and for the **Madhesis** of the plains. The Maoist movement became an armed insurgency demanding, among other things, abolition of the monarchy.
- Fearing extension of the 'red corridor' into India, India in 2005 promoted an understanding between the mainstream parties and the Maoists, producing the **12-point agreement**. Under the pressure of Jan Andolan the King conceded popular sovereignty in 2006 and the monarchy ended; a **Comprehensive Peace Agreement** closed the decade-old civil war and set a roadmap to a constituent assembly.

## Phase II — Nepal as a federal republic

- In 2008 the monarchy was abolished by the newly elected constituent assembly; the major parties agreed to write a constitution within two years.
- Having helped mainstream the Maoists, India was panicked by their electoral success in 2008 and by their attempts to dominate the state, pitted itself against them, and lost most of the goodwill earned. Discord derailed constitution-making and the First Constituent Assembly was dissolved without a constitution.
- **S.D. Muni** — breakdowns in India's policy and diplomacy adversely affected its immediate and short-term interests; more than six decades of such breakdowns have eroded those interests and crippled India's capacity to pursue them. The 1950 Treaty remains intact but **its substance has been mutilated** in many significant respects, and even the promising trade agreement of **2011** on promoting investment became controversial in Nepal's domestic politics.

## 4 Relations under the present government — HIT to 'Super HIT'

- Addressing Nepal's Constituent Assembly in 2014, the Prime Minister gave the **HIT formula** — **H**ighways, **I**nformation highways and **T**ransways, that is transmission lines — as the three pillars of the relationship. In 2023 he expressed the wish that the relationship become 'Super HIT' and be taken to Himalayan heights.
- The Constituent Assembly missed its deadline repeatedly; the constitution was finally promulgated in **2015**.
- **Who are the Madhesi?** An ethnic group in Nepal with extensive cross-border ethnic and linguistic links with India. India's involvement in Nepali politics and the upsurge in Madhesi protests both have deep historical roots.
- Unhappy that the demands of the Terai people were not accommodated, India resorted to **muscular diplomacy** and an undeclared blockade in 2015. The relationship touched its lowest ebb and Nepal courted China. Nepal's communist parties are generally pro-China; the Nepali Congress under **Sher Bahadur Deuba** is pro-India.
- After the 2015 earthquake India extended all needed help through **Operation Maitri** and USD 1 billion for recovery.
- Tensions rose again in 2020 over the north-western boundary, with Nepal claiming the Limpiyadhura–Lipulekh tri-junction. COVID-19 hardened relations further, the open border staying closed for over a year and a half from March 2020.

## 5 Areas of cooperation — the working relationship

| Domain              | Content                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Defence & disaster  | Training and modernisation of the Nepal Army; the <b>Bilateral Consultative Group on Security Issues (BCGSI)</b> , last held in Bengaluru in October 2021. India was the first responder after the 2015 earthquake with NDRF teams and special aircraft. About <b>32,000 Nepalese Gorkhas</b> serve in the Indian Army. <b>Surya Kiran</b> joint exercise, held alternately in India and Nepal.                                                                                                                                                                                                                                                              |
| Power               | Three cross-border transmission lines with Indian assistance — the 400 kV <b>Muzaffarpur–Dhalkebar</b> (2016), the 132 kV <b>Kataiya–Kusaha</b> and <b>Raxaul–Parwanipur</b> (2017). First hydropower projects on the <b>Kosi (1954)</b> and <b>Gandak (1959)</b> ; Pokhara, Trisuli, Western Gandak and Devighat followed. A <b>Power Exchange Agreement</b> since 1971 meets border-area needs: Nepal exports more than <b>450 MW</b> to India, India supplies about <b>600 MW</b> . A long-term <b>Power Trade Agreement (2023)</b> targets import of <b>10,000 MW</b> over ten years. Nepal joined the International Solar Alliance as its 105th member. |
| Petroleum           | The <b>Amlekhgunj–Motihari</b> pipeline (2019), built by Indian Oil Corporation, is South Asia's first cross-border petroleum pipeline; extension to Chitwan decided in 2023, and a new pipeline planned from Siliguri to Jhapa with storage terminals at Chitwan and Jhapa.                                                                                                                                                                                                                                                                                                                                                                                 |
| Economic            | India is Nepal's largest trading partner; Nepal is India's <b>11th largest export destination</b> , up from 28th in 2014. Bilateral trade crossed <b>US\$ 7 billion</b> in FY 2019-20 and reached <b>US\$ 11,005.10 million</b> in 2021-22. Indian companies are the largest investors, at about <b>40%</b> of approved FDI; the <b>RuPay</b> card was launched in Nepal. In 2023 India gave in-principle approval for exporting Nepali electricity to Bangladesh via India.                                                                                                                                                                                 |
| Connectivity        | <b>BBIN Motor Vehicles Agreement</b> (2015), members meeting in New Delhi in March 2022 to finalise the MoU. The <b>Transit Treaty</b> renewed in 2023 after expiring in 2019, adding new rail routes and use of India's <b>inland waterways</b> for cargo to seaports. Bridges at Shirsha and Jhulaghat for far-west Nepal; an MoU on rail connectivity; <b>Integrated Check Posts</b> at Birgunj and Biratnagar; six connectivity projects approved in 2023.                                                                                                                                                                                               |
| Education & culture | Shared Hindu and Buddhist heritage; visa-free entry. Nearly <b>8 million</b> Nepalese live and work in India and around <b>6,00,000</b> Indians reside in Nepal; Indians are about <b>30%</b> of foreign tourists in Nepal. Sister-city agreements — Kathmandu–Varanasi, Lumbini–Bodhgaya, Janakpur–Ayodhya — and the <b>India–Nepal Ramayana Circuit</b> . Heritage work at Pashupatinath and Bhandarkhal Garden in Patan Durbar. Around <b>3,000 scholarships</b> annually and training for about 250 Nepali officials under ITEC; the <b>Sampark</b> alumni network (2021); the Swami Vivekananda Centre for Indian Culture, Kathmandu (2007).            |

## 6 Territorial disputes — Kalapani, Lipulekh, Susta

- **Rajiv Sikri** sets the frame: 'Indians have taken Nepal too much for granted. India's approach towards Nepal has been dismissive and neglectful. The Indian government and public have never shown adequate sensitivity to Nepali pride and uniqueness.' **David M. Malone** adds that Nepal has several concerns beyond worries over excessive Indian interference; Nepalese hold that treaties and agreements are 'unequal', which prevents the two from tapping the full potential of cooperation.
- After the reorganisation of Jammu and Kashmir, India published a new map in **November 2019** showing **Kalapani** as Indian territory. Nepal objected and in 2020 laid claim to the **Limpiyadhura–Lipulekh** tri-junction.
- The **Kali** river delineates the border through the Kalapani region; the dispute covers about **35 sq km** where the border is marked by the Mahakali. The **Gandak** forms the international boundary elsewhere. The **Treaty of Sugauli (1816)** is the basis of demarcation, with a Supplementary Boundary Treaty concluded the same year.
- **Susta** — about **140 sq km** in Uttar Pradesh at the Terai border, under Indian control and claimed by Nepal; the change of course of the Gandak is the main cause. The **1981 Boundary Committee** delineated 98% of the border but not Susta.
- India termed the claim a 'unilateral act' not based on historical facts and evidence. Nepal's new political map came in retaliation for the Indian road from **Dharchula to Lipulekh**.

### Kalapani — one river, two readings

#### Nepal's reading

Limpjadhura is the source of the Kali — higher than the rest of the river's flow — which places Limpjadhura, Lipulekh and Kalapani east of the Kali

#### India's reading

The border begins at Kalapani, where the river originates in springs below the Lipulekh pass; the ground north of these streams is not clearly delineated by Sugauli



**Evidence cited:** Sugauli 1816 · the 2020 political map · about 35 sq km at stake

**Evidence cited:** nineteenth-century historical, administrative and revenue records · continuous administration since the 1950s · infrastructure development · a 2015 Chinese statement on expanding trade through the Lipulekh pass

*Sugauli leaves the ground north of the streams undelineated — that silence is the dispute*

UPSC 2020 · 10m

Discuss the future prospects of Indo-Nepal relations in the context of the recent publication of new Nepalese map wrongly claiming Indian territory.

## 7 The 1950 Treaty — the revision demand

- Concluded when Nepal feared a Chinese threat after the occupation of Tibet, the Treaty specifically mentions cooperation against threats from third countries and reciprocally grants residents the right to reside, work and acquire property — in effect extending **'national treatment'**.
- Treaty issues** — the obligation to seek consent while importing arms from third countries is resented as an attack on sovereignty; Nepal wants India to revisit the Treaty to reflect contemporary realities. India's tepid response has intensified strain.
- S.D. Muni** — India incorporated a provision to keep foreign influences at bay and to secure preference over all foreign assistance for the 'development of natural resources' and 'industrial projects' in Nepal.
- Nepal's political elite calls the Treaty **unequal**; though it can be abrogated on one year's notice, no Nepali government has exercised that **sovereign right**.
- The Nepali side has wished to retain what is advantageous while dispensing with reciprocal obligation. India has not received the 'national treatment' it is due, while Nepali citizens continue to enjoy privileges almost equivalent to those of Indian citizens; Indians in Nepal need residence and work permits and cannot buy property.
- India has acceded to Nepal's request for review, but only one round has been held at foreign secretary level.

## 8 Chinese inroads — and the trilateral question

- Smaller and weaker neighbours play the **China card** to bargain with India. **Prashant Jha** notes China was not much interested in Nepal initially, but its investments in economic and developmental activity have grown, along with engagement with political parties, high-level visits, and increasingly public statements on Nepal's domestic situation. Failures and delays in Indian projects gave China ample room.
- Kings **Mahendra**, **Birendra** and **Gyanendra** all strengthened ties with China or used the China card. Cooperation has moved from trade and development into strategic areas — PLA–Nepal Army joint exercises in **2017 and 2018**, and regular PLA financial assistance to the Nepali Army since **2019**.
- Nepal's assent to the **One Belt One Road** initiative is viewed with suspicion; Nepal has slowly fallen prey to *chequebook diplomacy* and *debt trap* policy.
- Relations were elevated from a "Comprehensive Partnership of Cooperation Featuring Ever-lasting Friendship" to a "Strategic Partnership of Cooperation Featuring Ever-lasting Friendship and Prosperity". The **Himalayan Quadrilateral** meeting between China, Pakistan, Afghanistan and Nepal is an attempt by China to contain India in South Asia.
- Trade rules have made it easier for small and medium Nepali businesses to trade with China; despite open borders, complex documentation and difficulty in cash movement complicate India–Nepal trade. Ideological similarity between the communist parties helps China.
- India is Nepal's largest trading partner at **65%** of its total trade — and also the source of its largest trade deficit. Geographical constraint has left Nepal heavily reliant without acquiring comparative advantage in exports; local enterprises cannot compete against cost-efficient Indian products, and non-tariff barriers and poor infrastructure add to discontent.
- Current dimensions** — Chinese FDI now surpasses India's commitments; trade and transit agreements have improved connectivity; infrastructure such as dams and **Pokhara Airport**; Chinese universities attracting Nepali students; BRI participation signalling geopolitical realignment.

*"The tendency in India is to regard Nepal's dependence on India for transit as leverage against it."* — **Shyam Saran**

- Shyam Saran** — every ruling dispensation in Kathmandu uses two cards to compel Indian acquiescence: the **China card** and the **Hindu card**. If India does not support the incumbent government it will court China; and since Nepal is the only other Hindu-majority country, India must not weaken the religious affinities that bind them. India must never fall into this trap.
- S.D. Muni** — India's approach during the 2015 constitutional crisis damaged relations seriously: intrusive, muscular and economically coercive. Nepal reacted under Oli's leadership by whipping up anti-Indian nationalism and an aggressive display of the China card. Both sides now seem to realise they went overboard. Denial of transit is a powerful negative instrument but breeds hostile sentiment that Nepali politicians then exploit.
- Ranjit Rae** (*Kathmandu Dilemma: Resetting India-Nepal Ties*) — the Nepali media accuses India of trying to make Nepal a Hindu Rashtra although the Government of India has made clear it has no views and the matter is for Nepal's people; Oli's anti-India agenda included the Kalapani encroachment charge, disrespect to the Indian emblem and distorted facts on the birthplace of Lord Rama. Against this, he finds **less substance and more hype** in projections of Nepal–China bonhomie: India–Nepal trade is booming and Indian assistance, mostly on a grant basis, is increasing, compared with Chinese soft loans. The trade deficit and falling Indian FDI can be minimised if Nepal fully uses its hydropower potential and resolves political sensitivities on Indian investment.
- Deb Mukherji** and **Baral** (*Politics of Geo-politics: Continuity and Change in India-Nepal Relations*) — they stress overall continuity and recognition of India's national security interests; the need for autonomy is among the foremost concerns in the Nepalese mindset. The 1950 Treaty provided the base for stronger relations, yet India is accused of "micro-managing" Nepal's domestic affairs. Since the late 1950s Nepal has engaged China, Pakistan and others,

making clear that India is a ‘special’ friend but not the ‘only’ friend, while not being particular about India’s security concerns. Deep-rooted civilisational ties and strategic location impose an obligation on both: they can neither alienate nor be free of each other. The triangular dynamic — **Sinophiles** standing for the friendly stability China provides, **Indophobes** treating India as an interventionist power — is a critical reason for the shrinking of Nepal’s autonomy, its foreign policy narrowed to India and China rather than integrated with the world.

**UPSC 2025 · ISm** Discuss the potential role India can play in initiating a possible phase of trilateral economic engagement among India, China and Nepal.

