
TIBET AND ITS NEIGHBORS

Moving toward a New Chinese Strategy in the Himalayan Region

===== Thierry Mathou
=====

Abstract

This article focuses on what Chinese authorities intend to accomplish politically and diplomatically in the Himalayan region through “development in a peaceful environment” and on how this policy could create ties between the Tibetan Autonomous Region and other Himalayan states and regions. It analyzes the Tibetan Autonomous Region’s strategic position and its potential implications for Tibet, Tibetans, and their Himalayan neighbors.

Introduction

The Himalayan region occupies a strategic position between China and India. Although factors of tension and instability are always present in this region—because of unresolved territorial disputes and also political upheavals in Nepal—a new era in regional diplomacy is about to start as China takes steps to realize its priority for “economic development in a peaceful environment.” As the hinterland of the Himalayas, Tibet is at the forefront of China’s strategy in this region. The impact of that strategy on China’s perception of the Tibet issue needs to be reassessed in the context of China’s “Go West” policy and trade diplomacy toward South Asia.

The Tibet issue is usually addressed through its political dimension, namely, Tibet’s status with specific reference to the question of human rights and the cultural identity of the Tibetan people. Although essential, this approach lacks at least two important aspects that need to be reassessed in order to fully understand the current dimension of the Tibet issue: economics and geopolitics.

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Asian Survey, Vol. 45, Issue 4, pp. 503–521, ISSN 0004-4687, electronic ISSN 1533-838X.
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Since its integration into the People's Republic of China (PRC) in the 1950s, Tibet has gone through dramatic changes. While the description of the consequences for Tibetan society varies from great achievement to complete disaster, depending on whether one stands in Beijing or in Lhasa and/or Dharamsala, everybody must agree on a simple fact: for better or for worse, Tibet will never be the same. Although dependent on social and cultural factors that could result in a specific pattern of development, should Tibetan identity be fully respected, the evolution of Tibet must be addressed in a broader perspective, namely, China's perception of its own security and development.

Until recently, China's strategy in the Himalayan region was essentially conservative because of recurrent tensions with India and a defensive approach to the Tibet issue. With the easing of border tensions and implementation of its western region development program, the PRC is reconsidering the role of Tibet within its own territory and also in the Himalayan regional context. This does not mean, however, that China is taking a new approach on the Tibet issue; it only implies a change of perspective in geopolitical terms. From being an underdeveloped and landlocked area located in the backyard of the Chinese territory far from Beijing, the Tibet Autonomous Region (TAR) could become a bridge between China and South Asia. China's new strategy in the Himalayan region depends largely on economic considerations that have led Beijing to reassess its approach to Tibet. Understanding the full implications of China's regional policy requires a reminder about Tibet's strategic significance. The socioeconomic implications of development policies currently implemented in the TAR are not the subject of this article. Rather, analyzing the current shifting perspective in China's perception of Tibet's development and regional environment can help us better understand the overall situation of the Tibetans.

Tibet and China's Western Region Development Strategy

China's western provinces cover almost 60% of the territory of the PRC, but the predominance of mountain and desert terrain makes them home to less than one-quarter of the national population.¹ The 280 million inhabitants, including several minority groups like the Tibetans, earn less than half the income of people in eastern China. Since 1978, economic growth has mainly benefited the coastal areas, while rural areas in the west were overlooked. Because the gap in wealth has continued to expand, threatening the nation's sociopolitical stability, the Chinese government decided in 1999 to react by launching a strategy aimed at developing the backward regions. The "Go West" policy is

1. China's "west" consists of Gansu, Guangxi, Guizhou, Inner Mongolia, Qinghai, Shaanxi, Sichuan, and Yunnan Provinces, plus the municipality of Chongqing and the autonomous regions of Ningxia, Tibet, and Xinjiang.

not only supposed to alleviate poverty in those areas but also to have a positive impact on the rest of the country. For that reason, it must not be considered as a simple regional program but as a national strategy with global political implications. Twelve provinces and autonomous regions, including the TAR, have been targeted by this policy, which centers primarily on increasing capital inputs in infrastructure projects, enhancing the financial investment environment, and liberalizing the legal framework to attract foreign and domestic investment. Tibet has become one of the showcases of the “Go West” policy, especially in terms of transportation infrastructure development. In order to analyze how development in Tibet could affect intra-Himalayan relations, it is necessary to discuss the aspects of that development most likely to have an impact on Tibet’s neighbors: the development of transportation infrastructure and exploitation of natural resources.

