

GEOPOLITICAL DIMENSIONS OF LAND-LOCKED STATES : A STUDY OF HIMALAYAN KINGDOMS

**Dissertation submitted to the Jawaharlal Nehru University
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award of the Degree of
MASTER OF PHILOSOPHY**

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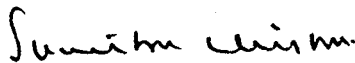
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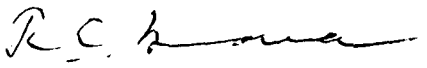
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30 MAY 1991

TO WHOMSOEVER IT MAY CONCERN

Certified that the dissertation entitled
"Geo-Political Dimensions of Land-Locked States: A
Study of Himalayan Kingdoms" submitted by Ms Purba Das
in fulfilment of nine credits out of total requirements
of twenty four credits for the award of Degree of
Master of Philosophy (M.Phil) of this University, is
her original work and may be placed before the examiners
for evaluation. This Dissertation has not been submitted
for the award of any other degree of this University or
of any other university to the best of our knowledge.


Prof. Sumitra Chishti
Chairperson


Prof. R.C. Sharma
Supervisor

P R E F A C E

In the present study an effort has been made to analyse the geopolitical dimensions of land-locked states. The study is concentrating on Himalayan Kingdoms, Nepal and Bhutan. These Kingdoms are buffer between two powerful countries. Skirting more than five hundred miles along the Gangetic plains, Nepal and Bhutan could be described as India's northern gateway. Nepalese northern border lies more or less along the Himalayan watershed, which is of vital importance for India's security.

Economically most of the land-locked states are very poor. Due to land-locked situation Nepal and Bhutan has to depend upon their transit state.

The study is comprises of following seven chapters:

The introductory chapter deals with the problems and characteristics of land-locked states and its geopolitical consideration.

The second chapter focussed on the physiography, resource mobilisation and demographic structure of Himalayan Kingdoms.

In third chapter emphasis given on the economic development, cooperation in different projects, plans, trade and transit flows between two countries .

Fourth chapter focussed on the political conditions from past to present situation in brief.

Fifth chapter is on the linkages with outside world and its special relation with neighbouring countries.

Chapter sixth dealt with the security and threat perception

of these two small countries. Their effort to declare it as a peace zone.

Last and concluding chapter focussed on the problems and planning for future development of the Himalayan Kingdoms.

I am heavily indebted to my supervisor Professor R.C. Sharma, who inspite of busy schedule supervised my work.

During my work I was assisted by Dr. Kapileshwar Labh, Dr. P.K. Sinha, Mr. M.R. Mohanty and many of my friends who helped me at various levels to complete my work.

The encouragement and blessing of my parents and family members help me to complete this work.

I have completed this work with the materials available at various libraries in New Delhi. In this connection special mention may be made to the Libraries of J.N.U., Sapru House and Embassy of Nepal and Bhutan. I am thankful to the librarians and staff of all these libraries for the assistance they had extended to me.

Finally, I would like to thanks the Stenographer who typed with utmost dedication this dissertation.

Date 18.7.91

Purba Das
Signature

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INTRODUCTION - GEOPOLITICAL CONSIDERATION
OF LAND-LOCKED STATES. ADVANTAGES AND
DISADVANTAGES OF LAND-LOCKED STATES.
NUMBERS AND CHARACTERISTICS OF LAND-LOCKED
STATES

The Land-locked states share the characteristics of having no coastlines, no direct access to the sea, and varied economic, ethnic and political histories.¹ They are entirely surrounded by the land territory of other countries and have no sovereign access to the sea. The land-locked developing countries are generally among the very poorest of the developing countries. The lack of a territorial access to the sea, compounded by remoteness and isolation from world markets, appears to be an important cause of their relative poverty, and constitutes a major handicap to their development. Of the 30 land-locked states nine are located in Europe, five are in Asia, two are in South America, with the remaining fourteen located in Africa (see Table 1 Map 1). Many of these states have achieved independence since World War II, cover large areas, have rising population densities, and are among the poorer members of the family of nations (Bowen 1986). Their borders were established generally as a matter of administrative convenience (Alexander, 1981).

It is further observed that due to most of them belong to the group of least developed states, they therefore "suffer

1. Frank Gable, The Land-locked States' New Rights to adjacent coastal States' Living Marine Resources: is there anything left for them? OCEANS'89 at the University of Washington, Seattle.

LAND-LOCKED STATES OF THE WORLD



from all the extreme handicaps of least developed countries." These handicaps include, among others, low level of income and labour productivity, very scarce skilled man power, specially "low levels of physical and institutional infrastruc-
ture and heavy on a very narrow range of primary commodities in their export structure."²

All developing landlocked states are striving to improve this situation. But due to the lack of material and manpower resources in most of these countries such as Chad, Niger and the Central African Republic have to look elsewhere for their upliftment and economic development. The only source is left for mankind is the sea. Approximately one fifth of the states of the world are landlocked, that is they are ^{now} entirely surrounded by land territory of other countries and have no sovereign access to the sea. Many of these states are among the newest members of the international community.³ Numerous factors underline the impoverishment of many of these countries - the scarcity of petroleum and non-fuel mineral resources over or under population, the lack of arable land etc. However two major factors derive directly from their land-lockedness. The first relate to the economic impacts of the lack of seaport.

2. A transport strategy for land-locked developing countries (1974).

3. Bowen, Political Geography, Journal, 1986, The Landlocked and Geographically disadvantaged states and the law of the sea.

Table 1

Some characteristics of Land-locked States

Africa	Per capita income	Year of independence	Area sq miles	Area (sq kms)	Population density per sq.mile	Distance to the sea (km)
Botswana	1030	1966	220,000	(570,000)	5.9	Durban 720
Burkina Faso ²	170	1960	105,870	(274,200)	80.3	
Burundi	240	1962	10,747	(27,834)	48.9	Dar es Salam 1080
Central African Republic	330	1960	241,313	(625,000)	11.6	Pointe Noire 1120
Chad	150	1960	495,752	(1,284,000)	9.7	Lagos 1440
Lesotho	360	1966	11,720	(30,355)	136.5	Durban 320
Malawi	160	1964	45,747	(118,484)	168.3	Beria 480
Mali	200	1960	478,819	(1,240,142)	18.2	Dakar 1040
Niger	280	1960	489,206	(1,267,044)	11.5	Cotonou 500
Rwanda	310	1962	10,169	(26,338)	698.2	Mombasa 1120
Swaziland	700	1968	6,704	(17,363)	104.4	Lawrence 220
Uganda	260	1962	91,343	(236,880)	179.5	Mombasa 800
Zambia	240	1964	290,586	(752,618)	25.8	Beria 920

Zimbabwe	590	1980	150,699	(390,308)	64.4	-
<u>ASIA</u>						
Afghanistan	160	1919	251,000	(650,090)	57.8	Karanchi 1040
Bhutan	150	1949	18,000	(46,620)	83.3	Calcutta 6004
Laos	160	1954	91,429	(236,800)	41.6	Bangkok 600
Mongolia	1010	1945	604.25	(1,565,000)	3.3	Tientsin 1240
Nepal	160	1923	54,463	(141,059)	336.0	Calcutta 720
<u>EUROPE</u>						
Andora ³	N/A	1278	175	(453)	274.3	
Austria	11,970	1918	32,375	(83,851)	234.7	Trieste 360 Hamburg 736
Czechoslovakia	8,700	1918	49,374	(127,896)	316.0	Trieste 520, Hamburg 496
Hungary	7,520	1920	35,919	(93,030)	295.1	Trieste- 440
Leichtenstein ³	16,500	1866	61	(157)	459.0	Genoa 320,
Luxembourg	15,860	1867	999	(2,586)	400.4	Antwerp 200
San Marino ³	8,250 ⁴	350 ⁵	23.6	(62)	974.6	Rimini 16
Switzerland	21,250	1815	15,941	(41,288)	414.0	
Vatican city ³	N/A	-	.17	(41,288)	5882.4	N/A
<u>South America</u>						
Bolivia	570	1825	424,162	(1,098,581)	16.3	Mollendo 400
Paraguay	1000	1811	157,047	(406,752)	28.0	Antifugasta 1280

F.N. 1. US Dollar Equivalent, Annual; 2. Formerly Upper Volta; 3 Mini-States; 4. Estimated;
5. Oldest Republic in the World

Source: World Bank Atlas, 1988; World Almanac, Atlas and Yearbook 42nd ed.
1989

while the second concerns the states ability to exploit marine resources.

The lack of port facilities within a state can create a severe economic burden. Not only a maritime transport most often the cheapest form of international transportation but in many respect it is the only way in which markets is the most critical attribute in considerations of future economic development - A direct consequence for goods entering the international market from landlocked states is that they often incur excessive additional transportation and processing costs, introducing a relative cost disadvantage not faced by coastal states.

The second consequence of a country's land lockedness relates to its access to the living and non-living resources of the sea. Due to extensions of coastal state jurisdiction place more marine resources within national control, the landlocked countries become relatively worse-off. While many coastal states are able to enhance their national economic posture by exploiting coastal and off-shore resources, land-locked states cannot. They cannot claim sovereign rights over the living and non-living resources of an exclusive economic zone, (EEZ) nor benefit directly from exploitation of the oil and gas and other resources of a continental shelf.

Apart from the institutional obstacles arising from frontier or transit, the land-locked states could not overcome

the politico - economic implication of such arrangements. With more than one pattern of transport policy to contend with, the land-locked states clearly exhibited the lack of control over the development of socio-economic infrastructure. This in addition to the political intonations of the access to the sea.

The question of access to the sea became important during the nineteenth century. The absence of a favourable coast was overcome by traversing the lower reach of rivers which were usually in the neighbouring states. This was the case with a Dutch over the Lower Scheldt river Antwerp was isolated. With increasing commerce during the nineteenth century to reach the need for permanent solution to the access was contemplated upon seriously. Access to the sea formed an essential part of the state system. It encompassed the problems of providing an access with a minimal loss of sovereignty to the transit state at the same time assuring advantage to the land-locked state. Such a situation depended largely upon the geographical relation of the state the littoral state and the nature of transit facilities. These included the use of the lower courses of the river (Scheldt river by Dutch), the Corridor (as was the Polish case) and finally transit agreement.

The availability of transit facility was taken up seriously. The Barcelona Conference of 1921, Geneva Conference of 1958, sub committee of the U.N. in 1964-65 and the Caracas

Conference of 1968 all dealt with the various problems connected with the access to the sea to the developing land-locked states. They emphasized the need for free and easy access as well as on the development of transport facilities. The rights of the land locked states and transit states often clashed and to achieve a compromise where the interests of the two was preserved. Landlocked states have always faced an international legal problem : in order to trade with states other than their immediate neighbours, they must import and export good across the territories of adjacent states. At UNCLOS I, held in 1958 before many of the landlocked states were independent, the extension of national jurisdiction was sanctioned over mineral wealth of the continental ~~sea~~ shelf as far as technology permitted (Glassner, 1986). Additional issues have arisen as a result of UNCLOS III in 1973. During the negotiations of UNCLOS III the landlocked states were at a continuous disadvantage because they lack coastlines upon open, enclosed, or semi-enclosed seas as well as any maritime transportation capability.

The Himalayan Kingdoms Nepal and Bhutan is one of the landlocked states, nearest distance to and from the sea is about 710 kilometres from eastern border. The nearest seaport

4 Frank Gable, The Landlocked states, New Rights to adjacent coastal states living marine resources: Is there anything left for them ? With an assessment by state per capita income; Proceedings of Conference OCEANS'89 at Univ. of Washington, Seattle

is Calcutta in India. The Kingdom is surrounded by Indian territory from three sides, western, southern and eastern, and the northern side by Tibetan region of the Peoples' Republic of China. The south-eastern border of Nepal is separated from Bangla Desh by a narrow strip of twelve miles of Indian territory. Nepal's dependence on India for foreign trade is nearly absolute. Due to land-locked position, Nepal has not been able to diversify her export market to an good extent. India still retains her monopoly over Nepal's foreign trade, claiming around 90 percent of the total trade.⁵ It is therefore quite natural that the geographical factor should be one of the constant factors conditioning. Nepal's role in the United Nations. Indeed Nepal's name in the United Nations has become inexorably identified with the problem of landlocked countries.

During the period of British rule in India Nepal enjoyed certain United transit facilities under the Treaty of 1923. After India became independent the 1950 Treaty of Trade and Commerce came to govern the trade and transit relation between Nepal and India. By this treaty which remained in force upto 1960, Nepal agreed to buy at rates not lower than those leviable in India, customs duties on imports from and export to countries outside India.⁶

5. Economic Survey of Asia and the Far East, 1969; 1970. p 220

6. Article V of the Treaty of Trade and Commerce 1950.

Nepal also agreed to levy on goods produced and manufactured in Nepal and exported to India, duties sufficient to prevent their sale in India at prices more favourable than those of goods produced and manufactured in that country which were subject to Indian central excise duty. The treaty of 1950 thus imposed a severe restriction on Nepal's right of independent international trade and had an adverse effect on her industrial development. The Treaty of Trade and Transit of 1960, which replaced the Treaty of 1950, gave Nepal greater freedom in the field of international trade. Article V of the Treaty stated that "the trade of contracting parties with third countries shall be regulated in accordance with their respective laws, rules and regulations." But the portion of the Treaty concerning Transit and its attached protocol and memorandum put many restrictions on the transit trade of Nepal. The most troublesome among them was the Bond system. Under this system the Nepalese importer or his agent was to furnish a bond to the Indian Custom House, in the form prescribed by the Collector of Customs with the surity of a bank of standing binding him to pay the duty and penalty for contravening Import Trade Control Restrictions on any portion of the consignment that was not proven to have duly entered Nepal. The bond amount asked from the Nepalese importers was in some cases as high as 600 percent of the value of the goods imported.⁶

6. Devendra Raj Upadhyaya, "Some Reflections on the Treaty of Trade and Transit between Nepal and India" *The Rising Nepal* (Kathmandu 1969).

The bond system was abolished through negotiations in October 1963. It may be mentioned that transit agreements of Afghanistan with Pakistan, Iran and USSR did not contain any such provision.

Friction between Nepal and India over trade and transit, however, continued even after the abolition of the bond system. The import-export licences required to be produced before Indian customs officials, inadequate storage facilities at Calcutta port, unnecessary delays in transit, cumbersome procedures and examination of samples from each package, were some of the complaints heard from the Nepalese side. The Indian side on the other hand has often complained against the abuse of the facilities extended by the Treaty for smuggling into India of third country goods.

Following the second world war, while the problems of the landlocked states had been more or less satisfactorily solved in Europe, their counterparts in Asia, Africa and Latin America were struggling hard to win concessions from their coastal neighbours mainly through bilateral agreements. These bilateral agreements regulating transit trade between the land-locked and transit states of the regions were not adequate for the needs of the former. So the urgent need for an international convention on the subject was brought to the notice of the world forum of all nations, land-locked and coastal, the United Nations.

Some progress was made in this direction through the UN bodies. The General Agreement of Tariffs and Trade (GATT)

of 1947 (Art V) and the Havana Charter 1948 laid down certain rules regarding freedom of transit and also freedom of access to the sea on equal terms with coastal states. Where as the GATT provision on freedom of transit made no specific reference to landlocked countries, the Havana Charter made an express reference to them. But the Havana Charter never came into force, as it was not ratified while GATT is binding on most of the trading nations.

Nepal's early efforts to attention of the United Nations on the problems of land-locked countries 1955-58 soon after becoming member of the United Nations in December 1955, Nepal along with two other land-locked states of Asia, Afghanistan and Laos, took the initiative in acquainting the committee on Industry and Trade of the ECAFF with the problems of land-locked states. At its eight session (Jan 1956) the committee in its resolution recommended that the needs of land locked member states and members having so easy access to the sea in the matter of transit trade be given full recognition by all Member States and that adequate facilities therefore be accorded in terms of international law and practice in this regard.⁷

Nepal's Role in the Adoption of the Convention on Transit Trade of Land Locked States:

In December 1963, the Ministerial Conference on Asian Economics Cooperation held at Manila provided a platform for

7. ECOSOC, DOC E/CN; 11/425 paras 1 and 3.

Nepal, Afghanistan and Laos "to stress the importance of free and unrestrained transit facilities." The land-locked Asian countries expressed the view that bilateral agreements regulating transit trade between landlocked and transit states of the region were not adequate and, therefore, there was an urgent need for an international convention on the subject. One of its resolutions recognized the right of free transit for land-locked countries and the special consideration which applied to the problems in this regard, and considered the importance of the relationship of these problems to questions of regional co-operation and the expansion of intra-regional trade.

There is now a well developed body of law giving land-locked states, as a matter of necessity the right of access to and from the sea and freedom of transit through transit state. The practical implementation of that right is however a matter which should receive much wider attention by all.

C H A P T E R I I

PHYOGIOPHIC FRAMEWORK OF LAND-LOCKED STATES
NEPAL AND BHUTAN, EVOLUTION OF BOUNDARIES WITH
SURROUNDING COUNTRIES, NATURAL ENDOWMENT AND
RESOURCE MOBILISATION, DEMOGRAPHIC FEATURES OF
HIMALAYAN KINGDOMS

The phygiographic frame work of Himalayan kingdoms especially the central ridge of that mountain system which marks the southern limits of Tibet, stands ostride the land mass of Asia for 2,500 miles from Assam in the east to Jammu and Kashmir in the west. With its magnificent skyward sweep, peak rising above peak for over a hundred miles from the foothills in the south to the crest line in the north, it is easily the most dominated level feature of the world.

Million of years ago the area now occupied by the Himalayan Kingdoms was the site of the Shallow Tethys sea. During the tertiary period in the earth's geological history, powerful compressive forces folded and thrust marine deposits which rose out of the waters in gigantic earth waves, and under the erosion of water and ice became a land of broken and irregular mountain masses. These crustal movements led to the developments of a series of longitudinal valleys. Finally, in the post tertiary age, also known as the pleistocene, approximately one million years ago, further upheavals raised the central position of the Himalayan range, together with the foothills, into a vast mountain system. In the following milleniums, this was reduced by the forces of nature to form the present complex mountains and valleys of Bhutan and Nepal.

Nepal the largest of the Himalayan Kingdoms, is but a small country of around 56,827 Sq. miles(147,181 Sq.km)¹

1. Europa World Yearbook, 1988; Europa Publication Limited. Vol.II

roughly the size of Florida. It extends some 500 miles from east to west in an elongated rectangle along the arc of the Himalaya. The geographical regions of the Nepal can be divided into three broad division - The Great Himalaya, the Inner Himalaya and the Terai - which differ from the other kingdoms in details only.

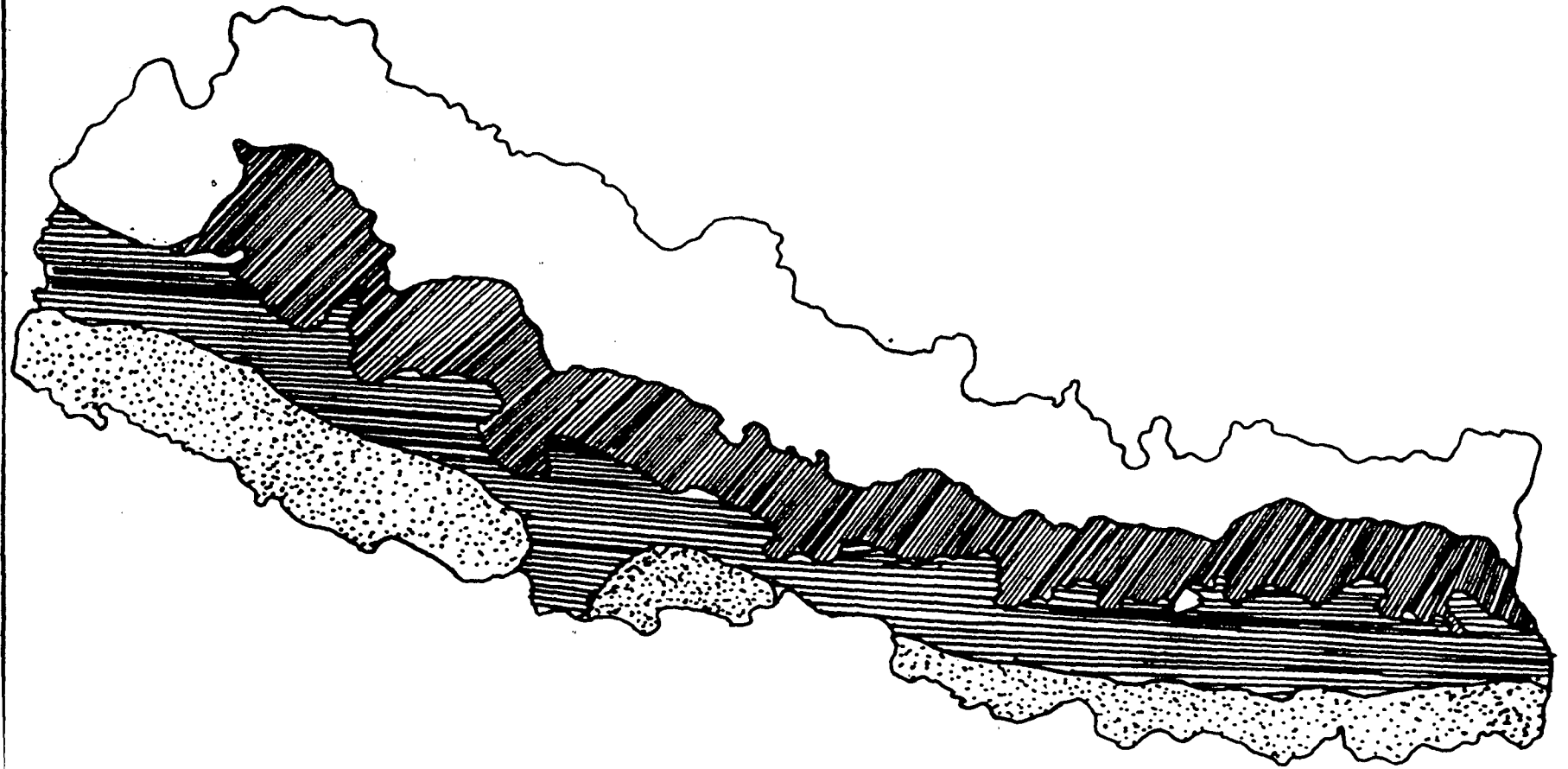
The Great Himalaya:


The height of the Himalayan range the transverse nature of the valleys, and its bitterly cold winters not only contribute to the isolation of the country from the outside world, but also complicate communication between inhabitants of the region. It is also pointworthy that the isolation within region is a hindrance the unification between the various tribals and ethnic groups, and thus is an important factor in the continued diversity of the nation's population.

The landscape of the great Himalaya, at higher elevations is characterized by lofty serrated ridges, crique indented slopes, and sharp peaks produced by glacial action. At lower altitudes one encounters the deep rivers gorges, some of which like those of the Kosi and Gandak rivers are several thousand feet below the crest of the ~~and~~ adjacent ranges. Even the zone of the highest snow-capped ranges is deeply entrenched by rivers.

The deep precipitous gorges of Nepal Himalaya cutting across the highest elevation of the mountains, indicate that

NEPAL - PHYSICAL



 Himalayan region
Mountain region
Inner Terai
Terai

most of the Himalayan valleys antedate the mountain structure across which they cut. The fact that rivers such as the Kosi, Gandak, Kali and Karnali drain not only the southern slopes, but also to a large extent, the Tibetan slopes of the Himalaya is explained by their antecedent character. The watersheds of the Nepalese rivers lie not along the line of highest peaks in the Himalaya, but far to the north of the Tibetan plateau.

Climatically, the Great Himalaya is generally a region of extreme cold in which temperature varies directly with changes in altitude. But it protects the lower southern part of Nepal from the bitterly cold winds associated with air masses generated in the Central Asian Source region.

In general, two climatic zones may be distinguished in the greater Himalaya: one from 12,000' to 14,000', the other above 14,000'. From the standpoint of human occupancy, only the first zone is important. Within the lower zone there is considerable variation in local temperature due to differences in solar insolation. Above 14,000' lies the zone of prolonged frost, where the limits of agriculture, even for handy crops, is reached and the tree line gives way to the Alpine Tundra.

The Inner Himalaya :

The region consists of an intricate system of ranges some fifty miles in depth lying between the great Himalaya and the Churia Hills bordering the Terai. The Mahabharat Lekh,

a singularly well defined range of mountains extending from the Mahakali to beyond the Kosi valley, may be taken as a prototype of ranges of the Inner Himalaya. Its ridges present a steep escarpment towards the south and a relatively gentle slope toward the north. The northern and north eastern slopes are clad in dense forest, succeeded higher up by a cap of snow. The southern slopes, except in the protected valleys are bare, too steep to mountain a soil covering for the growth of forests or the accumulation of winter snow. To the north of the Mahabharat range, which encloses the valley of Kathmandu, are the more lofty ranges of the Inner Himalaya, rising into peaks perpetually covered by snow. In the Inner Himalaya, climate undergoes a marked change with variation in elevation. The winters range from moderately rainy. The climate of Inner Himalaya valleys is well exemplified by that of Kathmandu. Completely surrounded within the Inner Himalaya, Kathmandu, located at an elevation of about 4,500' receives an average precipitation of about 58 inches a year, most of which is brought in by the monsoon winds during June, July, August and September. Temperature range from an average 50° F in January to 78° F in July. The highest and lowest temperature recorded in the last 26 years have been 99° F and 27° F , indicating no great extremes.

Rice, sugarcane, bananas, oranges and other subtropical products reach their upper limits in the higher part of the Inner Himalayan valleys. The lower sections of the Inner Himalayan valleys are the areas of the most intensive farming

in Nepal. The broad leafed trees predominating in the moisture, warmer sections of the Inner Himalaya tend to resemble those of the humid subtropical climate. In the higher margins these broad-leafed trees are replaced by coniferous evergreens.

The Terai and the Foothills:

The third region, which has no exact counter part in either Bhutan or Sikkim, consists of the Churia Hills, Bhabar and the Terai along the southern border of Nepal. The Churia Hills, geologically a continuation of Siwalik range of India, are covered with timber and savanna grass. These sparsely populated foothills rise gently from the plains to about 2000 feet before becoming abrupt, almost perpendicular escarpments rising to an altitude of more than 4000', within the zone there is a succession of narrow ridges, separated by more or less broad, longitudinal valleys whose strike is almost northwest-southeast. These valleys known as "Doons" are a prominent feature of the foothills of Nepal Southward lies the gravelly and fairly steep taluslope known as the Bhabar. In the latter zone great rivers coming down from the Himalaya, and during periods of heavy rain millions of tons of silt and stone erode from the rugged contours of the higher mountains. Dense growths of trees flourish in the porous soil of the Bhabar.

South of the Bhabar and the Churia Hills is the Terai, a low, fertile alluvial plains, a northward extension of the

gangetic plain of India. It is 20 miles wide at its broadest point and extends over most of the southern boundary of Nepal. The northern part of the Terai adjoining Bhabar is a marshy region in which malaria is endemic, the southern portion, a belt some 10 miles wide contains rich agricultural land.

The Terai has a fully tropical climate. In the eastern and mid western Terai, rainfall averages more than 60 inches a year (falling mainly in the summer months), and a variety of crops such as rice, jute, sugarcane, mustard, tobacco, and cotton are grown. The Terai is a densely populated area with more than 300 persons per square mile, nearly double the national average density of 119.8 per sq.km.² The far western Terai is a dry area, its average rainfall of 30 inches. Here wheat and millet are the chief grains and drought frequently causes crop failure.

Terai is a land of rivers, the Kosi, Bagmati, Gandak, and their tributaries are subject to frequent floods. The river alluvium, annually augmented during these floods periods, makes the soil of the lower Terai particularly fertile. However, the floods make communications continually difficult farming precarious and uncertain. Furthermore, the high incidence of malaria in the swamps that they create reduces the efficiency of men and further limits the yield of the land.

2. Europa World Yearbook 1988; Europa Publication Limited Vol.II

The physiographic setting of landlocked state Bhutan the Kingdoms of Himalaya is more or less resembles Nepal's physiography. Millions of years ago the area now covered by Bhutan's Himalaya was the site of the shallow Tethys sea, which was gradually filled by deposits of sediments. During the tertiary period powerful forces folded and thrust marine deposits out of the waters in gigantic earth waves, and under the erosion of water and ice was formed a land of irregular mountain masses. Drainage system were carved out, and a river system of transverse valleys developed. A combination of concurrent elevation and erosion produced the existing mountain system of Bhutan. Denudation laid bare deeper and deeper parts of the crust. But the forms of many folds and the trends of their longitudinal axes can still be traced for some distance. The fold mountains of Bhutan's are superimposed so it is very difficult to unravel which is imposed on one another, and arches have been distorted, crumbled and overturned by powerful earth movements. In some areas molten material has been forced up from below the surface, partly absorbing original sediments. The Tethys geosyncline which covered the Bhutan Himalaya appears to have taken place in three phases.³ The first phase of upheaval, at the end of the Eocene period and in the Oligocene

3. D.N. Wadia, Geology of India, 3rd ed. (London, Macmillian & Co 1953), 306

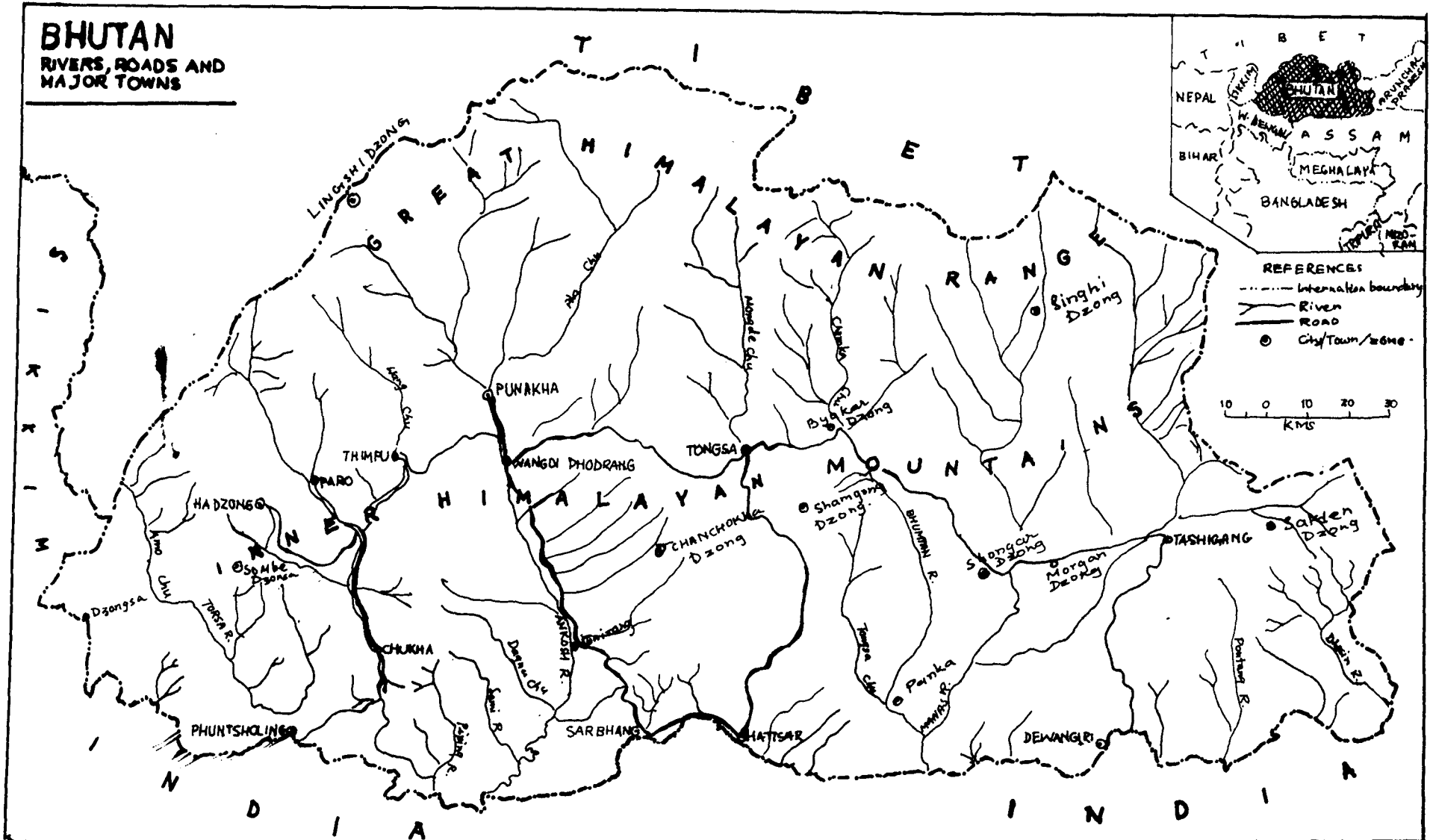
(30-35 million years ago), lifted the ancient crystalline and sedimentary rocks which compose the central axis of Bhutan Himalaya. A second movement in the Miocene Period (15-20 million years ago) folded the sediments. The third upheaval, in the post Pliocene period (1 million years ago) raised the central part and the foothills into the vast mountains, which over the years have been reduced to form the present Himalaya. Geologists believe that the post-pliocene elevatory movement continued for centuries and there is evidence that the upward vertical movement is not yet complete.

Structural Division:

Geographically, Bhutan Himalaya may be divided into four principal structural units: (1) The sub-Himalaya consists of Siwalik sediments of the tertiary period lying mostly south of the main boundary fault. (2) The lower Himalaya stretches between the main boundary fault and the actual central thrust comprises varied sedimentary and metamorphic rocks ranging in age from Palaeozoic to Mesozoic. The tectonics of this highly sheared and faulted zone are only vaguely understood. The rocks here show reverse metamorphism with nonmetamorphic or lowgrade metamorphic rocks in the deepest outcrops and increasingly metamorphic diments at the top. (3) North of the central thrust lies the basal crystalline thrust sheet of higher Himalaya. (4) A great thickness of fossiliferous Tethys sediments covers the crystalline thrust sheet of the

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higher Himalaya. The sediments occur in the Chumbi valley and in Tibetan territory mostly beyond the territorial borders of Bhutan. The geologic and tectonic features of these major units are discussed below.

The Sub Himalaya:

Composed predominantly of Siwalik sandstones and younger deposits of the Tertiary period, the Sub-Himalayan foothills of Bhutan form a narrow belt along the Indo-Bhutan border. Except the foothills tract between the Jaldhaka and Torsa rivers, Siwalik deposits continue in a narrow strip with a few minor interruptions along the foothills of central and eastern Bhutan. The older rocks of the lower Himalaya border the Sub-Himalayan sediments along the main boundary fault. A striking feature of the Sub-Himalayan area is the warped river-terraces formed by recent tectonic disturbances.

The Lower Himalaya:

Lying north of the main boundary fault the Lower Himalaya is made up of Gondwana (Danudas), Baxas or Daling sediments and their respective metamorphics. Extremely sheared and faulted, it exhibits a complex structure. Gondwana rocks comprise quartzitic sandstone which also includes thin layers of coal in eastern Bhutan.