## 9 Rivers, defence and security

### River water sharing

- India’s first hydropower projects were on the **Kosi (1954)** and **Gandak (1959)**; the Nepalese perceived them as tilted heavily in India’s favour [**Gyawali; Shrestha**]. To accommodate these concerns the agreements were revised in **1964** (Gandak) and **1966** (Kosi).
- Akhilesh Upadhyay** notes a general impression in Nepal that it did not get a fair deal on the Kosi and Gandak. **S.D. Muni** — a deep cleavage of distrust followed, and no major project could be undertaken until the **Mahakali Treaty** of 1998.
- Implementation of the Mahakali Treaty has barely moved. Out of commercially viable potential of **45,000 MW**, Nepal has developed hardly **600 MW** — not enough even for its basic requirements — so it buys power from India rather than selling.
- Both sides have agreed to assemble a team of experts to resolve differences and finalise the detailed project report for the **6,480 MW Pancheshwar Multipurpose** bi-national plant on the Mahakali.

### Defence and security

- S.D. Muni** — Nepali territory has been used, given the open border, by cross-border terrorists from Pakistan, criminal gangs, smugglers of both countries, and for the flow of fake Indian currency.
- The hijacking of **IC 814** from Kathmandu in December 1999 made prevention of such incidents a major Indian concern.
- India stresses strengthening the legal framework against common cross-border challenges and has provided liberal assistance for infrastructure, capacity building, equipment and training.

## 10 Nepal after 2024 — the Gen 2 uprising and the 2026 verdict

- BRI financing settled on paper** — Nepal and China signed the **Framework for Belt and Road Cooperation** in **December 2024**, settling a long grants-versus-loans dispute on “aid assistance financing”. The drawn-out fight over that wording shows Nepal’s own wariness of Chinese debt.
- Lipulekh raised with Beijing** — **K.P. Sharma Oli** took the dispute to Xi Jinping in **August 2025**, carrying a bilateral boundary question into a third capital.
- The uprising** — **Gen Z protests** in **September 2025** forced Oli to resign; **Sushila Karki** led an interim government and parliament was dissolved. Mass jailbreaks and looted weapons alarmed New Delhi, which alerted the **Sashastra Seema Bal**.
- Both powers wanted the same thing** — India and China each backed timely polls and offered help, India providing over **600 vehicles**.
- The verdict** — on **5 March 2026** the **Rastriya Swatantra Party** won **182 of 275 seats**, overturning expectations of a hung house. **Balen Shah** beat Oli in Jhapa-5 and became prime minister on **27 March 2026**.
- A more transactional phase** — from **19 April 2026** Nepal enforced stricter tariffs on Indian goods. Shah is a Nepali-nationalist figure; the tariffs and the earlier Lipulekh friction point to a more contested relationship.

### Nihar R. Nayak — two powers, two definitions of stability

- Nihar R. Nayak**, writing for the Stimson Center’s *South Asian Voices*, shows that India and China each pursue stability in Nepal through different frames: **India links it to border security and democracy, China to the ‘One China Principle’ and Tibet.**
- In **MP-IDSA Monograph No. 72** Nayak applies **buffer-state theory** and **neorealism** to Nepal, drawing on **M.G. Partem** and **John Chay** and **Thomas Ross** on buffer states, on **M.F. Elman** for the neorealist claim, and on **S.D. Muni’s** account of Nepal’s three-level foreign policy.

“Nepal occupies a unique position in South Asia. It is a small and landlocked semi-buffer state, located between two Asian powers that have fought a war with each other... Its tactics have been mostly hedging in the post-Cold War period.” — **Nihar R. Nayak, Political Changes in Nepal and Bhutan, MP-IDSA Monograph No. 72, 2021, pp. 22, 17**

## 11 Nepal — theory, scholars, policy

Functionalism

Sociological Liberalism

Realism

Balance of influence

| Lens                    | What it explains                                                                                                           |
|-------------------------|----------------------------------------------------------------------------------------------------------------------------|
| Functionalism           | Shared needs in trade, security and energy have produced sustained collaboration.                                          |
| Sociological Liberalism | People-to-people ties and social and cultural bonds strengthen diplomatic relations.                                       |
| Realism                 | Territorial disputes and the pursuit of national interest; security concerns shape Nepal’s ties with India and with China. |
| Balance of influence    | Small-state hedging amid Sino-Indian competition.                                                                          |

## Views of scholars

- **S.D. Muni** — several reasons lie behind India's policy breakdowns. A congenital flaw in a policy driven by inherent insecurity bordering on paranoia; micro-management of Nepali affairs and a casual approach to Nepal's sensitivities produced anti-India feeling. India's policy played a decisive role in resolving Nepal's transformational conflicts but lacked a clear and categorical stance to sustain that transformation, reflecting gross neglect of India's own stated political principles and institutional preferences. A further problem is a marked **preference for weak and pliable individuals** over leaders with grassroots support — India preferred M.P. Koirala over the more charismatic B.P. Koirala, and such preferences are common knowledge in Nepal and work against Indian interests. Policy may articulate a long-term perspective but ends up taking a short-term view, and the information and critical assessment feeding it are poor.
- **Shyam Saran** — Nepal balances India's overwhelming presence by courting China, which India resents and which heightens security concerns. The root of Nepal's poverty and underdevelopment lies in the mindset of political elites who prefer to see India as a threat rather than an opportunity; any joint project is examined for what it brings to the Indian plate rather than for what it fetches Nepal. He also affirms that **"Nepal is not just a neighbour but a natural ally."**
- **C. Raja Mohan** — *mutual respect* is the key; Delhi must resist the temptation to meddle in Nepal's political processes, and instead of demanding an "India first policy" should affirm strong support for a "Nepal first policy". India must act with empathy, not just power, in its periphery.
- **David M. Malone** — India needs a positive agenda in Nepal and could be more proactive in supporting economic renewal, democracy and civil society; its approach appears reactive to events on the ground, suggesting an absence of actual strategy.
- **Aditya Adhikari**, offering the Nepali perspective — India's economic growth arouses respect and envy; apprehensions about the Maoists have somewhat mitigated disapproval in Kathmandu, but criticism persists about perceived or actual Indian involvement in domestic politics. The 'China card' can be played only when politics is stable and the centre cohesive, and even then nobody expects China's influence to rival India's.
- **Brahma Chellaney** — Nepal will always need India, simply because of geography; China can replace India as Nepal's main provider of essential supplies only by moving the Himalayas southward.
- **Kanak Mani Dixit** — India must move beyond being a "big brother" and be **big and a brother**. **M.K. Narayanan** — India's soft power in Nepal must be reinvigorated, acknowledging Nepal's sovereignty while recognising strategic interdependence.
- **Harsh V. Pant** and **Abhijnan Rej**: "New Delhi has found itself utterly unprepared to deal with an assertive Chinese foreign policy under Xi Jinping."
- **Anil Sigdel** — as long as non-interference and peaceful co-existence are respected and high-level political engagement is pursued, cooperation will follow; the present government appears to have moved from muscular diplomacy towards cooperative diplomacy. **Arun Kumar Sahu** — the Chinese are practitioners of realpolitik with national security high on the agenda; a relationship built on similarities of history, culture and social ethos may prove more durable, and a democratic, progressive and economically stronger India may overshadow the China factor.

## Policy suggestions for India

- India has not used its soft power well; poor use of economic support for strategic objectives is a serious flaw. Since the 1960s India has struggled to initiate significant infrastructure projects, the **East-West Highway** being a notable exception. Unless this changes, Chinese inroads will not stop.
- Restart the water dialogue and frame policies safeguarding those affected on both sides of the border; resolve Kalapani, Lipulekh and Susta at the earliest, with India showing generosity.
- Introduce new economic, developmental and infrastructure initiatives that bring tangible benefits to Nepali citizens and address vulnerabilities emerging as Nepal engages China.
- Recognise that a **strongly sovereign Nepal** is beneficial, not detrimental, to India's security; emphasise Nepal's sovereign status and independent policy choices, and help Nepal exercise them.
- Manage Nepal's challenges realistically — remittances make up about **30%** of its GDP, mostly from the Gulf, and there is an increasingly strong Nepali diaspora worldwide.

## B India & Bhutan

### 12 Bhutan — the buffer that never played the card

- **Satish Kumar** — Bhutan, the *Druk Yul* ('land of thunder dragons'), located between the Tibetan plateau and the Assam-Bengal plains, is geopolitically vital. It has a border of **605 km with India** and **470 km with China**; the two countries 'collide' in and over Bhutan, making it a **buffer state** of the first importance in the eastern Himalayas in the military sense.
- India and Bhutan share an open border of **700 km**, a visa-free regime and duty-free trade.
- **Tuhina Sarkar** — the relationship is unique in being relatively trouble-free compared with other bilateral relations in South Asia; ties are deep-rooted, traditional, amicable and warm. Formal diplomatic relations began in **1968** with a resident representative in Thimphu; before that, engagement was handled by the Political Officer in Sikkim.
- The former King described India and Bhutan as **"milk and water"** which cannot be separated. **S.D. Muni** describes a partnership in which Bhutan retains its independence while cooperating closely with India on key issues.

"No two countries in the world understand each other so well or share so much as India and Bhutan." — **PM Modi**

### Indian interests in Bhutan

- **Arvind Gupta** — Bhutan's **geo-strategic location** between India and China is critical for India's security.
- The **Chumbi Valley**, at the trijunction of Bhutan, India and China, lies about 500 km from the "**Chicken's Neck**" corridor in North Bengal connecting the Northeast to the rest of the country. The western Bhutan border guards possible Chinese ingress routes.
- **Containing insurgency in Northeast India** — militants have found haven in Bhutan in the past; Bhutan collaborated with India in flushing out the **NDFB** and **ULFA**.
- China lacks a diplomatic presence in Thimphu and has expressed interest in establishing relations; reports suggest Beijing is pressing Bhutan for trade and diplomatic ties as part of a reciprocal arrangement for a border resolution.
- **Security buffer** — prevents hostile access to sensitive areas, particularly the **Siliguri Corridor**. **Regional influence** — Bhutan's support amplifies India's voice in SAARC and BIMSTEC and strengthens India's position in Himalayan geopolitics. **Environmental diplomacy** — Bhutan's status as **carbon-negative** offers a distinctive avenue of cooperation aligned with India's sustainability goals.

### 13 Chronology — 1949 to the present

| Year       | Marker                                                                                                                                                                                                                                                                                                                                                                                |
|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1949 (Aug) | <b>Treaty of Friendship and Neighbourliness</b> (Treaty of Perpetual Peace and Friendship) signed.                                                                                                                                                                                                                                                                                    |
| 1958       | Jawaharlal Nehru's visit; gradual opening of Bhutan.                                                                                                                                                                                                                                                                                                                                  |
| 1968       | Formal diplomatic relations established.                                                                                                                                                                                                                                                                                                                                              |
| 1984       | China and Bhutan begin boundary negotiations — <b>24 rounds</b> and <b>11 rounds of Expert Group Meetings</b> to date.                                                                                                                                                                                                                                                                |
| 1998       | <b>Bhutan-China Agreement on Peace and Tranquility on Borders</b> .                                                                                                                                                                                                                                                                                                                   |
| 2003       | <b>Operation All Clear</b> against insurgents active in Northeast India.                                                                                                                                                                                                                                                                                                              |
| 2004       | Pakistan's Prime Minister visits Bhutan on the opening of an embassy; India grows uneasy.                                                                                                                                                                                                                                                                                             |
| 2007       | The 1949 Treaty revised; the new <b>India-Bhutan Friendship Treaty</b> commits both to "cooperate closely with each other on issues relating to their national interests."                                                                                                                                                                                                            |
| 2008       | Democratic elections; Bhutan becomes a democracy. Prime Minister Manmohan Singh addresses the first elected parliament.                                                                                                                                                                                                                                                               |
| 2012       | Chinese Premier Wen Jiabao meets Bhutanese Prime Minister <b>Jigme Y. Thinley</b> on the sidelines of Rio+20; New Delhi grows suspicious.                                                                                                                                                                                                                                             |
| 2013       | India withdraws LPG and kerosene subsidies during a brief episode of acrimony.                                                                                                                                                                                                                                                                                                        |
| 2014       | Bhutan is the destination of the Prime Minister's first foreign visit.                                                                                                                                                                                                                                                                                                                |
| 2016       | <b>Agreement on Trade, Commerce and Transit</b> signed; in November Bhutan's parliament rejects the BBIN Motor Vehicles Agreement.                                                                                                                                                                                                                                                    |
| 2017 (Jun) | <b>Doklam standoff</b> ; <b>Operation Juniper</b> . In November the King visits India.                                                                                                                                                                                                                                                                                                |
| 2018       | Bhutanese Prime Minister <b>Tshering Tobgay</b> visits India; Bhutan opens a consulate in Guwahati.                                                                                                                                                                                                                                                                                   |
| 2019       | Two-day visit to Thimphu; four projects inaugurated — the <b>720 MW Mangdechhu</b> hydro project, ISRO's <b>Ground Earth Station</b> for the South Asia Satellite, the <b>RuPay Card</b> , and interconnection of India's National Knowledge Network with Bhutan's Druk Research and Education Network.                                                                               |
| 2020 (Jul) | China makes new claims in eastern Bhutan, in the <b>Sakteng wildlife sanctuary</b> .                                                                                                                                                                                                                                                                                                  |
| 2021       | Bhutan is the first country to receive Covishield doses from India (1,50,000 in January; 5,50,000 in total as a gift). The 10th Expert Group Meeting with China produces an MoU on a <b>three-step roadmap</b> . In December the Prime Minister is conferred the <b>Order of the Druk Gyalpo</b> , Bhutan's highest civilian decoration, as the first foreign national to receive it. |
| 2022       | Launch of the jointly developed <b>India-Bhutan SAT</b> .                                                                                                                                                                                                                                                                                                                             |
| 2023       | In February India hands over a <b>USD 1 billion</b> grant for the <b>Gyalsung Project</b> (of a total USD 2 billion). In April the King visits India; discussions cover the border situation and the China-Bhutan boundary talks.                                                                                                                                                     |

## 14 From Sinchula to 2007 — the treaty architecture

- Bhutanese practise Buddhism, which came to Bhutan from Tibet and was born in India.
- Reetika Sharma, Ramvir Gorla and Vivek Mishra** — the British wanted control of Bhutan without assimilating it, preferring a buffer from Tibet. The **Treaty of Sinchula (1864)** deprived Bhutan of rights in the Duars in return for an annual subsidy, and Bhutan came to be guided by Britain in foreign relations — the origin of the **guidance clause** in the 1949 Treaty.
- Bhutan pursued a **policy of isolation** to preserve its environment and tradition. Change began when **Jigme Dorji Wangchuck** became king in 1952; in 1953 he instituted the National Assembly and systematised national laws. His son **Jigme Singye Wangchuck** continued reform, bringing modernisation without harming tradition, and saw hydropower as a source of development, collaborating with India.
- Satish Kumar** — Nehru was the first foreign dignitary ever to visit Bhutan; the visit was a landmark and a step in the gradual opening of Bhutan for India. It brought assurances in the Indian Parliament that any Chinese aggression against Bhutan and Sikkim would be treated as aggression against India. In 1961 a contingent of Indian military officers visited to establish arrangements for Bhutan's defence.
- Bhutan was a **protectorate of India from 1949 to 1974**, when it became a member of the UN; India looked after its defence and foreign policy and was responsible for decisions on these matters.