The manner in which China’s economic reforms have been impacting Tibet’s social and economic structures—particularly in rural areas—is a major subject of controversy concerning China’s management of Tibet. Many in the West have criticized China, arguing that Beijing’s main objective is to more closely integrate Tibet into the Chinese state, economically, politically, and socially, with no regard for Tibet’s ethnic and social characteristics and the Tibetans’ own interests. Such analyses have focused on some of the potentially disruptive consequences of economic reforms: increased rural-to-urban population migration and intra-regional population movement, a massive influx of Han Chinese into Tibet, greater urbanization, unbalanced development in rural areas, and environmental degradation.

The Chinese authorities argue otherwise. Although they declare that “Tibet’s modernization drive must proceed from Tibet’s actual conditions and take the road with Tibet’s local characteristics,” they insist on the “historical inevitability of Tibet’s modernization which is an inseparable part of China’s modernization.”² A great number of official statistics have been produced to demonstrate the success of Beijing’s policies.

The local situation, however, is more complex than what is suggested by this divergence of views. Using well-documented analyses, some authors have shown that assessment of the consequences of development programs in rural Tibet needs a more balanced approach.³ For instance, the development of a comprehensive transportation network is necessary in order to exploit Tibet’s natural resources. On the one hand, this effort is considered by some observers to be a

2. Information Office of the State Council of the People’s Republic of China, *Tibet’s March Toward Modernization* (Beijing, November 2001).

3. Melvin C. Goldstein, Ben Jiao, Cynthia M. Beall, and Phuntsog Tsering, “Development and Change in Rural Tibet: Problems and Adaptations,” *Asian Survey* 43:5 (September/October 2003), pp. 758–79.

way to drain Tibetan resources into China's interior. On the other hand, such a network will also spur development of the local economy and allow Tibetans to travel more easily through their own territory and—if permitted—eventually to maintain contacts with foreign neighbors. It is interesting to consider what the central and regional governments seek to accomplish politically through development in Tibet itself, rather than focusing exclusively on analysis of relative exploitation by the center and by local communities. Because of its strategic location, Tibet differs from most of China's other regions and provinces. A modernization drive could create ties between the TAR and other Himalayan states and regions. Among other aspects of modernization, the development of transportation and exploitation of natural resources will have consequences not only for Tibetan society but also for the global positioning of Tibet in its geopolitical environment. These specific aspects of Tibet's development can be regarded as elements of China's strategy in the Himalayan region.

Transportation Infrastructure

Development of the remote, landlocked TAR has been handicapped by backward transportation. It is the only region in China having no access to railways and navigable rivers. Tibet is served by 10 aviation routes only and the highway network is underdeveloped. In order to accelerate infrastructure improvement, the Chinese government has launched several projects, the most spectacular being the construction at great cost of the Qingzang (Qinghai-Tibet) Railway, begun in June 2001. Stretching 710 miles from Golmud in Qinghai Province to the Tibetan capital Lhasa, the railway should be completed in 2007. A total of 596 miles of track will run at an elevation of over 4,000 meters, with the highest point at 5,072 meters on Tanggulashan Mountain. In future, the main railway could be extended from Lhasa to the border areas in southern Tibet.

Although adequate sources of financing are often lacking, considerable attention is also being paid to road building and renovation of existing state highways. Special efforts are being made to strengthen the so-called "three vertical and two horizontal links," namely the China-Nepal, Qinghai-Tibet, Xinjiang-Tibet, Tibet-Sichuan, and Tibet-Yunnan highways that are supposed to place the TAR in the middle of a hypothetical network stretching from Central to South Asia. The improvement of other infrastructure facilities has also been planned. Expansion of the Gonggar Airport in Lhasa and the Bamda Airport in Qamdo is underway. The Heping Airport and the Damxung Airport are to be restored and renovated. First-phase preparation is also underway for construction of the Nyingchi, Ngari, and North Tibet Airports. New inter-regional, domestic, and international air routes could be opened. Planning has also been carried out for construction of the Lhasa-Konggar-Zetang, Lhasa-Xigaze, and Lhasa-Nyingchi-Qamdo oil pipelines, which could be put in service between

2006 and 2030. Finally, projects have been undertaken in river navigation construction that include widening major parts of the lower and middle reaches of the Yarlung Tsangpo River.