The Chasilakha gneiss covered a wide area of southern Bhutan. Structurally it forms a large syncline. Highly metamorphosed rocks, such as Paro marble and quartzites of the

paro metamorphic belt, which underlie the Chasilakha gneiss, are exposed northwards over a wide tract that crosses central Bhutan.

The Takhtsang gneiss of Higher Himalaya overlies the Paro metamorphic belt to the north. In the Tang Chu valley of central Bhutan fossiliferous marine sediments of the Devonian period have been preserved in a "local sub-folded basin" The Higher Himalaya. Structurally the Higher Himalaya starts at the main central thrust, just north of Paro and Thimpu. This central thrust, marks the southern boundary of the Takhtsang crystalline mass.

The Tibetan zone; north of the High Himalayan area lie several "marginal" mountains of the Tibetan plateau, mostly outside the borders of Bhutan. These marginal mountains, lying behind the axes of the Great Himalaya, are composed of fossiliferous sedimentary rocks with strata ranging in geologic age from Cambrian to Tertiary. These sediments are found only north of the great Himalayan range.

Physiographic Features:

Bhutan has two surface features - the Himalaya in the narrow Duar plain in the south.

Physiography of the Himalayas: Physically, Bhutan Himalaya can be divided roughly into three zones from south to north: the Sub-Himalaya, inner Himalaya (or middle ranges) and the Great Himalaya. The sub-Himalaya or Outermost Ranges: The narrow foothills of Bhutan Himalaya rise gently from the

Duar to about 2000', and then in steep escarpments up to more than 5000'. Major rivers such as the Torsa, Raidak, Sankosh and Manas have cut deeply through the outermost ranges most of which were formed by Gounger Sediments at the foot of the hills where streams enter the Duar plain lies a collection of recent unstratified drift. This overlies unconformably the Siwalik clays and sandstones that form the outer foothills.

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The core of outer ranges consists of clays and fine-grained gray sandstone. Further north the sandstones become coarser, then pebbly. The pebbles are generally composed of quartzite. The composition of the rocks in the outer foothills shows they have been derived from weathering of the central Himalaya. These deposits have been folded and elevated in the most recent Himalayan upheaval.

The foothills have weathered more rapidly. Steep escarpments and dip-slopes, separated by longitudinal strike valleys and intersected by meandering ravines, are typical features of sub-Himalayan topography. Many streams originate in the foothills and flow for a short distance before disappearing under ground in the porous gravelly and pebbly region bordering the foothills.

The Great and Inner Himalayas:

The inner Himalaya ranges consist of the higher mountains (5000' to 15,000') which radiate southward from the great Himalaya range, forming watersheds between the principal rivers. These mountains are rugged, with precipitous slopes, level

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land is limited to narrow valleys such as Paro and Thimbu. Generally, the inner Himalayan ranges run from northwest to southwest in western Bhutan.

The Black mountain range midway between Punakha and Tongsa Dzong a singularly well-defined mountain range extending from the Great Himalaya to the foothills zone, is typical of the inner Himalaya. Forming the watershed between the Tongsa Chu and Sankosh, this range presents steep slopes cut into deep ravines by tributary streams. The route linking Punakha and Tongsa Dzong crosses the Black mountain ranges at Pelepass (11,055¹).

East of Tongsa Dzong lies another range running southward from the Great Himalaya. The road leading from Tongsa Dzong to Dyakar Dzong crosses this range at Yutola. East of Bumthang, the trail leading to the Kuru Chu valley crosses another north-south range at Rudong La. West of Punakha a well defined range runs southward from the Great Himalaya, forming the watershed between the Sankosh and Wong Chu. The Donkhya range along the Sikkim-Bhutan border, throws out a long spur in Bhutan, which runs irregularly and with varying direction, but generally to the south, forming the watershed of the Tista on the west and to the Torsa to the east. The Donkhya range, like the other ranges of the inner Himalaya, gradually decreases in height to the south and blends into the Duar plain in southwest Bhutan.

Geomorphology of the Great Himalaya ranges:

The chain of high peaks along the Tibetan frontier. At the westernmost end of the Great Himalayan range in Bhutan - In the very northwest corner - is the towering snowclad peak of Chomo Lhari (23,997') called the mountain goddess by the the Bhutanese, A routine of smaller peaks surrounded it.

There is another immense matrix of ice-crowned giant peaks farther eastward along the Great Himalayan range. Kula Kangri (24,740'), the principal summit in this group is looked upon as a representation of Kuvera, king of the Tibetan Mountain demons.

Unlike most other parts of the great Himalayan range in Nepal and India, the great range dividing Bhutan from Tibet is pierced in only one place by a south flowing river, the Lhobrak.

Geomorphic features of the Himalayan Ranges and valleys. All higher elevations the landscape of the great Himalaya is characterized by lofty serrate ridges, cirque-indented slopes and sharp peaks produced by glacial action. Present glaciers of Bhutan Himalayas are shunken remnants of those which flourished in the Pleistocene Age. The inner Himalaya ranges support no glaciers at present, but some summits and upper slopes are covered with moraines. The most prominent geomorphic characteristics of the valley is their transverse course, which cuts the geologic structure and runs across the strike of the Himalayan ranges. Vertical erosion of river beds has produced these valleys. Instead of narrow gorges such as those found

in Nepal Himalaya, the rivers in Bhutan have cut relatively wide open valleys. This phenomena is occur due to the uninterrupted sweep of the moisture laden southwest monsoon coming directly from the Bay of Bengal through the alluvial gap between the Rajmahal hills (Bihar) and the Shillong plateau (Assam). The mountain gets the full force of the monsoon.

The Lhobrak river captured the streams of the Tibetan drainage system on the northern slopes of the Himalaya through the rapid head erosion of its main transverse course. Some tributary valleys in the great Himalaya of Bhutan join the main troughs discardantly. Most of the Himalayan valleys are in an early stage of the geomorphic cycle.

Physiography of the Duar Plain:

The Duar plain a northern extension of the Ganges-Brahmaputra plain of India, falls mostly within the Indian territory but also penetrates from eight to ten miles into Bhutan.

Physically the Duar plain has resulted from long-continued alluviation of a tectonic basin formed when the strata of the Tethys sea were folded and raised into the Himalaya. Bhutan Duar thus represents a foredeep in front of the advancing earth waves of the Himalaya. This sunken tract has a basement of ancient crystalline rocks whose uneven surface, traversed by faults, indicates that it was sunk by a series of block faults. Presumably, the frequent earthquakes in the Duars are caused by movement of earth

along faults below the alluvium. The trough is deepest in Bhutan Duar and the adjacent area of Bengal.

Bhutan Duar may be divided roughly into northern and southern portions. The northern portion immediately bordering the hills presents a surface broken by spurs from the higher mountains on the north. It contains deposits of coarse gravels, pebbles, boulders, shingles and sand produced by erosion of the hills. Here the sub-soil water level is low and the surface dry because of the porousness of the formation.

The topography of the southern portion of the Duar resembles that of the Assam-Bengal plain to the South. Here the meandering rivers do not have the wide stretches of dry bed characteristics of the northern section. The rivers flow more slowly through generally well defined channels, and have less erosive power. This section of the Duar consists of moderately fertile soil covered with heavy savana grass, bamboo and salforests.

Drainage Pattern :

The mountainous territory of Bhutan is dissected by numerous rivers and their tributaries. Principal trade routes between central Bhutan and India as well as Tibet follow the valleys of principal streams. The rivers except the Manas and Lohprak flow from the southern side of the great Himalaya, they emerge into the Duar and finally drain into the Brahmaputra. In southern Bhutan the river system makes a dendritic pattern,

tree like branches of smaller streams meeting to form larger rivers. All the rivers of Bhutan show marked characteristics of mountain streams. None of these streams are navigable in the mountains.

In the upper course where all rivers run through the mountain region, there are few or no flood problems. In the lowlying areas of newer alluviation in the Duar and the plains lower in India that threats of floods are serious. The alluvial makes the soil fertile, and the flat or rolling topography is well suited to farming. The most suitable time for planting is soon after the start of the rainy southwest monsoon.

Physiographic features : south of the foothills which consist of sand stone and sandy limestone, is the Bhabar area, a zone of hill wash composed of highly porous gravels and boulders. The southern section of Duars, which forms a typical piedmont or sub-Himalayan plain. It is composed of Bhangar (older) alluvium, which usually forms the interflures. The valley flats of main rivers are made up of Khadar (newer) alluvium. The Khadar area is flooded every year, while the higher Bhangar area is less vulnerable.

The Khadar soil is a loam mixture of sand and silt. Here the Torsa, Raidak, Sankosh and Manas rivers bring a heavy load of sediments from the Himalaya.

Principal rivers:

The principal rivers of Bhutan are, from west to east Amo Cha or Torsa, Raidak or Wong Chu, Sankosh or Mo Chu and Manas

(when they emerge into the Duars, the Manas and Sankosh rivers carry most of the water. The Sankosh drains the entire great Himalayan range between Chomo Lhari (23,997) and Kula Kangri (24,740). The various upper tributaries of the Sankosh unite near Punakha (5000). The Raidak rivers, also called Wong Chu, rises in the great Himalayan region and flows for nearly 230 miles in Bhutan. One of the main routes to Tibet follows its course. Sankosh, also known as Mo Chu or Punakha in its upper course, rises in the great Himalayan region. It flows in a southeasterly direction. The Manas or Dangme Chu, which drains eastern Bhutan rises beyond the great Himalayan range in Tibet. It enters Bhutan from the Kameng frontier districts of India and runs southwest - unlike most of the Bhutanese rivers, which usually runs from northwest to southeast. The geomorphic features of the Himalayan Kingdoms are to some extent may fulfill the structural description.

Evolution of Boundaries:

Indo Nepal Boundary: For a long time the territory of modern Nepal was divided into a number of small principalities without a central government. In the seventeenth century the valley itself was divided into three principalities - one centered at Kathmandu, another two miles distant at Patan, and a third six miles away at Bhatgaon. Prithwi Narayan, King of Gurkha, conquered the three principalities of the Kathmandu valley in 1769 and took unto himself the title of King of Nepal. By the end of the eighteenth century he extended the Nepalese territory from Punjab to Sikkim.

During the second half of the eighteenth century, while the Gurkha rulers were consolidating the territorial area of Nepal through conquest in the Himalaya, the British were wresting political control of the Gangetic plain from the native Indian rulers. These two parallel forces - the British in the Ganges valley and the Gurkhas in the Himalaya - confronted each other in the Terai.

Gurkha King, Prithwi Narayan, was aware of the fact that the British East India Company, originally a commercial concern had become a political power. Afraid that British traders might soon be followed by British soldiers and that trade would lead to political intrigue, Prithwi kept Nepal completely secluded from the British.

Warren Hastings, Governor General of India from 1771 to 1785 tried to allay the suspicion of the Gurkha King in respect to the East India Company. However after 1785, as the result of a series of border conflicts in Rautahat, Sinray and Butwal in the Terai, the relations between British, India and Nepal became hostile. Nepal's traditional suspicion in dealing with the British, and her determined effort to extend Nepal's frontier toward the south, brought Nepal and the British into conflict. Earlier forbearance and moderation on the part of the British government were taken by the Nepalese as signs of weakness or, at least, of a reluctance to enter the rugged Himalayan area convinced of the impenetrability of the Nepalese territory and of the invincibility

of Gurkha troops, the Nepalese government adopted a policy of systematic encroachment upon British territories. Attempted at an amicable settlement of the resultant border disputes in Terai were fruitless for want of straightforward discussions between the contenders.

During the early nineteenth century the British government abandoned the policy of moderation and forbearance which characterized relations with the Nepalese government in the last quarter of the eighteenth century. A war like spirit was dominant in the court of Nepal, and the British government felt that the old policy was inadequate to meet the new situation. It is indeed doubtful if continuance of that policy would have influenced the actions of the Nepalese government to any degree.

The decision to go to war over the boundary dispute was due mainly to Nepal's confidence in the fighting strength of the Gurkhas. Last minute efforts to induce the Nepalese government to acquiesce to British demands for evacuation of the disputed Terai Territory failed. The resultant Anglo-Nepali war of 1814-1815 terminated in the treaty of Sagauli, which was signed on December 2, 1815. The treaty was ratified in March 1816, and gave highly important advantages to the British government.³ Under the terms of the treaty, the Himalayan district of Nainital, Almora, Garhwal and Dehradun

3. Atchinson, C.U., *Treaties Engagements and Sunnuds*, Vol. II Calcutta 1863, pp.110-112

were annexed by the British. . In addition, Simla Himalaya was ceded to the British, and extensive tracks in the east were given to Sikkim. These losses reduced Nepal to approximately its present boundaries with Sikkim and India.⁴ However in 1858 a part of the Terai was restored to Nepal by the British as a reward for the help of Gurkha troops in the suppression of the Indian mutiny.

Nepal-Tibet Boundary:

In contrast to the well demarcated boundary line with India, Nepal's 500 miles border with Tibet is not well defined. By tradition, the border follows the watershed range which generally lies north of the line of high peaks. However, Chinese maps, have shown large parts of Nepal within Tibet, and Chinese government - Imperial, Nationalist and Communist alike - have seemingly considered parts of Nepal as Chinese territory. Between 640 and 703 A.D. Nepal was regarded as a vassal state of the vast Tibetan empire, and as late as 1730 the small principalities of northern Nepal paid tribute to the Manchu emperors. The Gurkha rulers, who conquered the Kathmandu valley in 1769, ceased to pay tribute and even invaded Tibet unsuccessfully. Under the treaty of 1792 they agreed to continue the payments to China. However in 1854, the Gurkhas again attacked Tibet, this time successfully, and in the peace negotiations of 1856, Tibet agreed to pay an annual tribute

4. Chaudhuri, K.C., Anglo-Nepalese Relations, Calcutta, 1960, p.163

to Nepal. The Tibetan tribute was paid regularly until 1953.

Evolution of Boundaries: Bhutan

Bhutan's not well demarcated traditional border with Tibet is fully established and recognized by history and custom. Greater part of it follows the crest of the great Himalayan range. Between the Chomo Lhari and Kula Kangri peaks it follows approximately the line of watershed. To the southwest of Chomo Lhari, the western slopes of the Khungdugang mountain and Merung La separate Bhutan from the Chumbi valley of Tibet. To the north of Merug La the Torsa river (known as the Amo Chu) cuts across the international boundary.

To the east of the Kula Kangri group of high peaks the traditional border cuts across the Lhobrak drainage basin and runs northward to the high peak of Kharchu (16,500 feet). From this point it runs southeast, then turns south and joins the border between Tibet region of China and the North East Frontier Agency of India.

China has disputed parts of its border with Bhutan. In a note to the Indian government in December 26, 1959, the Chinese claimed that there is "a certain discrepancy between the delineations on the maps of the two sides in the sector south of the so called Mac Mekan Line". On some communist Chinese maps, 200 to 800 square miles of Bhutan are shown within China, and China has already occupied eight frontier villages in northern Bhutan. There has been no large scale incursion of Chinese troops across the border, the last major thrust was

reported in 1959.⁵ Although China's latest maps do not maintain the claim to Bhutanese territory made earlier, there is evidence that China still hankers for parts of Bhutan.

Bhutan's trade with Tibet, particularly the export of surplus rice to the Chumbi valley has completely stopped since 1959 as a result of the border dispute. This cessation of trade greatly irked the Chinese, who interpreted it as a "hostile act under the influence of expansionist India."⁶ During 1960 there were reports in Paro valley of menacing speeches made in Lhasa about the ultimate need to "liberate" Bhutan. More recently China has been conciliatory in its references to this mountain kingdom. India acting on behalf of Bhutan, has protected the continued occupation of the eight δ frontier villages. Bhutan has set up armed guards at check posts on the Chinese border and has declared that "if there is any violation of the border we will certainly fight." Bhutan expressed concern at a number of intrusions by Chinese troops and Tibetan graziers, during the summer of 1966, in the high mountain pasture area near Sinchel La, which lies south of the traditional boundary in souther Chumbi. On April 13, 1966, a patrol of the Bhutanese Army observed that a Chinese patrol of 13 men had intruded about three miles southwest of Sinchel La. On July 28, 1966, a party of five Tibetan

5. "Thrust in Bhutan by Reds reported" The New York Times, Sept.1, 1959

6. "Bhutan Watch on Frontier", The Times (London) Aug.,25,1959, p.8

graziers were found in the Sinchel area. In addition Chinese troops had set up two heaps of loose stones, presumably to establish a territorial claim south of the traditional border. On September 13, 1966, a Bhutanese patrol found that graziers from Tibet were continuing to use the pasture despite repeated warnings, and that a party of Chinese troops had dug fresh trenches in the Sinchel area. Attempts made by local officials to secure withdrawal of Tibetan graziers and Chinese troops from the area have so far been unsuccessful. On behalf of the Bhutanese government India lodged a protest with China against these intrusions. During 1966 the Chinese infiltrated Bhutanese territory by sending out herds of yaks and then crossing the border on the pretext of rounding them up.

Bhutan's border with India lies close to the Himalayan foothills in the Duar. The present boundary has evolved as a result of the British annexation of a major portion of Bhutan Duar adjoining Assam and Bengal between 1841 and 1865.

With the extension of British rule in Assam, following the first Burmese war (1825-1826), the British government confirmed the boundary agreement between the Assamese and Bhutanese. According to the agreement, the British occupied the Darrang Duar in Assam from July to November each year, while for the remainder of the year it was occupied by the Bhutanese, who paid annual tribute partly in money and partly in goods. After the British annexation of Assam, the tribute had been paid to the native ruler of Assam was given to the British. As each year's tribute fell short of the fixed amount, British demands for

liquidation of the growing indebtedness were met by evasion and a series of raids on Assam territory between 1828 and 1839. These events led to the annexation of the Duar in 1841, and the present Assam-Bhutan border dates from that time. In 1949, as a gesture of friendship, India returned to the government of Bhutan 32 square miles of territory to the Dewangiri area.

Between 1887 and 1864 the Bhutanese continued raids on Bengal Duar along the Bhutan Bengal border. In 1863 the agreement exorted from Ashley Eden was repudiated by the British government, and as a punishment for his mistreatment the Bhutanese territory of Ambari Fallakatta was permanently annexed by the British.

Resource Mobilisation:

The proper development of any country depend upon proper utilisation and mobilisation of its natural resources. The Himalayan kingdoms Nepal and Bhutan for its upliftment primarily based on its resources. The National Development Council of Nepal in favour of cutting down the foreign aid component.

Drastic change were expected to be introduced in the land revenue system. Resources were also proposed to be mobilised through the public enterprises and through a pricing policy of public utility service. The mode of collection and administration of taxes were also recommended to be tightened. It was considered that the panchayat system was an ideal medium capable of stepping up the development process.

Agricultural resources and their industrial use. The Nepalese economy is basically agrarian, in so far as over 90 percent of the work force is dependent on agriculture for a livelihood. In recent years, the performance of this sector has been poor. The value of agricultural output fell in real terms over the period 1974/75- 1979/80, and the contribution of the agricultural sector to GDP declined from 72 percent to 57 percent during the period. This reduction in output is largely due to declining productivity. Two major causes of this decline are the rapidly increasing population pressures on limited arable land (to the point where population density on arable land has grown to 1,500 people per square kilometer) and the erosion of the top soil due to large-scale deforestation. In this interpretation of the development of agricultural production is correct, it means that the marginal productivity of labour in agriculture may be negative, if no supportive measures are taken.

Crop and Food Production:

The major foodgrains cultivated in Nepal are Paddy, maize, wheat, millet, and Barley, and the most important cash crops are sugar-cane, oil seeds, jute, tobacco, potatoes and tea. In 1979/80, the total output of these crops stood at 3,995 thousand metric tons and the acreage under crops stood at 2,459 thousand hectares. It is clear that foodgrain production has fallen quite drastically in recent years, where the production of cash crops has increased.

Between 1980/81 and 1984/85, foodgrain output is targeted to increase by 15 percent or at an annual rate of 2.8 percent wheat output is expected to increase by 26% at an annual rate of 2.8 percent, during the period paddy by 140%, maize by 12%, barley by 13% and millet by 140%. These increase are assumed to be possible through increased agricultural productivity resulting from programme to expand irrigation.

The output of cash crop is planned to be increased by 3-9 percent per annum during the Sixth plan period, 1981-86. The targets are expected to be largely realized through improvements in productivity resulting from specific programme. Sugarcane output is targeted to increase by 257,000 tons during the plan period, June by 17,000 tons, oil seeds by 9,000 tons, tobacco by 3,000 tons, cotton by 2,240 tons, and tea by 1,000 tons.

Tea is cultivated in four public sector plantations and six private sector plantation in the hills and Terai areas of the Eastern Development Region, in an area of about 1,600 hectares, total production of tea amounted to 550 tons in 1980/81 against an annual capacity of 950 tons. In the same year more than NRs 1.9 million worth of tea was imported, mainly from India. Cultivation and processing have good prospects in Nepal for meeting domestic needs and for exports to the world market.

At present, domestic production satisfies about 25% of the

total consumption estimated at about 1900 tons per annum. By 1990/91, the demand for tea is expected to have increased to 3,900 tons.

Cotton cultivation in the country is in its infancy. Results of test production of cotton in the Terai part of the Mid western Development Region have been positive, and commercial farming of cotton has began, although in 1979/80 only 200 ha were under cotton cultivation. During the Sixth Plan output of cotton is targeted to increase from 60 tons in 1979/80 to 2,300 tons in 1984/85 mainly through an expansion of cultivated area. This cotton crop is expected to meet the requirements of the public sector textile plant at Metanda.

The major fruits produced in the country altitudes below 1000 meters, i.e. the tropical terai zone. Citrus fruits cultivated in the sub-tropical zone, i.e. the mid hills at altitudes ranging between 1000-15000 meters.

Statistics on the production of various fruits in the country are scanty. According to one estimate, the production of oranges, bananas and pineapple amounted to 37,150 tons. In terms of production banana was the most dominant (25,000 tons). Most bananas are grown in homstead gardens. Orange production in the country was estimated at about 11,500 tons.

The cultivation of oranges on a commercial scale is concentrated in Dhankuta, Tehrathum, Bhojpur, Sankhuwasabha, Dhadiq and Gorkha districts. The production of pineapple is estimated at about 650 tons, and is concentrated in the Terai districts of Chitwan, Morang and Jhapa.

Animal Resources:

Livestock raising is an integral part of the agricultural economy of Nepal. Data relating to the major types of animals in the country are summarised in table 2. The table indicates the dominance of cattle on the total livestock population. Total bovine population is estimated at 9,550 thousand poultry is also imported while pigs comprise a small fraction of the livestock population. Minor categories of livestock are chaurie, yak, horses and mules high proportion of the livestock population (over 70% of buffalow, goats, and sheep and over 65 percent of cattle) is found in the hills. This reflects the fact that the mountains and hills occupy two-thirds of the total land area and that arable land is limited to only about 21 percent of the land area.

Forest Resources:

Forest represent a vital renewable resources in Nepal. Country's forest supply limber, fodder and herbs for domestic consumption and exports. The supply of forest resources has been rapidly dwindling over the years because of increased pressure of the population on land and logging operations. The forest cover declined from an estimated 45% of total land area in 1964 to 34% in 1974 and to 20% in 1977. Out of the estimated 28 million hectares of forests in 1979, 42% of the area lies in the Terai and 58% in the hills. The total growing stock was estimated at 158 million cubic meters, inclusive of both commercial and non-commercial forests. This

stock is estimated to yield about 7.2 million cubic meters of wood annually inclusive of both timber and fuelwood species.

The forests of the Terai are commercially more important because of the size and quality of the wood and the accessibility of the region. Sal, Terai, hardwood, Khand wood, Chirpine, Oak and bamboo are the species available for commercial use. The percentage of the forest area in the hills and Terai accounted for by each of the above species in 1974 is given in Table 3.

The potential for any significant industrial utilization of the forest resources is very limited in the immediate future. A thorough assessment of the existing stock of forest resources and the sustainable supply of industrial roundwood, fuelwood, and other forest resources need to be made and adequate afforestation measures successfully launched before the country's forests can once again serve as an important renewable resources.

There are strong indications of promising vegetable tanning materials and fibrous plants like hemp, allo, ketuki, lokta etc. A survey of these specific plants need not wait for a full forest resource survey. Some technical research on appropriate technologies for processing them to produce marketable products might be desirable considering its potential impact on hills and rural areas.

Energy Resources:

Hydro electric power constitutes by far the greatest part of the potential energy resource endowment of Nepal.

The countries theoretical power potential is estimated at 83,000 MW of this 25,000 MW is believed to be economically feasible at present.

Four major river systems, the Mahakali, Karnali, Sapta Ganduki and Sapta Kosi, whose tributaries originate in the Tibetan plateau and the Himalayas account for 90% of the country's surface water and most of its hydro-electric potential. The water from these system is supplemented by a number of smaller river draining the lower hill areas and foothills. The theoretical hydro-power potential of the major river basins is shown in table 4. However Nepal has so far been able to develop only a small fraction of this potential resource. To date, the country has installed capacity to generate 113 MW of hydro electric power - only 0.5% of the economically feasible potential.

Within the last decade, mini and small hydro electric projects have been increasingly supplementing the energy needs of the hills and mountain regions. So far, nine small and mini ~~Kxxx~~ hydro-electric projects with a capacity to generate about 1,400 KW of electricity have been commissioned.

Two important hydro-electric projects with a combined capacity of 47 MW are under construction. One of the projects is the 14 MW Devighat project on the Trisuli river and the other project is a 33 MW Kulekhani phase II project. Construction work on the Marsyangdi project is to start shortly and is scheduled for completion in 1986.

The Chisapani and Pancheshwar projects have great potential for exporting hydro-electric power to neighbouring

countries. The implementation of these projects would, however, depend on the availability of financial and technical assistance from donor countries and multinational agencies.

Mineral Resources :

Geological surveys and mineral exploration efforts made so far have indicated the presence of few exploitable mineral resources. The major know-exploitable minerals are lead, zinc, iron, magnesite, talc, limestone, dolomite, marble, silica and building and construction stones. The quality of production of various minerals 1972-1977 is given in table 5 .

Lead and Zinc : A deposit of zinc and lead at Ganesh Himal in Raiuwa district of Bagmati zone is estimated to contain 469,000 tons proved ore and a further 407,000 tons of probable ore containing 11.87 percent zinc and 1.66 percent lead. A joint venture project between the Government, an Indian company and an English company is under construction and will mine 120,000 tons of ore annually. The project is planned to produce about 18,666 tons of zinc concentrate containing 60% zinc and 2,601 tons of lead concentrate containing 60% lead.

Magnesite: A magnesite deposit at Kharifhunga in the Dolakha district, Bahmati zone is estimated to contain 180 million tons of magnesite with 66 million tons of refractory grade. This resource is of international significance because of the large size of the deposit and its high grade ore.

Talc: About 3,00,000 tons of proved talc resources exist at Karidhunga. This deposit is planned to be mined and produced together with magnesite. A plant with annual capacity of 10,000 tons was installed in 1981/82 and has already gone into production.

Limestone: Abundant quantities of cement grade limestone are found along the Mahabharat Range in the south. Limestone deposits at Choba in Kathmandu valley are estimated at about 15 million tons. A cement plant with a capacity of about 140 tons per day has been exploiting this deposit since 1975. Plans are under way to expand the plant capacity to 400 tons per day. A deposit of 10 million tons of proved grade limestone exists at Bhaiselobhan in Makawanpur districts of Narayani Zone. A 750 tons per day capacity cement plant owned by Hetauda which is close to the site. A significant limestone deposit exists, at Udaipur district in Sagamatha zone. The deposit is estimated to contain approximately 70 million tons of proven chemical grade limestone. A cement plant with annual capacity of 400,000 tons and with provision to double the capacity is proposed for construction as a Nepal-India joint venture.

A small limestone deposit exists in Dhading district of Bagmati zone. This deposit is estimated to contain approximately 1.9 million tons of proven chemical grade limestone with 25% of recovery.

Iron-ore : Deposits of iron amounting to 10 million tons

with 54-58 percent iron exist at Phychoki, one of the hills surrounding the Kathmandu valley. A preliminary study indicates that a mini-steel plant with 50,000 tons per annum capacity may be feasible.

Dolomite: A 5.69 million tons of deposit of dolomite exists in Udaipur district of Sagarmatha zone.

Silica: Deposits of about 3 million tons of Silica sand exist in Makwanpur district. The sand is suitable for ordinary glass making, foundry and fluxing.

Boulder and gravel are found in abundant quantities in the neighbourhood of the Terai rivers and river terraces. Other minerals currently extracted in small quantities are the following copper, semi-precious tourmaline, beryl, garnet slate and clay.

As above inventory would suggest apart from its huge potential in hydro-power Nepal is relatively poorly endowed with natural resources. Both the agricultural crops grown for subsistence and for cash surplus have been subject to adverse weather conditions and the worsening pressure of population on the land. These factors have only served to highlight the weak state of the country rural infrastructure. The sixth plan contains very ambitious forecasts for higher crop output. However there are obstacles to greater output embedded in the structure of the markets facing farmers - and these may act to constrain rural development. At the same time it should be noted that the obvious agro-processing facilities - such as rice milling oil extraction, flour mills and so on exist. Their history has tended to be troubled

however, with output following an uncertain course on either the raw material or cooprant inputs have fallen short of the volumes necessary to achieve full capacity utilization.

Regarding the animal-based sectors, the recent problem of over-grazing has diminished the quality of beed available for the animals kept in the hilly areas of the country. This has in turn diminished the output of the associated leather, milk and wool products plants. The animal-based sector has however also faced problems associated with consumers prefering imported goods, when they can afford them.

Dwindling forests reflecting the pressure of fuelwood gatt by rural inhabitants make the potential use of forestry for industrial processing less promising at least in the short run. Again, however, it is not merely the limited availability of the raw materials input which is constraining manufacturing. There are real problems of the domestic market size and problems with exporting bulky wooden objects. While abundant in principle, the Nepalese government does not have the resources to develop water power fully, nor it is clear to whom and under what circumstances any export surplus, as it were, could be disposed of. Cement grade limestone is the mineral deposit of most immediate use in the country. Advanced plans for industrial utilization of the lead and zinc deposits and the magnesite deposits also exist.

Bhutan :

The Bhutan's economy is based on the several pattern of its agriculture and animal husbandary, which are determined

by the high altitude environment. Over the past two decades, Bhutan has gradually emerged from the isolation of earlier periods. Bhutan has completed four five year plans (1961-66), 1966-71, 1971-76 and 1976-81) and is presently engaged in drawing up its fifth plan. In view of the special relations between India and Bhutan by virtue of the Treaty of 1949, it was natural for India to provide the bulk of the resources required for development. However multilateral agencies (UNDP, UNICEF, WFP, UNFPA etc) and bilateral sources may be expected to make an increasing contribution in the future.

At the first census in 1969, Bhutan had a population of 1.033 millions . Of the total area of 47,000 sq.km., 71 percent is under forests and 9 percent is under agriculture, the principal crops being rice, wheat, maize, barley, millet and potatoes. Bhutan has been engaged in developing the essential infrastructures of administration, communications and services.

Bhutan had at the end of the fifties only 3229 kms of generating capacity. With the completion in 1984 of the Chukha project, the country will have additional generating capacity to the extent of 5000 KW.

Bhutan is one of the poorest countries in the world. In 1985, according to estimates by the World Bank, the Kingdom's gross national products (GNP) measured at average 1983-85 prices US\$190 m, equivalent to about \$160 per head. However, estimated that GNP per head increased in real terms, by 2.7% in 1985.

An estimated 95% of the economically active population were employed in agriculture, forestry, fishing in 1985, although only about 9% of the land was under cultivation. The total annual production of cereals was expected to rise from 166,000 metric tons in 1982 to more than 200,000 tons in 1986/87. Forests cover about 70% of the country's area, and further afforestation is envisaged. Roundwood removals (mainly for fuel) totalled an estimated 3.2 m cu m in 1985. The first phase of a forest based industrial complex at Gedu has begun, and a plant for the production of particle board was being constructed in 1983. Timber and fruits including apples are exported.

A series of economic plan began in 1961, the first two being financed entirely by India, more than 30% of the total outlay of the fifth Plan (1981-86) was financed by India. The Sixth Plan (1987-92) envisaged expenditure of Nu 9,485 m (more than double the total expenditure of the previous plan) of which about 29% was to be allocated to trade, industry and power, and about 28% to social services.

As a land locked country with close links with India, the latter has a special contribution to make but progressively international agencies and other countries in the region can also provide valuable support to Bhutan's development and resource utilisation.

Demographic feature of Himalayan Kingdoms, Nepal :

Nepal has always been a meeting ground for different peoples and cultures. Situated at the natural boundary and the watershed that runs through the middle of the largest continent in the world, the land has traditionally attracted and given shelter to people from all directions east, west, north and south.

The great majority of the people are subsistence level farmers living in a rural setting. The people live under quite diverse environmental conditions from the low, nearly sea level plains at the border of India, northward through the middle hills and valleys up to the flanks of the great Himalayan range where they live at altitudes of up to 16,000'. Farming practices and agricultural production are therefore equally diverse. The various styles of life, social customs, house types and attitudes exhibit their different origins and social history. According to racial structure the people fall into three main categories: Mongoloid, Aryan and some small isolated groups of pre-Aryan indigenous people.

Recently Dravidian speaking people has been identified in the central Terai. Mongoloid people have been discovered in the sub Himalayan region prior than the Aryan. Mediterranean type of people belong to the Brahmin Chhetris and some occupational castes. The west, far west and north western districts of Nepal are referred to as "Khasaan" - the land of the Khas - by the local people.

The occupational peoples, have played their own role too.

they are found living close to the Brahmin and Chhetri villages, and in every town. They are the shoemakers, smits, tailors and other such craftsmen. Other Brahmins and Chhetris and occupational castes have arrived more recently, migrating north from the Gangetic plain of North India into the Tarai regions of Nepal in search of more suitable farmland.

The Tharus, Danuwars and other minority groups of the Tarai are farmers, fishers and hunters. They have dwelt longest in the Tarai, primarily in forested areas, recently come under the influence of the more numerous and dominant classes.

In considering Tibets-Burman speaking hill peoples, the Newars who dominate the Kathmandu valley. Racially they exhibit a mixture of Mongoloid and Aryan features with the former predominating. All along the middle hills, and only recently in the newly opened Tarai farmlands, live the Tibeto-Burman speaking Mongoloid peoples, the Kiratis-Rais and Liembus of the east, the Gurungs, and Magars of the western and central hill regions and the Sunuwars, Tirels and Tamangs of near east and the hills surrounding Kathmandu Valley. The Kirats, the eastern most of these people, live up to and even beyond the borders of Westnic groups in heavily influenced by Hinduism.

There is movement of people southward from the hills into the fertile Terai and inner Terai lands of Nepal. This movement is due to the malarial effect and also by the pressure of increasing population on available resources in the hills.

Due to these past and present movements, the population distribution of Nepal is influx.