### The treaty revised — what 2007 changed

#### 1949 · Perpetual Peace and Friendship

Peace and non-interference; free trade and commerce; equal justice to each other's citizens.

#### Article 2

— Bhutan to be guided by India's advice in external relations.

#### Article 10

— amendment only by mutual consent

**Behind it:** Sinchula 1864, and the guidance clause it bequeathed; protectorate status, 1949–1974

#### 2007 · India-Bhutan Friendship Treaty

Clauses II, III and IV of 1949 removed; the offensive clauses eliminated and security and political cooperation given new foundations. Both to “cooperate closely with each other on issues relating to their national interests”

**Behind it:** democratisation and decentralisation; scope broadened to cultural, economic and development dimensions; the legal basis India invoked at Doklam

*Medha Bisht — provisions dating back over fifty years were out of date and did not reflect contemporary bilateral ties*

**UPSC 2017 · 10m** “The Treaty of Perpetual Peace and Friendship between India and Bhutan needs to be revised with more pragmatic, realistic obligations and responsibilities.” Comment.

## 15 Areas of cooperation

- Bhutan has never tried to take advantage of India–China disputes by playing one against the other; it has instead cooperated with India for its development.
- India helped and backed Bhutan's entry into the **Colombo Plan** (1961), the **Universal Postal Union** (1969), the **United Nations** (1971), the **Non-Aligned Movement** (1973) and **SAARC** (1985).

| Domain                | Content                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Political & strategic | Both support each other at SAARC, the UN and the WTO; Bhutan supports India's bid for a permanent UNSC seat. Reaffirmation of open borders, close alignment and consultation on foreign policy, and regular open communication on strategic issues.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Economic              | India is <b>Bhutan's largest trading partner</b> ; exports to Bhutan were <b>US\$ 1.02 billion</b> in 2022, and trade more than doubled from <b>USD 484 million</b> in 2014–15 to <b>USD 1,083 million</b> in 2020–21. Imports from India account for <b>80% of Bhutan's total imports</b> ; about one-third of Bhutan's exports to India is electricity, with ferro-silica (declining, and complained of), cement and dolomite. A <b>mini dry port</b> is planned at <b>Phuntsholing</b> . India extends a <b>Standby Credit Facility</b> against rupee liquidity crunches, with an additional <b>USD 100 million</b> under a standby swap within the SAARC currency swap framework. A <b>Free Trade Agreement</b> in 2006, renewed in 2016 as <b>Trade, Commerce and Transit</b> , gives a free trade regime and duty-free transit of Bhutanese goods for trade with third countries; seven additional entry-exit points formalised in 2021. |
| Energy                | Three hydropower projects developed with Indian assistance — <b>1020 MW Tala</b> , <b>336 MW Chukha</b> , <b>60 MW Kurichhu</b> . Ten more agreed; three under construction — <b>Punatsangchhu-I</b> , <b>Punatsangchhu-II</b> and <b>Mangdechhu</b> . An <b>Inter-Government Agreement</b> approved on four joint-venture projects — <b>Kholongchu</b> , <b>Wangchhu</b> , <b>Bunakha</b> and <b>Chamkharchhu</b> . A goal of <b>10 GW</b> of hydropower had been set for 2020.                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Defence & security    | India is responsible for Bhutanese security and supports training and modernisation of its army; a <b>Joint Military Grid</b> is planned to patrol against Indian militants. India supplies low-tech arms such as 5.56 mm INSAS rifles, night-vision devices, winter clothing and military vehicles. The <b>Indian Military Training Team (IMTRAT)</b> based in Bhutan trains Bhutanese forces. <b>Operation All Clear</b> (December 2003 to January 2004) flushed out about 30 camps of ULFA, NDFB and the Kamtapur Liberation Organisation.                                                                                                                                                                                                                                                                                                                                                                                                  |
| Disaster management   | A <b>Joint Group of Experts on Flood Management</b> examines causes and impacts of recurrent floods and erosion in the southern foothills and the adjoining Indian plains. The comprehensive scheme for a hydro-meteorological and flood forecasting network on rivers common to India and Bhutan comprises <b>32 stations</b> in Bhutan. India assisted during landslides and earthquakes and exported medicines and vaccines during COVID-19.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Development           | India is the largest contributor to Bhutan; Indian initiative led Bhutan to launch its <b>First Five Year Economic Development Plan</b> in 1961, and India fully funded the first two plans and contributed outside the plans through megaprojects — Old Paro Airport, the Bhutan Broadcasting Station, electricity distribution systems, eastern grid transmissions, all major highways, telecom microwave links, mini-hydel, mineral exploration, survey and mapping, rehabilitation of educational infrastructure, and the Thimphu, Mongar and Jigme Dorji Wangchuck hospitals. In 2008 India announced the first rail link, from Hashimara in West Bengal to Phuntsholing.                                                                                                                                                                                                                                                                 |
| Education & culture   | Scholarships, technical expertise and specialists, in addition to assistance under the Colombo Plan. <b>Sherubtse College</b> , Bhutan's only degree college, is affiliated to Delhi University; Bhutan has established a chair for Buddhist studies at Nagarjuna University in Andhra Pradesh. Annual festivals and                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

### Bhutan's own three priorities

Peace, security, prosperity

Gross National Happiness

A vibrant democracy

## 16 The Chinese angle and Doklam, 2017

- **Satish Kumar** — China has always claimed rights in **Nepal, Bhutan, Sikkim** and **Arunachal Pradesh**, on grounds of traditional, ethnic, cultural and religious affinity between Tibetans and the populations of the claimed territories. The primary objective of China's manoeuvres appears to be separating these territories from India and integrating them into the Chinese sphere of influence by methods short of outright warfare.
- In **July 1958** China published a map indicating the Sino-Indian border by a thick brown line, taking in a large chunk of Indian territory and a considerable area of eastern and northeastern Bhutan. China occupied eight villages on the Bhutan-Tibet border in **1959**.
- Under **Article 2** of the 1949 Treaty, India took up the border question with China on Bhutan's behalf; China under Zhou Enlai refused Nehru's contention that any 'special relation' existed between Bhutan and Sikkim and India.
- The **1998 Agreement on Peace and Tranquility** committed both sides to maintain peace and to uphold the status quo of the boundary prior to March 1959; Chinese road-building close to Bhutan's border marked a diversion from it and led to protests in Bhutan.
- **The land swap offer** — China proposed giving **495 sq km** near central Bhutan in return for **269 sq km** in the west where the **Chumbi Valley** lies. The deal would have brought China closer to the Chicken's Neck and been disastrous for India's security; Bhutan declined.
- **Harsh V. Pant** and **Aditya G. Shivamurthy**: "Starting in 1984, Bhutan and China started bilateral negotiations on their territorial disputes." There have been 24 rounds and 11 Expert Group Meetings. Negotiations reached a stalemate in 1998, prompting Bhutan to propose an **expert technical group** to delineate boundaries through study of maps. By 2015 technical field survey reports in the Central and Western sectors were complete. Chinese intrusions nonetheless continued, with citizens encouraged to settle in disputed areas and roads, infrastructure and permanent settlements built within Bhutanese territory.
- Chinese forces dismantled several unmanned posts in Bhutan, disturbing the sanctity of the Sino-Bhutan border close to Sikkim, and are now within a few hundred kilometres of the **Siliguri Corridor**. India undertook responsibility for Bhutan's defence because of China's actions in Tibet and its assertive stance along contested borders.

### Doklam — where exactly is the trijunction?

#### India and Bhutan

The trijunction lies at  
**Batang La**

**Root of it:** rival readings of the **1890 Calcutta Convention** between Britain and China

#### China

The trijunction lies about  
**6.5 km**  
south, at  
**Gymochen**

**Rule in force:** under the **2012 India-China agreement**, both must hold the status quo until competing claims are resolved in consultation with the third party, Bhutan

**June 2017 · Operation Juniper** — India confronts road-building towards the plateau and aligns with Bhutan's position

- Lacking any treaty describing the boundary, Bhutan and China continue to negotiate an alignment; the most contentious discrepancies lie in Bhutan's west along the Chumbi Valley. India accused China of building a road towards the Doklam plateau, a concern also raised by the Royal Bhutanese Army.
- China's expansionary attitude can be explained through its "**Middle Kingdom complex**" — the Chinese treat their country as the *centre of the world* and their culture and civilisation as the greatest, and hold that a 'subdued neighbourhood' is necessary for stability. The actions at Doklam align with a strategy of intimidating smaller neighbours. China did not appear to anticipate India's intervention; the Communist leadership is angered by India's refusal to join its signature projects and displeased with New Delhi's closeness to Washington and Tokyo.

**UPSC 2020 · 20m** Explain the defence and foreign policy of India to address the challenges emerging out of the current India-China standoff at the Line of Actual Control (LAC).

## 17 Challenges — hydropower, debt, generational change

- **Chinese engagement** — boundary negotiations and infrastructure near sensitive trijunction areas create strategic uncertainty. **Samaranayake** (2019) warns that any shift in Bhutan's alignment could expose India to vulnerability.
- **Hydropower dependency** — concern about over-dependence on the Indian market, delays in projects, and tariff disagreements. **Economic diversification** — Bhutan wishes to reduce dependence on India for trade and to diversify partnerships, including with Bangladesh, as part of building a more resilient economy.
- **Debt and perception** — loans, grants, lines of credit and hydropower projects have made Bhutan more dependent rather than promoting a self-sustaining economy. India's use of Indian labour, capital, technology and goods rather than local resources has drawn criticism, as have imports of hydropower electricity at below market prices. Delay has increased Bhutan's costs and debt: **94% of Bhutan's current debts relate to hydropower projects alone**, on top of a continuing trade deficit with India. The result is a perception that India is taking back whatever it invests.
- **Cost overruns** — the three major ongoing projects, Mangdechhu, Punatsangchhu-I and Punatsangchhu-II, cost approximately **₹12,300 crore**, accounting for 77% of the contribution. The 720 MW Mangdechhu project nearly doubled in cost over two years of construction; Punatsangchhu-I and II, each 1,200 MW,

tripled in cost and were delayed by more than five years. Interest accrues on projects funded as 30% grant and 70% loan at 10% annual interest.

- **Tariff dispute** — Indian negotiators propose rates up to **₹3.90** per unit while Bhutan seeks closer to **₹4.40**, in line with the **cost-plus model** used for the 1020 MW Tala project.
- **Generational change** — while the older generation stayed loyal to India, the young are eager to see Bhutan play a global role; their sense of identity and ideology is still forming, which makes them open to different views of foreign policy. Chinese applications have become popular despite security loopholes, exposing young people further to anti-Indian sentiment. Some sections perceive India as a hurdle in border negotiations with China, citing Bhutan's refusal of the 'package deal' and alleged Indian involvement in the 2013 elections. During Doklam, some Bhutanese criticised both India and China on social media and called out their own government for overreliance on India; there are those who find India's economic embrace "suffocating".
- **People-to-people frictions** — tensions over issues such as demonetisation or cross-border trade regulation, generally resolved diplomatically.