The improvement of transportation infrastructure will have several consequences. It will facilitate development of the tourism and mining industries in Tibet and accelerate economic and population integration between the TAR and inland China. As noted by Melvyn C. Goldstein, “Tibet’s economy is likely to shift further and further into the hands of Chinese firms and laborers. The development of a rail link between Tibet and Inner China will further exacerbate this trend.”⁴ In the medium term, an extension of the link could also facilitate communication between the TAR and other Himalayan states and regions and benefit Tibet. The consequences could be strategic as well as economic. According to official sources, “The unity of the nationalities and consolidation of national defense necessitate the construction of a railway linking Tibet with the hinterland.”⁵ With the extension of the transportation network in the border areas, China intends not only to enhance its capacity in terms of border defense and internal control but also to create the conditions for transforming Tibet into a trading hub in the Himalayan region, which has become one of the objectives of Beijing’s bilateral diplomacy toward Nepal, India, and Bhutan.

Mineral Resources

Beijing is also keen to explore the TAR’s untapped natural resources, which are relatively abundant compared with those of other Himalayan territories. (Interestingly, the Chinese term for Tibet, Xizang, means “Western Storehouse.”) According to an official publication, more than 70 mineral types are known to exist in the TAR.⁶ The total reserves of 26 of these have been determined, with 12 ranking among the top five in China at a provincial level. China’s highest chromite deposits are in the TAR, which is also rich in gold, lithium, copper, molybdenum, cobalt, tungsten, platinum, nickel, silver, and iron. Magnetite, used as supplementary material for the metallurgical industry, ranks third in China in proven reserves, as is the case for barite—coveted by the chemical industry—and gypsum, widely used in the building industry. Muscovite, indispensable for the national defense and electronics industries, occupies fourth place among China’s reserves.

Despite this apparent wealth, it must be noted that the mining industry in Tibet has remained small-scale, generally inefficient, and unprofitable, and foreign investment has been minimal. There are many obstacles to development

4. *Ibid.*, pp. 778–79.

5. *Xizang Ribao* [Tibet Daily] (Lhasa), December 12, 2000.

6. China Intercontinental Press, *West China: Tibet* (Beijing, January 2002), pp 24–27.

of the mining industry in the TAR, including Tibet's remoteness, high altitude, harsh climate, unreliable geological data, and an inadequate regulatory regime. With the notable exception of the "world class" Yulong copper mine in Chamdo Prefecture, the economic potential of mining in the TAR must not be exaggerated. From the Chinese point of view, however, construction of the Golmud-Lhasa Railway is intended to make it easier to exploit the mineral resources of the remoter areas along its route. Nonetheless, accessibility as such will not turn small unprofitable mines into highly competitive units. Many other factors, including management issues, financial and technological investment, and even environmental concerns, will have to be taken into account as part of a comprehensive approach to the mining industry in Tibet. Yet, tapping new resources, even small deposits, remains an important objective for Chinese authorities. This does not mean that China plans to be self-sufficient in mineral production, nor that exploitation of Tibetan deposits will significantly affect the domestic supply of raw materials. Most of the minerals on the world market will remain available at a lower price than what it costs to extract them in Tibet for transport to other provinces.

Development of the mining industry, however, could have significant reverberations in Tibet itself. At present, the output value of minerals makes up only 4% of the gross domestic product of Tibet. This share will probably increase. Apart from consequences for the environment—a major challenge—the impact on the TAR's economy will not be neutral. According to the official press, "Mining development will stimulate the growth of local township enterprises, absorb redundant labor in rural areas, and increase the income of the Tibetan people."⁷

Although mining as a form of poverty alleviation is a highly questionable proposition (the distribution of benefits is a major problem), the overall impact on local economic structures could be significant. With construction begun of the Qingzang Railway, several mining projects are reportedly being undertaken in the TAR. Developing the refining and processing industries there and creating an industry based on value-added, semi-finished, and finished products could ease the infrastructure problems somewhat.