Traditionally, the highest density per square mile has been in the middle ranges of Nepal, due to the hospitable region and in which to live and adapt to an agricultural existence. The middle hills, have been the route of the migration pattern west to east, and have attracted peoples in greater numbers than the northern and southern border regions.

Demographic and Social Change:

The population of Nepal is overwhelmingly rural, 95 percent (1980) of population as proportion of total population are rural.⁷ Nepals economy predominantly agrarian with some 93 percent of the population, classified as 'active' employed in farming and only about 2 percent involved in non-agricultural production. About 5 percent of the population live in the Kathmandu valley, where the urban areas of Kathmandu, Patan, and Bhadgaon combine to provide the only urban complex of any size of the country. Outside the Kathmandu Valley the rural areas are conventionally divided into three major topographical and ecological zones: the mountains in the north, the hills (containing some large valleys, such as Kathmandu valley) extending across the centre of the country from west to east, and a narrow strip of the low lying Gangetic plain (Terai) in the south.

The mountains, although constituting about a quarter of

7. World Bank, World Development Report, (1982).

the total land area, are sparsely populated (with some twenty five persons per square kilometer) and contain only about 5-7 percent of Nepal's population. Even so, since the area actually cultivated in the mountain regions amounts to probably no more than 3 percent of all cultivated land in the country, a significant proportion of the population is unable to live from farming alone, but must supplement its income from other sources, including long-distances.

Population by Geographic regions

Region	Area (km)	% of total area	Pop.1961	%total pop.	Density (per sq.km)
1. W/mountains and hills	50,803	36.0	1,796,690	19	35
2. Central moun- tains and hills	28,862	20.5	1,946,502	21	67
3. Eastern mountains and hills	30,931	22.0	2,080,388	22	67
4. Western Terai	7,363	5.2	271,551	3	37
5. Central Terai	9,021	6.5	644,593	3	71
6. Eastern Terai	13,247	9.4	2,213,282	23	167
7. Kathmandu Valley	565	0.4	459,990	5	815
Nepal	140,792	100.0	9,412,996	100	67
Mountains and Hills	110,596	78.5	5,823,580	62	53
Terai	29,631				

Source: Central Bureau of Statistics, Kathmandu

The hills contain some 60 percent of Nepal's population but only about a quarter of the cultivated land, with the result that over all population density is high, and extremely high per cultivated hectare. A recent World Bank report observes that population density per square kilometre of arable land is probably as high as 1,100, a concentration similar to that found in certain Asiatic deltas, but where in contrast, the soil is more fertile and the climate allows two or three crops a year (IBRD, 1973:4). Landholdings tend to be small and fragmented, cultivation being carried out largely on narrow terraces built from valley follows up to near the top of steep hillsides, yields are low and appear to be declining as soil fertility decreases. As a result foodgrains are imported into the hill areas from the plains or from India, paid for substantially with cash earned from employment outside the hills, and often outside Nepal. The plains, or terai, account for between 15 and 20 percent of Nepal's total land area but as much as 70 percent of the country's population. Regarded as prime source of government revenue from as early as the eighteenth century, the Terai continues to be the 'grain basket' of Nepal. Prior to 1960 Terai was relatively sparsely populated, largely as a result of the prevalence of malaria and diseases, since that time, however, with effective malaria eradication and the dramatic reduction of cholera and smallpox, the terai is being settled rapidly and often illegally by relatively poor immigrations both from the Nepalese hills and from densely populated Indian provinces immediately to the south.

Available evidence suggests that population densities in Nepal during the seventeenth and eighteenth centuries were low, corresponding to a relatively low level of agricultural technology and productivity, associated with transhumant pastoralism and extensive, often shifting, cultivation in the hills, albeit with somewhat more intensive irrigated rice cultivation in the valleys and some areas of the terai. A favourable natural environment, and the encouragement given to the immigration, both by local members of the nobility and by the central government in Kathmandu, led to a marked growth in population during the nineteenth century, particularly in the plains adjoining India and to a significant expansion in over all production. The birth rate also increases (UN estimates, 1980-85) average annual birth rate 41.7 per 1000, and death rate 18.4 per 1000 persons. Density of population (per sq.km) at June 1987 is 119.8.⁸

The population has registered a growth of 22.8 percent in the decade 1961-71.(see the table 1). The growth of population has not been uniform. The urbanised Kathmandu valley experienced 27.2 percent, the hills and mountains 12.7 percent and Terai region 32.4 percent of population growth.⁹ The rate of growth has been 2.2 percent.¹⁰

8. The Europa Year Book World, 1988, Vol. II

9. B.N. Banerjee, India's aid to neighbouring countries (New Delhi Select Books '82)

10. Regional cooperation and Development Needs in South Asia, Jan., 1983

Nepal is roughly shaped like a rectangle with an average length of 800 km East-West and a width of 175 kms North-South Nepal covers 147,181 sq km (56,827 sq.miles)¹¹.

Table 1
Decennial Growth of Population

Year	Population in 000	% variation over the previous period
1911	5,639	(-)
1921	5,574	(-) 1.2
1931	5,533	(-) 0.7
1941	6,284	13.6
1951	8,473	34.8
1961	9,413	11.1
1971	11,248	22.8
1981	13,778	21.0

Source: Control Bureau of Statistics

The population was estimated at 12.9 million in 1976. Now it has crossed 14 million mark. The population is estimated to be increasing at a rate of 2.2 percent per annum. The dense and rapidly growing population puts a severe strain on the country's limited natural resources and erodes the small improvements in incomes that are being achieved. Although the government extends assistance to family planning, material and

11.

child health care programmes little impact has been made so far and greater emphasis will have to be put in family planning.

A national commission on population was set up in 1978 and this is to devise and implement government policies and programmes on population control. There is an average of one doctor for 25,000 people. At the end of the Five Year Plan, there were 66 hospitals in the country. The hills and mountains, which occupy 76 percent of the country's land, contain about 63 percent of population with an average density ranging from 57 persons to 65 persons per square km.

Table II

Year	Total	Male	Female
1961	9,413	4,636	4,777
1966	10,276	5,077	5,119
1971	11,248	5,571	5,677
1976	12,393	6,152	6,241
1981	13,778	6,850	6,928

Nepal is amongst the least developed countries in the world. Since the mid 1960s the country's economic growth has barely kept pace with the increase in its population. In 1985 according to estimates by the World Bank Nepal's gross national products (GNP) per head was US\$ 160 (at average 1983-85 prices) which was among the 12 lowest in the world. Between 1965 and 1985 it was estimated, Nepal's GNP, per head increased, in real terms at an average rate of 0.10% per year.

Nepal in the mid 1970s is not just a very poor country that appears to be increasingly unable to provide adequate for now rapidly growing population - that would be a misleading over simplification, and in some respects an understatement, of the problems that exist. That country is now in a period of crisis, a crisis whose major components over the next decade, will include serious over-population relative to employment opportunities, ecological collapse in the densely populated and highly vulnerable hill areas (where 30 percent of the cultivable land supports 62 percent of the country's rural population and the elimination of certain important 'natural' resources, both in the hills and in the plains. These will be supported with an increasing inability to pay for imported commodities, with growing food shortages, and consequently with the development of widespread unrest in both rural and urban areas, which together will threaten the viability of the prevailing political system and even Nepal's position as an independent state.

Demographic feature of Bhutan :

The population of Bhutan estimated nearly 1,343,000.¹² There has been no accurate census of the population of Bhutan before 1970 and therefore the figure mentioned in all publications prior to that year have been at best an approximate estimate of the inhabitants of this state. The population

12. estimated from mid 1987 World Bank Report 1989

may be divided into two, those living on the west and those living on the East of the Pele-la.

The people of the West are for the most part of Tibetan origin who came into the country centuries ago. They are of the same original stock as the Bhuteas in Sikkim, but have developed in Bhutan into a magnificent race of men physically. The Sikkim Bhutea is a strong sturdy fellow in his own way. The Bhutanese are fine, tall well-developed men with an open honest cast of face, and the women are comely, clean. It is said that a large majority of the Bhutanese belong to the Indo-Mongoloid race.¹³ However in the southern regions the original inhabitants of Nepal predominate. These Nepalese settlers are to be found in the southern central region of Chirang. Moreover, since 1959 there have been 3,000 Tibetans who have sought refuge and rehabilitation in Bhutan. The observation of Coelho are worth reproducing:¹⁴

"The people are quaint, but they display social and economic characteristics based on traditions that make for national discipline. Their habit of dress and food, their customs, religious practices, dances are their own, different from those of their neighbours near or far."

In regard to the distribution of the population in Bhutan, it may be mentioned that it shapes according to the physical

13. Coelhs, V.H., Sikkim and Bhutan, p.79

14. Coelho, V.H., Op.cit., pp 56 & 79

configuration of the land and its terrain character such as the high mountains and slopes, climatic variations and the major factor of productivity of land. The areas densely populated are the Inner Himalayan valleys of the central region. There are eight main valleys, where population in central and eastern Bhutan is concentrated. They are: (a) Ha, (b) Paro, (c) Punakha, (d) Thimphu, (e) Ten Chu, (f) Trangs, (g) Bumthang and (h) Eastern Bhutan. The famous cities of Paro and Thimphu are inhabited by over 10,000 souls. In addition there are several towns of 5,000 inhabitants such as Wangdu and Tongsa. Again in the east on Manas river, there is the city of Tashigang. Eastern Bhutan has the largest population with Tashigang district being the most populated in Bhutan. Apart from the valleys where concentration of population is witnessed on the banks of a big river, so typical and symbolical of the accepted principle of growth of human civilization, there is also noticeable in Bhutan marked concentration of population in the low lands where the State of Bhutan touches the plains of India. There are other two towns like Sarbhang again in the same region but with a population of 5,000 inhabitants. Apart from these areas of comparatively concentrated population, most of the landmass of Bhutan has very sparse settlements such as in the Great Himalaya region in the north which witness extreme climate. Similarly in the Black Mountain and other ranges in southern Bhutan the low density population is characterised by physical factors such as heavy rainfall and thick forest vegetation or due to the steep southern slopes making any habitation

physically impossible apart from the poor character of the soil in that area.

The geographical terrain and the history and politics of the country have influenced the settlement pattern of the population of Bhutan. Bhutan's population based on three basic climatic zones. For instance compact settlements in the central region with the exception of concentrated population centres in the well known cities situated in the valleys of the rivers which flow through the central middle region. The northern region which has extreme climatic conditions of the Tundras has perhaps no permanent settlement at all.

Bhutan is not an ethnically homogeneous State for there are several linguistic and cultural groups. There are the people of Tibetan origin who are by a large concentrated in the west and constitute about 28 percent of the population. The country's ruling elite belong to this group. These people speak Dzongkha a tibetan dialect which has developed distinct Bhutanese characteristics of its own over the past few centuries, and follow the Drukpa School of Mahayana Buddhism which in fact distinguishes the Bhutanese from Tibetan and other Buddhists.

The people in the northeast constitute a separate ethnic group. They belong to the Indo-Mongoloid family and are akin to inhabitants of the northeastern states of India. They account for about 44 percent of Bhutan's population speak about 11 different dialects non-Tibetan origin, and their own dress, food habits and festivals.

There are also immigrants of Nepalese origin who reside

in southern Bhutan. Most of these settlers migrated from Nepal during the 19th century.¹⁵

The districtwise population as stated in the table:-

Table

Population of districts (mid 1985 estimates)

Bhumthang	23842
Chirang	108,807
Dagana	28,352
Gasa	16,907
Gaylegphog	111,283
Haa	16,715
Lhunshi	39,635
Mongar	73,239
Paro	46,615
Pema Gatshel	37,141
Punakha	16,700
Samchi	172,109
Samdrup Jongkhar	73,044
Shemgang	44,516
Jashigang	177,718
Thimpu	58,660
Tongsa	26,017
Wandiphodrang	47,152

Total rural population 1,119,452 and urban population is nearly 1,67,823 . Economically active population of Bhutan are in agriculture 613 (per000) persons in industry 6, trade

15. King & Country, Why Bhutan Need Peace, by Kapileshwar Labh, The Statesman 4th Jan 1991

and public service consecutively 9 and 22 in the year 81/82.¹⁶

Lastly, we can come to the conclusion that the geographical terrain and the history and politics of the country have influenced the settlement pattern of Bhutan.

Of the total area of 47,000 sq.km., 71 percent is under forests and 9 percent is under agriculture. Bhutan has been engaged in developing the essential infrastructures of administration, communications and services. There is now both greater need and greater scope for taking a long-range view of the design and priorities for the future development of the economy and resources of Bhutan. In a variety of ways, the ground has been prepared for meaningful long-term strategies for Bhutan's development.

C H A P T E R I I I

**DEVELOPMENT TRENDS AND PATTERNS : ECONOMIC
DEVELOPMENT, ECONOMIC COOPERATION ON DEVELOPMENT
PROJECTS, TRANSPORT AND COMMUNICATION,
TRADE AND TRANSIT PROBLEMS, AND TREATIES,
LEVEL OF DEVELOPMENT, DEVELOPMENT ISSUES AND
PROBLEMS**

Economic Development:

The Himalayan Kingdom of Nepal is one of the land-locked countries of Asia. Due to its landlocked situation, historical and topographical features and other problems of development, the country has its own significant and unusual problems in matters of development and planning. Its geographical nearness and other ties with adjacent countries has made it quite necessary that good trade relations be maintained always as far as possible with neighbours, more particularly with India. Its development plans and programmes have been greatly affected by various obstacles emanating from transit difficulties.

The Himalayan Hindu Kingdom is the only country where almost all the western nations and the oriental neighbouring countries including India have been aiding with free advice, money and expertise in its programmes for development.

Nepal's reliance on foreign aid has increased substantially. Over the 25 years of state planning in Nepal, the main work has been in what is called the creation of infrastructure. Such structures are very much needed before a country can move substantially to improve its standard of living.

The infrastructural developments must come first for any development initiation. Nepal in its early plans has spent most of its money and services to raise up a network of underlying structures, economic and social, upon which forms of production have been built. On entering the Sixth Five

Year Plan (1980-85), the government of Nepal felt it had used the past generation to create a cadre of well trained and experienced administrators and technicians with the ability to plan and implement programmes and had built up a "sufficient amount" of infrastructure so that it can expect substantially increased production, both agricultural and industrial, to take place.

Economic development in Nepal is very difficult and has a number of serious constraints such as:

- a) Scarcity of known natural resources;
- b) geographical barriers and absence of adequate transport and communication facilities within the country;
- c) the growing population at 2.5 percent per year, which is 90 percent on the land and is increasing the area of cultivation, damaging the ecological balances and causing desertification to begin;
- d) stagnation in agricultural yields measured in terms of per acre yield and per capita income;
- e) growing idle labour on the land;
- f) substantial decline of commercially exploitable forests;
- g) high costs of maintaining the newly built infrastructure;
- h) low income level of the people, on an average of \$60 per person per year.
- i) better hope for an increase of traditional exports;
- j) the land-locked situation causing high costs of exports and imports.
- k) the raising need for importation of appropriate capital goods, industrial raw materials and petroleum and allied products bringing on a critical and adverse situation in the balance of payments.

Since the mid 1960s the country's economic growth has barely kept pace with the increase in its population. In 1985, according to estimated by the World Bank, Nepal's gross national products (GNP) per head was US\$ 160 (at average 1983-85 prices) which was among the 12 lowest in the world.

Between 1965 and 1985 it was estimated, Nepal's GNP, per head increased, in real terms at an average rate of 0.1% per year. The average annual growth of overall gross domestic products (GDP) was 2.3% in 1965-80, rising to 3.4% in 1980-85, GDP grew by an estimated 2.2% in the year ending July 1987, and was predicted to increased by 4% in 1987/88 as a result of a projected expansion in agricultural production. Agriculture, forestry and fishing sector contributed almost 59% of Nepal's GDP in 1984/85, and provides an estimated 60% of export earning: Arond estimated 4.8m ha. of land was forested in 1984. A programme of forest development and rehabilitation was begun at a total cost of US\$ 24m, mainly financed by the World Bank. Nepal also suffers from droughts, floods and poor harvests and receives food aid from many countries. Between 1971 and 1986 the population of Nepal increased at an average rate of about 2.7% per year, while adverse weather conditions from the early 1980s, onwards, together with shortages of fertilizers and irrigation difficulties, all contributed to an overall decline in the output of food grains fell from 4.4m metric tons in 1985/86 to 4.1 m tons in 1986/87. The agricultural settlements are confined to the Kathmandu valley and wider sections of

the river valleys. In 1986 only about 15% of arable land had permanent irrigation. Over the five years 1980/81 - 1984/85, despite periodic drought, the agricultural sectors total output fell, however by 7.8% in 1986/87. Under the provision of the seventh five year plan (1985-90), 34% (NRS 17,280m) of projected expenditure was to be invested in agriculture and improved irrigation.

Industry contribute about 10% to Nepal GDP¹. To give a proper idea of Nepal's development efforts, it is necessary to mark early planning experience within the broader framework of measures taken by the government. Nepal started its development programmes (in 1956) more or less at the same time as India launched its own in 1951. Nepal has so far had five 5-year plans which have been successful to a great extent.

The First Plan: Nepal's First Five Year Plan was launched in September 1956, which to quote the message from His Majesty, King Mahendra; "related to the necessity of a Five Year Plan for the country for attaining national self sufficiency and establishing a welfare state". The plan was not fulfilling the overall planning except the criteria for an economic plan - a broad list of expenditures in the public sector. The Plan was more or less a collection of public sector projects in different fields with some estimates of their costs.² The

1. The Europa Yearbook, 1988, Vol.II

2. The total outlays of the first four years plans are given in the table

total financial outlay of the plan was estimated at Rs.330 million. During the plan period, performance in some sectors such as village development, education and health was quite impressive however the overall results were unsatisfactory.

The framers of the First Plan had to work under various handicaps. The administration was quite new to planning. The First Plan in fact could be broadly regarded as provided a link between the pre-1956 and post 1961 period when a strategy for economic development started to evolve gradually.

The Second Plan: 1962-65) In December 1961, after the adoption of Panchayat Democracy, Nepal tried to move forward more vigorously to create a new society, devoid of exploitation and based on class coordination. A policy of decentralization was adopted to inculcate the Panchayats with the principles of self-reliance and development to achieve the well being of the common people.

The Second Plan (1962-65) launched in 1962 was also a preparatory effort to create the basic pre-conditions for a comprehensive country-wide plan. The level of development expenditure actually achieved averaged Rs.200 million annually compared with the Rs.40 million annually in the First Plan. During the Plan period, the national income was estimated to have risen by seven percent, while at the same time population increased by six percent.

The Third Plan (1965-70): The Third Plan, launched in

July 1965, was completed in July 1970. The principle objective was to undertake a nation-wide Plan with long-term goals. This plan was broader in scope and investment in infrastructure was pursued vigorously along with the development of productive sectors. The plan aimed at raising the country's national income by 19 percent, or 1.8 percent annually. The Plan was revised in September 1968 on the basis of experience gained in the first three years of the Plan period.

It is roughly estimated that during the plan period, the rate of growth in the economy was only slightly higher than population growth. Some progress in selected activities were not ignore. The consumption of power grew by more than 20 percent annually during this period. Development in transport, communication etc.

The Fourth Plan (1970-75): After the completion of three plans, the Fourth Plan was drafted and adopted in July 1970. The objectives of the Fourth Plan, broadly speaking are to maximize output, establish the pre-conditions for sustained and long term economic growth (development of transport and communications, electricity, power and so on), expand and diversify international trade, attain basic objectives of growth with stability by controlling price level, make effective use of manpower and control population growth create conditions conducive to the emergence of a society free from exploitation and mobilize internal resources. As the Plan rightly emphasizes, "Economic development is a continuing process and its aim is to gradually increase

the public welfare and to prepare the infrastructure needed for accelerating economic growth." Within this overall context, it is appropriate that one of the long term objectives of the Plan has been to create conditions conducive to the emergence of a society free from exploitation.

Fifth Plan (1975-80) : Envisaged a minimum expenditure of NR 9197 million and a maximum expenditure of NR 11,400 million. Efforts were made to increase revenue from all possible sources, including agriculture. The development objectives of the Fifth Plan were stated to be balanced regional development, the establishment of an egalitarian society and the participation of all citizens in Nepal's development. The Fifth Plan gave top priority to the development of agriculture, and aimed at a 3.6 percent annual increase in agricultural production. The Plan also gave more attention to social services, in particular education.

Table: 2

Fifth Plan Outlay (Rs in Crores)

Sector	Total amount	Percentage
Agriculture irrigation, land reforms, forestry etc.	316.70	34.4
Industry, Commerce & Power	179.99	19.6
Transport & Communi- cation	252.71	27.5
Social Services	170.30	18.5
Total	919.70	100.00

Source: Fifth Plan in brief National Planning Commission, Kathmandu.

So the Fifth Plan saw a further change in the basic

philosophy and a further shift of emphasis. The basic objectives of the perspective plans should be to maximise production in an orderly manner and conform such production to the needs of the people and be within their reach.

Sixth Plan (1980-85)³ In course of all round economic and social development of Nepal Sixth Plan started from mid July 1980 and ends in mid July 1985.

The objectives of the Sixth Plan were formulated considering the major economic problems of the country and the difficulties confronted in efforts to eradicate these problems. The objectives of Sixth Plan were as follows:

- 1) To increase production at a higher rate,
- 2) To increase opportunities for productive employment and
- 3) To fulfil the minim basic needs of the people.

The Sixth Plan was approved by the National Planning Commission for 1980-85. The outlay for this plan was set at NR 28,000 million, to be used as follows:

Sector	(in million)
1. Agriculture, irrigation etc	NR 8,790
2. Education health, drinking water etc.	NR 5,430
3. Industry, Trade, Electricity, Tourism and mining	NR 7,295
4. Transport and Communication	NR 6,485
Total	NR 28,000

The process of development planning in the Sixth Plan was divided into two parts: first projects of regional and national importance requiring high local technology which will be

formulated and implemented by the centre, and second projects at district level which will be carried out by local Panchayats.

Seventh Plan: The end of the Sixth Plan period marks the completion of almost three decades of planned economic development in Nepal. When the First Plan was initiated during the fiscal year 1956/57, the major problems were the lack of infrastructure. However, the development efforts made over the years have resulted in solid and remarkable progress in creating both physical and social infrastructures. On the basis of such progress, it was possible for the Sixth Plan to include a new dimension in the planning objectives, as the fulfilment of basic needs.

Although limited success has been achieved during the last four years of the Sixth Plan, it is however clear that the execution on the Plan could not proceed at the prescribed pace, and an element of dynamism could not be introduced in the development of the economy. The agricultural sector, which is the source of livelihood and employment of the bulk of the population, continues to depend mainly on the vagaries of the weather.

* [Development goals of a nation are necessarily longterm. They cannot be achieved within a short span of time, therefore, it is not generally desirable to tamper with those objectives that the nation is striving for until they are fully achieved. Periodic plans are formulated in order to meet these long-term objectives. Looked at from the standpoint of our economic conditions and realities, the objectives laid down

in the Sixth Plan are of equal relevance and significance even today. As the nation will still need a long time to reach these goals, they have been set forth as the objectives of the Seventh Plan also. The objectives are:

- a) To increase production at a higher rate;
- b) To increase opportunities for productive employment;
- c) To fulfil the minimum basic needs of the people.]

Allocation of Development Outlay.

Although the investment in the public sector is estimated to be Rs.17,550 million, the estimated total development outlay, however is Rs.29,000 million. Altogether, the aggregate development outlay of the Seventh Plan period is estimated to be Rs.50,410 million.

Table 3

Total Development Outlay⁴ (in million Rs)
of Seventh Plan (1985-90)

1. Agriculture Irrigation & Forest	17,280
2. Industry Mining and Power	10,840
3. Transport and Communications	7,260
4. Social Services	15,030
Total	50,410

Since the agricultural sector has a decisive role to play in meeting the target of raising the gross domestic product throughout the plan period, topmost priority has been accorded to the development of this sector. Accordingly, targets are set at increasing the annual production of all

4. The Seventh Plan (1985-90), Part-I, His Majesty's Government, NPC Nepal, June, 1985

major agricultural crops by 4.3 percent. The other priority sector had been the forest sector. Attempt had been taken to plant trees in the additional 175,000 hectares of land in the plan period.

The industrial output estimated about 12.7 percent increase annually. In 1986/87 total industrial production grew by 28%.

The Planning Commission proposed major changes in Nepal's agricultural, industrial and trade policies to get the economy moving and help the Kingdom tide over its serious economic problems. There had been a slow pace for industrialisation in the Kingdom for the last 25 years.

The Federation of Nepalese Chambers of Commerce and industry blamed the government for the slow pace of industrialisation due to unnecessary interference and control over economic activity. The private sector had not been contributing to economic growth in the past few decades because of this as well as the "lack of security in investment".

Economic Co-operation on Development Projects:

Over the past decade the volume of aid to Nepal has increased substantially, the major aid donors being India, China and the USA. The heavy dependence of Nepal on aid inevitably involves it in international politics while its physical location between India and China given their roles in world politics, ensures that pressures from outside, often expressed through aid, are even greater than in the case of most underdeveloped countries in receipt of large amounts of foreign aid.

Indo-Nepalese Co-operation:

India has appeared as the longest aid given to Nepal in the Five Year Plan period (1975-80) according to the annual economic survey of the Nepal Government. The Indian contribution during 1975-80 totalled Rs.60.31 crores against Rs.45 crores given by the United Kingdom, Rs.35.61 crores by China Rs 32 crores by the United States of America and Rs.26 crores by West Germany.⁵

In its budget provision, the Government of India extended NR 14.6 crores as aid to Nepal during 1979-80. The aid is named in such areas as social conservation in the Kosi area, a police hospital in Kathmandu, and diesel pump set plant etc. Preliminary work on the NR 43.5 crores Devighat Hydro-project was reported to have begun with the help of the Hydro-Electric Power Cooperation of India. The project was scheduled to be completed in five years and expected to generate 14 megawatts of electricity.

An industrial delegation from India has prepared detailed schemes for the expansion of industrial estates in Patan, Nepalganj and Dharam for the supply of various machinery and other goods through NR 3.5 crores of credit from India and for the training of entrepreneurs. Talks were held in New Delhi on the future implementation of the giant Karnali hydro-electric project. India has supported Nepal's efforts to get financial and technical aid from the World Bank for the project, which has been estimated to cost approximately \$1500 million.

5. Banerjee, B.N. India's aid to its neighbouring countries (ND, Select books - 82)

During 1979-80 United Kingdom signed for major package deals to set up a satellite Communications Receiving Centre, built the Dharan Dhankuta midhill highway and took up integrated rural projects in four hills districts in Eastern Nepal, the United Kingdom emerged as the leading aid given with Rs.19.70 crores. India was next with Rs.14.23 crores. The United States is number seven among donors for 1979-80, inspite of the fact that the USA is a member of the AID NEPAL ~~Box~~ Group, trailing behind the UK, India, West Germany, China, Japan and Kuwait.

In the first year of the Sixth Plan, the Nepal government has reduced from 63 percent to 60 percent its reliance on foreign aid for the annual plan. In absolute terms, however, the foreign aid will go up from the revised estimate of Rs.100 crores to Rs.140 crores.

India's cooperation with Nepal began in 1951 with the building up of an airstrip in Nepal. India has agreed over these years to assist Nepal in its development to improve the quality of life of its people. At the request of the King of Nepal, India extended economic and technical assistance to construct the Sonauli Pokhara Road, linking Uttar Pradesh with West Central Nepal. This was in addition to two other aid projects. The road is about 130 miles long and when completed the project costs over Rs.5 crores. India gradually increase assistance to Nepal in order to help develop its economic resource. The aid was increased by Rs.300 lakhs bringing the total aid during the Third Plan period to Rs.2100 lakhs.

During the period agreements were entered into with Nepal for the construction of the following projects:

- i) Tribhuvan Adarsh Vidyalaya (Rs.3.5 lakhs)
- ii) Irrigation and water supply scheme (Rs.40 lakhs)
- iii) Construction of a Hanger at Gaucher airport (Rs.4.6 lakhs)
- iv) Kathmandu - Trisuli Road (Rs.33.5 lakhs).

In addition India agreed to extend further assistance for the construction of Sonauli-Pokhara Road (Rs.241 lakhs) a bridge over the Bagmati River (Rs.19 lakhs) and the construction of Kathmandu Balaju Road (Rs.1.15 lakhs) during the Third Five Year Plan.

India also agreed to provide transit facilities for Nepal's trade with Pakistan and abolish the bond system which required Nepalese importers/exporters to executive bonds to ensure the transportation of their goods without loss or diversion while in transit across Indian territory. This was substituted by a similar procedure of transportation at railway risk, which safeguarded the interests of Indian as well as of the Nepalese importers or exporters in accordance with the provisions of the Treaty of Trade and Transit in 1960. During 1964-65, India agreed to take up the following new projects at an estimated cost of Rs.97.9 lakhs.

- | | |
|---|---------------|
| i) Sonauli-Pokhara Road | Rs.9.11 lakhs |
| ii) Hanuman-Pragar-Rajbiraj Road | Rs. 53 lakhs |
| iii) Setting up of overhead transmission lines in Kosi area | Rs. 15 lakhs |

An agreement for the construction of the Chattra Canal which was estimated to cost Rs.400 lakhs, was signed on November 22, 1964.

The Government of India continue to grant aid to HMG of Nepal for Nepal's economic development. The following agreements

were signed:

- | | | |
|------|--|---------------|
| i) | development of the airport | Rs.50 lakhs |
| ii) | development of irrigation, water supply and power projects | Rs.50 lakhs |
| iii) | Maternity home and child welfare centre | Rs. 3.5 lakhs |
| iv) | Trunk carrier telephone link | Rs.50 lakhs |

The cordial and friendly relations existing between India and Nepal were fully strengthened. New avenues of fruitful cooperation between the two countries were explored with a view to harnessing the natural resources of which India and Nepal were joint beneficiaries.

Indian co-operation Mission marked the new phase in Indo-Nepalese co-operation. Two major projects in Nepal and several other important projects were undertaken by the two countries.

By March 31, 1970, India spent a sum of Rs.70 crores in Nepal. For the year 1970-71 a sum of Rs.12.55 crores was earmarked. The year 1971 the completion of Hydal Project in Nepal at a total cost of Rs.12.17 crores and also the inauguration of the Chattra Canal Project which was completed at a cost of Rs.9.28 crores. The Trisuli Hydal Project supplies 21,000 KW of power to the Kathmandu Valley and other parts of Nepal while Chattra Canal irrigates 12.02 lakh acres of land. However, all programmes of Indo-Nepal co-operation should be speedily executed for mutual benefit. The 14 MW Devighat hydro-electric project will be the fifth Indian aided hydel project being implemented on a "turn key basis" in Nepal.

Being built at a cost of Rs.40 crores the project Plans to utilise tail waters of 12 years old Indian aided Trisuli Project, 65 kilometers north of Kathmandu.

The need is also felt for joint effort in areas along the Indo-Nepal border to control floods in international rivers and to reduce loss of life and property. Nepal has also sought India's assistance for developing an alternative route via river navigation to the sea.

India has already been providing transit facilities to Nepal because of the land-locked nature of the Kingdom. Because of transport difficulties and spiralling costs of fuel, which are freight prohibitive Nepal hopes India will lend a hand in facilitating an alternative navigational tour.

India continued to increase financial and technical assistance for development programmes in Nepal. An amount of Rs.10,904 crores was provided during the year 1978-79 for meeting expenditure on schemes on hand:

- i) the 302 km long central sector of Mohinder Ray Marg completed by 1980-81 estimated cost of Rs.44.36 crores, and
- ii) the 14.1 mw Devighat Hydro Electric Project was began during the year 1978-79.

India helped Nepal in having more reliable and stable communication links between the two countries by laying a 4.5 km long coaxial cable between the border towns of Raxaul in Bihar and Birganj in Nepal. Around Rs.13 lakh agreement in this regard was signed in July 1980 between India and Nepal.

The Coaxial Cable link along with microwave systems of both

countries up to the border territories for telecommunication services between the two countries.

India has helped Nepal acquire modern telecommunication systems by spending over Rs.20 million on a central office building for the foreign posts and telephone offices in laying a teleprinter link between Kathmandu and Raxual in 1967 and in establishing modern telephone exchange.

Nepal is seriously limited due to its hostile geography, and poor physical resources. Its landlocked situation makes it extremely dependent on India for many things. Its relations with India and the developments there can affect Nepal's economy. The Tentacles of modern industry of India have already spread; they are extended even to rural Nepal, shaking the traditional cottage industries. On the other hand, the potential buyer for most of its export items (mainly agricultural products) also happens to be India. Materials to and from foreign countries must pass through India. Nepal invariably has to use Indian ports for all its goods and services.

Other External Sources of Grants and Loans to Nepal:

External grants and loans have played an important role in Nepal's development. Development expenditure during the first five year plan was entirely financed from foreign aid. In successive plans the contribution of foreign aid was expected to decline gradually in relative terms. But in the fifth plan more than 45 percent of the plan outlay was covered by foreign aid. And in the Sixth Plan about 68 percent or Rs.1,392 crores will come from foreign loans, out of the total expenditure of

Rs.13,394 crores for achieving an annual growth rate of 4.3 percent. Agriculture, transport and health projects were the main sectors for receive foreign aid. The major aid given has been India. Besides India, the following countries have extended aid to Nepal: the USA, the USSR, China, West Germany, the UK, Japan, Switzerland, and Denmark and on a growing scale Canada and West Asian countries, like Kuwait and Saudi Arabia. Multilateral aid has been increasing rapidly with the UNDP programme as the major source of technical assistance. Among other chief donors are UNICEF, the World Food Programme (WFP), the World Bank and the Asian Development Bank and more recently the OPEC Special Fund. An Aid Nepal Group under the World Bank auspices was formed in 1976. A number of aid giving countries including India decided to convert various loans into grants during 1978-79:

Table 4 External Assistance to Nepal (NRs '000)

	<u>India</u>	<u>USA</u>	<u>China</u>	<u>USSR</u>	<u>UK</u>	<u>Others</u>	<u>Total</u>
1962-63	13,3600	4,68,00	32,00	1,5000	-	51,00	20,3700
1963-64	3,40,00	7,44,00	147,00	1,3400	-	94,00	20,59,00
1964-65	6,27,36	6,55,30	121,44	4,63	-	1,74	14,10,47
1965-66	9,30,00	579,00	162,00	50,00	-	32,00	17,53,00
1966-67	7,76,33	349,26	245,83	48,75	-	2,19	14,22,36
1967-68	9,58,67	3,22,26	2,61,65	30,69	2,50	5,37	15,81,14
1968-69	10,64,82	3,85,32	3,75,56	12,50	13,00	7,78	18,58,98
1969-70	13,95,61	437,00	4,84,70	45,00	51,10	24,00	24,37,41
1970-71	12,53,62	5,97,34	4,71,71	27,50	173,50	183,18	27,06,85
1971-72	10,92,70	4,52,02	5,31,08	50,00	2,7500	200,46	26,10,60
1972-73	11,05,19	5,68,12	5,00,57	25,00	171,18	5,40,54	29,10,60

Source: HMG Ministry of Finance

Since the pace of economic development in Nepal is very slow. It is among the least developed countries in the world. Since

the mid 1960s the country's economic growth has barely kept pace with the increase in its population. In 1985, according to estimates by the World Bank Nepal's gross national products (GNP) per head was US\$ 160 (at average 1983-85 prices)⁶ which was among the 12 lowest in the world. Between 1965 and 1985 it was estimated, Nepal's GNP per head increased in real terms at an average rate of 0.1% per year. The annual growth of overall gross domestic products was 2.3% in 1965-80, rising to 3.4% in 1980-85, GDP grew by an estimated 2.2% in the year ending July 1987, and increased by 4% in 1987/88.