"... there are high chances of being accused of the same sort of 'debt trapping' that China is accused of today." — **Suhasini Haidar**

## 18 Bhutan — theory, scholars, policy

Realism

Sociological Liberalism

Functionalism

| Lens                    | What it explains                                                                                   |
|-------------------------|----------------------------------------------------------------------------------------------------|
| Realism                 | Strategic security and territorial integrity; India protecting its interests in the region.        |
| Sociological Liberalism | People-to-people ties, cultural exchange and shared values.                                        |
| Functionalism           | Cooperation in economic and developmental sectors producing mutual benefit and regional stability. |

### Views of scholars

- **C. Raja Mohan** — despite diversifying bilateral ties, Bhutan will politically continue to consider India its only major strategic ally; New Delhi should recognise Thimphu's concerns and not take it for granted. The cornerstone lies in hydropower, but both must strengthen science and technology education, healthcare and other domains. New Delhi should be vigilant about strategic powers engaging Bhutan, as indicated by high-level visits from China and the United States. In a world of expanding choices, prioritising each other's concerns remains in the best interests of both.
- **Harsh V. Pant** and **Aditya G. Shivamurthy** — Prime Minister **Lotay Tshering** in 2023 denied Chinese intrusions and installations within Bhutanese territory and said China is as much a stakeholder as India and Bhutan in the Doklam issue. India-China competition and China's assertive stance have influenced shifts in Bhutan's foreign policy, though recent developments show a strong element of continuity. After nearly forty years there is some optimism within Bhutan for demarcating its borders with China, barring the Doklam trijunction, and the denial of intrusions suggests Bhutan may be contemplating ceding certain territories in the Northern and Western disputed sectors for a broader settlement. There are reports that India urged Bhutan to resolve its dispute so that a **tripartite engagement** in the trijunction region could become possible. They warn that Beijing will keep using intimidation to set the regional agenda, and that with trust in China at a historic low and Doklam unresolved, the India-Bhutan-China triangle faces another stress test. In their assessment, **India-China competition is increasingly going to be the primary determinant of the foreign policy of South Asian countries.**
- **Phunchok Stobdan** — New Delhi's coercive business diplomacy pushes Bhutan towards China; yet these economic ties are vital for Bhutan's growth and integral to India's energy needs.
- **Kanak Mani Dixit** — India and Bhutan share a relationship based on mutual respect, not dominance, resting on sovereignty and fair trade. **K.P.S. Nair** — India has played a key role in Bhutan's security and economic development, demonstrating soft power in the region.

### Policy suggestions for India

- **Reetika Sharma, Ramvir Gorla** and **Vivek Mishra** — Bhutan's trade beyond South Asia is just **10%** and must increase; exports must be diversified, and medicinal plants may hold the key for research in medical technology. Economic growth with electoral democracy holds a bright future, and engagement with different nations including India is a must for raising *Gross National Happiness*. To ensure durability, India must pursue a flexible approach, as it did in renewing the clauses of the Friendship Treaty.
- India must meet deadlines, keep project costs within affordable limits, and renegotiate electricity tariffs.
- Respect Bhutan's sovereignty and autonomy. Resentment among younger Bhutanese about the 1949 Treaty led to its revision in 2007; the 2007 security arrangement was the basis on which Indian forces stood against China in Bhutanese territory at Doklam. Strategic experts note Bhutan's misgivings about becoming another Sikkim or meeting the fate of Tibet. Just as India pursues strategic autonomy, Bhutan wants the same from India.
- Follow a **developmental stance** and use a **functionalist approach** to explore cooperation beyond government initiatives by giving more space to the private sector. **Strategic dialogue** — consider trilateral dialogue with Bhutan and China to ease border tensions. **Economic diversification** — encourage Bhutan to move beyond hydropower into fintech, space and pharmaceuticals.
- **Suhasini Haidar** urges an equal and sensitive approach addressing Bhutan's aspirations for sovereignty and modernisation while protecting India's security interests. **Cultural engagement** — Buddhist diplomacy, education exchanges and tourism, with figures such as **Guru Rinpoche** revered in both countries. **Responsiveness** — remain responsive to Bhutan's developmental priorities and align with the *Gross National Happiness* philosophy; the recent financial support of ₹10,000 crore is a step in this direction.
- **Ashok Sajjanhar** — invite a larger number of Bhutanese youth to study in India at all levels, from high school to professional and technical courses, since China and Western countries are stealing a march. Media is a powerful instrument to reach Bhutanese decision-makers and ordinary people with the assurance that India will stand by them according to their own wishes and aspirations. Bhutanese are proud of never having been colonised or subjugated, and India should not behave like a big brother.
- India must cement ties so that China cannot drive a wedge; the Doklam impasse produced a more confident and resolute relationship, and most analysts believe India conducted its diplomacy well. **Jawaharlal Nehru** declared in Parliament that aggression against Bhutan would be seen as aggression against India, and that security guarantee has been reaffirmed since. New trade routes should be opened, such as the June 2020 route between Jaigaon in India and

## C India & Sri Lanka

### 19 Sri Lanka — the love-hate relationship

- Per the Ministry of External Affairs, the relationship is more than **2,500 years old**, built on a legacy of intellectual, cultural, religious and linguistic interaction. Tamils and Buddhism both reached the island from India, and demography, religion, language and culture bear the imprint of Indian influence.
- K.M. Panikkar** emphasised the **strategic unity** of India and Sri Lanka and argued for closer union. **Shivshankar Menon** (*Choices*) refers to Sri Lanka as an “aircraft carrier” in the Indian Ocean.
- Eswaran Sridharan** — the determinants of the relationship are geography, the legacy of British colonial rule, the inherited relationship, geopolitical alignments, economic relations, and personal relationships between leaders.
- Shashi Tharoor** — relations remain complicated by the history of India’s prior involvement (support for the Tamil militancy, then a disastrous military intervention ending in ignominious withdrawal) and by India’s legitimate desire, made urgent by domestic political imperatives, to see Tamil political aspirations accommodated. India’s prioritisation of the United States and China, and its disproportionate neighbourhood focus on Pakistan, has come at the cost of attention to other neighbours.
- V. Suryanarayan** terms it a **love-hate relationship**, driven above all by India’s powerful position. India’s commanding position at the heart of South Asia is both enviable and much-resented; a huge neighbour is loved by no one — neither do Mexicans love the United States, nor Ukrainians Russia. Historical, cultural and geographical affinity should make the two natural partners, yet the asymmetry made Sinhalese leaders apprehensive of India’s intentions and capabilities, and Sri Lankan leaders sought external aid against perceived Indian threats rather than close collaboration.

“Every other nation is a friend to Sri Lanka, but India is a relative.” — **Mahinda Rajapaksa**

#### Why Sri Lanka matters

- The Indian Ocean handles around **30% of global trade**; Sri Lanka sits between West Asia and Southeast Asia with abundant natural resources, and can contribute to **marine space surveillance** and **maritime security**.
- Increasing Chinese footprint** — Sri Lanka is part of the **BRI** and the **Maritime Silk Road**, checking India’s rise as a ‘net security provider’ and ‘regional hegemon’. **Harsh V. Pant** — China sees India’s engagement in Sri Lankan affairs as a way to “manage” the country and gain “regional hegemony” in South Asia, and also to “eradicate the influence of other countries”.
- Ethnic and familial ties** — unlike China, India cannot act on purely commercial motives.
- Outside powers** — the Indian Ocean, once regarded as a Zone of Peace, has become a Zone of Conflict; strategic compulsion now pushes India to collaborate with the United States, France, Britain, Japan and Australia, of which **QUAD** is one outcome.
- External balancing by Sri Lanka** — wary of Indian pre-eminence, Colombo used the United States earlier and uses the *China card* now, both to balance India and to raise its bargaining power.
- S. Jaishankar** describes the relationship as a “**fraternal friendship**”.

### 20 Chronology — 1948 to the present

| Year        | Marker                                                                                                                                                                              |
|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1948        | Ceylon becomes independent; the <b>Soulbury constitution</b> sets up a unitary state under Sinhalese majority control.                                                              |
| 1949        | Tamils disenfranchised.                                                                                                                                                             |
| 1964        | <b>Sirimavo-Shastri accord</b> — India to confer citizenship on 5,25,000 people of Indian origin and their natural increase, Ceylon on 3,00,000 and theirs, in a <b>7:4 ratio</b> . |
| 1971 (Apr)  | India assists during the Janatha Vimukti Peramuna revolt.                                                                                                                           |
| 1971 (Dec)  | Sri Lanka provides refuelling facilities to Pakistani aircraft during the East Pakistan crisis.                                                                                     |
| 1972        | Ceylon renamed Sri Lanka; Buddhism made the foremost religion.                                                                                                                      |
| 1974        | <b>Sirimavo-Indira accord</b> fixes numbers for repatriation; India recognises Sri Lankan sovereignty over <b>Katchatheevu</b> .                                                    |
| 1976        | Maritime Agreement — both sides agree not to fish in each other’s waters. LTTE formed under <b>Velupillai Prabhakaran</b> .                                                         |
| 1983        | Ethnic war begins.                                                                                                                                                                  |
| 1987        | <b>Indo-Sri Lankan Accord</b> ; the <b>Thirteenth Amendment</b> and the provincial council system; <b>Operation Pawan</b> and the IPKF.                                             |
| 1988        | Citizenship to Stateless Persons (Special Provisions) Act 39.                                                                                                                       |
| 1998 / 2000 | <b>India-Sri Lanka Free Trade Agreement</b> signed; operational from 2000.                                                                                                          |
| 2006–09     | China and Pakistan establish a diplomatic presence.                                                                                                                                 |
| 2009 (May)  | The armed conflict ends; India votes against a human rights motion at the UN.                                                                                                       |
| 2012, 2013  | India votes against Sri Lanka at the UNHRC.                                                                                                                                         |
| 2014        | India abstains on a resolution for international investigation.                                                                                                                     |

|            |                                                                                                                                                                                                               |
|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2015       | <b>Maithripala Sirisena</b> visits India; a return visit to Colombo follows in March, the first stand-alone visit by an Indian Prime Minister in 28 years. <b>Civil Nuclear Cooperation</b> agreement signed. |
| 2016       | <b>Open Sky Agreement</b> .                                                                                                                                                                                   |
| 2021       | <b>Air Bubble Agreement</b> .                                                                                                                                                                                 |
| 2022       | Unprecedented <b>economic crisis</b> ; India extends about <b>USD 4 billion</b> in credit lines.                                                                                                              |
| 2023       | President <b>Ranil Wickremesinghe</b> visits India; connectivity and cooperation agreements signed.                                                                                                           |
| 2024 (Dec) | President <b>Anura Kumara Dissanayake's</b> first foreign trip, 15–17 December; joint statement on a shared future.                                                                                           |
| 2025 (Apr) | Colombo visit of 4–6 April; the first India–Sri Lanka <b>defence-cooperation MoU</b> ; the Trincomalee energy hub pact with the UAE; the 120 MW Sampur solar project.                                         |
| 2025 (Nov) | <b>Cyclone Ditwah</b> ; <b>Operation Sagar Bandhu</b> launched on 28 November.                                                                                                                                |
| 2025 (Dec) | A <b>USD 450 million</b> relief package offered on 23 December.                                                                                                                                               |

## 21 Sridharan's four phases — and the current one

- Eswaran Sridharan** (*Indo-Sri Lanka Relations*, in *Engaging the World*) holds that of the three levels of analysis — systemic, domestic and personal — the **domestic level** has been most significant in shaping Indian policy.



### Phase I (1948–1982) — three issues dominated

- Statelessness of Indian Tamils** — those who went to the island during colonial rule to work on plantations faced a citizenship crisis in 1948 as the Sinhalese elite whittled down their political rights. The **Citizenship Acts of 1948 and 1949** were rigid and restrictive, denying citizenship to all not indisputably indigenous; Tamil speakers were gradually marginalised in public employment and, from the early 1970s, in university admissions through the 'standardisation policy'. Ceylon sought repatriation to India; **Jawaharlal Nehru** resisted, unwilling to set a precedent for other overseas Indian populations. The **1964** and **1974** accords fixed numbers for repatriation, the rest being granted citizenship. **Eswaran Sridharan** — these agreements aligned with the Nehruvian approach to overseas Indians: promote them as responsible citizens of host countries and encourage host nations to grant full citizenship, avoiding friction with states India sought relations with.
- The Katchatheevu dispute** — a tiny barren island in the Palk Strait. Every piece of historical evidence indicates it was under the Zamindari of the Raja of Ramnad in Tamil Nadu; Sri Lanka claimed that British Indian authorities had tacitly accepted its ownership. Successive Indian leaders showed a lack of active concern; Nehru and his successors minimised the disagreement in the interest of good relations. In the **1974 Agreement** India recognised Sri Lankan sovereignty, against objections by the DMK government in Tamil Nadu; the **1976 Maritime Agreement** barred fishing vessels of either country in the other's waters, introducing a new irritant. **Eswaran Sridharan** — both settlements owed much to the **personal relationship between Indira Gandhi and Sirimavo Bandaranaike**, but lacked foresight: they missed that relations could still deteriorate because of Sri Lanka's discriminatory domestic policies and their repercussions in India, and that depletion of fish stocks would later cause trans-maritime poaching and tension.
- Security perceptions** — Sri Lankan leaders perceived India as a potential threat and justified the **1947 Sri Lanka–UK defence agreement** on that ground; Nehru tried to allay these fears with assurances of goodwill. Colombo's persistence showed extra-strategic considerations in the defence policy that **D.S. Senanayake** and **John Kotelawala** preferred — counterpoising India's pre-eminence through military cooperation using the island's locational advantage. The **Indira doctrine** of the 1970s made clear that India aimed at pre-eminence in the region, and Indian geostrategic thinking sought to push Cold War meddling by the United States a safe distance from India's borders.

### Phase II — deterioration from the early 1980s

- The July **1983 ethnic violence** and the ensuing civil war between the Sri Lankan army and the **LTTE** decisively affected bilateral relations. India's concern over civilian deaths and its desire to protect Sri Lankan Tamils created fear in Colombo, which went in search of global security guarantees in 1983–84. India adopted a two-pronged strategy of persuasion and coercion towards both the Sri Lankan government and the Tamil groups, aiming at a negotiated political settlement.
- Strategic gestures to the West** annoyed India further. Under **J.R. Jayewardene** (1978–89) and **Ranasinghe Premadasa** (1989–93), Sri Lanka allowed the United States to set up a *Voice of America* transmitting station, suspected of intelligence gathering and electronic surveillance of the Indian Ocean; extended refuelling and recreation facilities to visiting US naval ships; and granted a contract for leasing oil storage tanks at the strategic harbour of **Trincomalee** to a Singapore-based US company — scrapped under the 1987 Accord. Jayewardene even sought British involvement by reviving the 1947 defence agreement, which India's firm stand against external involvement prevented.