External assistance made a major contribution to capital formation in Nepal. Changes took place in economy of Nepal. All most all the changes in infrastructure, health and a large part of the change in education was financed by external assistance.

Problems of Development:

Nepal has low per capita income and low resource base economy. The incidence of fragmentation, both economic and geographic, result in lack of communication links, reduce the size of local markets and increase transportation costs. Except a few STOL (Short Take off and Landing) Airports which are creating privately to the requirements of foreign tourists and local administrative necessities, Nepal's economy is over-fragmented due to geographic factors.

In addition, due to

- i) non-integration of different sectors of the economy

6. Europa World Yearbook, Vol II, 1988

- .ii) non-integration of different economic strata of the society, and
- iii) non-integration of the urban and rural,

Nepal's economy can hardly be integrated. These factors have tended to create an apparent lack of development opportunities and more difficulties in harnessing the low-level of resource-base economy. Savings are small, financial development weak and above all the task base is so poor that the country has to depend largely on foreign assistance for its development programmes. The fourth plan was financed by external assistance to the extent of 58 percent of which 50 percent came as aid. Nepalese now feel that extreme dependence on external aid was not very healthy and tried to finance as much as 60 percent of the 5th five year plan. But it seemed that the Nepalese had set an unattainable target. About 71 percent for the third plan and 58 percent for the fourth plan was financed by external assistance.

An organised marketing system has not yet developed. There is complete lack of specialization in production due to area's isolation from any important centre.

The analysis of the market system or the lack of it in Nepal and the sparsely distributed rural population with poor linkage may explain two things: one is that the poor urbanisation and lack of development of urban settlement system is connected with its subsistence economy, and the low agricultural surplus and poor market system. A well-developed

market system is important to develop an urban settlement system in the pre-industrial society. Second, there exists in a small way at least a system of markets and market settlements.]

There is an inter-regional disparity in development between different regions as mountains, hills and Terai. Extreme disparities between the central region (Kathmandu Valley) and the other regions of Terai and the hills have led to some rethinking on the development strategies.

Table 5

Disparity in Development

	<u>Nepal</u>	<u>Mountains & hill region</u>	<u>Terai & Inner Terai</u>	<u>Kathmandu Valley</u>
Land area (%)	100	73.8	23.8	0.9
Population(1971)	100	62.4	37.6	-
Population growth rate (1961-71)	2.3	12.7	32.4	27.2
Density of Population(1971) person/sq km	79.5	64.8	127.3	111.1
cultivated area percent age of total cultivated area	100	29.0	71.0	-
Proportion of cultivated to total land in % (1971)	13.6	35.2	64.8	-
Number of airports (1969)	15	2	12	1
Education, High Schools	348	150	124	74
College(1969)	36	7	11	18
Health Centre	97	70	24	3
Hospital(1969)	54	18	25	11
Number of Development Projects-56-70 (%)	22	14	28	34

Source: Statistical Packet of Nepal 1974, Central Bureau of Statistics

Since the economic development pace in Nepal is very slow, the GNP increases at a rate of 2.2 percent and the population is growing with a rate as much as this. Hence the per capita income in Nepal is stagnating. From 1970/71 - 1972/73 the per capita income in Nepal actually declined. It picked up again and was a little more than US\$ 100 (a little more than NR '000) in the financial year 1975. The Fourth Five Year Plan (1970-75) targeted a growth rate of 4 percent but envisaged the actual growth at less than 2.65 percent.

External assistance made a major contribution to capital formation in Nepal. The rate of savings had been very low and even at this low rate of savings, a significant part of the savings (not more than 0.6 percent) had not been invested for development projects.

Substantial changes in the economy took place. All most all the changes in infrastructure, health and a large part of the change in education was financed by external assistance.

In the early stage, the abrupt adoption of development aimed in the stagnant framework caused a large incursion of western technical advisors.

The critical need of Nepal was not of borrowing advanced technology from the West but of finding the appropriate or intermediate technology which India would provide against the similar socio-economic development.

The inter-regional disparity in development between different regions is quite evident.

The Hill region is over populated. This region experienced food shortages and over all declining per capita production.

Increasing differentiation within the peasantry - both in terms of control over resources and in terms of income distribution - and lead to permanent impoverished emigration. Extreme pressure on physical resources, probably be only the increment of the hill population and the dynamic of ecological collapse has probably already reached a point of no return in many areas. In many areas in the hills the balance between forest and arable land has now been irrevocably disturbed. The stripping of the forest cover on hillsides leads to serious soil erosion which further reduces the ability of the land to support an increasing population, and to a decrease in perennial water supplies, thus reducing the amount of irrigable land available.

The Terai: The terai's contribution to the nation's agricultural product is approximately 55 percent.⁷ He also calculates that over 70 percent of industrial production take place in the terai and some 65 percent of all other economic activities contributing to the GDP. Roughly 72 percent of Nepal's smaller industries are located in the terai.

The importance of the agricultural surplus, particularly the rice surplus, produced in the terai is certainly crucial in maintaining the viability of the Nepalese economy as a whole; not only do the food deficit fill regions depend heavily on substantial rice imports from the terai; but the terai also exports large amounts to India.

The West-Central Region:

The Planning Regions were envisaged in the Fourth Five

7. Gaige, 1975: 26,35

Year Plan as containing a variety of subregions (terai, hills, and mountain areas) and a wide range of resources. According to 1971 national census the Region had a population of some 2,500,000 and a total area of approximately 34,000 km², of which just over 10 percent was cultivated, giving an over-all population density per cultivated hectare of 6.9 persons. This varies considerably from subregion to subregion.

The failure to initiate or allow development of productive forces in Nepal is rooted in a historical experience which has tragically constrained the possibilities of development.

Transport and Communication:

In April 1977, Nepal's road network covered 1,751 kms of metalled road, 556 kms of gravelled roads and 1,829 kms of fair weather roads. The most important road links at 518 kms of the East West Highway (1,040 kms when fully completed); the road from Raxaul on the Indian border to Kathmandu; the road from Kathmandu to Kodari on the Chinese border; and from Kathmandu to Pokhara and Trisuli, and a ring road connecting Kathmandu to its satellite towns of Patan and Bhatgaon. Apart from the roads and connection are by a 10,000 kms network of mule tracks and footpaths. The construction of suspension bridges over rivers along the more important of these trails is receiving more government's attention. Construction work is underway on a number of North to South feeder roads connecting the main highways. Road building is often held up by shortage of material and the cost of importing them from overseas.

Airlines : There are 35 airports and airstrips in Nepal. The

Royal Nepal Airlines Corporation (RNAC) operates internal services as well as external services to the Indian centres of Delhi, Calcutta, Patna, Varanasi, Bangkok, Colombo and seasonal charter flights for Gurkha soldiers from Hongkong. All the major international airlines have representative in Nepal.

Communication: There is general post office and inland international telephone exchange in Kathmandu. There are over 10,000 telephones in use in the country and there are now direct telephone links with India, Pakistan, Bangladesh and Japan.

Tourism: The tourism is thriving, and has become a growing source of income and employment. A major source of foreign exchange earnings while only 12,567 tourists visited Nepal in 1966, the number was 29,000 in 1977 and 156,123 in 1978. Foreign exchange earnings from tourism are estimated at NR 300 million in 1977-78. It is one of the main resource of Nepal's development.

Trade and Transit Problems :

Nepal is one of the few countries in the world whose destiny has been determined by geography. It is away from the sea coast. The nearest port from Kathmandu (consuming centre), is Calcutta, which is approximately 1000 kms away. Nepal is at least 50 times smaller than India and 70 times smaller than China in terms of population. Since the areas bordering the northern region are barren and almost impassable at present, the dependence on one country, i.e. India, over transit is a great problem to Nepal. Many landlocked countries such as

Switzerland, Afghanistan and Bolivia have various economic accesses to the world. Switzerland can choose between France, Austria, Italy or even Germany to reach the sea. Afghanistan has Iran, Pakistan and the USSR to choose . And thus the competition between the transit countries would offer the best for the landlocked country to use traffic. For Nepal such opportunity does not exist. China's production and consumption centres are several hundred miles away from Nepal while Indian ports are relatively nearer. Even the laying of a road to China from Kathmandu did not open up this avenue of trade. In other words, this means Nepal runs up "against the obstacle of inadequate or inappropriate infrastructure and high costs."⁸ While her small size makes trade desirable, her landlocked situation has reduced her competitiveness in the international markets. The proposition of transit costs for the Asian land-locked countries rose between 1970 and 1973 by 3% for Afghanistan and 10% for Nepal. These high costs of transport have two main repercussions. First they have prevented the landlocked countries from exporting their primary goods at rate cheaper than other coastal development countries. On the import side, these costs protect domestic industries. Since the transit country is producing the same type of commodities as her landlocked neighbour, it follows that the

8. U.N. Economic and Social Survey of Asia and Pacific 1974 - Economic and Social Commission for Asia and the Pacific , New Delhi, March, 1975, p.322

landlocked country has no option but to look for the eventual disposal of her goods in the overseas markets notwithstanding the rising costs |so in this background we have to consider and analyse the trade treaties between the two countries - India and Nepal.

Trade and Transit Problem:

Nepal's trade with India is onesided and naturally so considering the area and level of development of this country. Almost all needs of Nepal are by and large met by India.

It is perhaps the peculiar feature of Nepal's geographical location that accounts for the apparently minor role that trade presently plays in an economy with such a small internal market. According to the Treaty of Friendship of 1923, British India and Nepal agreed not to levy duty at British ports for goods imported on behalf of the Nepal government for immediate despatch to that country provided a certificate from each authority as might from time to time be determined by the two governments was presented at the time of importation to the Chief Customs Officer at the point of import station forth that the property of the Nepalese government was required for the public services of that government and was not meant for trading.

The treaty of 1923 was a landmark in Nepal's trade relations with British India. Prior to the signing of this treaty, the independent international status of Nepal was by no means free from ambiguities. Whatever trade went on between Nepal and India and Tibet in those days economic relations between Nepal and independent India actually began in 1950. A treaty of Trade and Commerce

was signed between the two countries, among other things, to Nepal full and restricted right of commercial transit of all goods and manufactures through India. But the government also agreed to assist each other, by making available to the maximum extent available, commodities which were essential to the economy of the other.

Treaty of Trade and Commerce Between Nepal and India 1950:

The government of India and the Government of Nepal, being desirous of facilitating and furthering trade and commerce between respective territories. So, a bilateral Treaty of Trade and Commerce was signed in 1950. This Treaty established Nepal's right to trade with the overseas countries through Indian ports and territories. In accordance with Article 2 of the Treaty of Government of India agreed to allow all goods imported at any Indian port and intended for re-export to Nepal to be transmitted to place or places as agreed without payment of any duty at any Indian port. Nepal was also granted the right to move goods from one part of the country to another through Indian territory in view of the absence of roads to permit her the criss-cross movement of goods. Besides it was also provided in the Treaty that both countries' governments were to assist each other to import commodities essential to the economy of the other. In Article 7 it has decided for promotion of contacts between the trade interests of the two countries to give reasonable facility for the import and export of commodities and to lend facilities for the use of routes

and methods of transportation which could be most economical and convenient. Article 5 provided that the export and import duties of Nepal would be at the same level with those of India with regard to the third countries' goods.

Treaty of Trade and Transit, 1960:

Ten years later, a Trade and Transit Treaty in 1960 was signed between the two countries to strengthen economic co-operation between them. This was a notable step forward in that the countries concerned interested into this treaty to expand this exchange of goods, to encourage collaboration in economic development and to facilitate trade with third countries. The main features of 1960 Treaty are as follows:-

- (1) Free Trade
- (2) Protective Duties and Quantitative Restrictions
- (3) Maintenance of Separate Foreign Exchange Account

Before 1960 Nepal's trade with third countries was negligible. With the introduction of her Five Year Plan in 1956, Nepal pursued her diversification policy assiduously. Most of Nepal's foreign trade other than India was conducted through Calcutta Port.

The 1971 Trade Treaty:

By the 1970 Nepal very much concern about the Industrial development. In such circumstances trade was the main criteria for the upliftment on the economic ground. The Fourth Plan gave stress on the promotion of exports of manufactures, semi-processed and processed goods instead of exporting them in the form of mere raw material. It was decided to multiply the

export trade with the overseas countries by adopting the policy of commodity - country diversification.⁹ In the following years these objectives could be achieved in country - diversification only, and not much was attained in commodity diversification. The 1960 Treaty was not satisfactory to Nepal in respect of her growing economic needs. In 1970 Nepal stresses on free entry into India of Nepalese goods. A spokesman of the Indian Foreign Trade Ministry clarified that no excise duty was collected in goods made from the Nepalese raw materials if the duties levied in Nepal were in keeping with the agreement between the two countries.¹⁰

On October 31, 1970, the major issues involved in trade talks were transit facilities and imports into India. India during the talk did not agree to give the road trans-shipment facility to all goods for fear of Nepal-bound goods being diverted into India. Trade talk got deadlocked on this issue. In 1970 again trade talks could not succeed. Mr. Nava Raj Subedi, the Minister for Industry and Commerce in Nepal attributed the causes of the failure of the trade talks to the following:¹¹

1. The reluctance of India to grant transport of goods to and from Nepal by road through India;

9. Fourth Plan (1970-75), Nepal Planning Commission, HMG, Kathmandu, 1970, p.206

10. Asian Recorder, February 26-March 4, 1970, p.9405

11. Asian Recorder, November 26 - December 2, 1970, p.9879.

2. Nepal's refusal for working out a separate agreement for export of Nepal's industrial products to India under an Industrial Co-operation Scheme;
3. Non-acceptance by Nepal of India's suggestions for bringing the State Trading Corporation in trade between the two countries.

Nepal pleaded that the State Trading Agreement was not possible in view of the open border. Another source of friction was Nepal's insistence on increased trade with Pakistan. But India was reported to have not given the Radhikapur route in view of Nepal's poor volume of trade with Pakistan. Another point was over sensitive commodities. Nepal demanded unrestricted access for such commodities.

Some important points raised by Nepal during the trade talks in order to understand the gravity of her trade and transit problems which have been her major concerns.

1. Separate Treaties on Trade and Transit.
2. Trade Route to Bangladesh
3. Removal of Qualitative and Quantitative Restrictions
4. Simplification of the Customs Procedures
5. Free Zone
6. Facilities for Operating Barges in the Calcutta Port and for Transporting Commercial Goods,
7. Same Treatment to Ships Carrying Nepali Flags.

Treaty of Trade and Transit, 1971 :

The new Treaty was signed with a view to fortify the traditional connection between the markets of the two countries, to enrich economic co-operation and to develop measures.

By Article IV India agreed to give special favourable treatment to imports into India of industrial products - which must contain not less than 90% of Nepalese or Nepalese and Indian materials - manufactured in Nepal in respect

of customs duties and quantitative restrictions.

Transit:

Nepal had accumulated surpluses in many industries - but due to the non-availability of markets they could not be disposed off. It was decided that traffic in transit would pass through the specified routes. Such routes were eleven at the time of signing of the Treaty and some other routes were developed later. Table 1 indicates the various routes allowed by India to Nepal for the movement of latter's goods. All the goods bound to Nepal are subject to Indian laws and regulations.

Recent Transit Problems:

Nepal's transit problems are of recent origin because in the past her trade with the overseas country was negligible. The procedures adopted at Calcutta port for goods bound to Nepal and from Nepal to the overseas countries were in reality originated due to India's desire to safeguard against the diversion of goods enroute to and from Calcutta. Even during 1920s transit procedures had been evolved keeping this in mind. No clear provisions were mentioned in the 1923 Treaty, and even the 1960 Treaty failed to incorporate dock clearance and warehousing of the Nepal owned goods for onward transmission to respective destinations.

Nepal is not happy about the following transit procedures.¹²

1. Allocation of space for unloading and storing goods in transit is not satisfactory to meet the increasing requirements of Nepal, problems of storing come up when goods are stored outside, shipments cannot be made immediately because it is difficult to locate the goods.

12. Udyog Banijgya Patrika (April-May, 1977)

2. Under the prevalent transit systems, Jogbani Railway station, which is the main transshipment point is not allowed to accept the goods from Nepal until such time it receives intimation to that effect, and until bookings of the Nepalese goods are allowed by the Docks Manager at the Calcutta Port. When the permission for booking is obtained from the docks it has to be submitted to the nearby Indian Railway station by the exporters which in turn asks for the further permission from the District quarters.
3. Shipping formalities are always lengthy.
4. Sometimes the exporters have to pay the shut out rent if the goods are accidentally unloaded in the shipping yard.
5. Another irritation is that the Nepalese exporters have to present the export licence at Calcutta customs. Nepal's customs has also started check the licence.
6. Steamer Agents reject the Nepalese goods on the grounds of low ocean freight export.
7. Carriers and handicrafts sent to the overseas countries are examined by the Archaeology Department of the Government of India and by other officials of India.
8. Transport of goods by trucks, except in special circumstances is not allowed. This has resulted in the dislocation of Nepal's foreign market because the delayed shipments are affecting Nepal's exports.

Nepal is seeking additional ports, feasible transit routes and other arrangements which would reduce her transit cost. She does not have transit sheds at Calcutta Port though she has been provided with stock sheds. For the three days

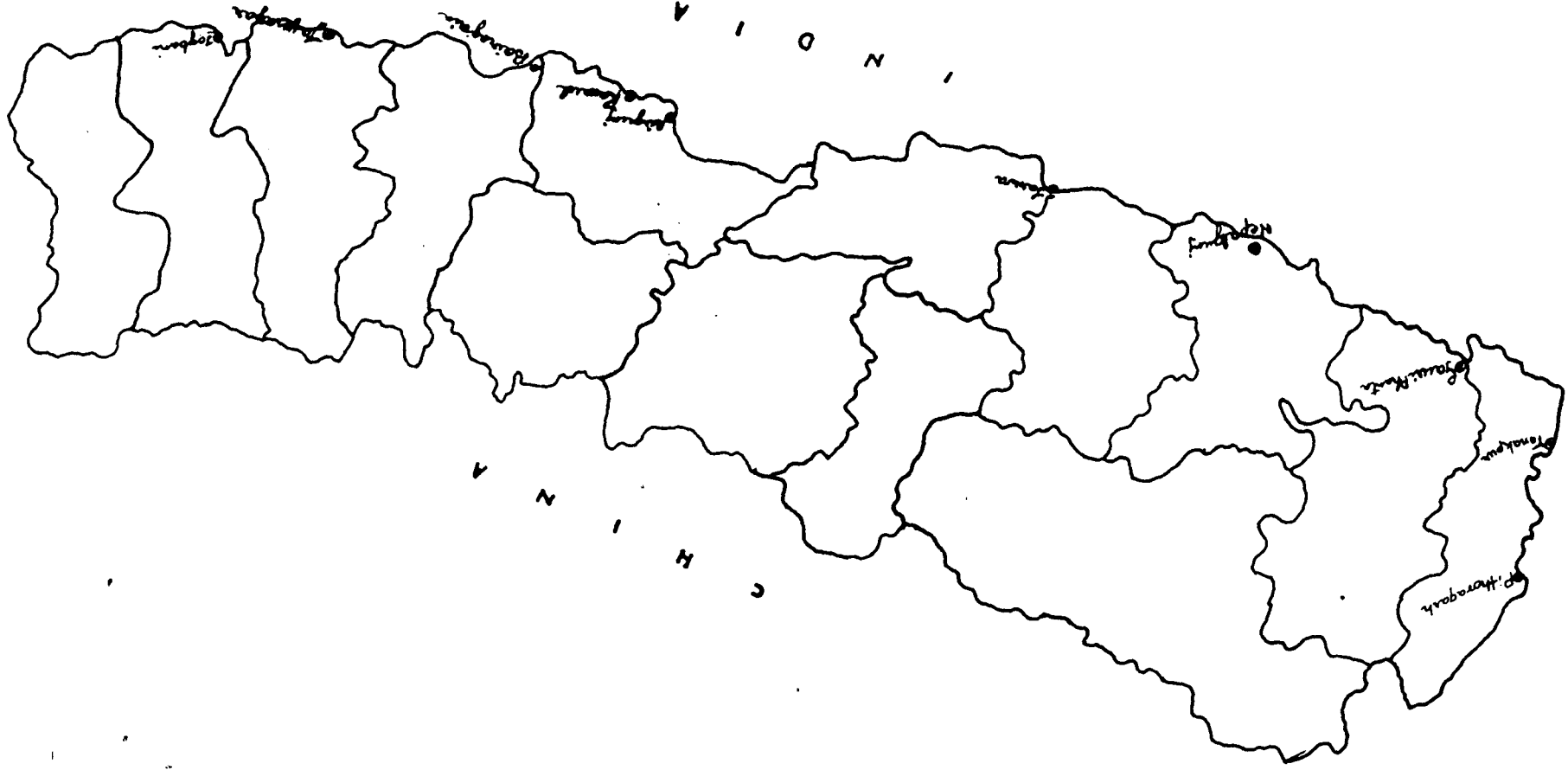
goods can be kept free of charge in these stock sheds. Since goods are generally not cleared in three days, Nepal has to pay millions of rupees for demurrages alone every year.

Table 6

Authorised Indo-Nepal Trade Routes and Points
(Entry & Exist)

S.No. 1	Land Customs Stations 2	Routes 3
1.	Jogbani	Road connecting Jogbani and Biratnagar in Nepal
2.	Jaijanagar	Railway line connecting Jayanagar and Janakpur in Nepal
3.	Raxaul	Road and Railway line connecting Raxaul & Birganj in Nepal
4.	Galgalia	Road connecting Galgalia and Bhadrapur in Nepal
5.	Nirmali	Road connecting Nirmali, Kanhauli and Rajbiraj in Nepal
6.	Bairgania	Road connecting Bairgania and Gaur in Nepal
7.	Bikhanathori	Road connecting Bikhanathori and Thori in Nepal
8.	Sonbarsa	Road connecting Sonbarsa and Sarlahi in Nepal
9.	Nautana	Road connecting Nautanwa, Sonauli and Bhairawa in Nepal
10.	Nepalganj	Road connecting Nepalganj Road (Rupaidhia) and Nepalganj in Nepal
11.	Janakpur	Road connecting Janakpur, Banbasa Mahendra Nagar in Nepal.

INDO-NEPAL TRADE POINTS (Entry & Exit)



Economic Development: Bhutan

The economic aspect lies at the root of the welfare of a modern state, no monograph on the arrival of a new member to the world community would be complete without a mention atleast of its financial and material well-being as well its potentialities of development. Hidden in the mountain fastnesses of the Himalayas, Bhutan enjoyed a period of isolation for several centuries. It was left to the present King, His Majesty Jigme Dorji Wangchuk, to come to the correct decision that for the progress and economic strength of his country the policy of isolation hitherto pursued had to be exempted. Accordingly, the government of Bhutan commenced negotiations, and quite naturally with its immediate neighbour, the Government of India, and their efforts were marked with great success. The Indian Planning Commission gave Bhutan all the assistance that was necessary for drafting of the First Five Year Development Plan. It was in 1958 that the Late Prime Minister Nehru promised all the assistance that Bhutan needed for its economic development and in 1961 a Five Year Development Plan for Bhutan was drafted by the Planning Commission and was duly approved by the Government of India agreed to finance wholly this plan which had a total outlay of Rs.175 million.

By engaging in more than a decade of successful planning both the Government and people of Bhutan are habituated to the advantages of systematic and coordinated economic development. A team of officials of the Bhutan government visited New Delhi in the beginning of 1976 to discuss and finalise various

aspects of Bhutan's Fourth Five Year Plan. For this India aided a sum of Rs.12 crores. These amount are separate and in addition to some of the major projects like the Chukha hydro-project and Pagli Cement Project.

Bhutan has a population (estimated at mid year 1985) 1,28,6275 and is a recipient of the largest per capita aid in Asia. In 1985 according to estimates by the World Bank; the Kingdom's Gross national product (GNP) measured at average 1983-85 prices was US\$190m equivalent to about \$160 per head. It shows Bhutan is one of the poorest landlocked countries in the world. It was estimated that GNP per head increased, in real terms by 2.7% in 1985. The economy is predominantly agrarian. An estimated 95% of the economically active population were employed in agriculture, forestry, fishing in 1985, though only 8% land was under cultivation. In 1983 lack of rain decline the production of food crops. The total production of cereals was expected to rise from 166,000 metric tons in 1982 to more than 200,000 tons in 1986/87. Forest cover about 70% of the country's area, and further afforestation is envisaged. The average annual increase of gross domestic product (GDP) in real terms, was estimated at 6.4% during the Fifth Plan Period.

The Fifth Plan Period:

The economic development and transport communication pattern of Bhutan discussed in the following chapters.

First Five Year Plan (1961-1966):

The First Five Year Plan for economic and social

development of Bhutan, drafted by the Technical team of the Planning Commission of India which visited Bhutan in June 1961, was duly approved by the Government of Bhutan for implementation during the period 1961-1966.¹³ The Government of India agreed to finance in its entirety the Plan which had a total outlay of Rs.17.47 crores. In this plan, top priorities were given for the economic and social development of the country on the following broad lines.¹⁴

1. Investment in the development of sectors crucial for utilisation of the known natural resources of Bhutan;
2. Facilities for the training of personnel and
3. Provision for basic amenities of life for better efficiency in the overall production.

First plan comprises road projects and general development measures including schemes for education, health and mining.¹⁵ Main focus in the Plan was on communication. So it envisaged a giant road building programme for the development of internal road ways, without which total development in any other field is quite impossible.¹⁶

The total investment calculated during the First Five Year Plan can be seen in the table VII (7).

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13. 1961-1966 (Ministry of External Affairs, Govt. of India)
 14. V.H. Coelho, n 11, pp 95-96
 15. Report: 1961-1962 n. p. 16
 16. The Hindustan Times, 19 July 1961.

Table 7 (VII)

1st Five Year Plan

(1961-66)

<u>Items</u>	<u>Provision in million</u>
Roads	62.00
Education	10.00
Transport	7.50
Health	3.20
Forest	3.20
Agriculture	2.00
Power	1.60
Animal Husbandry	1.50
Industries	1.10
Miscellaneous	9.10

Due to many obstacles, the Plan could not make much headway in the first three years. Satisfactory progress was recorded in the second year.¹⁷

As against the Plan outlay of Rs.17.47 crores, only Rs.2.73 crores could be spent till the end of June 1963.¹⁸ Against the approved outlay of Rs.17.47 crores under the First Five Year Plan a total expenditure of Rs.10.72 crores was incurred.¹⁹

Second Plan:

Second Five Year Plan, drawn up by the Planning Commission of India, commenced in 1966 to cover the period 1966-71. It was also assisted by India. The total outlay of the plan was

17. Report : 1962-63 n.14, p.11

18. Report : 1963-64, n.14, p.14

19. Report : 1970, n.1, p.11, .

Rs.20 crores. The plan was formulated with the following aim:

1. The stepping up of agricultural and horticultural output;
2. The expansion of the programme of primary and secondary education with emphasis on vocational training;
3. Special attention to animal husbandary and poultry farming;
4. Extension of communication, roads, transport services and other facilities, and
5. Establishing an industrial base linked with the country's forest and mineral resources.

The Second Plan's main emphasis on improvement of agricultural and horticultural output. Improvement in all sphere was the main target. Under the Plan, industries and exploitation of mineral resources also received prominency.²⁰ Bhutan started some revenue raising schemes in the small-scale industries in the Second Plan. The break down of expenditure on various fields under the Second Plan is, given in the table VIII (8).

Table 8 (VIII)

IIND Five Year Plan (1966-1971)

	<u>Rs.(in million)</u>
1. Development Wing Hqrs & office of F.A. & C.A.O.	6.5
2. Agriculture	35.0
3. Animal Husbandary	6.6
4. Cottage Industry	0.8
5. Education	25.0
6. Forest	8.1
	(contd. on next page)

20. Indian and Foreign Review, Vol.5, No.15, 15 May, 1968, p.13

Table 8 (Contd.)

7. Health Services	12.8
8. Postal	5.7
9. Publicity	1.7
10. Transport	15.3
11. Mechanical Workshops	5.9
12. Power (Hydel)	7.3
13. B.E.S. (Roads, Water Supply Electrification etc.)	68.0
14. Industries exploitation of natural resources	0.9
15. Preservation of Ancient monuments	0.4
Total	200.0

The highlights of the Second Plan were the self sufficiency in agriculture and the opening up of the inaccessible regions of Bhutan by constructing roads, while Rs.35 million spent on agriculture, almost Rs.70 million were spent on roads and electrification, making thereby a total of over Rs.100 million which was 50 percent of the total plan outlay.

The Third Plan: (1971-76)

The Third Five Year Plan which began in 1971 was prepared in consultation with the Planning Commission of India. The outlay of Rs.350 million. The major features of this plan related to operation of public enterprises on commercial lines, mobilisation of resources to finance developmental plans and to curb inflationary tendencies.

The assistance from Colombo Plan was there. Australia as a member of Colombo Plan, had given aid to Bhutan and its contribution had been of the order of US \$ 150,000,00. The main objectives of Third Five Year Plan was considered as under:

- i) Expansion of agricultural production.
- ii) Concentration of developmental effort and rectifying regional imbalances in development.
- iii) Creation of infrastructural facilities for industrial and agricultural growth.
- iv) Initiation of the process of Industrial development.
- v) Provision of medical and public health facilities for remote areas people.
- vi) Improvement of education.
- vii) Expansion of the capital town of Thimphu.

The sectoral distribution of the allotment of Rs.3.5 crores to meet the Plan.

Fourth Five Year Plan: (1976-81)

Fourth Five Year Plan assisted by several United Nation's agencies. The expenditure amounting to Nu 778 m under this Plan. The estimated expenditure of fourth five year plan was as follows:

Table 10 (X)Fourth Five Year Plan (1976-81)²¹Estimated Expenditure (in million n gultrum)

Agriculture	184.24
Animal Husbandry	43.06
Education (including technical education)	130.08
Power	40.50
Health	48.37
Development Headquarters	34.30
Information and Press	9.71
Public Works Department	118.21
Industries	30.00
Forest	81.98
Food Corp. of Bhutan	10.00
Broadcasting, Wireless, telephones and post and telegraph	54.25
Tourism	12.50
Total	797.20

Source: The Colombo Plan, 22nd annual report.

Fifth Five Year Plan:(1981-87) The fifth five year plan

21. The Europa Yearbook, 1984, A World Survey, Vol.II

envisaged expenditure of Nu 4,338m, of which about 32% allocated to agriculture and forestry, 16% to power development. Bhutan was to provide Nu 446m, with rest being supplied by India and UN organizations.

Maximum development had been achieved in roads, animal husbandary and electric generation. Six hydro electricity station have been established and exports of electric energy to India were expected to begin in 1986, with the opening of Chukha hydroelectric project. Bhutan joined the Asian Development Bank in 1982; and received its first US \$ 5m multi project loan in September 1983, to finance agricultural equipment, construction of roads and bridges development of solar power, improvements of water supplies and sewerage.

Fifth Development Plan (1981-89)

Estimated expenditure (million ngultrum)

Agriculture (including Food Corp. of Bhutan	494.8
Animal Husbandry	122.1
Education (incl.technical Education)	35.5
Power	715.0
Health	340.0
Development Headquarters	15.0
Information and Publicity	185.3
Public Works Department	536.9
Forests	756.8
Industries and mines	282.1
Broadcasting, wireless, telephone and post and telegraph	125.0
Tourism	66.6
Civil Aviation	136.9
Miscellaneous	526.3
Total	4,338.1

Sixth Five Year Plan:(1987-92)²²

Sixth Five Year Plan (1987-92) envisaged expenditure of Nu 9,485m (more than doubled the total expenditure of the previous plan) of which about 29% was to be allocated to trade, industry and power, and about 2.8% to social services. Grants from the government of India in the 1987/88 Annual Plan provided 49% of total expenditure, compared with 55% in 1978/79 and assistance from international agencies contributed 20% compared with 10% in 1978/79. The following are the proposed expenditure of 6th development Plan (1987-92):

Sixth Five Year Plan (1987-92)
(Sectoral allocation of proposed expenditure,
million ngultrum)

<u>Items</u>	<u>Total</u>	<u>% of total</u>
Agriculture	1,476.1	15.6
Communication & Tourism	499.5	5.3
Trade, industry and power	2759.8	29.1
Social Services	2645.6	27.9
Finance	629.8	6.6
Foreign Affairs	210.6	2.2
Home Affairs	214.1	2.3
Special Commission	59.6	0.6
Central monastic affairs	88.6	0.9
National Urban development Corp'n.	336.9	3.6
Dzongkhag (District) administrations	259.6	2.7
Others	305.0	3.2
Total	9,485.3	Total 100.0

22. Europa Yearbook, Vol.1, 1988, The World Survey

The economic development of the Bhutan commenced after 1947 when the British rule in India came to an end and during the last two decades it can be described as spectacular. Bhutan has taken full advantage of the prevailing practice of getting financial aid for the development of a country and the close co-operation and full collaboration between Bhutan and her neighbour. India to bring about the economic prosperity of Bhutan has been at once fruitful with lasting results.

Economic aid:

In order to speed up its economic progress, Bhutan, which so far has received only Indian aid, is now seeking additional support from western countries.

Bhutan became a full member of the Colombo Plan Council in 1963. Since then Bhutan has received technical assistance from many members of the Colombo Plan; by 1969, the total assistance received from U.S. amounted to U.S.\$ 68,600, Japan \$ 47,000, New Zealand \$ 21,000 and Thailand \$ 100.

The United Nations Organization admitted Bhutan as a member in 1971. In 1973, the General Agreements for technical and pre-investment assistance between Bhutan and the United Nations Development Programme were signed. The UNDP General Council earmarked \$ 2.5 million for Bhutan during the period 1972-76. A UNDP mission comprised of representatives of several U.N. specialised agencies, visited Bhutan in 1973 for an appraisal of the projects in various fields that required aid.

Transport and Communication:

The economic development of Bhutan has long been handicapped

by physical constraints which have reduced the approachability of various different areas - and of the Kingdom itself - to people and to ideas. Movement essential to the establishment and preservation of political and economic organization, is poor. As a result, it is difficult to rule the isolated groups of people into a unified, viable state.

Nature gave Bhutan strong doors, and they are now being opened with difficulty. Until 1961, to enter this Himalayan Kingdom the traveller trekked for days on foot and on muleback. To Paro, the nearest inhabited valley in west central Bhutan in six days hard trekking from the Indian border. On the way the traveller sees few signs of human activity. Usually a mule train will be drawn against the side of the ridge to let his party pass - or perhaps if the leading mule carries the banner of one of the members of the royal family of Bhutan, he will yield right of way.

During 1960-1962 there has been new activity-signs of change in Bhutan - along the mountain track leading to Paro. In late 1961 the new road had already reached out 100 miles into the Himalaya from Phunstsholing, a village of Bhutan just south of the ranges that elsewhere make the border with India. Until 1959, the rulers of Bhutan had refused to allow a road to be built. Topography had closed their little country to the outside world, and they preferred to bolt these natural barriers by discouraging all travellers.

In 1960, the government of Bhutan changed its policy of isolation. Indian assistance was sought. Three north-

south roads from the Indian border to central Bhutan are being built in addition to the Phunchheling-Pare highway. A east-west road connecting the north-south highways has been planned across central Bhutan. Understanding the military vulnerability of Bhutan if Chinese communist aggression spreads, India had land money, engineers and surveys for the construction of nearly 800 miles roads.

The principal highway of the country, which runs 120 miles from Phunchheling on the border with India to Pare (7,200'). The east-west road in central Bhutan runs across the high range of the Black mountain via the 11,055 Foot Pele Pass, about 20 miles northwest of Wangdu Phdrang-West of the Pele Pass, the construction of roads is in the hands of the Bhutan Engineering Service, comprised largely of Indians in the service of the Bhutan Government. Road construction east of the pass is the responsibility of the Border Road Development Board, an Indian combine of civil and military engineers. For centuries there had been trade between Tibet and Bhutan, Bhutanese rice selling at high prices in Tibet and bringing back its value in salt, wool, or Chinese silver dollars. Perhaps more important, the traders had begun to bring back to Bhutan, along with their loaded mule packs "mental cargoes of propaganda". In 1959, afraid of the spread of Communist propaganda, the government of Bhutan stopped all trade with Tibet. Bhutan recalled its trade representative in Lhasa in 1960. Now the cordon sanitaire between Bhutan and Tibet breaches only by a trickle of refugees.

With this prohibition the price of rice in Phari (the

trading town in Tibet to which the mule trains from Bhutan used to go) has risen sharply, while in Bhutan it has fallen by half, and there are complaints that the government has not kept its promise to buy the rice that can no longer be sold in Tibet. In the national assembly members complained in May 1960, of the government's failure to provide an alternative market for rice and of the poorer quality of salt they now had to take from India.

By 1978 1,775 kms (1,103 miles) of roads, most of which are surfaced, linked different parts of the Kingdom, and further surfaced roads connected main towns in Bhutan with the Indian states of West Bengal and Assam. There is a shortage of road transport. The chief airport is at Paro.

The decision to cut off the country from all exchange with Tibet required opening it to the south, and in this enterprise Bhutan will continue to receive the eager cooperation of India. Strategically, Bhutan is a disturbing gap in India's eastern defense line, and the roads now being built will enable India to move troops into that country if it is attacked. Politically, too India has regarded a closed Bhutan as an invitation to subversion by progressive but potentially hostile forces, and it is ready to cooperate with economic and technical assistance in Bhutan's belated entry into the twentieth century. But India wishes to regulate the pace herself, whereas the rulers of Bhutan think themselves best fitted to judge their country's capabilities. Much of the development thus far in Bhutan has been inevitably in the nature of primary social and economic overhead, training

of personnels, and improved capacity for food and agricultural production and industrial activity. In a variety of ways, the ground has been prepared for meaningful long-term strategies for Bhutan's development. As a land-locked country with close links with India, the latter has a special contribution to make, but progressively international agencies and other countries in the region can also provide valuable support to Bhutan's development.²³

The Late King His Majesty Jigme Dorji Wangchuk was the architect of modern Bhutan who ended the age-long isolation of his Kingdom and brought it in the mainstream of the modern era, the new King has carried forward this historic process with courage and statesmanship. Aided and encouraged by the warm response from his people who contributed greatly to the peaceful transformation of the socio-economic scenario of their land, the new sovereign, His Majesty Jigme Singhye has attempted new reforms without in any way disturbing the traditional, spiritual and Rumanistic values of Bhutan. Increasing cordiality in Indo-Bhutanese relations is a welcome feature and this has been supported by enthusiasm of the peoples of both the countries. It is hoped that by the beginning of the next decade, Bhutan would present an even more impressive spectacle of a self-reliant and rapidly growing economy with echoes of prosperity and greater contentment ringing in every valley of the Himalayan Kingdom.

23. Regional Cooperation and Development Needs in South-Asia, January - 1983

Though the Himalayan Kingdoms Nepal and Bhutan have marked initial differences in level of development, they have proceeded along their own separate paths since 1947.

The fundamental similarities in the region arise from the condition of poverty which the various countries share in common. In terms of per capita gross national product, among 128 countries listed by rank in the World Bank's World Tables (1980), Nepal and Bhutan come at the lower end. Nepal comes at no.124. In demographic pattern Nepal's growth rate is 2.2 percent during 1970-79. The industrial sector is exceedingly small, in Bhutan and Nepal.

It has been clear that the most important objective is now to bring rapid and steady growth in the output of food and agriculture. Application of science and technology and economic co-operation among the countries of the region in all aspects of food and agricultural development, including arrangement for food security can update the situation.

The economy of these states has to be developed in such a way that it can at the same time benefit from international economic support as well as from regional and bilateral co-operation.

C H A P T E R V

LINKAGES WITH OUTSIDE WORLD - LINKAGES
WITH SUPERPOWERS, CHINA AND RELATION WITH
NEIGHBOURING COUNTRIES

The Himalayan states have been dependencies of one nation or another for much of their history. The tradition of government, on the basis of present boundaries, is very much recent indeed. Nepal is a sovereign state at present; it exercises a full degree of control over its external affairs, but its economy is dependent upon India. Since 1955 Nepal has been a member of the United Nations, and it has been able to obtain economic aid from both the Free World and Communist nations. On the other hand, Sikkim and Bhutan are semi-independent kingdoms retaining a large measure of control over their internal administration, but they are advised by India in their outside linkages. Both Bhutan and Sikkim receive all necessary economic aid from India. The government of these two kingdoms are very keen aware that a too sudden impact with the outside world might be disastrous. Looking to neighbouring Nepal, now suffering from the ills of political immaturity and a bewildering surfeit of foreign aid, Bhutan have good reason to be cautious.

Reference has already been made to some of the more obvious problems of political control - the compartmentalism of the countries; the primacy of tribal loyalties, the difficulties of communication and the high rate of illiteracy, which make political cohesiveness nearly impossible; and above all, the almost universal absence of a sense of national unity and purpose. The basic task facing the Himalayan kingdoms is the necessity for creating centripetal forces of sufficient

strength to overcome the physical and cultural pressures toward fragmentation. The "State idea" is extremely weak, in fact almost nonexistent.

The political evolution of modern Nepal was after the decision of the Anglo Nepali War in 1815, the strong prime minister of Nepal, Shim Sen, greatly increased the power of his office at the expense of the monarch. His strengthening of the prime minister's office paved the way for the establishment of the Rana line of hereditary prime ministers which ruled Nepal for more than a century. The first of these hereditary Rana prime ministers, Jang Bahadur assumed office in 1845. Under his administration, relation with Britain became very friendly, and Gurkha troops were offered for service in the British Army. In 1850 Jang visited England and while there assured Queen Victoria of the friendship of Nepal for Britain.

From about 1850 to 1950 the hereditary prime ministers of the Rana family wielded supreme-power under the aegis of titular kings. They were not progressive; they controlled great wealth and the continuance of their ruling results upon an economically backward Nepal. As a result of palace revolt in 1950, the king regained his position of authority, and in February, 1951, King Tribhuvana's proclamation of a constitutional monarchy ended the reign of the 104 year old Rana Oligarch. The period between 1951 and 1959 was marked by political instability and a rapid succession of governments, but it was also a period of persistent efforts by the king and some

of the political leaders for the development of democratic institutions.

In February, 1959, eight years after the proclamation of constitutional monarchy, a new constitution was announced by King Mahendra. Under the 1959 constitution, the King retained supreme executive power and extensive discretionary and emergency powers. However, the new constitution established a supreme court and two legislative houses. The Upper House was to consist of 36 members, one third retiring every second year. Half of the members were elected to be elected by the Lower House and the other half appointed by the King. The lower house was conceived to contain one member from each of the 109 constituencies (electoral districts), elected for a term of five years by the people. The cabinet consisting of 11 ministers and 8 assistant ministers, to work as an advisory body, appointed by the prime minister and responsible to the lower house of parliament. Further the constitution gave the King power to remove any prime minister who failed to retain the confidence of the Lower House, and empowered him to call or dismiss the Parliament at will.

The first general election was held in the spring of 1959.¹ An education programme was sponsored to aware people about voting in isolated mountain valleys. Political consciousness among the people of the interior remains undeveloped. The various political parties also contributed to the education of the voters and the development of public interest by organizing

1. Joshi, A.B. "The First General Election in Nepal", Parliamentary Affairs, XII 1959.

local units and conducting an active election campaign in all parts of the nation.

The members of the Nepalese Election Commission observed the election process and proved it of great practical value. Each of 109 constituencies (containing about 78,000 people) was determined with regard to existing administrative limits, communication facilities, population, and uniformity of culture. The political developments during 1959 were encouraging Nepal's uncertain political stability continued to be threatened by the political inexperience of a nation no past history of democracy, a nation came through economic instability and poverty and by a shortage of trained personnel for government. Significant differences emerged between the various political parties as far as their ideology, leadership and public support were concerned.

The Constitution of 1959 :

Framing of the constitution: After the events of 1950 leading to the overthrow of the Rana autocracy and the grant of the Interim Constitution. Nepal underwent throes of political upheavals setting at naught all attempts to provide the country with a democratic and stable politico-institutional framework. Democratic institution under the hegemonic control of monarch which had replaced the Rana autocracy, were institutionally self contradictory in nature and contrary to the hopes and aspirations for the ushering in of an era of democracy and freedom; they soon tended to be more monarchical

than democratic.

In 1952 a militant nationalist, Dr. K.F. Singh led a revolt against the government. This was followed by a period of mal-administration, corruption and nepotism, which culminated, under the threat of a national demonstration, in the King dissolving the Royal Council of State and vesting all royal prerogatives in the then Crown Prince, Later King Mahendra.

The Interim Constitution, despite the provision of extensive powers to the King had hedged those powers by a safeguard that they could be exercised only on the advice of the Council of Ministers. Although those powers had constitutionalized monarchy while incorporating formal and informal democratic institutions, hardly anyone had anticipated that they would be transformed into instruments of an authoritarian order.

At that State Nepal was not prepared for modern democratic methods for, in addition to the lack of administrative machinery and means of transport and communications, there was no national consciousness but only primitive tribal loyalties.

King Mahendra began his reign in 1955 by accessing against the previous four years of democracy as 'shameful' and tried to govern by 'direct rule'. The four year period was marked by political instability and a rapid succession of governments; but it was also a period of persistent efforts by the King and some of the political leaders for the development of democratic institutions.

Main Provision of the Constitution:

Monarchy was preserved for having led the Revolution and succession to the throne was to be determined by custom and the ruling King's prerogative or in its absence by the Council of State. It was made the King's advisory body on which King's confidants sat together with the popular leaders, all the past and present ministers and officials of parliament. The King could use wide emergency powers but only in case of war, serious internal disturbances, economic crisis, or breakdown of constitutional machinery. Fundamental rights were guaranteed and their enjoyment was protected by prerogative writs and due process of law.

A cabinet with collective responsibility enjoying the confidence of the Lower House of Parliament was normally to rule over the country, but the King played an active role in the governance of the country. The Lower House of Parliament was called the House of Representatives, elected by a secret ballot on the basis of universal adult franchise. Delimitation Commission, Election Commission, and Election Tribunal (all constituted on Indian Pattern) ensured freedom and fairness in elections.

The Upper House was called the Senate, and it was composed equally of elected and nominated members. It could only delay but not obstruct the process of legislation. The functioning of Parliament was in accordance with the normally accepted pattern in all countries. The judiciary was independent of the executive and the King. Judiciary review of legislation

was provided for, protecting the fundamental rights of the people. Thus normal judicial process prevalent in all democratic countries was instituted. The executive had a right of preventive detention but mitigated safeguard, were provided to reduce its hardship and arbitrary abuse.

Constitution of 1962:

The Interim Constitution had given rise to a ferment of various political activities along a broad spectrum, involving inter alia proliferation of splinter groups, as also merger and alliance, on the one hand, and oppositional tactics by the parties outside the governments, on the other. As a result of these developments, effective political actors became conspicuous for the clamour-raised by them for the exercise of democratic principles.

The period after the formation of the first ever elected government was full of numerous difficulties. In consequence of the setting up of the Nepali Congress Government, Nepal embarked upon apprenticeship in parliamentary democracy. Competitiveness of political parties and the scope for the development of interest groups ensured political participation to a considerable extent. Succession of leadership was based on a one-man one-vote principle, which provided for peaceful choice between alternative public policies and for the transfer of political power based on impersonal evaluation of political leaders.

The political developments during 1959 were encouraging,

yet Nepal's uncertain political stability continued to be threatened by (i) the political immaturity of the nation with no past history of democracy; (ii) by economic distress and poverty and (iii) a shortage of trained personnel for government. The conflicting interests among the people were reflected in the nine national political parties that had contested the election. 'Political movements tended to swinging between extreme right and the extreme left.' On 15 December 1960 King Mahendra unhappy with the growing popularity of the elected government at the expense of the monarch, and jailed Prime Minister Koirala and other members of the 19 month old elected government.²

The achievement of the Congress government was commendable, inspite of that it failed to disengage people from traditionalism as rapid as possible. However, before any concrete results could emerge, King Mahendra dismissed the government.

After dismissal of the elected government in a broadcast to the nation, King Mahendra proclaimed that his hopes of bringing stability and progress to the country through the elected government had been belied.

King Mahendra's action in overthrowing the parliamentary system of government aroused strong reactions not only in Nepal but also in other parts of the world. First to react sternly against the King's step was the Indian Prime Minister Jawaharlal Nehru, who told the Lok Sabha that it was "obviously a matter of regret" that democracy had suffered a setback in the

2. Kanan and Jenkins, The Himalayan Kingdom; pp 91-3.

neighbouring kingdom of Nepal.

The trend toward panchayat government became clearer in the royal policy proclamation of 5th January 1961, which stated that the type of democracy Nepal required should arise from the people's needs through a panchayat council. In it the King accused the Congress Government of exploiting the peasantry of ~~for~~ fastering bribery and corruption; of failing to maintain law and order; of no administrative skill and finally of dragging the monarchy into politics. By the order of King all the political parties were banned. The King stressed the importance of non-political cooperation by all elements in the country in order to achieve progress in national development.

The King's new political system termed "Panchayat Raj" was formalized in a new Constitution bestowed on the country in December 1962. Constitutional monarchy was thus given a basically different interpretation, which distinguishes it from the system projected by King Tribhuvan and the leaders of the revolution of 1950, King Tribhuvan had preferred to keep the Crown as free as possible from day to day political and administrative duties. His primary objective always appeared to be create conditions which would enable him to play his role of constitutional monarch.

Main Features of the Constitution:

The foremost feature of the Constitution is the adoption of 'Panchayat Democracy' in place of parliamentary democracy of the west.

The central source of power lies with the King, from whom

all authority flows. Hereditary rights of succession to the throne are unaffected by the provision of the Constitution. The King alone has full power to enact, amend or repeal any law relating to succession. To assist him, the Constitution has created a Raj Sabha. The new and central feature of the 1962 Constitution is the Panchayat system which is set up upon a four tier basis. The Rastriya Panchayat is at the top of the National scheme. It consists of four classes of members including ninety elected by the Anchal Sabhas, fifteen elected from various class and professional organisations including peasant, youth, women labour and ex-service men's groups; four members selected from among citizens who have received at least Shastri or Bachelor degree from a recognized university and members nominated by the King not to exceed fifteen percent of all other members.

The fundamental law reflects several significant trends in Nepalese political history. It represents a movement away from the traditional parliamentary type of democracy-monarchy in the direction personal rule. This assumption of power was justified by the King on the grounds that the existing system had broken down and that there was pressing need to prepare the people for democratic government. Secondly, the new system was based on a decision to experiment with such indigenous political institutions as the Panchayat and to abandon western concepts of government. Thirdly, the ban on political parties represented an attempt to develop the non-political

institutions of "guided democracy" as a type of government.³

Panchayat Democracy:

Liberal Democracy is essentially a political expression of the middle class. In different countries including India and Nepal, the feudal class has pretended to show interest in liberal democracy; but its interest is obviously opportunistic, because it is limited in final analysis to the preservation of its social and economic privileges. Multiple parties are an essential ingredient of this political form.

Nepal was not mature enough for implementing a sophisticated political system like parliamentary democracy that demands for its satisfactory operation, the presence of certain basic requirements, i.e. a tradition of liberal institutions, a viable middle class of educated articulate persons, sound leadership, socio-economic balance among various sections and developed system of communication. In Nepal there had been a continuous autocratic and one-man rule over poverty stricken, illiterate and inarticulate people for a long time.

Failure of Parliamentary Democracy: Democracy came to Nepal suddenly, by an administrative stroke and not as an organic growth. A series of ministers came to power on the basis of their leadership of the 'popular' movement. Chauhan suitable

3. Benjamin N. Schoenfeld. 'Nepal's Constitution Model 1962, Indian Journal of Political Science, Oct-Dec.1963



remarks: "Panchayat democracy has been a peculiar product of internal tensions and interactions of various divergent political forces in Nepal since the overthrow of Rana obligarchy. In the dismissal of parliamentary system lay the defeat of progressive forces at the hands of traditional ones.⁴

Good Aspects of Panchayat Democracy:

Panchayat system is a primary school of democracy. It serves as a good training ground, and the experience and knowledge acquired through its working can be utilised for conducting the national affairs of the country. It can therefore rightly be said that it is highly educative, as it cultivates a sense of civic duties and co-operative spirit in common administration of common interests. We may mention the three remarkable features of Panchayat system: i) it constitutes a brand of democracy that is not arbitrarily imposed on the people from the above, but is expected to take root and develop upwards. ii) that when electing their representatives, people need not travel long distances to vote for candidates whom they do not know personally. iii) that the government organs once established are required to take active part in administration and to serve as integral elements of national development projects.

The King - On 26 December 1960 Mahendra set up a five man council of ministers under his own chairmanship with Mr Tulsi Giri, Mr. Vishwabandhu Thapa, Mr. Rishkesh Shah,

4. R.S. Chauhan , pp.195

Dr. Surya Bahadur Thapa and Mr Anirudha Prasad Sindh as ministers. Mahendra decided to preside over the ministry himself as he could hardly have trusted any politician with the post.

On January 1961, Mahendra banned the functioning of all political parties . According to King Mahendra parliamentary democracy was unsuitable for Nepal. The masses in the country recognised two institutions, the monarchy and their traditional Panchayats. King Mahendra's charges against his cabinet were refuted by the NC in exile. Mr. Nehru rejected them as "baseless and vague".

Almost the whole of 1961 was spent in extinguishing NC revolt that lasted till the autumn of the following year.

The Ministry:

Among the three leading ministers, Mr. R.K. Shaha had the briefest tenure. At the peak of the revolutionary activities in September 1961, he was sent out to New Delhi as the Royal emissary to reconcile Mr. Nehru.

By September 1961 the grip King Mahendra had acquired over the law and order situation was sufficient to enable him think of absenting himself for weeks from his country. He stood in need of domestic prestige. Failed to get support from Delhi for his action he urges for Karachi's help and conferred with President Ayub Khan, the architect of "basic democracy".

New Constitution:

In 1962 that the new Constitution was announced. In its final shape, the Constitution betrayed traces of the pattern

found in the constitutions of Burma, Indonesia, Pakistan, the UAR and Yugoslavia. It marked a an adopted to "no-party" system. The concept of Class Organisations seemed to have been grafted from the Constitution of Yugoslavia and Germany of Hitler's day.

The Panchayat Constitution curtailed the right of political association among the fundamental civic rights. It withdrew provisions for the establishment of a cabinet system of government. It said, "The sovereignty of Nepal is vested in the Majesty, and all powers - executive, legislative and juducial are exercised by HM through the organs established by or under this constitution." Art.20(2). Under the provisions of Article 25, the King himself was to be the ~~vice~~ Chairman of his Council of Ministers, meant to "aid and advice him in the exercise of his functions."

The King had the final right to choose his successor. He was the Army Supreme ~~Commander~~. All the residuary powers were vested in the King. He had the right to issue ordinances, declare emergency and suspend any or all provisions of the Constitution.

The 1962 afforded King Mahendra an opportunity to reinforce the political structure he had in view to equip the nation psychologically to take a hand in development effort.

The domestic scene during 1962-63 bore a striking semblance with the post-1942 India. All the popular leader thrown behind the bars. Rebel pockets all over the Kingdom experienced a spell of brutal repression.

In August 1964 in a fresh bid to get things moving the King undertook a stock-taking of the situation. Late in 1964, Tulsī Giri discovered much to his embarrassment that the constitution did not specify the functions of the Chairman of the council of ministers. In January 1965 he felt obliged to resign due to cabinet in-fighting. A faction inside the ministry tried to squeeze out Dr. Nageshwar Prasad Singh (the Health Minister from Terai) by complaining that he had apportioned several new development projects to his constituency. N.P. Singh, who was also a Nepali Congress defector, was about to resign when Dr. Giri intervened. As such both Giri and N.P. Singh tendered their resignation together on 25 January 1965. Following Giri's exit, all the seven assistant ministers attached to the outgoing cabinet were upgraded to cabinet rank. It implied that the King was making a fresh effort to gain support from all sections in the House. Among the ministers, S.B. Thapa and B.Z. Pradhan were nominated members of the national Panchayat.

In between June 1966 and October 1968, the King implemented a programme of political normalisation.

Administrative Shake up:

Within three days of the new Ministry's appointment, the King dismissed the secretary of Law ministry and posted the secretaries of four central ministries to district headquarters.

The Government made another overture to Congressmen

in September by ordering the release of sixteen detenus, including Mr. Tripurbar Singh and Mr. Shribhadra Sharma, both general secretaries of the outlawed Nepali Congress.

Constitution :

In January 1967 King Mahendra announced amendments in the constitution ostensibly as a token of concession to the school favouring liberalisation of his "system". As a result, the Chairman of the Council of Ministers was now to be called the Prime Minister, the organisation of non-political associations was to be permitted; and office-bearers of Panchayats and Class bodies could witness the National Panchyat proceedings.

In the amended Preamble to the constitution, emphasis was laid on three aspects: i) the partyless nature of the State policy; ii) its "democratic" character, and iii) the principle of decentralisation of administration.

Thapa's Forth Term:

The five men cabinet⁵ sworn in by the King on 25 September dropped Mr. K.N. Bista, erstwhile Deputy Prime Minister and minister of foreign affairs. Two of the ministers of state dropped in the reconstitution were former communists, known for their hostility to parliamentary system of government.

In October 30th when B.P. Koirala and Ganeshman Singh

5. 'New Ministry', Mr Surya Bahadur Thapa, Chairman: Council of Ministers, Prime Minister and Minister of General administration, palace affairs, home and panchayat; Giri Prasad Burhathoki (defence);; Surendra Bahadur Basnet (Finance, industry and commerce); G.B. Rjbhandary (Foreign Affairs and edn.), and Rudra Prasad Giri (kind reforms, agriculture and food.

brought out of Sundarikal detention camp many remarkable incidents occurred.

In January 1969 an aggregate 179 NC workers convicted in absentia in the post-1960 period by different special tribunals were pardoned by the King.

In the beginning of April 1969 the country received a setback the reports of Army and police atrocities over the unarmed peasants of Kapilavastu staging demonstrations against the realisation of compulsory savings for land reforms.

The primary Panchayat polls held in early 1970 disclosed a disappointing trend. Since several members of National Panchayat, including the prime minister Mr. K.N. Bista, were to complete their membership term in mid April, the Establishment would have desired to see them back in the House before it assembled in June for its budget session. At the village and district-level Panchayats, pro-NC and Pro-CPN candidates were defeating the loyalists.

Early 1970 the two major problems that faced HMG's immediate attention were conclusion of a trade treaty with India and preparation of a new 5-year Development Plan. Mr. Bista resigned and cabinet was dissolved in April 12, 1970. A new ministry sworn in the following day. Noone selected as prime minister although the External Affairs Ministers, Mr Mahendra Bahadur Rajbhandary headed the top of list.

King Mahendra himself was prime minister from April

1970 to April 1971. In January 1972 King Mahendra died and was succeeded by his son Birendra. Nagendra Prasad Rijal became Prime Minister in July 1973, and held office until December 1975, when Dr. Giri was reappointed. The new government made major changes to the constitution. In September 1977 Dr. Giri resigned and was succeeded by Bista.

B.P. Koirala, the former P.M. an advocate of parliamentary democracy, was acquitted of treason in Feb 1978. Returning from abroad a year later, he was placed under house arrest in April 1979, but then released, partly to appease students who had been demonstrating for reforms. National unrest grew and, after King Birendra announced in May that would be a national referendum on whether to restore multi party democracy, Bista resigned and succeeded as Prime Minister by Thapa. In the referendum held in May 1980, 54.8% of the voters supported the Panchayat systems with reforms. As a result the King formed a Constitutional Reforms Commission and in Dec 1980 the government issued a decree amending the constitution. Under the new provision, direct elections were held in May 1981, the first of their kind since 1959, although still on a non-party basis, 1046 candidates contested the 112 elective seats in the Rastriya Panchayat (National Assembly). Only 35 of the 93 pro-government candidates obtained seats.

Thapa was relected by the Rastriya Panchayat as Prime Minister in June 1981, and the King installed a new council of ministers. An extensive ministerial reshuffle took place in

October 1982, but this failed to stem increasing official corruption and economic mismanagement. A new press Act, approved in November, increased censorship. A late monsoon exacerbated Nepal's economic problems, while a convention of the banned Nepali Congress Party (NCP) angered some political opponents of the government. In July 1983 for the first time in the 23 year history of Panchayat system, the incumbent PM Surya Bahadur Thapa, was ousted and a new Rastriya Panchayat Lonkendra Bahadur Chand, who had successfully introduced a motion expressing "no confidence" in Thapa.

In September 1984, a motion expressing 'no confidence' in Chand was proposed in the Rastriya Panchayat by Thapa, the former Prime Minister, in protest against increasing corruption in the government. The motion failed, however to reach a vote because of the intervention of a group of neutralist members who feared that repeated votes on motions of 'non confidence' would undermine the Panchayat system. A government reshuffle ensued and several allegedly corrupt ministers were removed, while all factions in the Panchayat were accommodated. Dissappointment with the reshuffled to the emergence of a anti-Chand group from within the 'neutralists led by Badra Sharma, a former Secretary General of the NCP. In March 1985 the NCP held a convention in Kathmandu and in May (following a one day general strike called by the All Nepal Free Students Association in support of teachers who were demanding recognition of their union, it began a campaign of civil disobedience, aimed at restoration political

parties and parliamentary rule under a constitutional monarchy.

In January 1986 a general election held. In March the King accepted the resignation of the Prime Minister and the Council of Ministers, and appointed an interim government for the pre-election period led by a former prime minister, Nagendra Prasad Rijal. About 64% of the electorate voted in the election, inspite of demands by the NCP and the pro-Beijing faction of Communist Party of Nepal (CPN) (neither of which presented candidates) that voters should boycott the polls. All the candidates in the election were nominally independents, but it was reported that among the 72 new entrants to the Rastriya Panchayat (40 members retained their seats) were at least 16 members of the Marxist Leninist faction of the CPN. In June the King nominated 25 additional members of the New Rastriya Panchayat and the Marich Man Singh Shrestha (previously chairman of the Rastriya Panchayat) was elected unopposed by the assembly as the new Prime Minister.

On the recommendation of the Prime Minister, the King appointed a new 17 member council ministers. In late 1986, to counter the growing influence of the Communist faction in the Rastriya Panchayat several senior figures (including Jog Meher Shre - a former government minister and Lokendra Bahadur Chand) established a democratic Panchayat Forum, which fully supports the non-party system.

Members of the NCP and the Marxist Lennist faction of the CPN participated (as independent) in local elections in

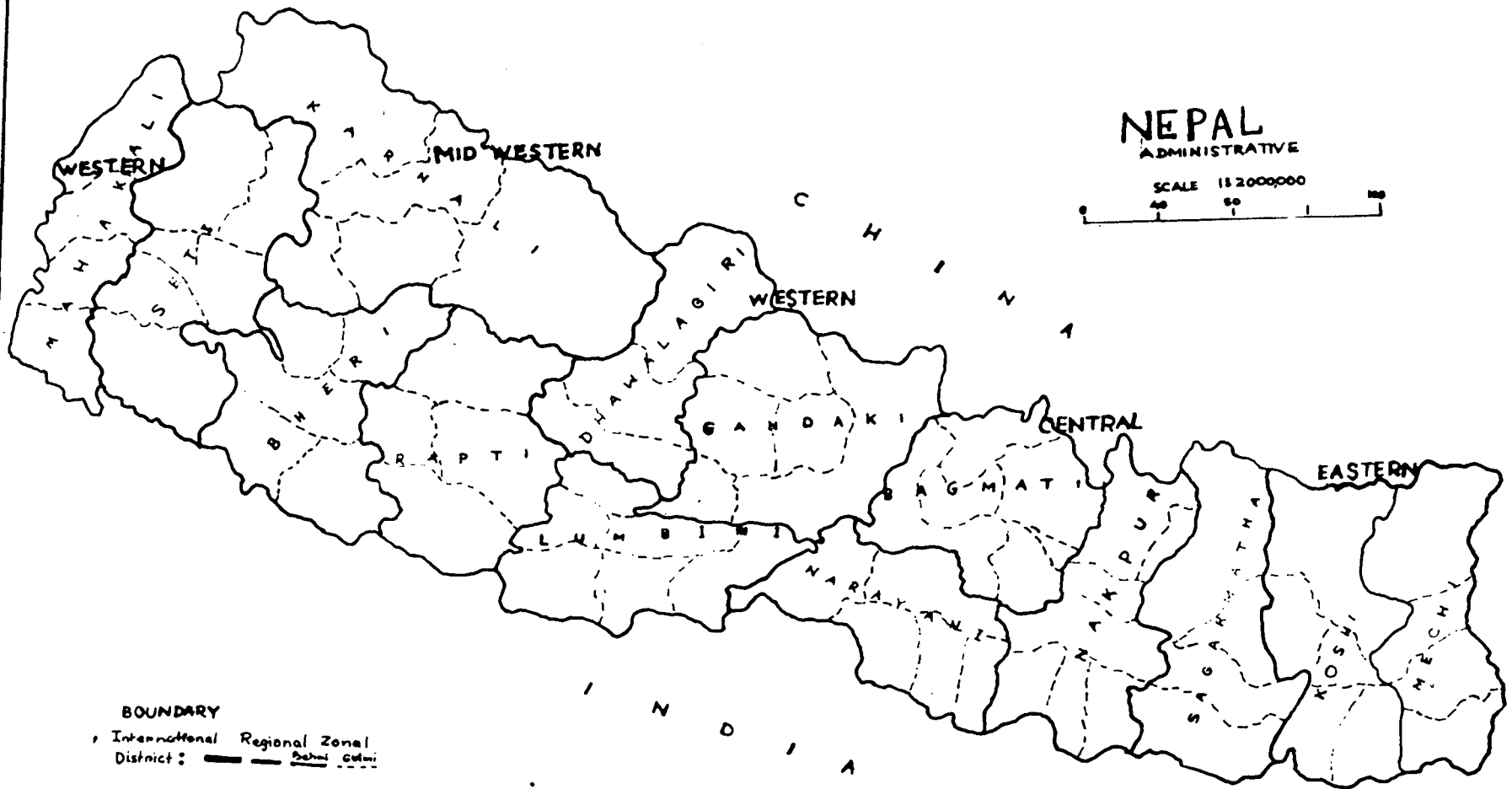
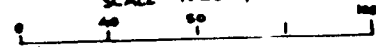
March-April 1987. The opposition achieved only limited success with the NCP candidates winning 15% of the local seats and the communist candidates 20% while candidates who supported the government won 65% of the seats. The NCP and subsequently claimed that there was extensive electoral fraud and intimidation of votes by supporters of the Panchayat system. NCP candidates, however, were elected to the important posts of major and deputy mayor in Kathmandu, and the party won three further mayorship and eight deputy mayorship.

In 1986-87 the Nepalese Government continued its policy of press censorship - in - an effect to curb anti government criticism. In June 1987 in an apparent attempt to improve the image of the Panchayat System, the government initiated an anti corruption-campaign, during the course of which several senior official were arrested for drug smuggling and other offences. In March 1988 an extensive government reshuffle including the establishment of a new ministry of Housing and Physical planning. In June a motion expressing 'no confidence' in the Shrestha Ministry was presented by 53 members of the Rastriya Panchayat, including two former prime ministers, Surya Bahadur Thapa and Lokendra Bahadur Chand. They accused the government of failing to check corruption and pursuing a misguided economic policy. The chairman of the Rastriya Panchayat rejected the motion, however on technical grounds in the name of Panchayat unity. In October there was another major re-shuffle of the Council of

NEPAL

ADMINISTRATIVE

SCALE 1:2000000



BOUNDARY
International Regional Zonal
District:

Ministers, which included the dismissal of 11 ministers.

In 1988 government continued its policy of suppressing opposition. In January the President of NCP was arrested and in February more than 100 people planning to demonstrate in support of the NCP mayor of Kathmandu. (who had been suspended from office for his anti Panchayat instance) were also detained. In November the leader of the NCP, Ganesh Man Singh was unexpectedly granted him an audience by King Birendra, allowing him to voice his criticism of Nepal's Panchayat System.

Government:

Nepal is a constitutional monarchy. Executive power is vested in the King who preside over the unicameral legislature, the Rastriya Panchayat at (National Assembly). Under the Panchayat System voters elected village councils whose members then elect district councils, whose members elect zonal councils. Under the constitutional amendments of December 1980, direct election are held every five years for 112 of the 140 seats in the Rastriya Panchayat while the remaining 28 members are nominated by the King. On the Recommendation of the prime minister, who is elected by the members of the Rastriya Panchayat, the King appoints the council of ministers, which is responsible to the Rastriya Panchayat. No political parties are allowed. A constitutional body, the Raj Sabha (State Council) was formed in 1975 to watch over political affairs and to propagate Panchayati ideology. For local administration, Nepal is divided in 14

zones, each headed by an appointed commission.