### Phase III — restoring friendship, since 1991

- **Eswaran Sridharan** dates this phase from the assassination of Rajiv Gandhi and the banning of the LTTE in India in 1992. From the election of the Narasimha Rao government in June 1991, India launched a long-term **economic liberalisation programme**.
- Departing from its traditional stand against external involvement in South Asia, India supported **Norwegian facilitation** of the peace process, alongside the United States, the European Union and Japan. With the LTTE, India wanted no relations.
- **Pro-US shift** — post-liberalisation growth needed Western capital and technology; strategically, the Soviet collapse removed the implicit guarantee against China embodied in the **Indo-Soviet Friendship Treaty of 1971**, while the Kashmir insurgency from December 1989 kept war a possibility.
- From the time of **I.K. Gujral** (1997–98) India followed a **dual track** — South Asian regional cooperation alongside improved bilateral ties, with economic growth and security both in focus. Sri Lankan policy shifted under **Chandrika Kumaratunga** from 1994; she proposed federal solutions in 1995, 1997 and 2000, the last an improvement on the Thirteenth Amendment.
- The **Indo-Sri Lanka Free Trade Agreement of 1998**, operational from 2000, was part of a wider shift in foreign economic policy running parallel to SAPTA and SAFTA. Relations grew rapidly during the boom years of 2003–08; by 2012 Sri Lanka was India's biggest trading partner and the leading destination for Indian investment in South Asia.
- The NDA government broadly followed the Accord's approach — a negotiated solution based on devolution, discouraging a military solution. The UPA minority government from 2004 followed a **hands-off policy** while promoting trade and investment. India's stated position remains a political resolution within a unified Sri Lanka that addresses the wishes of all communities.

### Phase IV — after the LTTE, 2009–2015

- Begins with the defeat of the LTTE and the destruction of its leadership in May 2009. **China** and, to a lesser extent, **Pakistan** established a diplomatic presence; Pakistan supplied pilots and arms during the final phase of the Eelam War (2006–09) and China supplied arms on a larger scale.
- India exercised restraint, given its earlier experience of fighting the LTTE, uncertainty about Colombo's intentions towards the Tamils, and public sentiment in Tamil Nadu. Sri Lanka has since played the **China card** to ward off pressure for full implementation of the Thirteenth Amendment, involving devolution of land, police and fiscal powers.
- Economic integration proceeded quickly, with trade reaching **\$5 billion** in 2011–12, and constrained political options.
- The Rajapaksa regime's failure to implement the Thirteenth Amendment and more — that is, **13 plus** — pushed India to vote against Sri Lanka at the UNHRC in March 2012 and March 2013. In mid-2013 **Mahinda Rajapaksa** considered doing away with the Amendment altogether or diluting it. India warned against dilution or cancellation of the first **Northern Provincial Council** elections due in September 2013, and threatened to boycott the **CHOGM** in Colombo in November 2013 and take stronger action at the UNHRC. Elections were held and the **Tamil National Alliance** won resoundingly; Prime Minister Manmohan Singh skipped CHOGM.
- The defeat of Rajapaksa and the election of **Maithripala Sirisena** in January 2015 improved relations, as he sought to loosen the embrace of China and reorient policy towards the West and India. The fishing rights issue and the ceding of Katchatheevu revived with frequent shooting and arrests of Indian fishermen by the Sri Lankan Navy, especially after the civil war.

### Current phase

- **SAGAR — Security and Growth for All in the Region** — prioritises the Indian Ocean for India's peace, stability and prosperity. Its goals: a climate of trust and openness; addressing regional concerns; increasing maritime cooperation; peaceful resolution of maritime issues; and adherence by all Indian Ocean states to international maritime rules and norms.
- In line with 'Neighbourhood First' and SAGAR, New Delhi attaches "*a special priority*" to Colombo. India's outreach to the Rajapaksas began in 2018 when the SLPP swept the local elections.
- **Ranil Wickremesinghe** set himself a deadline of Independence Day, 4 February, to announce an **ethnic package**; no such package has been finalised. The 'vision document' adopted during his visit rests on five pillars: **maritime connectivity; air connectivity; energy and power connectivity; trade, economic and financial connectivity; and people-to-people connectivity**.
- The Tamil diaspora and refugees in Indian camps look for a comprehensive package: an international inquiry, a Peace and Reconciliation Commission on the South African model, demilitarisation, return of civilian land, and compensation for war victims.

## 22 The 1987 Accord and the Thirteenth Amendment

### Provisions of the Accord

- Merger of the northern and eastern provinces, where Tamils were in a majority, into a single province.
- Substantial devolution of power to the Northern Province.
- Dissolution of the LTTE and surrender of arms within a very short time.
- The Indian army to aid the Sri Lankan government if requested.
- The **Thirteenth Amendment** to create provincial councils, and to make Sinhalese and Tamil national languages while retaining English as the link language.

#### What the Thirteenth Amendment is

A new **constitutional arrangement for power sharing** between the Sinhalese majority and the Tamil minority, and between centre and provinces — a **Provincial Council system**, a constitutional structure providing the substance of federalism.

## Consequences

- The **Indian Peace Keeping Force** played a role in controlling the insurgency, but **Operation Pawan** turned into a thankless venture.
- Hated by Sri Lankan Tamils and Sinhalese alike, the IPKF was characterised as an army of occupation by the **Premadasa** regime. India protected Sri Lanka's national interest at heavy cost without acknowledgement, and the Premadasa administration used unconventional methods to force the IPKF out.
- Despite the failure, the enactment of the Thirteenth Amendment was a significant step towards devolution across the island.

## 23 Areas of cooperation

| Domain             | Content                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Economic           | The <b>ISFTA</b> , implemented in 2000, substantially increased trade; the legal framework also includes a Double Taxation Avoidance Agreement and a Bilateral Investment Protection and Promotion Agreement. India was Sri Lanka's <b>largest trading partner</b> , with bilateral merchandise trade of <b>US\$ 5.45 billion</b> in 2021 against US\$ 3.6 billion in 2020 — an increase of about 48%. India is among the <b>top four investors</b> — petroleum retail, IT, financial services, real estate, telecommunications, hospitality and tourism, banking, food processing, metals, tyres, cement, glass and infrastructure — with cumulative FDI from India surpassing <b>US\$ 2.2 billion</b> . India has been the largest source market for tourists; the <b>Air Bubble Agreement</b> (2021) and the <b>Open Sky Agreement</b> (2016) eased travel, the latter allowing Sri Lankan Airlines unlimited flights to Delhi, Mumbai, Hyderabad, Kolkata, Bengaluru and Chennai. Recent agreements cover the <b>Blue Economy</b> and the UPI payment system. |
| Cultural           | Exchanges date back 2,500 years; Buddhism is a strong pillar, and the two jointly commemorated the 2600th year of the Buddha's enlightenment. The <b>Cultural Cooperation Agreement</b> of 1977 provides for periodic Cultural Exchange Programmes; the <b>Indian Cultural Centre</b> in Colombo teaches music, dance and Hindi; the <b>India-Sri Lanka Foundation</b> works through civil society exchanges.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Defence & security | The <b>Indo-Sri Lankan Defence Dialogue</b> since 2012; joint exercises <b>Mitra Shakti</b> (military) and <b>SLINEX</b> (naval); defence training for Sri Lankan forces. A <b>trilateral maritime security cooperation</b> agreement between India, Sri Lanka and the Maldives on surveillance, anti-piracy and marine pollution. Cooperation against drug and human trafficking.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Infrastructure     | Hybrid power projects on northern islands (2022); development projects at <b>Kankesanthurai</b> and <b>Trincomalee</b> ports; the Cultural Centre at Jaffna and restoration of the Thiruketheeswaram Temple; housing for internally displaced persons; rehabilitation of the Northern Railway lines and wreck removal; vocational training centres; funding for power projects and north-south railway development.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Multilateral       | Both are in SAARC, BIMSTEC and IORA, and in the UN, WTO, WHO, IMF and World Bank. Sri Lanka supports India's bid for a permanent UNSC seat.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

## 24 Contestation — the fishermen and the ethnic question

### Fishermen and Katchatheevu

- India recognised Sri Lankan sovereignty over Katchatheevu in 1974 without adequate safeguards for traditional fishing rights; Indian fishermen retained access for rest and drying of nets, not for fishing.
- Attacks on and arrests of Indian fishermen have increased, driven partly by depletion of marine resources on the Indian side; Sri Lanka protests the use of big trawlers and **bottom trawling**, which is illegal in its waters and damaging to marine ecosystems.
- The **International Maritime Boundary Line** is demarcated but fishermen on both sides cross it. Incidents have included the Sri Lankan navy firing on Indian fishermen, contrary to **UNCLOS** principles.
- **Measures** — a **Joint Working Group** on fisheries; a direct hotline between coast guards; release of detained fishermen and boats on humanitarian grounds; development of deep-sea fishing skills to reduce pressure on traditional grounds. The issue should be treated “as a purely humanitarian and livelihood concern”, with force never resorted to.
- A proposal for **licensed fishing** for southern Tamil Nadu fisherfolk in Sri Lankan waters met stiff resistance from Northern Province fishers, backed by MPs cutting across party lines. Possible approaches include a formal lease arrangement for the island or other cooperative resource management.

### The ethnic question

- **Jaffna Province** has a large concentration of Tamils who began demanding a national homeland, a Republic of Eelam, over about **18,000 sq km**.
- Two categories of Tamils — about a million **Ceylon Tamils** whose forefathers migrated in ancient times, and about a million who went during the nineteenth century, many without citizenship, whose status dominated early relations.
- The Sinhalese fear of Tamil domination is the principal reason behind the conflict; Tamil youth who lost faith in non-violence organised themselves into the Liberation Tigers, seeking a sovereign Eelam.
- The earliest attempt at settlement was the **1953 Nehru-Kotelawala agreement**; Tamils alleged it was not implemented sincerely and many became ‘stateless persons’. The 1956 language disturbances aggravated tensions, and the 1983 violence was described as an ‘**ethnic explosion**’.
- India continues to favour a peaceful solution within the framework of Sri Lanka's sovereignty and territorial integrity, through negotiation and without outside interference, and welcomes devolution to areas largely inhabited by the Tamil minority.

## 25 The Chinese angle — why Beijing gained ground

- China follows a policy of non-interference, in contrast to Indian diplomacy dubbed arrogant and meddlesome. Indian assistance is viewed with scepticism, Chinese assistance as a positive balancer. China's unconditional support at the UNHRC and its ability to shield Colombo from Western pressure on human rights, accountability and reconciliation work in its favour.

“China has managed to project itself as a disinterested neighbour and a remarkably attractive alternative to big brother India.” — **Kanti Bajpai**

- A former Foreign Minister of Sri Lanka has said that “China has never tried to dominate, undermine or destabilise Sri Lanka and has come to rescue with timely assistance on several occasions when Sri Lanka’s security and territorial integrity was threatened”.
- **Reciprocity** — Sri Lanka follows a one-China policy on Taiwan and Tibet and, despite being a Buddhist state, denied the Dalai Lama a visa. **Mahinda Rajapaksa** in May 2014: “I assure you that our policies towards China have never changed and won’t change.”
- India’s own record contributed — the IPKF and insistence on a political solution reinforced the ‘big brother’ image; India’s partnership with the United States is read as a device for continued dominance; India did not sell weapons during Eelam War IV and China filled the gap.
- **Initially Sri Lanka offered Hambantota to India, and India’s response was lukewarm**; the offer then went to China. Sri Lanka also offered **Trincomalee** and **Batticaloa**; bureaucratic apathy meant India could not develop them. India’s **delivery deficit** pushed Colombo towards Beijing.
- India makes investment conditional on policy reform, competitive bidding, transparency and human rights; China does not. Chinese bidders are mostly state-owned and backed by state financial institutions, prioritising strategic advantage, diplomatic mileage and goodwill over profit. Domestic compulsions constrain India — Tamil Nadu politics is always a factor.

### Extent of the footprint

- **Hambantota port** is a pearl in the “string of pearls”, located at the southern extremity overlooking South Asia’s vital sea lanes. Colombo’s assurance that it will remain civilian and under Sri Lankan control finds no takers in New Delhi.
- China is building the **Colombo international container terminal**, a **17-km elevated highway** in Colombo, and the **Colombo Port City Project**; a Chinese firm won a contract for energy projects on three islands off the northern **Jaffna peninsula**, close to Rameswaram. China has become the largest investor with funding and investment of nearly **\$15 billion**; Sri Lanka endorsed the Belt and Road Initiative.
- **Debt, investment and trade** — China has been the second-largest foreign lender over the last decade and a half, financing the Colombo–Katunayake expressway, Hambantota port and Mattala Airport; the largest foreign investor during 2010–20; and now the top import partner, surpassing India. In 2020 Chinese imports fell 8% under Sri Lanka’s import restrictions while Indian imports fell about 19%.
- **Comparison** — India has never been a major lender and cannot lend on China’s scale; running a trade deficit above \$100 billion, its support rests largely on export credits, and Indian FDI has been small. Trade is the strongest leg: only 10–20% of Indian exports are routed through the ISFTA, and China overtook India as the largest exporter without any FTA. Sri Lanka’s exports to China were 2.3% of its total in 2020 against 6.1% to India, so it relies more on India as an export market. In ships, boats and floating structures, China’s share of Sri Lankan imports rose from 1% in 2007 to **96% in 2017**, against India’s under 1% — a clear sector for India to build capability.
- Sri Lanka states three pillars of its ‘non-alignment’ — strategic security priority to India; a posture of neutrality with global powers; and equidistance from the declining West, a rising India and China. Despite reiterating ‘**India first**’, there is a perceived tilt.
- Closeness to China slowed Indian and Japanese projects, including the Japanese-funded light rail, and Sri Lanka ‘unilaterally’ pulled out of the **2019 tripartite agreement** on the East Coast container terminal. There are reports of a Chinese hand behind anti-India sentiment around Indian projects.
- **R.P. Rajagopalan** — much like in the Maldives, **China’s interests in Sri Lanka are more strategic than economic**; India-China competition there will continue to grow and India will find it difficult to match Chinese pockets. Unless India does more for its neighbours and enlists other partners, China will remain a significant strategic challenge.

**UPSC 2024 · 10m** Despite deep ties, India’s relations with Sri Lanka have seen strains due to China’s growing influence in Sri Lanka through investments and economic dominance. Analyse.

## 26 The 2022 economic crisis and India’s response

- From April 2019 Sri Lanka underwent its worst economic crisis since independence — unprecedented inflation, near-depletion of foreign exchange reserves, shortages of medical supplies and rising prices of necessities. Total debt stood at **\$64 billion**, with almost **95%** of government revenue going to debt repayment.
- **Causes** — the pandemic’s impact on tourism, a high debt burden, mismanagement of funds and governance failures. Between 2009 and 2018 the trade deficit grew from \$5 billion to \$12 billion; tax cuts, interest rate changes and a ban on fertiliser and pesticide imports worsened matters, and a credit rating downgrade closed off international markets. A political crisis followed — violent clashes, resignations, emergency declarations and restrictions on social media.

### How India helped

- Supply of essentials from January 2022; monetary support of over **USD 1.4 billion** — a USD 400 million currency swap, USD 500 million loan deferment and a USD 500 million line of credit for fuel imports, with discussions on a further USD 1 billion package.
- In all, over **\$3.5 billion** in financial assistance, including a \$500 million oil line of credit and a \$1 billion credit line for essential commodities and food; medicines worth around \$6 million and nearly **40,000 tonnes** of rice, milk powder and kerosene.
- **C. Raja Mohan** — Delhi’s unstinting material and financial support during the crisis generated much goodwill and offers a major opportunity to reframe ties with Colombo. The visits of the Nepali and Sri Lankan leaders showed strong commitments to deeper economic integration with India, and deep-seated political resistance to commercial partnership with India is shifting.
- India was earlier complacent about China’s economic presence and now offers competition through a bouquet of regional infrastructure projects, working with like-minded partners to present credible alternatives to neighbours who had seen Beijing as the only game in town.

## Implications for India, and mitigation

- Sri Lanka's trade with China surpasses its trade with India, affecting Indian trade interests; Chinese investments have been criticised for opacity and strategic consequence.
- Disruption at Colombo Port would affect India's container traffic and exports; Indian investments in real estate, manufacturing and petroleum refining could suffer. Around 75% of Colombo port's transshipment business is linked to India. A refugee influx into India would raise security and political concerns.
- As a major creditor, India can offer debt relief, a repayment moratorium or restructuring, which would also blunt Chinese influence. Strengthening trade through the FTA promotes stability; over the longer term India should help Sri Lanka reduce dependence on China and integrate better into the global economy.

## 27 Sri Lanka after 2024 — the Dissanayake reset and its limits

- **Why the reset was doubted** — Sri Lanka elected **Anura Kumara Disanayake**, whose Marxist party had long opposed Indian influence. The **Janatha Vimukthi Peramuna** began as an anti-Indian, Sinhala-nationalist force and led two insurrections, the second against the IPKF; its rise raised doubts about Colombo's tilt.
- **The ORF reading** — **Harsh V. Pant** and **Aditya G. Shivamurthy** argued that pragmatism would prevail and that Colombo would keep balancing between India and China.
- **December 2024** — Disanayake's first foreign trip, **15–17 December**, with Delhi talks on the 16th and a joint statement, *Fostering Partnerships for a Shared Future*. Both sides agreed to give "primacy to each other's security concerns", and Colombo reaffirmed that its territory would not be used against India.
- **What India put on the table** — **USD 4 billion** in crisis support, co-chairmanship of the **Official Creditors' Committee**, and conversion of some credit-line loans into grants.
- **April 2025** — the Colombo visit of **4–6 April**: the **first-ever India–Sri Lanka defence-cooperation MoU** and seven agreements exchanged; an **India–UAE–Sri Lanka** pact to build **Trincomalee** as an energy hub; the **120 MW Sampur solar project** launched; and the conferment of the **Mithra Vibhushana**.
- **The limits, a year on** — **Aditya G. Shivamurthy** noted a weakening government: an opposition regaining ground, cancelled energy projects, and criticism of the very defence MoU.
- **Cyclone Ditwah** — struck in late **November 2025**; over **640 deaths** and more than **three million** people affected. India launched **Operation Sagar Bandhu** on **28 November** and on **23 December 2025** offered a **USD 450 million** package (USD 350m credit, USD 100m grant). The disaster cut Colombo's bargaining room and pulled China back in with a fresh highway loan, even as the Indian package deepened the reset.

## Maritime and fisheries irritants

- The one-year ban on foreign "**research vessels**" — of the *Yuan Wang 5* and *Shi Yan 6* type — ended; a **case-by-case Standard Operating Procedure** replaced it.
- **Katchatheevu**, ceded under the 1974 accord, resurfaced in India's **2024 election**; **178 Indian fishermen and 23 trawlers** were detained in 2024.

"Recognizing shared security interests of India and Sri Lanka, both leaders acknowledged the importance of regular dialogue based on mutual trust and transparency and giving primacy to each other's security concerns... President Disanayaka reiterated Sri Lanka's stated position of not permitting its territory to be used in any manner inimical to the security of India." — **India–Sri Lanka Joint Statement, MEA / PIB, 16 December 2024, para 21**

"Sri Lanka will always find India by its side." — **Prime Minister Narendra Modi, letter to President Disanayake on Cyclone Ditwah relief, December 2025**

## 28 Sri Lanka — theory, scholars, policy

| Realism Liberalism Constructivism |                                                                                                                             |  |
|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------|--|
| Lens                              | What it explains                                                                                                            |  |
| Realism                           | India's security concerns and its interest in safeguarding strategic position in the Indian Ocean against China's presence. |  |
| Liberalism                        | Cooperative engagement through economic interdependence, trade and multilateral cooperation.                                |  |
| Constructivism                    | Historical and cultural ties shape diplomatic identity and mutual perception.                                               |  |

## Policy suggestions for India

- To meet Indian apprehensions on Hambantota, Colombo has tried to confine China to commercial management, with security under Sri Lankan oversight.
- The **civil nuclear cooperation** agreement is Sri Lanka's first with any country; India is making forays into infrastructure in the Northern and Eastern provinces, with **Trincomalee Port** planned as a counterweight to Hambantota.
- **V. Suryanarayan** — India should refrain from the cynicism and opportunism of China's approach. Developments in Sri Lanka are not purely domestic, since they have repercussions in Tamil Nadu. The effectiveness of Indian diplomacy lies not in imposing solutions but in how quickly New Delhi can convince Colombo to devolve significant powers to Tamil regions, allowing Tamils to keep their identity while being proud Sri Lankans. Full bilateral potential — economic, political, cultural, educational — can be reached only after ethnic reconciliation.
- **Palk Bay as common heritage** — a **Palk Bay Authority** with members from both countries, including experts in fisheries and marine ecology and representatives of fishing communities; the Government of Tamil Nadu, the Northern Province government and the fishermen themselves must be involved.

- **Vijay Sappani** — India is a far stronger partner than China in education, healthcare and tourism. Under the **Indian Technical and Economic Cooperation Scheme and the Colombo Plan**, Sri Lankan nationals can use 400 slots for short and medium-term training. India can establish an Indian Institute of Technology, expand centres like the **Sri Lanka–India Centre for English Language Training (SLICELT)** in Kandy, and create jobs by expanding its IT presence.
- **Gautam Sen** — continue a high quantum of assistance for rehabilitation of the war-ravaged north, organised with oversight of Indian representatives so benefits reach local inhabitants, while avoiding pressure on devolution beyond a point.
- **N. Manoharan** — India must bring its full weight to bear to secure a meaningful devolution package going beyond the present Thirteenth Amendment framework, with a suitable reconciliation method to build bridges among communities. The fishermen issue must be de-politicised by the provincial governments — solutions lie not in electoral politics but in statesmanlike handling, and the waters are better seen as common heritage than contested territory. On China, India must know its strengths and weaknesses, take an edge in whichever fields it can — resettlement, tourism, cultural exchange, trade — and consciously build constituencies in the neighbourhood.
- **CEPA** should be signed; counter-terrorism training and maritime cooperation, including joint naval patrolling, control of smuggling and piracy, and stronger communication networks, should be deepened.
- **C. Raja Mohan** — recent developments in Sri Lanka, Nepal and Pakistan underline the geographic imperative binding India to the subcontinent; aligning with geographic reality has become inevitable amid escalating regional and global crises.

## D India & the Maldives

### 29 The Maldives — why the archipelago counts

- Per the **Ministry of External Affairs**, India and the Maldives share ethnic, linguistic, cultural, religious and commercial links steeped in antiquity. India was among the first to recognise the Maldives after its independence in **1965** and to establish diplomatic relations; the Indian mission at Malé was established in **1972**.
- Located barely **70 nautical miles** from Minicoy, the archipelago of 1,200 coral islands lies alongside the main shipping lanes, vital for India's maritime security and its wider Indian Ocean strategy.
- **Rajiv Sikri** — the Maldives developed a unique national identity through the interplay of influences from India, Sri Lanka and the Persian and Arab world.
- Relations ebb and surge mainly because of Maldivian *domestic factors*, especially the nature of the state. By declaring Islam the state religion and forbidding citizens from practising any other faith, the **1997 constitution** works as a breeding ground for an intolerant theocratic society; the policies of former President **Maumoon Abdul Gayoom**, who used religion for political ends, produced a fundamentalist society.
- Going by the **levels of analysis**, it is the *domestic politics* of the Maldives that is the dominant factor in its foreign policy decision-making.

*"The strength of the Maldives-India diplomatic relationship has ebbed and flowed based on the ruling party or coalition in power in Malé. For years now, India has been the dominant regional power by virtue of its being the most powerful in the subregion and, more recently, by its Neighborhood First policy."*

— **Rasheeda M. Didi**

#### India's strategic interests

- **Shayesta N. Ahmed** — India is a resident power in the Indian Ocean and aspires to be a **net security provider** to its immediate maritime neighbourhood. The **SAGAR** policy advocates "a safe, secure and stable Indian Ocean Region", and the Maldives is an important pillar of India's maritime agenda in the Indo-Pacific.
- The location ensures uninterrupted flow of energy supplies to China, Japan and India; anti-piracy operations have raised its significance further. India formulated the **Indian Ocean Naval Symposium (IONS)** as a forum for littoral navies to work towards interoperability.
- **C. Raja Mohan** — proximity to Lakshadweep and to major sea lines of communication makes the Maldives a strategic **"toll gate"**; **50% of India's trade and 80% of its energy imports** pass through these routes, so instability there would undermine India's regional influence and energy security.
- **China's economic presence** is a major concern because Chinese investment always carries a strategic element; with the country said to owe **70% of its external aid** to China, many believe Yameen did to the Maldives what Rajapaksa did to Sri Lanka.
- A **2015 constitutional amendment** permitted freehold land ownership by foreigners; a Chinese company secured a 50-year lease on **Feydhoo Finolhu** near Malé for \$4 million. **Saudi Arabia** planned to invest \$10 billion in acquiring **Faafu**, 19 low-lying islands 120 km south of Malé; seen against the growing footprint of radical Islam, increasing Chinese-Saudi defence cooperation is worrying for Indian planners.
- During Yameen's tenure radicalisation increased rapidly, with the archipelago reportedly having one of the highest per capita numbers of foreign fighters in Syria. The Maldives has a huge **EEZ** but lacks defence and surveillance capacity, which is where India can act as net security provider.
- **M.K. Bhadrakumar** — a permanent solution is needed; the Maldives is like a floating butterfly, but it stings like a bee quite often at our navel. In these postmodern times the fizz has gone out of the regime-change formula, and India's foreign and security establishment should come up with something ingenious — he suggests something like the Diego Garcia formula.