The Political and Administrative Organization:

Although Nepal, in theory, is a highly unitary state, in which local authorities perform a limited range of functions under the control of the central government, in actual practice it is a loose union of almost autonomous districts over which the central government often fails to exercise full and effective political control. As late as 1924 no modern maps (or maps of any accuracy) for the entire country were available. The central area of each of the various districts was recognised, but its extent and boundaries were vague and undefined. During 1924-1927, Indian staff members of the Survey of India (European surveyors were not allowed inside the country) mapped the entire 54,345 square miles of Nepal from the Terai to Tibet showing the political divisions and physical features of the country were made available for the first time. In recent years there have been a few minor changes, but the basic political-administrative boundaries shown on these sheets are regarded as correct. However the Nepal Government is considering the revision of the internal district boundaries in principles of administrative efficiency.

At present, Nepal is organized into 38 political-administrative districts, some of which are further divided into sub-districts. These districts are divided into a total of 491 counties (thums). In theory each of the 38 districts is administered by a governor (Bara Hakim) appointed by the King,

but in practice the feudal governors in the outlying areas rule almost independently and owe only a nominal allegiance to the King. The large number of thums reflects primarily the localism of the individual settlements which is a strong and persistent feature of Nepalese life.

Realizing the need to associate the peoples with the administration the central government announced plans for administrative reorganization based on the village councils (panchayats), which are elected for a two year period. These elected village councils would form the base of the "democracy from below" envisaged by King Mahendra. The village councils will elect members to district councils, which in turn will choose members of the zonal council. The zonal council will send members to a national council. The national council headed by the King, will have an advisory function and will take the place of Nepal's dissolved Parliament. The village and district councils will have wide administrative and development powers. Zonal council will discuss matters of national importance and send proposals to the national importance and send proposals to the national council for consideration. All the election for this "council" form of democracy were due to be completed in 1961, but in early 1963 the National Guidance Ministry was still engaged in making arrangements for elections to the district, zonal and national councils. Since, November, 1961, widespread political unrest has prevailed all over the country. Guerrilla violence has spread rapidly in an attempt

to force King Mahendra to restore a democratic government. More than 25 police posts were reported captured by the "people" opposing the King's rule between November, 1961, and January 1962. Prominent Nepalese political leaders have accused King Mahendra of "insane and tyrannical oppression" in a "reign of terror and torture", and of making Nepal vulnerable to Communism by his domestic and foreign policies.

Undoubtedly the disturbed political situation and lack of effective administration in remote areas have given to local communists broad opportunities for infiltration and subversion. The chief danger lies in the fact that Nepali Communists could develop their own armed guerrilla bands and the Kingdom may become torn between an anti communist, pro-India faction and pro-communist pro-China partisans.

Bhutan - Political Set up :

The modern Bhutan required to make all round development and particularly in three directions. Political unification social and religious consolidation and economic development were the indispensable conditions for the development. From 1907 to 1967, which is just over half a century of eventful years, there were no less than three landmark. If 1907 initiated the process of unification and development, it was 1947 which witnessed the disappearance of the British from the Indian scene. Again, 1961 may be said to have placed Bhutan on the road to place on the road to proper economic development

so very essential to the building up of the modern State which finally came to be realised in 1971 in the shape of Bhutan's admission to the United Nations.

Political Unification and External Consolidation:

On 15th August, 1947 when India won her independence she inherited from the predecessor government, power, prestige position, responsibilities and obligations of a wide and multifarious character in which could be included the relationship of New Delhi with Bhutan. There were two concrete and tangible legacies in the shape of the Indo-Bhutan-treaties of 1865 and 1910 which the British left behind in 1947. They may be regarded as the corner-stone of British-Bhutan relationship since both custom and tradition had been built and developed round them from the date of the conclusion of those treaties till the disappearance of the British power from the region. In 1947 India inherited literally hundreds of imperial treaties many of which had mainly served the colonial interests of the mother country. However Prime Minister Pandit Jawaharlal Nehru took no time to make a categorical declaration that while India was destined to play a positive role in the region, she could never think of doing so in colonial or neo-colonial tradition which the British had left after 1947.⁶

His Majesty's Government in their declaration of June 1946 on winding up of British Power in India had announced several

6. Jawaharlal Nehru, India's Foreign Policy, Selected Speeches, Sept 1948 to 1961 April.

procedures and steps to be taken among which was the setting up of a Negotiating Committee of Indian States to resolve the problems arising out of the British withdrawal from India. In January 1947 the Constituent Assembly framed a resolution empowering the States Negotiating Committee to examine and report the special problems of Bhutan. Bhutan send his delegation to New Delhi in 1947 as well as in subsequent years for consultations on its future prospects. In 1949 a new treaty was, therefore concluded by India with Bhutan "to regulate ... the state affairs caused by the termination of the British government's authority in India and to promote and foster the relations of friendship and neighbourliness so necessary for the well being of their peoples."⁷

Status of Bhutan:

In 1949 Bhutan had taken another step towards its emergence as a modern state. In order to assess the registered with independent India, it appears necessary to attempt a comparative study of the legal status of Bhutan both before and after 1947.

Before 1947 it is known that Bhutan never acknowledge the suzerainty of China. Sir Charles Bell has throughout maintained that before the conclusion of the treaty with the British in 1910, Bhutan was in fact a completely independent

7. Foreign Policy of India, Text of Documents (1947-1959)
2nd Ed. Lok Sabha Secretariat, ND - 1959, p.17

State neither under China nor under Britain"⁸ Coelho has, therefore, very rightly remarked that "throughout the centuries Bhutan jealously guarded the sovereignty of her kingdom and repeatedly denied and spurned any suggestion which might be construed to mean that she was subordinate to either Tibet or China."⁹

The period from 1910 to 1947 under the British paramountcy rendered the legal status of Bhutan somewhat incapable of a precise definition. Sir Banegal Rau had attempted a description of the legal status of Bhutan in 1947 and had observed that the state was "wholly autonomous" and that it could not be equated to an Indian state. He went on to observe that "further definition could not be attempted and the precise status of the territory may be said to be left undetermined." This was so because in spite of the independent existence and autonomous political entity of Bhutan, the British had somehow regarded Bhutan as one of the Princely states of India and after 1924 tried to build it up as a Protectorate outside India. This led to considerable confusion in Bhutan's status during 1910 to 1947.

In 1947, with the disappearance of the British from the region, Bhutan had emerged as a separate, independent sovereign State with whom treaty relations on an equal footing could be

8. Bell, Sir Charles, *Tibet-Past and Present*, 1924, p.100

9. Coelho, V.H., *Sikkim and Bhutan*, p.78

concluded. The legal status of Bhutan after 1947 may be said to be determined, by the Indo-Bhutan Treaty of 1949 which commenced a new Chapter in the history of Bhutan's international relations.

The Indo-Bhutan Treaty, 1949 :

The Indo-Bhutan Treaty of 1949 was the result of negotiations in which Bhutan found that it was to her advantage to get the aid of free India in guiding her internal relations once it was clearly and unequivocally established that Bhutan was no part of India contrary to how the British had treated it and that being a foreign independent State after 1947 it had all the powers to regulate its external relations which it decided to do with the advice of India. The text of the 1949 Treaty which Bhutan signed with India is reproduced as Appendix - The main points briefly states as follows:

- a) The Bhutanese delegation opposed the use of the title 'Maharaja' which was uniformly borne by the rulers of Indian States. They took care to recognise the title of Druk Gyalpo'. The treaty of 1949 between India and Bhutan does not bear the signature of the Druk Gyalpo himself, but of his representatives who had full powers to sign on behalf of the Government of his highness the Druk Gyalpo of Bhutan.
- b) Like any other treaty negotiated with a full sovereign power, instruments of ratification were exchanged at the highest level, Rajagopalachari, Governor-General of India who ratified the treaty on behalf of India on the one side and Jigme

Wangchuk Druk Gyalpo as the Head of the state of Bhutan on the other side. Indo-Bhutan treaty of 1949 recognised the full sovereign status of Bhutan with full capacity, as a legally established international person, to enter into a treaty.

c) The Indo-Bhutanese Treaty like any other treaty signed by sovereign States brings out a solemn undertaking by the Government of India, vide Article 2 of the Treaty, not to interfere in the internal affairs of Bhutan.

d) Another Article of considerable significance from the review point of international law is the one relating to settlement of disputes concerning the interpretation of the treaty be recourse to arbitration.

This article further confirms the question relating to legal status of Bhutan in so far as it equates both the High Contracting Parties on the equal footing. Apart from the usual practice of having on the arbitration tribunal one representative of each of the parties concerned, there is some what of a unique proposal in regard to the appointment of its chairman. Article 9 further confirms the basis of equality and helps to maintain the aforesaid determination of the legal position of Bhutan.

e) In Article 3 the payment of compensation which exists on the basis of a consideration is another indication of the status of Bhutan in its bilateral relationship with India.

f) Article 4 said to further establish the principle of equality in the bilateral relationship between India and

and Bhutan . India agrees to return to the Government of Bhutan about 32 square miles of territory in Dewangiri region to set right the inequality of the British rule left as a legacy to the Government of India.

g) In accordance with Article 5, free trade and commerce between the territories of India and Bhutan was established. Moreover, free access was given to the Government of Bhutan along with other facilities for the carriage by land and water of its produce through the territory of India.

On the whole, therefore - the Indo-Bhutan Treaty of 1949 can be rightly described as to lead up to in a new era in the legal status of Bhutan leading ultimately to the emergence of Bhutan as a modern state fully equipped to become a member of the United Nations.

The Investiture of the King in 1952:

The Indo-Bhutanese Treaty of 1949 consolidated the position of Bhutan both internally and externally, next important event was the investiture of the King in 1952. Ugyen Wangchuk the great Gyalpo who was installed as 'first ruler' of Bhutan in 1907 died in 1926. He was a strong character who had unified Bhutan and guided Bhutan's destiny with his exceptional wisdom and ability for two decades. His 24 year old son Jigme Wangchuk who succeeded him. Many are the reforms that stand to the credit of the Late King Jigme Dorji Wangchuk and a brief mention of these here would not be out of place.

King Jigme Dorji Wangchuk:

No description of the emergence of modern Bhutan would

be completed without a mention of the personality of the late King. The Druk Gyalpo Jigme Dorji Wangchuk was Bhutanese to the core in his culture.

The Late King had a number of achievement to his credit in various fields. As far as the external relations are concerned, he had monumental achievement of putting to an end Bhutan's age old policy of isolation and opening up the country to modern concepts and institutions.

There are numerous administrative and political reforms associated with the name of King Jigme Dorji Wangchuk. King established a National Assembly called Tshogdu which enjoys complete freedom of speech. Not satisfied with the mere establishment of the Assembly, the King went a step further in voluntarily granting ^{greater} powers to the Assembly from year to year with the result that it has now become almost a sovereign body with full powers to formulate policy, legislate on any subject, appoint and remove ministers and officials, thereby becoming a veritable symbol of national unity.

Political Developments since 1960:

Political development since 1960 is significant. The assassination of powerful Prime Minister Jigme Palden Dorji in April 1964 results in acute political crisis. In Bhutan's history it can be witnessed a rivalry between the warlords of Ha and Paro in the west and Tongsa in the east. March 1963 when the King travelled to Europe for medical care, he left the reins of the government almost entirely in the hands of the late Prime Minister Jigme Dorji. Since 1960, both at

home and abroad the Dorji has become with progress and modernization.

In the Domestic Crisis for power directed against the Dorji family, a threat to India was quite evident, because of Bhutan's strategic location and linkages with communist Chinese complicity in the crime. The Royal commission of Justice, appointed by the Maharaja on May 15, 1964 sentence to death four army men brings end of crisis prevailing in the state.

The Maharaja's departure to Europe for medical treatment early in October 1964, there was another fighting for power. The Dorji family, led by Lendup Dorji, younger brother of former Prime Minister, who was appointed acting prime minister in July 1964. Second the late Jigme Dorji. Finally some of kings favourites outside the Dorji family - including his half brother - wanted the ruler to keep all power in his own hands. The King remained indifferent to this power struggle, confident that he could assert his supreme authority over all factions in the kingdom when necessary. During 1964 Lendup Dorji made utmost effort to consolidate his position, with the active support and cooperation of several senior army officers and key administrative officials. In November 1964, the King resumed reins of administration. Dorji was relieved of all official responsibilities and went into exile. Prominent among those who fled were young Brigadier Ugyen Tangbi, deputy chief of the Bhutanese Army, 32 year old Lt. Col Penjo Ongdi, Rinchen Dorji, commission of southern Bhutan.

The Bhutanese exiles, who conspired against the King blame India for the turbulence in Bhutan's ruling circle. The little group of fugitives who are reported to be in touch with the Chinese, have made several charges against India. They are

- 1) India's direct and indirect responsibility for the upheavals.
- 2) India's desire for a weak government in Bhutan so that it will be reduced to the status of a protectorate and
- 3) India's responsibility for the misunderstanding between the King and the Dorji family.

India has indignantly rejected the charges, and so did the King he said that there was "absolutely no foundation" in the allegation that India had anything to do with the troubles in Bhutan.

Contemporary Political Scene:

King Jigme Dorji Wangchuk during his 14 years of absolute monarchy, has introduced general reforms, a codification of laws, other features modern representative government to a cabinet, and a Tsongdu or national assembly of 130 persons, created in the mid 1950s. While the King appoints the prime minister, the advisory council, and about 25 percent of assembly members, the remainder of the assembly are elected indirectly every five years from among the village headman on a one family, one vote system. Each village headman represents a constituency of some 5000 persons. Each village elects a headman every three years. By their agreement among themselves, the headman from each constituency selects their representatives to serve the assembly for a five year term.

Organization of Government:

Bhutan has a hereditary kingship assisted in the discharge of its functions by three organs of the state which are: first the Ishogdu or the National Assembly, a representative body; second the Advisory Council which, in turn, is aided by a regular Central Secretariate constituting, as it were, the third limb of the Government machinery. The three together may be said to constitute the central machinery of Government functioning at Thimphu, the capital of Bhutan. However in addition, there is a regular network of local administration which functions on the basis of a hierarchy of administrative units like the districts and the remote, distantly spread villages of Bhutan. In short the machinery of Government would have to take into account both these broad aspects, namely -

- a) the central machinery of the executive and the legislature at the capital; and
- b) the local administration of the villages and districts
- c) the judiciary and
- d) the armed forces.

All these four broad are described in detail.

The Central Government: The time-honoured organs of Government to discharge the two basic functions of the State namely the executive and the legislative are to be found in modern Bhutan on the same broad basic pattern as in any other modern state of the world.

- 1) **The executive:** The king of Bhutan or Druk Gyalpo as he is called, is the central pivot of the executive arch of his

country. Though in the early stages of the constitutional history of Bhutan, there may have been a dual order of the Deb Raja and the Dharma Raja or the spiritual and temporal authorities of co-equal status as was witnessed in the Europe of the Middle Ages, it can be stated that today the King of Bhutan stands established unequivocally as the Head of the State in every respect. He is the fountain head of the executive power and externally the exclusive symbol of the State. Druk Gyalpo is not only the chief of State but also Commander-in-chief of the armed forces, the highest court of appeal and the wielder of commanding influence in matters religious and spiritual. The Royal Council: Royal Council or Lodoi Chopdah functions on a regular basis and is in session throughout the year. King also administers the state through advisory and conciliatory machinery both on the executive and the legislative side.

The Royal Council:

The Royal Council or Lodoi Chopdah functions on a regular basis and is in session throughout the year as against Jshogdu which meets twice in one year. It was established by the King in 1965 and including eight members headed by a Chairman called the Kalon representative of the Government with the rank of Minister. The remaining seven members including five representatives of the people representing the different regions and two Lamas representing the monasteries. The Royal Advisory Council acts as the main advisory body charged with

the function of assisting the Druk Gyalpo (the King) and Government on all foreign and important domestic issues which may arise from time to time. There is no overlapping between the function of the Royal Council and the National Assembly.

The Council holds regular meetings every day and the Ministers are required to attend its meeting once a week and answers questions relating to their ministries. It also functions as an advisory body insofar as the Ministers may consult the Council on all important issues and take advice.

The Royal Advisory Council acts as a caretaker of the people. It assesses the implementation of Government policies and directives.

Council of Ministers:

The ministers are responsible to the King and take orders from him, being advised by the Royal Council. The King himself discharges the functions of the Head of Government. All the ministers are of equal rank. Jigme Dorji was designated as Prime Minister as a matter of courtesy only. It originated at the time of the visit of India's Prime Minister Nehru in 1958 out of sheer consideration of Protocol. There were no ministerial appointments in Bhutan before May 1968. There are departments of Government now created, headed by Ministers, and having officers at secretariat level to assist them.

The Central Secretariat:

The Administrative Secretariat of the Government is located in the capital Thimphu. Lower in the official hierarchy are the Ramjams or subdivisional officers who are assisted by the Gapps or the headman who in Nepali areas are called Mandals.

ii) The Legislature: The National Assembly or Tshogdu,

as it is called in Bhutan, is the legislative organ of the State.

The composition of Tshogdu, in accordance with both tradition and the political requirements of the country, includes three categories of members, namely a) people's representatives, b) monastic representatives and c) official representatives. Functions of Tshogdu: As for the powers and functions of Tshogdu, it plays the triple role of (i) enacting laws, (ii) approving senior appointments in the government, and (iii) advising on all matters of national importance. In this context the Tshogdu has not only legislative functions but also acts as a parliamentary and advisory body.

The Assembly has played an important role in enacting various civil, criminal and property laws. A bill passed by the Assembly will go to the King for his signatures as Head of the State before becoming an Act.

All important appointments made by the King like those of ministers and members of the Royal Advisory Council are confirmed by the Tshogdu.

A minister or a senior civil servant can be removed by the Tshogdu by a majority vote at any time. As an advisory body on national issues and policy decisions, the role of the Tshogdu has been vital.

The Monarchy and the Tshogdu:

Though the constitution functions under a monarchy, the Tshogdu does not act as a mere stamping body. In the April-May 1968 session of the Tshogdu, the King ordered that Bhutan constitutional monarchy. During the following session

held in October-November the same year, he ordered that he would give up if and when 75 percent of the members of the Tshogdu passed no confidence against him. Following the Kings proposal, the Tshogdu at its first session in 1969, unanimously decided that popular approval would be the basis for continuity of a monarch's rule and that if a vote of no confidence in the King was passed by a two-thirds majority, the King must give up in favour of the next member of the present dynasty in the line of succession. While giving these powers to the Tshogdu, the King further proposed and it was accepted, that in every three years the monarch should seek a vote of confidence from the Assembly by a two-thirds majority vote.

Modern monarchy of Bhutan:

After the death of modern architect of Bhutan His Majesty Jigme Dorgi Wangchuk on July 21, 1972, His Majesty Jigme Singhye Wangchuk was enthroned on July 24, 1972 as a King of Bhutan. He was the fourth in the Wangchuk Dynasty. That time a simple ceremony took place at the Royal cottage in Thimphu on a formal request by the Ministers and members of the Royal Advisory Council. In his first announcement after the coronation, King Jigme Singhye Wangchuk on June 3, 1974, pledged his country to achieve economic self reliance to ensure the rapid progress of his country.

The coronation of present King of Bhutan took place at the Royal Fort Place in Thimphu, the capital on June 2, 1974. Although the King, who at 18 is the youngest reigning sovereign in the world, succeeded his father in July 1972.

The Indian President Mr. V.V. Giri, who attended the coronation had friendly talks with the new King on 4th June at which he invited the young King to visit India. The Indian President also announced that India had agreed to help in the construction of a hydro electric project and a cement factory in Bhutan.

Soon after his coronation, the King visited Easter Bhutan from August 15 to 27. He is very much concerned about the regional integration of his Kingdom. Monarch discussed about the developmental programmes of Iashigang. He also tried to explore fully the forest wealth of his Kingdom. On August 15, 1974, a pre-investment survey of the forests in Western Bhutan was initiated by an Indian team as part of the planned development of Bhutan. In September 1974, Bhutan Food Corporation was founded to deal with the marketing of Bhutan's food products like potato, orange and apple for which India can provide a very large market.

The young King supports fully the democratic trends established by his father, the late King Jigme Dorji Wangchuk who had enhanced the powers of the National Assembly (The Tshogdu). Within less than four months of his coronation, the new King summoned the Tshogdu from October 20 to 30, 1974. The session of the Tshogdu was inaugurated by the King who was also present during the debate on domestic and foreign affairs. The Late King Jigme Dorgi Wangchuk began to guide his country towards constitutional monarchy. His son, Jigme Singhye Wangchuk, has pledged to continue the work begun by his father.

The King was earlier subject to a vote of confidence every

3 years, but this practice was dropped after King Jigme Singhye assumed the throne. Although no formal cabinet structure exists, the King appoints four ministers, who are members of the coordination committee, the principal policy making body. This 12 members committee includes high ranking ministerial officials as well as a representative from the Royal Council and two Indian advisors on Economic affairs. It examines economic and administrative problems and reports on them directly to the King, who accepts or rejects their recommendations. Heads of the government departments are required to subject themselves and their policies to the scrutiny of the Tsongdu at least once a year, nonpolitical parties function within the Bhutanese governmental structure.

Administrative Organization:

For administrative purposes Shutan is divided into 18 districts (dzongkhags) each headed by a Dzungda (incharge of Administration and Law and order) and a Thrimpon (incharge of judicial matters) Dzungdas were previously appointed by the Royal Civil Service Commission, established in 1982. The Dzungdas are responsible to the Toyal Civil Service Commission and the Ministry of Affairs, while the thrimpons are responsible to the Dzungda Wongma and the Dzunggrab, responsible for locally administered development projects and fiscal matters respectively. Seven of the districts are further sub-divided into sub-districts (dungkhags), and the lowest administrative unit in all districts

is the bloc (gewog) of several villages.

Under provision of the 1981-87 plan, with the introduction of decentralization, Punakha and Thimphu were merged as one district for a few years in early 1980s. However this did not prove successful and by 1985 they were once more administered separately. In August 1987 Gasa and Punakha were amalgamated into a single district, and a new district, named Chukha, was created from portions of three existing districts in Western Bhutan. There are two municipal corporations (in Thimpu and Phutsholing) each of which is headed by a Thronpon (mayor) and is composed of government officials.

Although, there is no party system in Bhutan, the Wangchuk dynasty can claim a democratic and popular base. The present ruler, King Jigme Singye Wangchuk has been governing his country through representative institutions such as the National Assembly and the Royal Advisory Council, and different section of the people have been involved in the decision making process.

Though both countries Nepal and Bhutan have monarchical polity, the Bhutanese monarchy differs from that of Nepal in the way it was founded and in its style of functioning.

Nepal the Himalayan Kingdom is a small country stretching for 500 miles along the north eastern frontier of India was for a long time a country hermetically sealed. However, the domestic upheaval of 1950-1951, the 1962 Chinese assault of India, and Nepal's attempts to establish itself as an independent entity in international politics in the 1960 and 70 became the central point of focus.

From the very beginning of Nepal's emergence as a modern state in the mid 18th century, its most formidable problem in the formulation and implementation of foreign policy had been the preservation of its independence in the face of the two concurrent but separate threats posed by the newly emerging dominant power in northern India, the British East India Company, and the slowly but steadily expanding Chinese presence in Tibet.

Nepal the current potentialities of external domination from the side of India and of subversion from the side of China are not very different in kind from those which Nepal's government have had to contend for two centuries. There is a basic similarity between King Prithvi Narayan Shah's analysis of Nepal's role in the Himalayan area and his selection of tactics and that of the 9th ruler in his dynasty, King Mahendra Bir Bikram Shah Dev present day Nepal perceives its critical geo-political situation in terms of a long tradition as a buffer state and with some deeply ingrained attitudes towards the policies and tactics required to maintain its political and cultural integrity.

Nepal traditional foreign policy behaviour shows two distinct patterns. First, Nepal had tended to look upon China as a useful balance to threats to its integrity from British power in India. Second, when one of the two great powers in the region was subjected to a considerable loss of power and influence.

Relation with India:

India and Nepal are two exceedingly unequal and too excessively and multilaterally interlinked neighbours. This great unequalness of the two countries makes the management of their political relations difficult and delicate, especially on the part of India, the major partner. Also the depth and multi dimensionality aspect defies any officially contrived mechanism to subsume the vast gamut of their relations.

The people of the two countries in general follow their own independent lines different from their governments positions. On no occasion of the crisis-situations between the governments of India and Nepal were the people of the two countries divided strictly on governmental lines. On the contrary, hundreds and thousands of people in both the countries criticise their own governments whenever such a situation develops at the official level and often put pressure for maintaining Indo-Nepalese traditional friendship and amity. Even so, this solid popular base has not been of much help in the development of a healthy pattern of Indo-Nepalese relationship free from

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tensions and occasional turmoils. The history of the last four decades of their relations clearly testifies to it.

Free India inherited from the British distinctly worked out and consolidated pattern of relationship with the Himalayan states of Nepal and Bhutan, and also Sikkim which is now an integral part of the Union of India. The external powers became unprecedently active in this region following the establishment of the communist rule in the People's Republic of China and its control over Tibet. The area assumed crucial strategic importance even since for the cold warriors, which in turn obviously introduced security-concern in India's foreign policy consideration.

So, the Government of India hurried through the process of further consolidating and demonstrating its position in the Himalayan region by redefining relationship in the changed situation. As such, it signed two treaties with Nepal, the Treaty of Peace and Friendship and the Treaty of Trade and Commerce on July 31, 1950. Although, both these treaties which were to shape and guide the future course of political and economic relations of the two countries, were signed with the Ranas Government against which the movement had started for its replacement by a government of people's representatives. Under the provisions of article 2 of the "peace and friendship" treaty, the two countries were to inform each other, of any serious functions of misunderstanding with any neighbouring country likely to cause breach in friendly relations existing between the two countries.¹

1 Shree Govind Mishra, Indo-Nepal Relations, March 10, 1990; Main Stream.

When India became independent in 1947, Nepal though independent was still living under the tyrannical political system of the Ranas. The wave of freedom and democracy sweeping the long suppressed and subjugated Afro-Asian world had also awakened the Nepalese people. Some of the young Nepalese, living then in India, who had witnessed - a few of them had also actively participated in - India's struggle for freedom, formed a political party (now the Nepali Congress) and launched a movement from the Indian soil against the oppressive rule of the Ranas in their country. A number of Indian citizens belonging to different political parties took active part in the Nepalese movement for democracy.

Having committed to support the freedom struggle of all peoples everywhere, the Government of India naturally became sympathetic to the genuine aspiration of the people of their doorsteps emotionally and culturally so close to this country. Both the people and the Government of India played an important role in the replacement of the Rana system by an arrangement for a phased establishment of a democratic movement. In this whole crisis situation and process of transition, the Government of India rebuffed the external powers' interference in Nepal and asserted its preeminent position on the ground of its vital security stakes in the area and in the spirit of the 1950 treaty which interlinked the defence of the two countries.

The Revolution of 1950-51 is a dividing line in the

modern history of Nepal. Due to the liberal policy of the Government of India under Prime Minister Jawaharlal Nehru the Rana's rule ended and an era of democratic experiment under King Tribhuvan, the grandfather of the present King Birendra, ushered in from the Prime Minister of the country.² When Nepal failed to forge ahead along the road to democracy after the Rana regime, India was severely criticised and squarely blamed on many accounts by various sections there. Despite all these, the Indo-Nepalese relations were at their best in the early fifties. Perhaps this was inherent in the existing situation. On account of its low level of development, limited external contacts, and lack of experience in world affairs, Nepal remained exclusively dependent on India to meet its rising demands in various fields as an emerging modern state. Hence, the pattern of special relationship envisaged in the 1950 treaty worked quite well.³

The relationship took a turn when King Tribhuvan died in 1954. His successor, King Mahendra, started with an ambition to wield absolute power and strong bias against democracy. A man of strong will and considerable political acumen, he factfully handled the political forces working for democracy and diverted the issue through cultivating

2. Shree Govind Mishra, Indo-Nepal Relations, March 10, 1990; Mainstream.

3. Ties with India, Shri Krishna Jha, World Focus, September, 1990.

Nepal's relations with external powers, both at the global and regional levels, and lessening gradually. India's role and importance in the Kingdom by generating a feeling of Nepali nationalism and consciousness of nation's sovereign and independent position. He wanted to maintain a distance from India also because he was afraid of India's softness towards democratic forces in Nepal. Therefore he propounded a policy of Nepal's equal friendship with all against special relationship framework with India. King Mahendra instead of created division among the democratic forces and thereby delayed that process of introducing democracy. Ultimately he agreed to grant a constitution of monarchy as the sovereign authority. Accordingly, the first general election in the country was held in 1959 and a government was formed of the duly elected representatives of people headed by B.P. Koirala, the leader of the majority party, the Nepali Congress, as Prime Minister: But he did not allow the government to continue for long. B.P. Koirala, the first ever democratically elected Prime Minister of Nepal, visited India in January 1960.⁴ Both the governments desired to cooperate with each other. As a result of mutual trust a new treaty of trade and transit was signed between the two governments on September 21, 1960.⁵ China did not like the growing friendly relations between India and Nepal.

4. Proceedings, the Indian History Congress, 1982, p 760.

5. Indo-Nepal Relations, Shri Govind Mishra, March 10, 1990, Mainstream.

All this time there was the dismissal of the Nepali Congress Ministry and the royal takeover of the administration on December 15, 1960. B.P. Koirala and the members of his cabinet were put behind bars.⁶ By this time King had closely cultivated the People's Republic of China with which India's relations had sharply deteriorated on account of border disputes. Also, he had sounded the major powers of the Western bloc on his plan of action and consequent open encounter with India.

Thus, in the late fifties, India's pre-eminent position in Nepal faced challenges from the policy of the Nepalese Government opposing the framework of special relationship and the introduction of growing interest and activities of the People's Republic of China as a rival power. Nevertheless, India did continue to have the final say as the King was still shaky about his position and not strong enough to annoy India beyond a certain point for fear of weakening his own control. With the formation of the democratic government under the leadership of B.P. Koirala did maintain a balanced relationship with this country, but he too was conscious of Nepal's independent position and was not in favour of following blindly India's lead in external affairs.

However, it was the King's action of 1960 which proved to be the landmark in Indo-Nepalese relations. The government and the people of India criticised the King's decision to kill

6. Royal Proclamations, December 15, 1960

democracy in Nepal and subsequently showed sympathy with the movement of the democratic forces to undo the King's act. Indo-Nepalese relation took a nose dive as the King now engineered and encouraged anti-India propaganda protests and demonstrations on the plea of India's interference and shady intentions manifesting in India's all-edged blockade and economic strangulation of Nepal, and allowing the Nepalese, engaged in the movement to restore democracy, to indulge in violent anti-Nepal activities from the Indian soil. In retaliation, the King concluded an agreement with China for the construction of Kathmandu-Kodari Road and gave a jolt to India and China were heading for military confrontation in the Himalayas. Uneasy peace was restored in India-Nepal relations only after the out-break of the Sino-India armed conflict in 1962.

Nepal emerged from its first direct conflict with India during 1960-62 with self-confidence to follow an independent line without caring for India's reaction. Meanwhile, the monarch introduced an innovative political system in the Kingdom, the partyless panchayat, democracy, and followed a foreign policy emphasising Nepal's trade and aid, and development of strong nationalism in order to lesser his country's dependence on India in economic matters.

India on the other hand, having received a severe jolt in the 1962 debacle, assumed now a low profile in international politics. Living under a constant fear of a fresh Chinese

attack; New Delhi had no other option but to keep Kathmandu favourably disposed at any cost. From its assertive role in the early fifties, India was now on the defensive to the extent of following a policy of appeasement in Nepal. The situation was fully exploited by the Nepalese Government.

Ignoring the pattern of Indo-Nepalese relationship, especially in the crucial area of their security and defense as envisaged in the 1950 Treaty, Nepal went ahead in cultivating China and further distancing itself from India. It unilaterally discarded many provisions of the 1950 treaty relating to reciprocity in the treatment of each other's nationals, and entered into arms purchase agreements with the United States and the United Kingdom in 1964 without consulting India.

India, however, took up this seriously and with great effort persuaded Nepal to enter into the secret agreement of 1965 on this point in order to maintain the spirit of the 1950 treaty. But again in 1969, Nepal suddenly unilaterally and publicly asked India to withdraw the Indian army personnel and wireless operators from Nepal's northern checkposts - an arrangement made through joint consultation and agreement of the two governments in the early fifties in pursuance of the joint defence framework of the 1950 treaty. In the early seventies, India emerged as the strongest military power in the region from its involvement and role in Bangladesh. By this time the Chinese threat had also lessened. New Delhi now took a tough stand of no more yielding to Nepal's

propaganda pressure. This was made clear in the process of negotiation of a fresh Indo-Nepalese Treaty on Trade and Transit in 1971-72 when Nepal ultimately had to give up its demands and come in terms with India. Following this King Mahendra, the architect and engineer of Nepal's assertive nationalism, passed away, and the present King Birendra took over.

Domestic and External Politics of King Birendra:

People expected to introduce liberal changes both in domestic and external politics, but he gradually followed the path showed by his father. He formulated a new issue - his proposal to make Nepal a zone of peace in order to embarrass India. New Delhi found the proposal inconsistent with the spirit of 1950 treaty and, therefore did not endorse it. However, it cannot even reject the proposal, the kind of which it so forcefully supports for the Indian Ocean.

Strain Relation :

During 1975-76 when in the wake of Sikkim's merger with India, the ugliest anti-Indian demonstrations were staged in Kathmandu. Even due to the treaty of 1960 relation between India and Nepal were far from normal. The Indian Army's technical personnel stationed at checkposts and other strategic locations along the Nepal-Tibet border. The Indian military liaison group continued to function at the Army Headquarters in Kathmandu. But the Royal Government did not like the

continuance of the technical personnel and the military liaison group.⁷ The King under Chinese pressure raised his voice against the technical personnel and demanded their withdrawal. Prime Minister Kirti Nidhi unilaterally called for the withdrawal of the Indian Army technical personnel and the Indian military Liaison group. He also demanded the cancellation of the Arms Assistance Agreement of 1965. The Government of India wanted to find out an amicable settlement. But Nepal was not interested in settling this issue. So India agreed to the withdrawal of the Military Mission by the end of 1969 and the technical personnel by the end of 1970.

The controversy thus raised was a particularly unfortunate chapter in the relation between the two countries. The trade and transit treaty of 1960 was to expire by October 1970. The tactics adopted by Nepal in 1970 just when the previous treaty was running out, naturally gave rise to some misgivings. At that time, Kathmandu suddenly found it necessary to arrange for a visit by General Yahya Khan. What is more, King Mahendra departed from the protocol to read a lecture on transit problems to President Giri, while bidding farewell to the guests⁸, who had assembled for the Crown Princes' (the present King) wedding. The only result was that the bilateral

7. Rising Nepal (English daily, Kathmandu), June 25, 1969

8. Personal knowledge, Kathmandu (Member of the Teaching staff, Tribhuvan University, Nepal).

discussions soured, leading to quite needless wranglings. Nepal was not in a mood to sign a new trade and transit treaty. Owing to the indifferent attitude of the Government of Nepal, the treaty expired on October 31, 1970.⁹

The general public was affected too much by the economic crisis. China could not do anything to assist Nepal in tackling the economic crisis. The Kathmandu-Kodari Road could not prove useful to the Nepalese Government. Compelled by the circumstances, Nepal signed the treaty in August 10, 1971. It replaced the 10-year agreement of 1960. The new agreement gave certain privileges to Nepal. A major gain for Nepal from the 1971 trade and transit treaty was the "freedom of transit" it secured from India as distinct from the "right of transit."