### 30 Chronology — 1965 to the present

| Year       | Marker                                                                                                           |
|------------|------------------------------------------------------------------------------------------------------------------|
| 1965       | India among the first to recognise and establish relations.                                                      |
| 1976       | Maritime boundary agreement.                                                                                     |
| 1981       | Comprehensive trade agreement providing for export of essential commodities.                                     |
| 1988 (Dec) | <b>Operation Cactus</b> foils a coup attempt in Malé by a guerrilla outfit from Sri Lanka.                       |
| 2004       | Relief and supplies after the tsunami; the Maldives opens its High Commission in India, its fourth in the world. |

|            |                                                                                                                                                                                                                                                |
|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2007       | Assistance against the security threat from LTTE cadres.                                                                                                                                                                                       |
| 2008       | Transition to multiparty democracy; <b>Mohammed Nasheed</b> becomes the first democratic president.                                                                                                                                            |
| 2009       | Naval help at Maldivian request; <b>defence cooperation agreement</b> — India to install <b>26 radars</b> on all atolls for seamless coverage, linked to the Indian coastal command, with joint patrolling and surveillance.                   |
| 2013       | President Nasheed resigns and takes shelter in the Indian Embassy; <b>Abdulla Yameen</b> assumes office and terminates the contract of the Indian company <b>GMR</b> to build Malé airport.                                                    |
| 2014       | Yameen visits India in January; relations begin to improve. In December India sends water supplies during the Malé water crisis.                                                                                                               |
| 2015       | The Prime Minister's visit cancelled due to political unrest; the External Affairs Minister visits, with growing alignment between India's <b>Neighbourhood First</b> and the Maldives' <b>India First</b> policies.                           |
| 2016       | The Maldivian President visits India; a <b>Defence Action Plan</b> and pacts on tourism, taxation, conservation and the SAARC satellite are signed.                                                                                            |
| 2017 (Dec) | The Maldives signs an <b>FTA with China</b> .                                                                                                                                                                                                  |
| 2018 (Feb) | Proclamation of emergency by President Yameen; Supreme Court judges arrested.                                                                                                                                                                  |
| 2018       | <b>Ibrahim Mohamed Solih</b> becomes President, championing " <b>India First</b> "; the opposition, including Yameen, runs an " <b>India Out</b> " campaign. The Prime Minister visits in September; President Solih visits India in December. |
| 2020       | COVID-19 assistance; the Maldives signs a defence agreement with the United States, becoming the only country besides India to have one, which India welcomes.                                                                                 |
| 2023 (Sep) | Ibrahim Solih loses to <b>Mohamed Muizzu</b> , who campaigned on "India Out".                                                                                                                                                                  |
| 2023 (Dec) | Meeting with President Muizzu on the sidelines of COP28 in the UAE; agreement to set up a "core group".                                                                                                                                        |
| 2024 (Jan) | Three Maldivian officials mock the Indian Prime Minister's Lakshadweep photographs on social media, souring relations.                                                                                                                         |
| 2024 (May) | About <b>80 Indian military personnel</b> withdrawn, replaced by civilians.                                                                                                                                                                    |
| 2024 (Oct) | <b>Vision Document</b> adopted; twin currency swap of USD 400 million and INR 30 billion; <b>RuPay</b> launched.                                                                                                                               |
| 2025 (Jul) | Malé visit of 25–26 July; a <b>USD 565 million</b> line of credit, India's first in rupees; debt repayments cut about 40 per cent; FTA talks begin; <b>UPI</b> launched.                                                                       |

### 31 The regime swing — why Malé politics is the variable



- **Maumoon Abdul Gayoom** was President from 1978 to 2008. In December 1988 India thwarted a coup in Malé orchestrated by a guerrilla outfit from Sri Lanka.
- **Mohammed Nasheed** succeeded through democratic elections in 2008, which India welcomed. Relations turned down when he resigned in February 2013 and sought shelter in the Indian Embassy; he was defeated in the November 2013 elections and later convicted in a sedition case and sentenced to 13 years in 2015.
- **Abdulla Yameen** assumed office in November 2013. Within two months relations nosedived when his government terminated the **USD 800 million GMR contract** for Malé airport, alleging irregularity. He visited India in January 2014 and paid a state visit in April 2016, when several agreements including the **Indo-Maldivian Action Plan for Defence** were signed and he described the Maldives as pursuing an "India First" foreign policy — a statement that came just after India shielded his government from punitive action by the Commonwealth's human rights and democracy oversight body.
- In **December 2017** the Maldives finalised an FTA with China, becoming the second South Asian country after Pakistan to do so. Its swift approval in a session lasting barely half an hour was read in India as a signal of closer alignment with Beijing. In **February 2018** Yameen declared a **State of Emergency** after a Supreme Court ruling overturned convictions of nine opposition leaders; it lasted 45 days.
- **Ibrahim Mohamed Solih** became President in 2018 and championed "India First", improving relations. India announced **US\$4 billion** in financial assistance in 2018, an **USD 800 million** line of credit in 2019, and a visa facilitation agreement the same year. In August 2022 he reiterated "India First" and called India a "dependable ally to the Maldives, enduring challenges together."
- Relations soured under **Mohammed Waheed Hassan** and Yameen, both of whom favoured Beijing, though the decline should not be overstated — Yameen softened his rhetoric once in power. India's advocacy for the release of political prisoners and for the rule of law also created friction, and the Maldives refused to renew a contract for military helicopters.
- **Mohamed Muizzu**, a close associate of Yameen who oversaw most Chinese investments during his tenure, requested the withdrawal of **77 Indian military personnel** and announced a review of about 100 bilateral agreements. The Prime Minister did not attend his swearing-in, sending a Union Minister instead; Muizzu chose Turkey as his first destination, breaking the tradition of Maldivian presidents visiting India first.

### 32 Areas of cooperation

| Domain             | Content                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Economic           | The <b>1981 trade agreement</b> facilitates export of essential commodities. India rose from fourth position in 2018 to the Maldives' <b>second-largest trading partner</b> , with bilateral trade growing 31% in 2021 despite the pandemic; trade stood at <b>US\$ 323.9 million</b> in 2021, with the balance in India's favour. India provided <b>US\$ 250 million</b> in financial assistance in September 2020, and a <b>\$400 million</b> bilateral currency swap between the RBI and the Maldives Monetary Authority in 2019.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Development        | India helped establish the <b>Faculty of Engineering Technology</b> , the <b>Indira Gandhi Memorial Hospital</b> and the <b>Faculty of Hospitality and Tourism Studies</b> . A <b>US\$ 100 million</b> Stand-by Credit Facility including long-term loans and revolving credit for trade; a <b>US\$ 40 million</b> line of credit for 485 housing units; <b>US\$ 500 million</b> for the <b>Greater Malé Connectivity Project</b> , the largest civilian infrastructure project in the country; a <b>US\$ 100 million</b> line of credit in 2022; review of construction of 4,000 social housing units in Greater Malé. Other projects include training for Maldivian civil servants, cargo vessel services, capacity development for the <b>MNDF</b> , the <b>Gulhifalhu Port Project</b> and the <b>Hulhumalé Cricket Stadium</b> . A recent <b>USD 565 million</b> package supports connectivity and urban development; digital partnership includes <b>UPI integration</b> .                                                                             |
| Defence & security | Joint exercises " <b>Ekuverin</b> " and " <b>Dosti</b> ", the latter later expanded to include Sri Lanka. The <b>2009 defence cooperation agreement</b> provides for <b>26 radars</b> across the atolls linked to Indian coastal command, with joint patrolling and surveillance. India supplied a <b>Dhruv helicopter</b> , helped establish a <b>25-bed military hospital</b> , and supplied a <b>Dornier maritime surveillance</b> aircraft in 2020. India meets approximately <b>70%</b> of the MNDF's defence training needs. The comprehensive <b>Action Plan for Defence</b> of April 2016; the <b>Composite Training Centre</b> ; the <b>Coastal Radar Surveillance System</b> ; and the new Ministry of Defence headquarters. The <b>Uthuru Thila Falhu (UTF)</b> naval base development and Operation Cactus (1988) mark India as the primary security provider.                                                                                                                                                                                   |
| Climate & disaster | If sea level rise is triggered by global warming, the Maldives would be among the first countries to face submergence. At the <b>Delhi High-Level Conference on Climate Change and Technology Transfer</b> in October 2009, President Nasheed linked India's quest for a permanent UNSC seat with its role on climate change, describing climate change as a bigger threat than Islamic radicalism or piracy. In 2022 India signed two MoUs to help the Maldives achieve <b>net zero emissions</b> by 2030, including transmission interconnection for renewable power transfer under <b>One Sun, One World, One Grid (OSOWOG)</b> . India's response to the 2004 tsunami and the 2014 drinking water crisis cemented its position as <b>net security provider</b> and <b>first responder</b> . Customised training for the MNDF Fire and Rescue Service; a 14-member Rapid Response Medical team in March 2020; <b>Operation Sanjeevani</b> airlifted 6.2 tonnes of medical supplies on 2 April 2020; 100,000 Covishield vaccines supplied in January 2021. |
| People             | Around <b>25,000 Indians</b> live in the Maldives, working in sectors such as health and education; Maldivians rely heavily on India for healthcare, and the Indira Gandhi Memorial Hospital was built with Indian assistance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

### 33 Contestation — China, "India Out", radicalisation

#### Chinese presence

- China established relations in **1972**; from 1985 Chinese companies began project contracting, and by the end of 2001 the accumulated value of contracted projects was **\$46.37 million** with turnover touching \$40 million.
- 2013** was the watershed, when Abdulla Yameen and Xi Jinping both became presidents. With the **Belt and Road Initiative** and the **Maritime Silk Route**, the Maldives moved high on China's agenda, and Yameen used the 'China card' to seek concessions from India.
- The Maldives has become a significant component of China's "**String of Pearls**". The **China-Maldives Friendship Bridge** was funded with **\$200 million**; China has provided loans of **\$1.25 billion** for a new airport and a new port, pushing public debt towards nearly **75% of GDP** with almost **70%** of total debt owed to China.
- Chinese and Saudi investors are developing the **i-Havan** project, a special economic zone on an island not far from India; reports suggest another port on the southern atoll of **Laamu**. China opened its mission in Malé only in 2011, so the growth is remarkable.
- Shyam Saran** — China repeatedly forswears any intention of setting up bases but signalled its intention to maintain a naval presence by a highly visible first visit of three naval vessels to Malé in August 2017. China has often complained about India's hegemonic attitude in the Indian Ocean and is determined to demonstrate its assertion that the Indian Ocean is not India's ocean.

*"Select locations meticulously, make deployments discreetly, give priority to cooperative activities and penetrate gradually."* — a **Chinese Navy journal**, on the **Indian Ocean strategy**, in a 16-character guideline

- In 2018 there were indications that China intended to construct a **Joint Ocean Observation Station** at **Makunudhoo** in the northwest; the plan was put on hold. Speculation about a Chinese naval base has so far remained speculation.
- India is worried about the neocolonial character of Chinese investment — cheque-book and debt-trap diplomacy leading to economic crisis and political instability, as in Sri Lanka. According to former President Nasheed, the Maldives accumulated Chinese debt of nearly **\$3.1 billion** under Yameen.
- N. Manoharan** — the Maldives has emerged as an important "pearl" in the String of Pearls; given its location, Beijing has sought a maritime base primarily to secure its sea lanes and the flow of energy supplies from Africa and West Asia. **B.R. Deepak** — this is part of a broader sphere-of-influence struggle in South Asia.

## Political instability and anti-India politics

- Political turmoil since 2016 culminated in the declaration of emergency in 2018; the international community and India expressed concern about the effect on security, development and democratic rights.
- Regardless of which party is in opposition, there is a tendency to use anti-India protests to secure votes. The **“India Out”** campaign opposed New Delhi’s developmental funding and urged the government not to “sell national assets to foreigners”, and remained a focal point up to the September 2023 elections.
- Democratic institutions have weakened, and fragile democracies may become susceptible to radical ideologies.
- The two **Dhruv Advanced Light Helicopters** provided in 2010 and 2015, though used for search, rescue and weather surveillance, are portrayed by critics as evidence of an Indian military presence. Speculation surrounds the **UTF Harbour Project**, which some allege might be converted into an Indian naval base. The **new police academy** built with Indian support has drawn scepticism over its size; the dockyard and harbour under joint development for the MNDF Coast Guard have drawn concern that Indian technicians and advisers will undermine sovereignty. The opposition contends there has been insufficient transparency about the terms of agreements with India.
- The Solih government held that the “India Out” campaign was inimical to Maldivian interests, jeopardising relations and the aid the country receives; it signed a decree declaring the campaign a threat to national security.

## Terrorism and fundamentalism

- The rise of radical Islam is a serious concern, aggravated by the Maldives being an Islamic Republic. Many Maldivian students have been indoctrinated with **Salafi-Jihadi** ideology, and there is concern about Saudi Arabia’s role in radicalisation.
- The Maldives has recorded one of the highest per capita numbers of ISIS recruits, with more than **200** Maldivian youths having joined. Protests by Islamists bearing ISIS flags are frequent.
- Political instability and socio-economic uncertainty are the main drivers; the same forces are involved in anti-India activity. Developments in West Asia and the Af-Pak region have also influenced radicalisation, and growing radicalisation could allow Pakistan to establish terror launch pads. **Harsh V. Pant** and **C. Raja Mohan** warn that these developments require vigilant monitoring and cooperation.

## 34 Internal contradictions in the Maldives

- The constitution prevents non-Sunnis from obtaining citizenship and declares Islam the state religion, making the Maldives a **non-secular state**.
- An emerging civil society and a history of patronage produce an unstable polity and a frustrated citizenry.
- Rising drug abuse and religious fundamentalist tendencies fuelled by Saudi-based Salafi funding.
- A skewed labour market and escalating inequality in an economy heavily reliant on external factors.

## 35 The Maldives after 2024 — from “India Out” to recalibration

- **The withdrawal, on schedule** — India withdrew about **80 military personnel by May 2024**, replaced by civilians. Delhi read the moment carefully, keeping food exports flowing and rolling over treasury bills while the troops left.
- **What changed the calculus** — a severe economic squeeze: reserves fell close to default levels and public debt neared **116 per cent of output**.
- **October 2024** — a **Vision Document** adopted; a twin currency swap of **USD 400 million and INR 30 billion**; the **RuPay** card launched.
- **July 2025** — the Malé visit of **25–26 July**: a **USD 565 million** (Rs 4,850 crore) line of credit, **India’s first denominated in Indian rupees**. An amendatory pact cut annual debt repayments by about **40 per cent**, from nearly USD 51 million to about USD 29 million; **FTA talks** began and **UPI** launched.
- **Gulbin Sultana** — writing for the Manohar Parrikar Institute for Defence Studies and Analyses, **Gulbin Sultana** reads Muizzu’s turn as a shift from an **“India first”** to a **“Maldives first”** policy aimed at cutting dependence, with early outreach to Turkey and China. She concludes that the recalibration “should not be seen as a zero-sum game for India”, though it is no return to the old ‘India first’ line either.