After a few years Nepal wanted to separate the trade and transit treaty. Prime Minister Indira Gandhi was not convinced with the argument advanced by the Government of Nepal on this point. She liked an integrated trade and transit treaty. Just at this time the Janata Party formed the Government at the Centre in 1977 with Morarji Desai as the Prime Minister. Nepal insisted on having separate treaty for trade and a separate treaty for transit. He apart from agreeing to two separate treaties for trade and transit, increased the transit points to 15. Morarji

9. The Times of India, New Delhi, March 25, 1989

Desai signed two treaties and increased the transit points to 15 in the sincere belief that generosity to a small neighbour would engender goodwill and perhaps gratitude. But it results in increase in the smuggling into India and third country consumer goods, imported under the transit treaty, for Nepal's own use.

The trade and transit treaty of 1978 was to lapse by March 23, 1988. By this time Nepal had 15 transit points.¹⁰ The Government of India wanted to renew the trade and transit treaties. The Government of India allowed two six-month extensions to the treaty. New Delhi allowed times to settle several outstanding issues.¹¹ The draft agreement for renewing these agreements had been initiated in October, 1988. It was clear that treaties could not be finalised, unless Nepal fulfilled certain conditions. So, it was wrong on the part of Nepal's Finance Minister to speak before the annual meeting of the International Monetary Fund and the World Bank that the treaty had lapsed in March 1989. It actually lapsed in March 1988, and had then been extended on an ad hoc basis for two six-month periods.

Rishikesh Shaha, the former Finance and Foreign Minister of Nepal, contradicted the viewpoints of Nepal's Finance

10. The Times of India, New Delhi, March 21, 1989.

11. Ibid. August, 1989.

Minister. On October 7, 1989, the deputy to Nepal's UN Ambassador charged India in the UN General Assembly's Economic Committee that New Delhi had suddenly abrogated its transit treaty with Kathmandu.

The irritation in bilateral relations has been caused by the introduction of work permits by the Government of Nepal for Indians. Now Indians employed in the organised sector would need permits. The permit system violates the 1950 treaty. The introduction of work permits by Nepal would result in the exist of many Indians, who have settled there for a pretty ong time.

However the trade and transit treaty of 1978 lapsed, yet the Rajiv Gandhi Government had given two transit points to Nepal and full quotas of Indian salt, sugar, baby food and medicines were allowed to flow into Nepal. India may not have ratified the convention on the transit trade of landlocked countries or that on the Law of the Sea. But India respects landlocked Nepal's right to transit.

Amidst this ugly phase of Indo-Nepalese relations, important developments took place both in India and Nepal. In December 1989, the Congress government under the leadership of Rajiv Gandhi was replaced by the Janata Dal government. Simultaneously plans for launching of movement for democracy in Nepal were worked out by the Nepali Congress and the Leftiest parties with support coming from various sections

of the Nepalese society. Meanwhile, while the movement for democracy was still in the offing, a delegation of nine members of Indian Parliament, representing the Janata Dal and other parties, headed by Chandrashekhar, attended a conference of the Nepali Congress and openly promised India's support for democracy in Nepal and subsequently, when the movement was launched, they did support it and some of them even criticised the Government of India, for not extending positive support to the democratic forces. Also, New Delhi thought this an opportune moment to strike a favourable deal in retrieving its position in the framework of the 1950 treaty by securing Nepal's acceptance of some of its demands.

End of Strained Relation:

The end of the stalemate became evident after the triumph of the democratic forces in April 1990 and the establishment of an interim popular government headed by Nepali Congress leader K.P. Bhattarai. The overall climate of Indo-Nepalese relations changed overnight. The Nepalese Prime Minister brought to the notice of New Delhi the problems faced by the Nepalese people on account of trade disruption, and made a formal request for negotiating the treaty.

The mutual give and take understanding not only relieved the Indo-Nepalese relations from the strains of the past two years but also raised them to a euphoric level. The joint

communiqué issued on the conclusion of the Nepalese Prime Minister's visit to desire "promptly to normalise the unique, friendly and brotherly relations" between the two peoples and impart them "new dimensions and dynamis and elevate them to ever-rising levels of cordiality.

Platitudinous promises, rhetorics and euphoria are not new to Indo-Nepalese relations. They have not so far helped them to stabilise the relations in the form of an acceptable pattern. In fact, the history of Indo-Nepalese relations shows a patternless pattern. The present State of the two countries is no guarantee of the pursuit of cordial relations in future. Euphoria is inherently transitory in nature and, therefore it can be misleading in predicting the future trend.

We have seen this trend of euphoria many times. The victory of 1951, democratic movement and 1959 general election when B.P. Koirala became Prime Minister. But the event proved to be a prelude to a crisis in Indo-Nepalese relations.

Nepal has changed a lot politically and no government can afford to compromise on the question of the country's independent position. The framework of Indo-Nepalese relationship envisaged in the 1950 treaty has become outdated. The two countries should freely work out a new model acceptable, convenient and beneficial to both in accordance

with the changed situation. This alone can give a solid base to Indo-Nepalese relations.

China and Indo-Nepal Relations:

China as an extra-regional power has an important and decisive role in the formulation and conduct of foreign policies in South Asia. In the Himalayan region, China has become an important variable in determining India's relations with Nepal and vice-versa. The main intention of China's foreign policy was to eliminate India's influence in Nepal, so that she could secure a dominating position and thus draw Nepal into her new sphere of influence.

CHINA, INDIA and HIMALAYAS, 1950-55

In the middle of the twentieth century China emerged as a major power in the international arena. On 1st January, 1950, soon after recognition by India, China announced the intention of liberating Tibet and of standing guard on the frontiers of China. China's declaration of her Tibetan policy precipitated a crisis with regard to India's security in the northern frontier.

India's counter-thrusts in Nepal:

During the late fifties India faced the real challenge of China's thrust into Nepal. In May 1959, Nehru visited Kathmandu to consolidate Indian position in Nepal and also to give support to the newly elected Koirala Government. Both the leaders expressed their keen desire to assist each other

in the allied problems including Tibet.¹² India was so concerned about her security that Nehru made a statement in Parliament on 27 November 1959, in which he pledged India's military support for the defence of Nepal, and Bhutan.¹³

Chinese Support to Nepalee King:

When the King Mahendra overthrew the first elected government, banned all political parties and took over all powers in his hand on the ground of preservation of unity, national integrity and sovereignty of Nepal. China on the other hand, despite the obvious ideological incongruity of her stand, unabashedly aligned itself on the side of the King. China did not show the slightest concern for the popular movement in Nepal and went to the extent of borrowing the official Nepalese term (antinational elements) to describe the Nepali Congress insurgents who were struggling against the King's rule.

Consolidation of Sino-Nepal Relations:

Chinese support to the King's rule in every possible way. He was praised as a sincere patriot. During his visit to Peking from 26 September to 19 October 1961, King Mahendra signed a boundary treaty with China. Besides the treaty, an

12. The Hindu 29 June, 1960.

13. Nehru India's Foreign Policy, no.7, 370

agreement was also concluded for the construction of a highway from Tibet to Kathmandu.

China had every intention of making her presence felt on the Nepalese frontiers and to play an active role in Nepalese affairs was left in no doubt by the Chinese Foreign Minister, Chen Yi. On 5 October, 1962 he declared at a banquet in Peking to celebrate the first anniversary of the Nepali Chinese boundary treaty, that: "In case any foreign army makes a fool-hardy attempt to attack Nepal, China will side with the Nepalese people."¹⁴ The timing of Chen Yi's statement added to its significance. It was issued when Indo-Nepalese relations had touched their lowest point-owing to the exiles' activities and economic blockade by India. Further only two weeks after Chen Yi issued the statement an armed conflict flared up between India and China on 20 October 1962. In this conflict, Nepal remained neutral which showed that she was determined to follow the policy of equis-istance between India and China.

Chinese Attempt to Implant Maoism:

After 1962, China also adopted revolutionary strategy to spread her influence in Nepal. The Miaoist group of the Communist Party of Nepal received substantial help from the Chinese sent to Nepal in various capacities.

14. New China News Agency, 6 October, 1962.

Set back to Maoism in Nepal:

China image, however, suffered a serious jolt in 1967 owing to her subversive and revolutionary activities in Nepal. The activities of the Chinese Embassy, nourished by the Communist Party of Nepal, created a tense situation in Nepal.

Chinese Attempts to Revive Sino-Nepal Ties:

China tried to revive friendly relations with Nepal and, in the beginning of 1968, Nepal was forced to sign a New Sino-Nepalese agreement which permitted China to maintain its camps along the Kathmandu-Kodari road for another ten years. On May 28, both the countries concluded trade agreement.

Strains in Indo-Nepalese Security System:

The year 1969 was a turning point in India's Nepal Policy because China succeeded in manoeuvring Nepal to opt out from India's defence security system. During the year, while visiting Kathmandu in June 1969, the then India's Foreign Minister Mr. Dinesh Singh advocated the "theory of special relationship" with Nepal. The visit of Dinesh Singh caused stresses and strains since the talk of "special relationship" was considered as a blow on the Nepalese sovereignty. Nepalese resentment at this statement which he delivered in the course of his interview to the leading Nepalese Newspapers. He demanded the withdrawal of India's

military personnel from Nepal's northern border and also of the India's Military Group from Kathmandu.

Tibet and Sino-Nepal Relations:

The reaffirmation of the Chinese suzerainty over Tibet in the early fifties, the latter was craving for the autonomy in her internal affairs. The demand for internal autonomy became more pronounced and turned into a sort of revolt against the Chinese authority in the beginning of 1959. China on the other hand, appeared determined to suppress it, thus, when the Koirala Ministry came to power in Nepal, it was faced with the consequences of the Tibetan uprising vis-a-vis the Sino-Nepalese relations. There were many Nepalese residing the Tibet since a long past. They were engaged in the trade between Nepal and Tibet, other business and petty occupations. This Nepalese community was adversely affected by the disturbances in Tibet.

The disturbances in Tibet created a refugee problem for Nepal. Many of the refugees particularly the Khampas, were believed to be constituents of Tibet's forces. The presence of these men in the northern border area of Nepal made it vulnerable to the subversion and anti-national activities.¹⁵ Finally the disturbances in Tibet gave rise to the tension between India and China. The denial of

15. Kalpana, 23 August 1959, Nepalese Press Digest (NPD).

autonomy to Tibet by the Chinese was looked upon by India as a violation of the Sino-Indian understanding over Tibet. On the other hand, the political asylum and shelter provided by India to the refugees from Tibet was treated as an unfriendly act by China. This growing tension between her two powerful neighbours caused concern and anxiety in Nepal.

Hence, the situation created by the Tibetan uprising posed a challenge to the Koirala Ministry. The Nepalese Government had to see the tension between Nepal and China settled peacefully and honourably, the confidence in the border areas of Nepal restored and peace stabilized there, and the commercial facilities and living conditions of her nationals residing in Tibet secured.

As India and other countries did, Nepal had also recognized Chinese suzerainty over Tibet much earlier than these disturbances.

The government was however, aware of the mounting public resentment against China in Nepal. To remove the apprehensions and restore the confidence of the Nepalese people Koirala said at a press conference: Nepal had full assurances that no disturbances would come from China. Chinese troops had concentrated on the border but there had been no border violations. If China attacks us, he added "we shall resist such aggression."¹⁶

16. Kalpana, 5 October 1959 (NPD).

The pressure at home and the rising concern on the borders, Prime Minister Koirala himself visited China in March 1960. During his visit, Koirala signed two agreements with the Government of the People's Republic of China, on behalf of His Majesty's Government of Nepal. The first was on the formal boundary demarcation between Nepal and China. The second agreement was on aid.

Koirala's visit was reciprocated by Premier Chou-En-Lai in the last week of April. The visit was highlighted by the signing of the treaty of peace and friendship between Nepal and China.

Nepal and the United States:

United States established first formal relations with Nepal as early as April 1947,¹⁷ it was not until the 1950 advance of Communist China in Tibet that Political contacts became closer. The communist occupation of Tibet greatly increased the strategic value of Nepal to the Free World, and in 1951 American economic aid under the Point Four Program was extended to enhance Nepal's security. Since 1952 a United States Operation Mission (USOM) has been functioning in Kathmandu to supervise and administer economic aid. The United States has agreed to provide \$ 4,225,270 in aid during 1961-62.

17. U.S. Department of State, *The Kingdom of Nepal*, Dept. of State Publication 1953, Washington, D.C., 1960, p. 12

The American goal in Nepal is to help build a stable economy. Strong enough to resist and combat Communist pressures at home and from abroad. In this respect the United State's interest in Nepal parallels those of India. The foreign aid operations of the United States and India in Nepal offer an unusual example of international cooperation.

The first projects undertaken with USOM cooperation included village development, agriculture, mineral resource surveys, and the irrigation schemes in eastern Terai. The new road and anti-malaria campaign have now opened new land in the valley for settlement of thousands of homeless and landless Nepalese farmers. By the middle of the 1963, a 28 mile aerial roadway costing over \$ 3,000,000 over the mountains between Kathmandu and Terai completed.

The total amount, the American aid now ranks as high as the Indian aid in Nepal. Undoubtedly, the United States has been a leader in the spending race in Nepal by pouring in over \$ 50,000,000 - more than the total income of the Nepalese Government.

Nepal and the Soviet Union:-

The Soviet Union's opening of friendship have supplemented Chinese Communist propaganda in Nepal. In the summer of 1958 the King of Nepal paid an official visit to the U.S.S.R. following the presentation of credentials by the Soviet ambassador in 1957. A Russian embassy was opened in

Kathmandu in 1959. The Soviet Union agreed to provide help equivalent of \$7.54 million in rubles. In addition, the Soviet Union has promised to make a survey for an east-west highway across the country.

In Nepal the Soviets will continue their long-range plan of infiltration to force social revolution favourable to the U.S.S.R. The Soviet Union has recently been sending Russian-made consumption goods such as watches, bicycles and clothes in ever-increasing quantities. These sell at extremely low prices and constitute a powerful weapon of Communist propaganda. The cultural exchange between these two countries furnish the Soviets strategic advantage in critical areas by creating a condition for social change leading to the Russian goal of world communism.

Nepal and Britain:

Nepal's foreign relations with Britain date back to the eighteenth century, but formal relations were not established until 1815, when Nepal was forced to accept a British Resident Officer at Kathmandu. From 1815 to 1947, the British government in India completely dominated the Rana rulers and kept Nepal's external contacts strictly limited to Britain. The imperial policy kept Nepal an isolated buffer Kingdom, with only formal independence, under the British sphere of influence in order to prevent the extension of Chinese influence from Tibet.

Since the withdrawal of British power from India in 1947, the principal interest of the United Kingdom in Nepal has been the retention of the right to recruit Gurkha soldiers for the British army in Southeast Asia. Under a 1947 agreement, Britain continued to recruit upto 12 battalions of Gurkhas and maintained recruitment depots in Uttar Pradesh in India, but in 1952 India withdrew Britain's privilege of recruiting Gurkhas in Indian territory. A new agreement, therefore was signed with Nepal in 1953, permitting Britain to operate recruitment depots near Jaleshwar and Biratnagar in the Terai.

Nepal and Pakistan:

In January 1963 Pakistan and Nepal entered into an agreement granting each the right to tranship good across the other's borders to "third countries". The third country is obviously China, and the route is the road from Lhasa to Kathmandu that the Chinese are building. The agreement on transit was followed by another to establish scheduled air service between Kathmandu and Dacca. These agreements have considerable political significance and are a result of Nepal's desire to establish a more independent position and Pakistan's goal of achieving stronger bargaining power in her negotiations over Kashmir. In the long run the national interests of Nepal and Pakistan will hardly be served by the new pacts. They tend to strengthen Communist China and to open the entire Indian subcontinent, of which

Nepal and Pakistan are important parts, to further Chinese Communist incursions. Certainly Pakistan's agreement to cede to China more than 2,000 square miles of strategic borderland in Kashmir. Himalaya has ruled out, for the present, hopes for a Kashmir settlement. In the final analysis both Nepal and Pakistan lose more than they gain - and the whole of South Asia may share in their losses.

BHUTAN: LINKAGES WITH OUTSIDE WORLD: Relation with superpowers and with its neighbours.

Situated in the lap of the eastern Himalaya and all but secluded for centuries in her mountain fastness, Bhutan in recent decades has been slowly but surely emerging as a nation state. In 1971, she experienced the fulfilment of her aspirations when she found her rightful place in the United Nations. Traditionally a monarchy, hereditary in practice, though not in theory, it was King Jigme Dorji Wangchuk who was responsible for having given to the land a constitution which allows his people to articulate their will.

Geographically despite being land-locked, mountainous and difficult of access, Bhutan was hardly ever a closed country as far as the near neighbouring territories are

concerned. With Ladakh, Lahout Spiti and Kinnaur in the West, Tibet in the north and Sikkim, Cooch Behar and northern Assam as her immediate neighbours Bhutan formed one ethnic and cultural unit, and she seems to have maintained close contacts with these countries even from very early times.

To the outside world at large, however Bhutan was a closed country till the end of the first half of the twentieth century. Maharaya Jigme Dorgi Wangchuk was the first to foresee the advantages of opening up Bhutan to the wider world. The most important event which made Bhutan give up its traditional closed-door policy was what happened in Tibet in 1958-59. The first breakthrough took place in 1962 when Bhutan was admitted into Colombo Plan. Three years later Bhutan became a member of the International Postal Union. The most important event in this direction was, however the admission of Bhutan into the United Nations in the year 1971.

The treaty between India and Bhutan concluded in 1949 the Government of Bhutan agreed to be guided by the advice of the Government of India in regard to its external relations. Till 1979 all foreign bilateral relations of Bhutan were being taken up by India. But in 1979 Bhutan set up her embassy in Dacca in Bangladesh which is the first country after India with which Bhutan has still full fledged ambassadorial relations.

The geographical location of Bhutan and its demographic

features would strike even a casual observer of the world scene how very significant is Bhutan from the viewpoint of the security of the Indian frontiers, in this region. Since the events in Tibet of 1958-59 and the Sino-Indian conflict of 1962 the entire Himalayan region has come to acquire an unprecedented significance. Bhutan, Sikkim and Nepal have all been closely interlinked by currents and cross currents of history, which seem have had their resources either in India or in Tibet and China, or which emanating from any of these territories, flowed into one or the other of the various streams of Indian or Sino-Indian history.

The story of interrelation between Tibet and Nepal is relatively more well known, because of relative sizes and situations and importance of their respective roles. Secondly, because of the authenticity of their recorded history. Lack of these two factors the story of Bhutan is, relatively, much less known.

Indo-Bhutanese relations are much older than 1772. The trade relations between the inhabitants of the two did exist even in much earlier times. But one is on surer grounds of historical evidence when in about the sixties of the eighteenth century the British East India Company having found a firm foothold and established their authority in Bengal, started looking beyond India for the purposes of expanding their trade and commercial interests. Because of the trade that brought them into contact first with Bhutan

and then through Bhutan with Tibet.

The Treaty of 1910 between Bhutan and India, Bhutan's foreign relations have been handled by India. Before 1910 Bhutan had no foreign relations except limited contact with Tibet and the British government in India. On August 8, 1949, a treaty of friendship between newly independent India and Bhutan was signed at Darjeeling. By then Bhutan agree to be "guided" by India's advice in her external matters and India increased its annual (aid) subsidy from Rs.100,000 to Rs.500,000 and restored about 32 sq.miles of territory around Dewangiri ceded to the British in 1865.

The ambiguous language of treaty concerning India's 'guidance' in foreign relations has been the subject of argument in the national assembly. Some members eager for direct diplomatic relations with foreign governments - notably the United States - argue that nothing in the treaty limits the right of Bhutan to have direct diplomatic relations. Bhutanese leaders interpret the treaty to mean that although India may offer advice Bhutan is not obliged to accept it. Despite a desire for full sovereignty however, the government on the whole realizes its vassal status and maintains its pro-Indian position.

India has always considered Bhutan a sovereign independent nation. During his visit to Bhutan in 1958, Prime Minister

See the Appendix.

Nehru declared publicly in Paro, "some may think that since India is a great and powerful country and Bhutan a small one, the former might wish to exercise pressure on Bhutan. It is therefore essential that I make clear to you that our only wish for Bhutan was that it should remain an independent country, choosing your own way of life and taking the path of progress according to your will."¹⁸ India had no desire to exert any kind of pressure on Bhutan, they should live in mutual goodwill as members of the same Himalayan family, and as friends so that none from outside could do any harm.¹⁹ Similar views were expressed by Nehru's successor, the late prime minister Lal Bahadur Shastri, who declared that "Bhutan is an independent country and we have always accepted that."²⁰ During the King's visit to New Delhi in April 1966, Prime Minister Indira Gandhi made same statement on Bhutan's sovereignty, promising King Wangchuk of India's help and cooperation.

Maximum foreign aid comes from India. During his talks with Indira Gandhi, King Wangchuk praised "the social and economic progress which Bhutan has occurred in assistance of Indian Government" and welcomed India's willingness to continue necessary technical and financial assistance in the future."²¹

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18. Nehru assures Bhutan of Non-Interference", The New York Times, September 24, 1958, p.4
19. Nehru pledge to Bhutan, The Times(London) September 24, 1958, P.8
20. The Times(London) June 13, 1965, p.9
21. The Statesman Weekly (Calcutta) April 23, 1966, p , The Times (London) April 28, 1966, p.73.

On the basis of the reports that India was interfering in Bhutan's affairs, King Wangchuk has said, "Nothing could be further from the truth. In Bhutan there are no Indian troops (permanent based). In September 1961 India and Bhutan signed a pact to harness the river Jaldhaka for hydro-electric power generating 18,000 kilowatts of power, out of which Bhutan was to receive a free supply of 250 KW. The agreement was favourable to Bhutan in every way. Particularly to its south western parts which were lacking in coal and oil supplies."²² In July 1961 Bhutan had announced a five year development plan, involving an investment of 172 million rupees, completely financed by India. Major emphasis was given to road and transport development, India being eager to bring the Bhutanese closer to her through trade and speedier means of communications. A large number of administrative officers and technical hands, engineers, doctors and teachers, were sent to Bhutan in her process of modernization. Till 1959 there was hardly any road in Bhutan. Some of these roads ran through mountain passes more than 11,000 feet high. The work is shared between the Bhutanese Engineering Service and India's Border Road Development Board.

22. K.K. Moorthy "Bhutan: Pact on Power Project", *Far Eastern Economic Review*, Vol.34, 5 October, 1961, 7-9

Relation with China :

China has occasionally made indirect overtures to Bhutanese leaders²³ offering economic assistance and discussions of the border dispute, apparently in order to call attention to Bhutan's lack of autonomy in its foreign relations. Certain factions in Bhutan, possibly communist sympathizers or communists of convenience (since their northern neighbours could be counted on to support any grudge they might bear their government), are believed to have been in communication with the communists in Tibet. The late Prime Minister Jigme Dorgi tried to prevent this traffic.

China in 1959 laid claim to Bhutan as one of the five fingers of her Tibetan Land - but surprisingly has not pursued the claim since it was first made. At first China recognized India's obligation to guide Bhutan's foreign affairs and Premier Chou En Lai declared in 1959 that "China has always respected the proper relations between them (Sikkim and Bhutan) and India. In 1961 the Chinese reserved their position, refusing to discuss with India questions relating to Bhutan's northern border. Jigme Dorgi declared, "If they try to take over Bhutan we will stand and fight. Fourteen passes to Bhutan from Tibet

23. Bhutan King Assured of India's Continued Assistance in Modernizing his State", Weekly India News (Information Service of India, Washington, D.C., V.4, May 13, 1966.

make it vulnerable to infiltration from China, and a road from Lhaba to the Bhutanese border north of Thunkur was completed in 1965, further there are in Tibet incarnets of the Shabdungs, Bhutan's once powerful Dharma Raja the reverence in which they are held by the Bhutanese could be exploited by the Chinese should the need arise.

Tibetan refugees are another potential source of friction between Bhutan and China. In 1950 the Bhutanese Government to preclude misunderstanding with China, refused them permanent asylum but conceded their right of transit to India. After the revolt in 1959 in Tibet about 3000, Tibetan entered Bhutan. In early 1961 India declined to accept more refugees leaving some 4000 in Bhutan.

Nehru's repeated warning "any aggression against Bhutan will be regarded as an aggression against India."²⁴ has been echoed by Indira Gandhi, and India has taken measures to strengthen Bhutan's defence. In accordance with the recommendation of a team of Indian military experts, Bhutan recognised its military power.

The Bhutanese military force consist of some 10,000 highly armed men, under the supervision of a few Bhutanese officers trained since 1963 at the Indian academy prior to

24 The NY Times; Feb 16, 1961, India would rush to Bhutan defence it is attacked, Weekly India New Information Service of India, Washington D.C., V 28, Oct 28 (1966).

1962, Bhutan had only primitively armed militia spread out in small detachment over the country since 1963 more than half the Bhutanese budget has been allocated to defense. The new army will apparently limit itself to internal security missions, manning the bordering posts and confronting guroilla activities inspired by the communists. Although there is no defense clause in the 1949 treaty, Bhutan wholly leans on India for protection against any major agression.

China has persistently refused to acknowledge the nature of India's relations with Bhutan. The Chinese maps include about 200 square miles of territory belonging to Bhutan. In reply to Nehru's letters referring to the Bhutan-Tibetan boundary, Chou-En-Lai said that this did not fall within the scope of the "present discussion". A protest lodged by the Government of India on 26 September, 1959 to the effect that "under treaty relationships with Bhutan, the Government of India are the only competent authority to take up with other governments matters concerning Bhutan's external relations", remained unreplied. On 29 December 1959, China declared that she had no quarrel with Bhutan, adding that "all allegations that China wants to encroach on Bhutan and Sikkim -- are sheer nonsense." All the same Chinese troops had been concentrating on the Bhutanese borders and on many occasions came very close to Bhutan 's territory. The Chinese also have been making

a very systematic attempt to win over the Bhutanese. They keep on pointing out to them that they are of Tibetan origin, that they speak a language allied to the Tibetan, that they have the same religion, that their trade has always been with Tibet and that all the roads from Bhutan lead in the direction of Tibet, as well as free use of medical and educational institutions there and are paid well for their goods by the Chinese.

In spite of the fact that the Bhutanese have had historical economic and racial links with the Tibetans, and the Chinese have been engaged in a powerful propaganda campaign on the very frontiers of Bhutan, the Bhutanese in 1961-62 seemed to be closely aligned with India. In February 1961 the Maharaja of Bhutan made it clear that his country would have no direct dealings with China, and this was despite Peking's refusal to accept India's privileges in the sphere of Bhutan's foreign relations. There is a complete agreement between the Maharaja of Bhutan and the defences of Bhutan. The strength of the Indian defence force standing ready to rush at immediate notice to the help of Bhutan has been very much increased. It was with Indian sponsorship that Bhutan became a full participant in the Colombo Plan. Her first postal stamps were issued in 1962. The strategic importance of Bhutan is realised by both India and Bhutan.

Bhutan as a Developing Country:

Bhutan is a firm supporter of the new international

economic order and favours altering the present status quo in the economic sphere. At the 30th session of the General Assembly, Bhutan voice its great concern at the "global economic situation", which still suffers from unfavourable and destabilising factors", which endanger the economies of the developing countries. He stressed the importance of rendering immediate relief to the developing countries which, "continue to suffer from depreciation of the terms of trade due to inflation and inadequate transfer of material resources and technological skills and scientific equipment."²⁵ Again, Bhutan has been for the taking of concrete measures to establish a just and equitable international economic order.

Bhutan as a State small but keenly interested in developing its economy sympathises with that region of the world which faces similar situation and its voice is, therefore, one with that of the developing world.

BHUTAN AND NON-ALIGNMENT:

In 1973 Bhutanese delegation led by permanent Representative Mr Sanye Penjor who made it clear that admission into the non-aligned forum a "landmark in Bhutan's modern history ... an occasion for the fulfilment of the cherished hopes of our people, and a catalyst to make us

25. The Speech of the Representative of Bhutan at 30th Session of the U.N.G.A.

(Bhutan) all the more conscious of our need to keep in step with the developing world."

The Colombo Summit in August 1976 was the first major international conference which the King himself addressed and it can be looked upon, therefore, as an authoritative platform to register Bhutan's views on some of the problems before the non-aligned movement.

Bhutan's pursuit of the policy of non-alignment and its firm adherence to its basic principles, are in consonance with the national ethos of the Himalayan Kingdom. Endowed by nature with gentle and peaceful disposition, the Bhutanese like to judge each emerging issue on merit, they are also exponents of adopting peaceful and conciliatory methods in tune with the Buddhist doctrine of the "Middle Path" or the golden mean. In the domestic sphere the people are dedicated to the principle of co-existence of different schools of thought in social and economic matters and in its foreign policy. As a matter of fact Himalayan Kingdom itself is engaged in synthesising modernism and some of the traditional values in its domestic affairs. The policy of non-alignment followed by Bhutan, is thus a faithful reflection of its national character. In the matter of outside linkages Bhutan both at the United Nations and at the non-aligned conferences, takes a positive and active interest. Bhutan believes in the dictum that prosperity like peace is indivisible and that grinding poverty anywhere constitutes a potential threat to prosperity

everywhere. The rapidly growing economy with echoes of prosperity and greater contentment ringing in every valley of the Himalayan Kingdom.

CHAPTER VI

QUESTION OF SECURITY ARRANGEMENT: FACTORS
EFFECTING SECURITY AND ARRANGEMENT FOR NATIONAL
SECURITY, NEPAL CONCERN FOR ZONE OF PEACE, AND
FACTORS INFLUENCING BHUTAN'S OBJECTIVES FOR
PEACE AND DEVELOPMENT

The Himalayan Kingdoms of Nepal, Bhutan and Sikkim's search for national identity and security constitutes the basic goals of its ruling elite. The threat to Nepal's independence from its neighbours was of two types. From China it was a "military threat" but from India the threat was of political nature.¹ Nepali society is a remarkable synthesis of Indian and Chinese culture with the Indian element predominating. Nepal's world view, as aptly stated by a western observer, is primarily a reflection and extension of its perception of the country's two enormous neighbours.²

The security of Nepal is certainly different from Pakistan because of strong historical links with China (Nepal sent a tribute mission to Peking as late as 1908), the symbiotic relationship with India was never seriously challenged. Gurkha troops were recruited from early in the nineteenth century and even accompanied young husband on the expedition to Tibet in 1904, despite theoretical claims of Chinese suzerainty over their homeland. The separate existence of Nepal was furthermore an historical fact recognized by both sides. There is a contrast here with Sikkim, a quasi-autonomous Himalayan Kingdom whose effective incorporation by India in 1973 has never formally been accepted by China

1. S.D. Muni, Foreign Policy of Nepal, 1951-56

2. Leo. E. Rose, "Nepal, Strategy for Survival", Berkley (1971) p.15

and continuous to be a point at issue between the two countries.

Despite Chinese historical claims, independent India inherited a strong position in Nepal. Prime Minister Nehru hoped to keep it that way. To the Lok Sabha on 6 December 1950 he said : Beside our sympathetic interest in Nepal, we were also interested in the security of our own country. From time immemorial, the Himalaya have provided us with a magnificent frontier. Of course, they are no longer as impassable as they used to be but they are still fairly effective. The Himalayas lie mostly on the Northern border of Nepal. We cannot allow the border to be penetrated because it is also the principal barrier to India. Therefore much 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, because that would be a risk to our own security.

In the early years of Indian independence indeed, New Delhi exercised a dominant role in Nepalese foreign policy, and only in 1955 did Nepal, in the wake of the Sino-Indian Treaty concluded the previous year, establish her own relations with China. This marked the beginning of an active effort by China to woo Nepal, and relations followed a path contrapuntal to those with India. The Treaty of 1956 gave Nepal a number of minor but symbolically important advantages, in 1960 an understanding was reached over the status of Mount

Everest (with agreement that the boundary passed through the summit), and in 1961 a border treaty was signed which was, in Indian terms pointedly favourable to Nepal. The same year, following the Royal takeover of power, saw agreement on the construction of the Lhasa-Kathmandu Road. There was friction in Indo-Nepali relations over the Sino-Indian war of 1962 brought relations to a low point. India remained the dominant external fact of life for Nepal, which has virtually no alternative access to the outside world, and the need to restore friendly relations was recognised by both sides, and acted upon. The result has been a stability and balance within the Sino-Indian-Nepali triangle, which has by and large persisted. However India was unable to maintain its exclusive military links with Nepal or to keep a military presence on the Sino-Nepal border after 1970.

The comparative absence of content in Sino-Nepali relations has not prevented them from being close and friendly simply because China can afford to be comparatively relaxed about whether it be over sharing water from the Ganges tributaries (as happened in the 1950s) or over trade and transit. (as happened over the renewal in 1970-71 of the 1980 Treaty of Transit allowing Nepal access to port and trade facilities in India and Bangladesh). The Nepali proposal for the country to be a zone of Peace, first mentioned at the 1973 Non-aligned summit in Algeria and formalized two years later in

the Kingdom cannot threaten China's security, China's presence can threaten Indian security.³

Nepal occupied an important place among the Himalayan Kingdoms and in natural frontier of India. India therefore had vital strategic stakes in Nepal's security and defence. Following the developments in China and Tibet during 1949-1950, Prime Minister Nehru, emphasised this on various occasions. On 17 March, 1950 he told the Indian Parliament: "It is clear, as I said that in regard to certain important matters, the interests of India and Nepal are inevitably joined up. For instance, if I may mention it, it is not possible for any Indian Government to tolerate any invasion of Nepal, from anywhere. It is not necessary for us to have any military alliance with Nepal But apart from any pact or alliance, the fact remains that we cannot tolerate any foreign invasion from any foreign country of any part of this Indian sub-continent or whatever you may like to call it. And any possible invasion of Nepal would inevitable involve the safety of India."

India's concern for security expressed in these statements seemed to be fully shared by Nepal for she was equally concerned about the security problem.⁴ Moreover, the Ranas were keen to

3. The Times of India, Cited (P 168) by Rishikesh Shaha: Nepali Politics, Restrospect and Prospect, OUP, Delhi, 1978

4. Robert Trumbull in the New York Times, 16 Feb. 1951

enlist the support of the Government of India against mounting domestic opposition to their regime. After the fall of the Rana regime in February 1951, the new political elite under King Tribhuvan happen to be more friendly and cooperative towards India. The Nepalese Rana Prime Minister, Mohun Shumshere visited New Delhi in early March, 1950 to confer with the Indian leaders on matters relating to mutual defence and security for both countries, the threat from China was considered to be a potential role.

The Indian response was the constitution of a high powered committee under the Deputy Minister of Defence, Major General Himmat Singhji, to study the problem of defence in general and to recommend suitable measures in the light of the new developments.⁵ Another assistance was taken to assess the security needs of Nepal and her requirements of Indian assistance in particular. On the recommendation of these committees and bilateral consultations between the two governments, India and Nepal, arrived at a broad-based understanding on matters of mutual defence. Security arrangements satisfactory to both sides were accordingly evolved.