“This is the first LOC extended to the Maldives that is denominated in Indian rupees... the annual debt repayment obligations of the Maldives will reduce by a sharp 40 per cent, from nearly US\$51 million annually to about US\$29 million.” — **Foreign Secretary Vikram Misri**, MEA Special Briefing, Malé, 25 July 2025

“India is Maldives’ closest neighbour. Maldives holds an important place in India’s ‘Neighbourhood First’ policy and ‘MAHASAGAR’ vision.” — **Prime Minister Narendra Modi**, joint press statement, Malé, 25 July 2025

## 36 Maldives — theory, scholars, policy

| Realism   Liberalism   Constructivism |                                                                                                                                          |  |
|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|--|
| Lens                                  | What it explains                                                                                                                         |  |
| Realism                               | Power dynamics and security concerns; India seeking regional stability and secure maritime routes against Chinese influence.             |  |
| Liberalism                            | Cooperation based on shared economic interests and the pursuit of regional prosperity through trade, energy security and infrastructure. |  |
| Constructivism                        | Cultural and identity-based ties; shared religious values, ethnic connections and historical exchanges shaping mutual perception.        |  |

## The intervention debate — four positions

| Scholar         | Position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Kanwal Sibal    | India should not get into the business of regime change even if it seems to serve strategic interest; deep Chinese investment will itself force China to ensure political stability even if India stays out.                                                                                                                                                                                                                                                                                                                                                                                    |
| Nitin Pai       | Regrets India's disinclination to protect its core interests forcefully. During 2017-18 the case for hard intervention was so strong, the international context so conducive and the military equation so favourable that the question was: if not now, when? Should India wait for construction of a foreign naval base at Feydhoo Finolhu before deciding to intervene? He urges India to shed the <i>Panipat approach</i> , which will only become costlier, citing the United States, which spends heavily on global military presence because that is cheaper than damage to the homeland. |
| Shyam Saran     | India should have responded in 2012 to Nasheed's appeal when he was forced to resign under duress, paving the way for Yameen's seizure of power; Nasheed was the constitutionally elected head of state and intervention to prevent the coup would have been justified.                                                                                                                                                                                                                                                                                                                         |
| The middle view | There are occasions when safeguarding Indian interests requires swift action despite risk; a wait-and-watch approach can undermine interests through relentless attrition. India has maintained primacy largely through soft power — funding hospitals and educational institutions, offering scholarships and training.                                                                                                                                                                                                                                                                        |

## Policy suggestions for India

- The tussle between two aspiring regional hegemonies is clear. India has consistently favoured the Maldives; Maldivian behaviour has varied with the regime in power, though Malé is aware it cannot ignore India because of proximity and the multidimensional nature of the relationship.
- To challenge Chinese gains, India must complete infrastructure projects on time, collaborate with like-minded countries such as Japan on connectivity while maintaining strategic autonomy and not becoming a junior partner to the United States, and strengthen the **QUAD**. Use **soft power**, especially the diaspora — films, music and people-to-people contact.
- Anand Kumar** — the Maldives faces an existential threat from **climate change**, repeatedly highlighted by its leaders, and cannot deal with it alone. India faces similar challenges and is well placed to cooperate; collaboration on climate change can serve as a foundation for a comprehensive and strategic partnership.
- Economic cooperation** — bilateral trade is at a very low level and there is no **FTA**; one should be signed in earnest.
- Domestic politics** — India must mend ties with both mainstream parties so that anti-India feeling does not become a vote-gathering campaign. **C. Raja Mohan**: "India's proximity comes with its problems — close neighbours often have multiple disputes while a distant power can take a more strategic view of the relationship." The rivalry between Asia's major powers in the Maldives and Sri Lanka has become intertwined with domestic politics, with factions seeking support from either India or China.
- Deeper engagement with political sensitivity** — **Dunya Maumoon** and **Shyam Saran** recommend outreach to all Maldivian stakeholders with sensitivity to sovereignty concerns.
- Diversify cooperation** into fintech, green technologies, cultural exchange and education; **climate and health diplomacy** through initiatives such as **Aarogya Maitri** and joint research; **people-centric outreach** through tourism, student exchange and employment to insulate the relationship from political fluctuation.
- Regional cooperation** — the **Colombo Security Conclave**, agreed by India, Sri Lanka and the Maldives in November 2020, identified four pillars: **Maritime Safety and Security**; **Terrorism and Radicalization**; **Trafficking and Organized Crime**; and **Cyber Security**. Use of the Indian Ocean Rim Association and the Indian Ocean Naval Symposium should be deepened, while SAARC remains hindered by India-Pakistan tension.
- India is presently engaged in **45 infrastructure projects** across the Maldives compared with one by China, ranging from water and sanitation to airport extension and connectivity. Foreign Minister **Abdulla Shahid's** election as President of the UN General Assembly, which India was the first to endorse, offers an opportunity to deepen cooperation on strengthening multilateralism.
- Practical steps** — smaller-scale projects in the atolls; study of a **Blue Economy** model for sustainable coastal development; encouragement of small-scale industry and Indian investment through small grant projects; expansion of skill development institutions in the atolls including English language and vocational training; decentralisation of healthcare beyond Malé; consultation with communities and institutions such as the Asian Development Bank; and monitoring and evaluation of existing projects.
- C. Raja Mohan** — India's success will depend on its ability to be "**an indispensable partner**", sensitive to local realities while safeguarding its own national interests. **S. Jaishankar** places the relationship squarely within 'Neighbourhood First'; **Fazlur Rahman** notes that Indian engagement transcends security to include economic development, infrastructure and energy. India should make the Maldives understand the assurance that New Delhi has been and will continue to be the "**first responder**" to any need or crisis facing the island nation.

## E Debates

### 37 The regional debate — hedging, the debt trap, Neighbourhood First

Small-state hedging

Buffer-state theory

Neorealism

#### Small-state hedging

- Cheng-Chwee Kuik** developed the framework for smaller states caught between great powers; the balancing logic is applied to this neighbourhood by **Aditya G. Shivamurthy** on Sri Lanka's course and by **Nilanthi Samaranayake** on island-state agency in the Indian Ocean.

"I define hedging as insurance-seeking behavior under situations of high uncertainty and high stakes, where a rational state avoids taking sides and pursues opposite measures vis-à-vis competing powers to have a fallback position." — **Cheng-Chwee Kuik**, 'Getting Hedging Right: A Small-State Perspective', *China International Strategy Review*, 2021, p. 300

## The debt-trap thesis and its rebuttal

### Hambantota — strategic seizure, or a domestic failure?

#### The thesis

Hambantota as strategic seizure — **Brahma Chellaney**, and the 'String of Pearls' reading

#### The rebuttal

A Rajapaksa 'white elephant' — **Lee Jones** and **Shahar Hameiri**; a commercial lease, not a seizure



**Nilanthi Samaranyake and colleagues** — small-state agency is real, but it shrinks as great-power competition intensifies

- **The thesis in practice** — **N. Sathiya Moorthy** treats the research-vessels question as a test of exactly this anxiety.
- **The evidence against** — **Lee Jones** and **Shahar Hameiri** show that Sri Lanka's debt crisis came mainly from **Western-market borrowing**, and that the port now hosts Sri Lanka's own **southern naval command**.

"The Hambantota Port case shows little evidence of Chinese strategy, but lots of evidence for poor governance on the recipient side." — **Shahar Hameiri**, 'Debunking the Myth of China's Debt-trap Diplomacy', *Lowy Institute*, 9 Sep 2020

"The story of Hambantota Port is, in reality, a narrative of political and economic incompetence, facilitated by lax governance and inadequate risk management on both sides." — **Lee Jones & Shahar Hameiri**, *Debunking the Myth of 'Debt-trap Diplomacy'*, *Chatham House*, Aug 2020

## Neighbourhood First — adaptation or structural strain?

| Reading                                                                         | Case                                                                                                                                                                                                                                                                                |
|---------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Adaptation</b><br>Official statements; analysts at ORF and MP-IDSA           | The policy adapted and turned each reset into deeper cooperation, retaining India's primacy — the December 2024 statement, the first defence MoU, the rupee line of credit and the 40 per cent debt cut, and the Ditwah response.                                                   |
| <b>Structural strain</b><br><b>Constantino Xavier</b> , then at Brookings India | The region is poorly connected and the India–Nepal border is open "mostly on paper"; India must move from a " <b>right of first refusal</b> " to a " <b>capacity of first delivery</b> ". There are no permanent pro-India factions, only leaders balancing several powers at once. |

"India is actually doing more than ever, but it is the neighbourhood that is losing India. It is the countries of South Asia that are moving on, escaping the traditional region called South Asia with India as its gravitational core." — **Constantino Xavier**, *interview in Scroll.in*, 22 August 2020

- **Where the record lands** — the 2024–2026 evidence supports both readings: the island resets held and even deepened after Ditwah, yet Nepal's nationalist turn and China's steady economic presence mark the limits of Indian influence. India frames its own conduct through **Neighbourhood First** and the maritime vision now called **MAHASAGAR**.

## 38 Power quotes

"India's relations with Nepal are shaped as much by geography as by history and sentiment." — **Shivshankar Menon**

"From time immemorial, the Himalayas have provided us with a magnificent frontier ... we cannot allow anything to go wrong in Nepal or permit that barrier to be crossed or weakened as that would also be a risk to our security." — **Jawaharlal Nehru**, December 1950

"Nepal often plays the China card to bargain better terms with India." — **S.D. Muni**

"Nepal is not just a neighbour but a natural ally." — **Shyam Saran**

India must move beyond being a "big brother" and be "big and a brother". — **Kanak Mani Dixit**

'Indians have taken Nepal too much for granted. India's approach towards Nepal has been dismissive and neglectful.' — **Rajiv Sikri**

"No two countries in the world understand each other so well or share so much as India and Bhutan." — **PM Modi**

"Every other nation is a friend to Sri Lanka, but India is a relative." — **Mahinda Rajapaksa**

"China has managed to project itself as a disinterested neighbour and a remarkably attractive alternative to big brother India." — **Kanti Bajpai**

"Select locations meticulously, make deployments discreetly, give priority to cooperative activities and penetrate gradually." — a **Chinese Navy journal**, on the **Indian Ocean strategy**

“Sri Lanka will continue to balance between India and China.” — Harsh V. Pant & Aditya G. Shivamurthy, ORF / Hindustan Times, 30 Sep 2024

“India is actually doing more than ever, but it is the neighbourhood that is losing India.” — Constantino Xavier, Scroll.in, 22 August 2020

“The Hambantota Port case shows little evidence of Chinese strategy, but lots of evidence for poor governance on the recipient side.” — Shahar Hameiri, Lowy Institute, 9 Sep 2020

“India’s proximity comes with its problems — close neighbours often have multiple disputes while a distant power can take a more strategic view of the relationship.” — C. Raja Mohan

### 39 Scholar index

A. Bhattacharya · Abhijnan Rej · Aditya Adhikari · Aditya G. Shivamurthy · Akhilesh Upadhyay · Ambika Vishwanath · Anand Kumar · Anil Sigdel · Arun Kumar Sahu · Arvind Gupta · Ashok Sajjanhar · B.R. Deepak · Baral · Brahma Chellaney · C. Raja Mohan · Cheng-Chwee Kuik · Constantino Xavier · David M. Malone · David Scott · Deb Mukherji · Dunya Maumoon · Eswaran Sridharan · Fazlur Rahman · Gautam Sen · Gulbin Sultana · Gyawali · Harsh V. Pant · Jayadeva Ranade · John Chay · K.M. Panikkar · K.P.S. Nair · Kanak Mani Dixit · Kanti Bajpai · Kanwal Sibal · Kautilya · Lee Jones · M.F. Elman · M.G. Partem · M.K. Bhadrakumar · M.K. Narayanan · Manjari Chatterjee Miller · Medha Bisht · N. Manoharan · N. Sathya Moorthy · Nihar R. Nayak · Nilanthi Samaranyake · Nitin Pai · Phunchok Stobdan · Prashant Jha · R.P. Rajagopalan · Rajiv Sikri · Ramvir Gorla · Ranjit Rae · Rasheeda M. Didi · Reetika Sharma · Rudra Chaudhuri · S.D. Muni · Satish Kumar · Shahar Hameiri · Shashi Tharoor · Shayesta N. Ahmed · Shivshankar Menon · Shrestha · Shyam Saran · Suhasini Haidar · Thomas Ross · Tuhina Sarkar · V. Suryanarayan · Vijay Sappani · Vivek Mishra

### 40 How UPSC asks it — the question map

| Theme                                                                   | Year & marks |
|-------------------------------------------------------------------------|--------------|
| India–Bhutan: the 1949 Treaty and the case for revision                 | 2017 / 10m   |
| India–Nepal: the new Nepalese map and the boundary dispute              | 2020 / 10m   |
| Cross-border terrorism and peace and security in South Asia             | 2020 / 10m   |
| India–China standoff at the LAC — defence and foreign policy response   | 2020 / 20m   |
| Illegal cross-border migration in India’s north-eastern region          | 2022 / 15m   |
| India–Sri Lanka: strains from China’s investment and economic dominance | 2024 / 10m   |
| India–China–Nepal: trilateral economic engagement                       | 2025 / 15m   |

### 41 Today’s practice — write before the evening

1. “The Treaty of Perpetual Peace and Friendship between India and Bhutan needs to be revised with more pragmatic, realistic obligations and responsibilities.” Comment. (UPSC 2017, 10m)
2. Discuss the potential role India can play in initiating a possible phase of trilateral economic engagement among India, China and Nepal. (UPSC 2025, 15m)
3. Despite deep ties, India’s relations with Sri Lanka have seen strains due to China’s growing influence in Sri Lanka through investments and economic dominance. Analyse. (UPSC 2024, 10m)

**Model answers** go up tonight on [@psirbyamitpratap](#). Write yours first. *Don’t break the chain.*

See you tomorrow with Day 43 — India & South Asia, Part 3: SAARC, BIMSTEC & regional cooperation.