STRUCTURE OF THE MUTUAL SECURITY ARRANGEMENTS:

The mutual security arrangements that came to exist between India and Nepal provided for troop recruitments

5. B.N. Mullik, The Chinese Betrayal (New Delhi) Allied, 1971: 122

coordinated military training and supplies, and consultation and exchange of information on matters related to security.

Those are as follows:-

Recruitment of Gorkha Troops for the Indian Army:

On the eve of the British withdrawal in 1947, Nepal, India and Britain had entered into a Tripartite Agreement on the recruitment of Gorkha troops for the Indian and the British armies. An agreement on this subject had been in existence between the Nepalese and the British Governments since 1885.

The 1950 Treaty of Peace and Friendship:

India and Nepal signed a treaty of Peace and Friendship in Kathmandu on 31 July 1950. The Treaty and letters exchanged with it had important implications for the mutual security arrangements between the two countries especially during the sixties when India faced hostilities from China and Pakistan.

Within a couple of months of the signing of the treaty of Peace and Friendship, the Government of India asked their Nepalese counterparts to establish checkpoints along the northern border of the Kingdom for intelligence purposes. They were manned jointly by the Nepalese Army personnel and Indian "technicians". These were established by September 1951. The total number of these posts was believed to be between 14 to 20 in 1969.

Indian Military Liaison Group (IMLG) in Nepal:

In pursuance of the recommendations of the Himmat Singhji and the Thorat committees and in response to a formal request from the Government of Nepal, an Indian Military Mission was sent to the Kingdom in February 1952. The Mission was to assist in "the training and re-organization of the Nepalese Army".

Besides imparting military training and advice, its functions in Nepal also included maintaining a liaison with India's military supplies to the Kingdom. The reorganised group served as an important link between the two governments regarding their views on matters pertaining to mutual security in the situation following the Sino-Indian conflict of October 1962.

Arms Assistance Agreement:

Since 1947 Nepal received most of her arms, ammunition and warlike material from India. This position was further strengthened and formally consolidated by an Agreement signed between the two countries sometime in 1965. The provisions of the Agreement have been kept secret and all that is known is that India became the sole supplier of arms to Nepal with the exception that the latter reserved her right to secure arms from China.

The structure of mutual security arrangements which India had been nourishing through political and economic

objective cast off by Nepalese Prime Minister K.N. Bist in 1959.

readjustments in the Structure:

There was major controversy between the two countries on the question of mutual security arrangements. Prime Minister Bist stressed in his June 24 Statement that Nepal cannot compromise her sovereignty for India's so-called security, maintained at the same time that 'it was possible to make sovereign and mutual security compatible with trust and confidence between the two peoples.'

The question of readjustments was discussed at length between the two countries when a Nepalese delegation headed by Foreign Secretary, Y.N. Khanal visited India from 28 August to 4 September 1969. The joint statement issued at the end of the talks reiterated that an "identity of interests", understanding, trust and confidence" existed between the two governments and people. It was also agreed that very close and extensive cooperation between the two countries was of mutual benefit and should be strengthened.⁶

Nepal in Search of Security:

In the early months of 1988, the arms deal with China and King Birendra included anti-aircraft guns and sophisticated small arms like AK-47 became a matter of media and public

6. Gorkhapatra (Kathmandu) 5 September, 1969.

debate. There was no convincing explanation to the fact as to what threat perception had led Kathmandu to obtain anti-aircraft gun and that too from China.

During 1963-64 Nepal had sought to bypass India in purchasing arms. The then Nepalese Prime Minister Tulsī Giri travelled to the US and the UK in search of small arms. That mission was not succeeded because the US and the UK decided to take India into confidence since they did not want to be a party to the violation of prevailing understanding on the subject between India and Nepal since 1950.

The Nepali efforts in the early sixties to procure arms from sources other than India were made because India was not cooperating with the King's desire to help it suppress the pro-democracy struggle launched by the Nepali Congress.

The fall of the Ranas bridged the gap between the regime and the people in Nepal and that led to the re-emergence of a national security perspective in the Kingdom. Under this perspective there was no room for any sense of threat or insecurity vis-a-vis India, particularly the nationalist, independent India. The victory of Communist forces in China followed by military action in and assertion of sovereignty over Tibet. There were also signs of warning to the other Himalayan Kingdoms like Nepal Sikkim and Bhutan.

The security ties between the two countries - India and Nepal - strengthened and expanded in the form of the invitation

to an Indian Military Mission and its presence in the Kingdom.

In Nepal, regime security has, in many other Third World countries, tended to distort national security perceptions based on objective factors of geostrategic location, historical evolution and cultural bonds. There were also newer challenges to the security of the developing countries wherein domestic concerns arising out of underdevelopment, alienation of social groups and widening political consciousness of the masses are generating powerful, unprecedented pressures. Both India and Nepal will have to revolve appropriate responses, individually as well as mutually, to these emerging challenges.

Nepal as a Zone of Peace:

The most significant point put forwarded by Nepalese Prime Minister during the discussions was the concept of the Himalayan Kingdom as 'Zone of Peace' which was first mooted out by King Birendra at the time of his coronation in February 1975. According to the Nepalese leader, the "concept was neither a contradiction of their past policies nor a deviation from their policy of non-alignment, it was rather based on the principle of live at let live . Since Nepal harboured illwill towards none nor did she seeks to offend the sovereign rights of others, hence in offering herself

as a zone of peace, it did not wish to balance or tilt one country against the other."⁷

Nepal situated between two of the most populous countries of the world, wishes within its frontiers to be enveloped in a zone of peace.

Immediate Reactions to the Kings Proposal:

The Deputy Chairman of the Presidium of the Supreme Soviet of the USSR, Tura Bai Kulatov, somewhat unwittingly became the first foreign leader to endorse the royal proposal.

China and Pakistan took a little longer than the Soviet Union to express their approval of the royal wish to have Nepal accepted as a zone of peace but, in the course of only two or three days, they not only welcomed the zone of peace, proposal but also pledged their full support for its implementation. The reaction of India's two opponent and competitors in the region was predictable. The proposal if put into effect would embarrass India by making not defensible some of the obligations and practices under the existing Nepal-India treaty.

Edward Mirow, a former Ambassador of the Federal Republic of Germany, had remarked, if the royal proclamation about Nepal being a zone of peace were just a pious declaration of peaceful intent and purpose on the part of Nepal the land

7. The Commoner, February 19, 1976.

of the birth of Buddha, the ~~the~~ Enlightened, no one would or should have any objection to it.⁸

The proposal however did not get favourable response in the political circles in New Delhi. It was not accepted on the ground that it ignores the very geo-political realities which according to Nepalese Prime Minister account for the proposal. Elaborating the point, the Indian leaders pointed out that Indo-Nepalese relations could not be equated with those of China while India's security is tied up with Nepal's, in a way China is not. Illustrating the point further they made out that while an Indian presence in the Kingdom cannot threaten India's security. For, while the China-Nepal border is demarcated by the world's mountains, there is no natural border of any kind on the India-Nepal frontier. It is also an open border but even if it was not, it would not have been easy to patrol it and seal it effectively. Thus, the Indian political leadership, obviously disinclined that more exercise was needed before the proposal for the peace zone could be got going.⁹

There is several reasons why Nepal is not in a position to copy the Swiss model. First Nepal is not economically and

8. Ibid.

9. The Statesman, April 9, 1976.

militarily as strong as Switzerland. Second Switzerland borders on three countries - Germany, Italy and France - and is economically interdependent with all three to approximately the same extent. Nepal borders on two giant neighbours but is more dependent on one, India. But inspite of this, the historical antecedents in the case of Nepal and Switzerland are different. Switzerland has retained its freedom by compelling the neighbouring countries to respect its neutrality. Nepal during the last century and a half, has maintained its peace and national independence by acting in concert with the stronger government of India.

Nobody can find fault with Nepal's desire to free itself from entanglement in potential armed conflict in the region. But Nepal successfully avoided being involved in the regional armed conflict of 1962, 1965 and 1971 even without having any generally endorsed certification such as a zone of peace. Though, the Nepalese proposal for peace zone was not relished by New Delhi, yet the visit of the Nepalese Prime Minister definitely laid down the right framework for durable bilateral relations between the two neighbours.

Bhutan's Objectives for Peace and Development:

Bhutan's vulnerable geopolitical location between vastly larger, richer, stronger and occasionally antagonistic neighbours has made external relations crucial not only to its survival as an independent state, but also to its internal politics.

Apart from her struggle to catch up with outside world and need for continued economic and social development, Bhutan faces critical problems resulting from the expansionist policy of China. China looks upon Bhutan as an extension of Tibet, and Chinese maps have shown portions of Bhutan as integral parts of Chinese territory. Since more than twenty passes wind through Bhutan's northern frontier to Tibet, the State is a vulnerable gateway to the Indian plains. Communist propagandists aim their talk of "liberation from Indian domination" at the Bhutanese of Tibetan extraction who have trade and cultural ties with Tibet.¹⁰ To a great extent this campaign has backfired because of the ruthless suppression of Tibetan people by the Chinese; Tibetan refugees in Bhutan counter the propaganda with eyewitness stories of mass slaughter and discreditation of Buddhist monasteries by Chinese troops. Bhutan is aware of the Chinese threat. The Chinese forcibly annexed eight Bhutanese villages on the Tibetan border, which had been under control of Bhutan for over three centuries. In recent years Chinese have attempted to drive a wedge between India and Bhutan. At times China extended aid proposal and to discuss about border problems. Despite Chinese overtures,

10. "Chinese Propaganda Across Bhutan", The Hindu Weekly Review (Madras) XVI, 2 (Jan 9, 1962), 16.

Indo-Bhutanese friendship has been strengthened; the treaty of 1949 in which Bhutan agreed to be advised by India in foreign affairs. Bhutanese leaders often refer to ancient ties with India and to their deep faith in religion which is being obliterated in Tibet by the Chinese.

In domestic political scenario Bhutan is facing some turmoil. But this has changed of late. There was a clash between the Bhutanese armed forces and ethnic Nepalese demonstrators. They were pressing for a 13 point charter of demands including multiparty democracy and human rights.¹¹

Bhutan is not an ethnically homogeneous state for there are several linguistic and cultural groups. There are the people of Tibetan origin, constituted about 28 percent of the population. The country's ruling personalities belongs to this group. There is Indo-Mongoloid families in the North-east part of the country constitute a separate ethnic group. They account for about 44 percent of Bhutan's population. Apart from this there is also immigrants of Nepalese origin, they constitutes 15 to 20 percent of the population. They are a distinct linguistic and cultural group, and therefore pose a serious problem for the Government of Bhutan.

The present monarch, King Jigme Singye Yangchuk, who succeeded his father on July 24, 1972, stepped up efforts to

11. Kapileshwar Labh, King and Country -1, Why Bhutan Needs Peace.

integrate Bhutanese of Nepalese origin. King Jigme Singye Wangchuk, is however, dislike to introducing a party based political system because he fears that it would usher in chaos and instability and thereby jeopardize Bhutan's independent identity. In fact, the Kingdom faces some unusual problems. It is very small in terms of territory and population, with an area of only 47,000 sq.kms and a population of about 1.3 million. Bhutan is also one of the poorest developing countries in the world in terms of its per capita income which is just about \$150. It lacks adequate economic resources.

However, the Royal Government has been engaged in planned economic development since 1961 and needs domestic peace and stability to carry on the work. Besides, Bhutan is sandwiched between two big powers, China and India. It is one of the new members of the international community, and vulnerable to subversion by foreign powers. It needs internal cohesion to strengthen its status in the world.

It is possible for smaller countries like Nepal and Bhutan to think in terms of political and diplomatic means to ensure security rather than depend upon any single source of support, even when it is from a powerful neighbour like India. It is understandable in this context that hopes are pinned on regional arrangements such as the SAARC and international organizations like the United Nations. The attempts made

recently, by Maldives to get the UN underwrite its security from possible terrorist and mercenary-led attacks or destabilisation attempts.

But in the ultimate analysis, a fall-back position in the events of unexpected aggression or encroachment is absolutely essential. And there, bilateral arrangements may prove to be most effective. In recent past, the facts of Afghanistan, Panama, Kuwait, etc. clearly demonstrate that regional or international guarantees may be good as instruments of deterrence and, therefore, effective during peace time but their value in the situations of actual conflict is highly debatable. Accordingly, Nepal may continue to see merit in its arrangements and understandings with India in the matters of security and vice-versa.¹²

12. S.D. Muni, Search for security, World Focus, Democratic Nepal; Hopeful Signs, 29 September 1990.

CHAPTER VII

CONCLUSION - PROBLEMS , PLANNING
AND ISSUES

Conclusion

The land-locked states Himalayan Kingdoms geographically occupies an important position in the Himalayas. Situated strategically on the southern slopes of Himalayas, it is of crucial importance in India's defence parameter. The Indo-Nepalese borders are open and there is hardly any natural barrier between the two countries. In the north, Nepal's border is contiguous with the Chinese border containing difficult terrain. However there are several passes breaching the Himalayas through which trade had been maintained in the past with Tibet. Moreover technological advancement has reduced the importance of geography to some extent. Therefore, if Nepal falls under the influence of any unfriendly power, such as China the entire Gangetic plain would be exposed, also the main industrial and agricultural belt of India is not very far from Nepal. Thus India has a vital interest in the Himalayan Kingdoms.

Geographically Kingdoms have a very important position. Situated on the southern slopes of the Himalaya, occupies a central position and has been the meeting ground of races culture and traders. Surrounding more than five hundred miles along the Gangetic plains, Himalayan Kingdoms could be described as India's northern Gateway. Northern border lies more or less along the Himalayan water-shed, which is of vital importance for India's security.

Himalayan Kingdoms is one of the poorest state among the land-locked states of the world. Nepal's nearest distance

to and from the sea is about 710 kilometers from eastern border. The nearest seaport is Calcutta in India. Other Himalayan state Bhutan which is bounded by on the north by Tibet, on the west by Sikkim and the Chumbi Valley of Tibet and on the east and south by the Indian states of Assam and West Bengal. Calcutta is the nearest seaport about 6004 kms from eastern border. The Kingdom is surrounded by Indian territory from three sides, western, southern and eastern. And in the northern side by Tibetan region of the People's Republic of China. The south-eastern border of Nepal is separated from Bangladesh by a narrow strip of twelve miles of Indian territory. Nepal's dependence on India for foreign trade is nearly absolute. Due to land-locked position, Nepal and has not been able to diversify her export market to an good extent. India still retains her monopoly over Nepal and Bhutan's foreign trade claiming around 90 percent of the total trade. It is therefore quite natural that the geographical factor should be one of the constant factors conditioning Kingdoms role in the United Nations. Indeed Nepal's name in the United Nations has become inexorably identified with the problems of landlocked countries.

Among the South Asian countries, Nepal and Bhutan presents a fascinating case-study of a small under-developed countries which is overwhelmingly dependent on single country, India, for its trade and transit facilities. Being a land-locked country surrounded on three sides by India and having high inaccessible

mountains on northern frontier with Tibet, Nepal has to depend almost exclusively upon India for its international trade and even for many essential commodities of day to day need. There was, of course, a time when Nepal carried on a significant entrepot trade between India and the trans-Himalayan areas. But after the expansion of British influence in Sikkim, Bhutan and particularly in Tibet, this trade declined sharply and Nepal became even more dependent on its southern neighbour for its trade and transit facilities. Since 1950, when the Chinese occupied Tibet and tried to seal it off from all external contacts, Nepal's trade with Tibet has further declined and its dependence on India has increased. Despite all efforts at diversification, Nepal's trade with third countries is still insignificant.

Nepal and Bhutan comprising isolated valleys and very high mountains is among the least developed countries in the world . In the mid 1960s the country's economic growth has barely kept pace with the increase in its population. The total geographical area of the country is 145,391 square kilometers. Of this only 16.5 percent is under cultivation while 34.14 percent is under meadows. The rest is rocky, barren, or perpetually snow covered and therefore unculturable. In 1985 according to estimates by the World Bank Nepal and Bhutan's Gross National Products (GNP) per head was US\$ 160 and 150 consequently, (at average 1983-85 prices) which was among the 12 lowest in the world. Between 1965 and 1985 it was

estimated, Nepal's GNP per head increased, in real terms at an average rate of 0.1% per year. Simultaneously Bhutan's GNP per head, measured at average 1979-81 prices was only US\$ 80 in 1980 and 1981. There is very slow growth rate which can be seen in 1983 also. The GNP at 1983 was \$ 90. The economy is pre-dominantly agrarian. The estimated 93% population economically active. Only about 9% land under cultivation. Forest cover about 70% of the country's area, and further afforestation is envisaged.

The Himalayan Kingdoms have been dependencies of one nation or another for much of their history. The tradition of Government, on the basis of present boundaries, is very recent indeed. Nepal is a sovereign and the only Hindu Kingdom in the world. However the emergence of China as a major power in the late 1940's altered the situation in the Himalayas. China's successful control over Tibet posed a grave danger to the Himalayan Kingdoms and India's concern about these Kingdoms and become more vital. In 1949 there was a rise of communism in China. The Chinese communist movement grow stronger in 1950 and posed a real threat to the territorial integrity of Nepal. Other Himalayan state Bhutan is also not exempt from expansionist policy of China. China looks upon Bhutan as an extension of Tibet. Despite Chinese overtures Indo-Bhutanese friendship has been strengthened. India has repeated insisted on Bhutan 's sovereignty, despite the treaty of 1949 in which Bhutan agreed to be advised by India in foreign affairs.

In respect of outside linkages and quest for peace and

Nepal and India on 13 August 1971 after several rounds of difficult and protracted negotiations at various levels.

In the period after following second world war, while the problems of land-locked states had been more or less satisfactorily solved in Europe, their counterparts in Asia, Africa and Latin America were still struggling hard to win concessions from their coastal neighbours, mainly through bilateral agreements. These bilateral agreements regulating transit trade between the land-locked and transit states of the regions were not adequate for the needs of the former. Hence the urgent need for a international convention on the subject was brought to the notice of the world forum of all nations, land-locked and coastal, the United Nations. Some progress was made in the direction through UN bodies. The General Agreement of Tariffs and Trade (GATT) of 1947 (Article V) and the Havana Charter 1948 (Article xxxiii) laid down certain rules regarding freedom of transit and also freedom of access to the sea on equal terms with coastal states.

Nepal's early efforts to focus attention of the United Nations on the problems of land-locked countries 1955-58 soon after becoming member of the United Nations in December 1955, Nepal along with two other land-locked states of Asia, Afghanistan and Laos took the initiative in acquainting the committee on Industry and trade of the ECAFE with the problems of land-locked states. At its eight session (Jan 1956) the committee in its resolution recommended that the needs of land-locked member states and members having so easy access to the sea in the matter of transit trade be given full recognition

friendship Himalayan Kingdoms played a significant role. For maintaining peace and friendship and promoting trade and commerce with India, the Ranas signed an important treaty on July 31st 1950, the Treaty of Peace and Friendship under which Nepal's political relationship with India was redefined. On account of neighbouring relationship India was one of those friendly countries which had co-operated in securing Nepal's admission to the United Nations. For defence purpose the Indian defence experts were invited by Nepal for training and re-organization of the Nepalese armed forces. In economic development Indian Planning Commission suggested some desirable steps. India extended financial several projects as measures to bring about economic prosperity in that country. Nepal enjoyed a special relationship with India. India become the spokesman of Nepal's foreign relation and foreign policy to some extent.

Himalayan Kingdoms slow pace of growth and development underlies on the land-locked nature of the states. The lack of port facilities within a state, creat a severe economic burden. Not only in maritime transport most often the cheapest form of international transportation, but in many respect it is the only way in which markets may be reached. The Treaty of Trade and Transit of 1960, which replaced the Treaty of 1950, gave Nepal greater freedom in the field of international trade. Friction between Nepal and India over trade and transit, however continued even after the abolition of the bond system. A five year trade and transit treaty has been concluded between

by all member states and that adequate facilities therefore be accorded in terms of international law and practice in this regard.

Though the main target of the state is to create infrastructure of the society. This means the underlying services and institutions which people use in order to get on with their productive works. A vast amount of such structures are needed before a country can move substantially towards producing enough goods and services to improve its standard of living. The Himalayan Kingdoms where natural resources are scattered over many inaccessible places and a large portion of the people is living isolated from one another due to formidable physical barrier, economic development assume a prior development of transportation to a considerable extent. The Himalayan Kingdoms has healthy tradition and living culture which can easily foster and usher in a new era of development that meets the aspirations of the growing population of Nepal with the application of modern science and appropriate technology towards development of the country.

Treaty of Trade and Commerce Kathmandu, July 31, 1950

The Government of India and the Government of Nepal being desirous of facilitating and furthering trade and commerce between their respective territories have resolved to conclude a Treaty of Trade and Commerce and have for this purpose appointed as their plenipotentiaries the following persons, namely,

The Government of India :

His Excellency Shri Chandrashwar Prasad Narain Singh,
Ambassador of India in Nepal,

The Government of Nepal :

Mohan Shamsher Jang Bahadur Rana, Maharaja, Prime
Minister and Supreme Commander-in-chief of Nepal;

who having examined each other's credentials and
found them good and in due form have agreed as follows:

Article I

The Government of India recognise in favour of the Government of Nepal full and unrestricted right of commercial transit of all goods and manufactures through the territory and ports of India as provided in Articles II, III and IV below.

Article II

Subject to such arrangements as may be agreed upon between the two Governments, the Government of India agree to allow all goods imported at any Indian port and intended

for re-export to Nepal to be transmitted to such place or places in Nepal as may be approved by the two Governments, without breaking bulk en route and without payment of any duty at any Indian port.

Article III

Subject to such agreements as may be agreed upon between the two Governments the right of passage without payment of excise or import duties shall similarly extend also to goods of Nepalese origin in transit through Indian territory from one approved place to another within the territories of the Kingdom of Nepal.

Article IV

Subject to such arrangements as may be agreed upon between the two Governments, the Government of Nepal shall enjoy full and unrestricted right of commercial transit, from approved place or places in Nepalese territory, through the territories and ports of India, of all goods and manufactures of Nepalese origin for export outside India.

Article V

The Government of Nepal agree to levy at rates not lower than those leviable, for the time being, in India, customs duties on imports from and exports to countries outside India. The Government of Nepal also agree to levy on goods produced or manufactured in Nepal, which are exported to India, export duty at rates sufficient to prevent their sale in India at prices more favourable than

T R E A T I E S

those of goods produced or manufactured in India which are subject to central excise duty.

Article VI

The Government of India and the Government of Nepal agree to assist each other, by making available, to the maximum extent possible, commodities which are essential to the economy of the other.

Article VII

The two Governments agree to promote contacts between the trade interests of the two countries and undertake to give every reasonable facility for the import and export of commodities, and in particular to facilitate the use of the routes and methods of transportation which are most economical and convenient.

Article VIII

Civil aircraft of either State shall be permitted to fly over the territory of the other in accordance with normal international procedure.

Article IX

So far as matters dealt with herein are concerned this Treaty cancels all previous treaties, agreements or engagements concluded between the British Government on behalf of India and the Government of Nepal.

Article X

This Treaty shall come into force three months after the date of signature by both parties. It shall remain in force for a period of 10 years, in the first instance, and shall, unless terminated by either party by giving notice of not less than one year in writing, continue in force for a further period of 10 years.

Done in duplicate at Kathmandu this 31st day of July 1950.

sd/-

Chandreshwar Prasad
Narain Singh

for the Government of India

sd/-

Mohan Shamsheer Jang
Bahadur Rana

for the Government
of Nepal

Treaty of Trade and Transit, Kathmandu, September 11, 1960

WHEREAS the Government of India and His Majesty's Government of Nepal (hereinafter referred to as the contracting Parties).

Being animated by the desire to strengthen economic co-operation between the two countries, and convinced of the benefits likely to accrue from the development of their economies towards the goal of a Common Market,

Have resolved to conclude a Treaty of Trade and Transit in order to expand the exchange of goods between their respective territories, encourage collaboration in economic development and facilitate trade with third countries.

They have for this purpose appointed as their plenipotentiaries the following persons namely,

The Government of India :

His Excellency Shri Harishwar Dayal, Ambassador for Commerce & Industries :

Who, having exchanged their full powers and found them good and in due form, have agreed as follow :

TRADE

Article I

The Contracting Parties shall promote the expansion of mutual trade in goods originating in the two countries and shall to this end endeavour to make available to each other commodities which one country needs from the other. The Contracting Parties shall further take care to avoid

to the maximum extent practicable diversion of commercial traffic or deflection of trade.

Article II

Subject to such exceptions as may be mutually agreed upon, goods originating in either country and intended for consumption in the territory of the other shall be exempt from customs duties and other equivalent charges as well as from quantitative restrictions.

Article III

Notwithstanding the provisions, either Contracting Party may maintain or introduce such restrictions as are necessary for the purpose of

- (a) Protecting public morals,
- (b) protecting human, animal and plant life,
- (c) safeguarding rational treasures.
- (d) Safeguarding the implementation of laws relating to the import and export of gold and silver bullion.
- (e) Safeguarding such other interests as may be mutually agreed upon.

Article IV

Payment for goods and services between the two countries will continue to be made as heretofore.

Article V

The trade of the Contracting Parties with third countries shall be regulated in accordance with their respective laws, rules and regulating to imports and exports.



Article VI

Payment for transaction with third countries will be made in accordance with the respective foreign exchange laws, rules and regulations of the two countries. The Contracting Parties agree to take effective steps in co-operation with each other, to prevent infringement and circumvention of the laws, rules and regulations of either country in regard to matters relating to foreign exchange.

TRANSITArticle VII

Goods intended for import into or export from the territories of either Contracting Party from or to a third country shall be accorded freedom of transit through the territories of the other party. No distinction shall be made which is based on the flag of vessels, the place of origin, departure, entry exit, destination or ownership of goods.

Article VIII

Goods (including baggage) shall be deemed to be in transit across the territory of a Contracting Party when the passage across such territory, with or without transshipment, warehousing, breaking bulk or change in the mode of transport, is only a portion of a complete journey beginning and terminating beyond the frontier of the Contracting Party across whose territory the traffic passes. Traffic of this nature is termed "traffic in transit".

Article IX

Traffic in transit shall be exempt from customs duty and from all transit duties or other charges imposed in respect of transit, except reasonable charges as are commensurate with the costs of services rendered for the supervision of such transit.

Article X

The procedure to be followed for traffic in transit to or from third countries is laid down in the Protocol hereto annexed. Except in case of failure to comply with the procedure prescribed, such traffic in transit shall not be subjected to unnecessary delays or restrictions.

Article XI

Traffic in transit through the territories of one Contracting Party from one place to another in the territories of the other Party shall be subject to such arrangements as may be mutually agreed upon.

GENERAL

Article XII

Nothing in this Treaty shall effect any measure which either of the Contracting Parties may be called upon to take in pursuance of general international convention to which it is a party or which may be concluded hereafter, relating to due transit, export or import of particular kinds of articles such as opium or other dangerous drugs or in pursuance of general conventions intended to prevent

infringement of industrial, literary or artistic property or relating to false marks, false indications of origin or other methods of unfair competition.

Article XIII

The Contracting Parties shall take appropriate measures to ensure that the provisions of this Treaty are effectively and harmoniously implemented and to consult with each other periodically so that such difficulties as may arise in its implementation are resolved satisfactorily and speedily.

Article XIV

This Treaty, which replaces the Treaty of Trade and Commerce between the two countries of 31st July, 1950, shall come into force on 1st November, 1960. It shall remain in force for a period of five years. It shall continue in force for a further period of five years thereafter, subject to such modification as may be agreed upon, unless terminated by either party by giving notice of not less than one year in writing.

Done in duplicate in Hindi, Nepali and English, all the texts being equally authentic, at Kathmandu on the eleventh day of September, one thousand nine hundred and sixty, corresponding to the twenty-seventh day of Bhadra, bikram Sambat two thousand and seventeen - In case of doubt, the English text will prevail.

sd/- HARISHWAR DAYAL
for the Government of India

sd/-RAM NARAYAN MISHRA
for His Majesty's Government
of Nepal

Treaty of Trade and Transit between His Majesty's Government of Nepal and the Government of India, August 13, 1971

His Majesty's Government of Nepal and the Government of India (hereinafter referred to as the Contracting Parties).

Being conscious of the need to fortify the traditional connection between the markets of the two countries,

Being animated by the desire to strengthen economic co-operation between them, and

Impelled by the urge to develop their economies for their several and mutual benefit,

Have resolved to conclude a Treaty of Trade and Transit in order to expand trade between their respective territories, encourage collaboration in economic development and facilitate transit of trade with third countries, and

Have for this purpose appointed as their plenipotentiaries the following persons, namely,

His Majesty's Government of Nepal, Shri Nava Raj Subedi, Minister of Industry and Commerce.

The Government of India, Shri Lalit Narayan Mishra, Minister of Foreign Trade

Who having exchanged their full powers and found them good and in due form, have agreed as follows.

TRADE

Article I

The Contracting Parties shall promote the expansion and diversification of mutual trade in goods originating in the two countries and shall to this end endeavour to make

available to each other commodities which one country needs from the other.

Article II

Both the Contracting Parties shall accord unconditionally to each other treatment no less favourable than that accorded to any third country with respect to (a) customs duties and charges of any kind imposed on or in connection with importation and exportation, and (b) import regulations including quantitative restrictions.

Article III

Notwithstanding the provisions of Article II and subject to such exceptions as may be made after consultation with this Majesty's Government of Nepal, of India, with a view to providing the primary producers of Nepal access to the Indian market, agree to exempt from customs duty and quantitative restrictions such primary products as are produced in Nepal and imported into India.

Article IV

Notwithstanding the provisions of Article II, and subject to such exceptions may be made after consultation with his Majesty's Government of Nepal, the Government of India agree to promote the industrial development of Nepal through the grant on the basis of non-reciprocity of specially favourable treatment to imports into India of Industrial products manufactured in Nepal in respect of customs duty and quantitative restrictions normally applicable to them.

Article V

With a view to facilitate greater interchange of goods between the two countries, the Majesty's Government shall endeavour to exempt, wholly or partially, imports from India from customs duty and quantitative restrictions to the maximum extent compatible with their development needs and protection of their industries.

Article VI

Payments for transactions between the two countries will continue to be made in accordance with their respective foreign exchange laws, rules and regulations. The Contracting parties agree to consult each other in the event of either of them experiencing difficulties in their mutual transaction with a view to resolving such difficulties.

Article VII

The Contracting Parties agree to co-operate effectively with each other, to prevent infringement and circumvention of the Laws, rules and regulations of either country in regard to matters relating to foreign exchange and foreign Trade.

TRANSIT

Article VIII

The Contracting Parties shall accord to "traffic in transit" freedom of transit across their respective territories through routes mutually agreed upon:

Each Contracting Party shall have the right to take all

indispensable measures to ensure that such freedom, accorded by it on its territory, does not in any way infringe its legitimate interests of any kind.

Article IX

The term "traffic in transit" means the passage of goods including unaccompanied baggage across the territory of a Contracting Party when the passage is a portion of a complete journey which begins or terminates within the territory of the other Contracting Party. The transshipment, warehousing, breaking bulk and change in the mode of transport of such goods as well as the assembly, disassembly or re-assembly of machinery and bulky goods shall not render the passage of goods outside the definition of "traffic in transit" provided any such operation is undertaken solely for the convenience of transportation. Nothing in this article shall be construed as imposing an obligation on either Contracting Party to establish or permit the establishment of permanent facilities on its territory for such assembly, disassembly or re-assembly.

Article X

Traffic in transit shall be exempt from customs duty and from all transit duties except reasonable charges for transportation and such other charges as are commensurate with the costs of services rendered in respect of such transit.

Article XI

For convenience of traffic in transit, the Government of India agree to provide at point or points of entry or

exit on such terms as may be mutually agreed upon and subject to relevant laws and regulations prevailing in India, warehouses or sheds for the storage of transit cargo awaiting customs clearance before onward transmission.

Article XIII

The procedure to be followed for traffic in transit to or from third countries is laid down in the Protocol hereto annexed. Except in case of failure to comply with the procedure prescribed, such traffic in transit shall not be subject to avoidable delays or restrictions.

Article XIII

Passage of goods from one place to another in the territories of one Contracting Party through the territories of the other party shall be subject to such arrangements as may be mutually agreed.

Article XIV

The freedom of transit shall apply to goods required by each Contracting Party and to goods available for export from that party, but shall not extend to the products of the other Contracting Party subject to such exceptions as may be mutually agreed upon, each Contracting Party shall prohibit and take effective measures and co-operate with the other, to prevent:

(a) re-exports from its territory to third countries of goods imported from the other Contracting Party.

(b) re-exports to the territory of the other Contracting

Party of goods imported from third countries.

Article XV

In order to enjoy the freedom of the high seas, merchant ships sailing under the flag of Nepal shall be accorded, subject to Indian Laws and regulations, treatment no less favourable than that accorded to ships of any other foreign country in matters relating to navigation, entry into and departure from the parts, use of ports and harbour facilities as well as loading and unloading dues taxes and other levies, except that provisions of this Article shall not extend to coasting trade.

GENERAL PROVISIONS

Article XVI

Notwithstanding the foregoing provisions either Contracting Party may maintain or introduce such restrictions as are necessary for the purpose of :

- (a) protecting public morals,
- (b) protecting human, animal and plant life,
- (c) safeguarding national treasures,
- (d) safeguarding the implementation of laws relating to the import and export of gold and silver bullion,
- (e) safeguarding such other interests as may be mutually agreed upon.

Article XVII

Nothing in this Treaty shall prevent either Contracting Party from taking any measures which may be necessary for the protection of its essential security interests or in pursuance

of general international conventions, whether already in existence or concluded hereafter, to which it is a party relating to the transit, export or import of particular kinds of articles such as opium or other dangerous drugs or in pursuance of general conventions intended to prevent infringement of industrial, literary or artistic property or relating to false marks, false indications of origin or other methods of unfair competition.

Article XVIII

The Contracting Parties shall take appropriate measures to ensure that the provisions of this Treaty are effective by and harmoniously implemented and to consult with each other periodically so that such difficulties as may arise in its implementation are resolved satisfactorily and speedily.

Article XIX

This Treaty shall come into force on the thirteenth day of Shrawan, Bikram Sambat two thousand and twenty eight, corresponding to the fifteenth day of August 1971 and shall remain in force for a period of five years. It may be renewed for a further period of five years by mutual consent, subject to such modifications may be agreed upon.

Done in duplicate in Nepal, Hindi and English languages all the texts being equally authentic, at Kathmandu on the thirteenth day of August one thousand nine hundred and seventy one corresponding to the twenty eight day of Shrawan, Bikram Sambat two thousand and twenty eight. In case of

doubt, the English text will prevail.

For the Government of India

For the Majesty's Government
of Nepal

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(Lalit Narayan Mishra)

(Nava Raj Buedi)

Minister of Foreign Trade

Minister of Industry and
Commerce.

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