Some projects already go beyond the simple extraction of mineral deposits. For instance, the plans for Yulong to produce electrolytic (refined, almost pure) copper add to the value of the mine. According to the TAR Specialist Plan, which plots development directions for the next 15 years, "[A] portion of the electrolytic copper will be directly processed into copper products, further boosting the mine's profitability within the TAR and provid[ing] development of associated local industry."⁸ Plans also exist to develop the TAR's chromite

7. *China Daily*, quoted in Tibet Information Network (TIN), *Mining Tibet: Mineral Exploitation in Tibetan Areas of the PRC* (London: TIN, 2002), p. 186.

8. TIN, *ibid.*, p. 31.

industry in Chusum County, Lhoka Prefecture—the site of China’s largest chromite mine—to locally produce ferrochrome alloys. The development of processing industries in the TAR will be dependent on the demand for raw materials in other parts of China but also in Tibet. Moreover, it has been noticed that “the central authorities are also encouraging enterprises in the western regions to invest in and build factories in neighboring countries to process products and add value to raw materials.”⁹ This approach is still theoretical in the case of the TAR. However, it could be explored with Nepal, should Chinese investments in that country develop, especially in three sectors identified during the 2003 Nepal-China Non-Governmental Forum as a priority for future joint ventures: energy, infrastructure, and the building industry. From the Nepalese point of view, the development of the TAR is an opportunity to be grasped, but many obstacles, both natural and technical, will have to be overcome.

Tibet will not necessarily turn into a genuine “storehouse” for the rest of China until its mineral resources are more accessible. Yet, it could become an important player not only on the Chinese market, at least for some minerals like copper or chromite, but also in the Himalayan region, where access to natural resources is essential for the development of local landlocked economies.

Water Resources

With water becoming a rare commodity and agriculture and industry needing more water to sustain production and generate hydroelectricity, China is facing a great challenge. The dearth of water resources is a major concern, especially in northern China. In that context, the TAR holds a strategic position. The Tibetan plateau is the principal watershed in Asia and the source of its 10 major rivers, including the Brahmaputra (Yarlung Tsangpo in Tibet), the Indus, the Sutlej, the Mekong (Lancang in Tibet), and at least two headwaters of the Ganges (the Alaknanda and Bhagirathi). About 90% of the runoff from Tibetan rivers flows downstream not only to mainland China but also to Cambodia, Laos, Vietnam, Thailand, Myanmar, Bangladesh, India, Nepal, and Pakistan.

In order to develop the TAR and solve the water problem in other provinces, China has been planning major projects. Tibet currently produces approximately 200 million kilowatts of natural hydro energy annually, about 30% of China’s total. The Yarlung Tsangpo River promises to produce 80 million kilowatts in exploitable energy capacity. Its main tributaries also have huge capacity. More than 10 locations have been identified so far to build hydraulic power stations. Cutting a 22-mile-long canal through rock where the Yarlung Tsangpo makes a U-turn (known as the Great Bend) near the Indian border has been under consideration as part of a plan to build a giant hydraulic power station

9. *Ibid.*, p. 45.

with an installed generating capacity of 40 million kilowatts, the largest of its kind in the world. Although the project remains highly theoretical for the time being, an extension of it could be to divert part of the waters of the Yarlung Tsangpo, which could be pumped northward across hundreds of miles of mountains to China's northwestern provinces of Xinjiang and Gansu.

Large-scale water resources projects in Tibet are competing for funding with even larger projects in other parts of China. For that reason, their feasibility is still highly questionable. However, if we assume that China's increasing water and energy demand might engender serious consideration of some of these projects, it is worth assessing their potential impact on neighboring regions. The consequences of erecting a huge storage dam on a major Tibetan river and diverting the water to other parts of China would be far reaching, not only for Tibet but also for its southern neighbors, which would be at China's mercy for flood protection during the rainy season and adequate release of water during the dry season.

China has been very discreet on this issue. Officially, there is no plan to build a power plant on the Yarlung Tsangpo River, although this project has been mentioned in several documents released in Beijing. China has opted for dialogue rather than confrontation on the global issue of transborder water resources, as shown by its cordial relations with the Mekong River Commission (MRC) for Sustainable Development.¹⁰ The hydroelectric program in the TAR, however, is potentially disruptive for several countries in South and Southeast Asia. Most recently, China's blueprint for a plan to build several hydroelectric dams harnessing the Nu-Salween River has spurred great concern in Thailand and Myanmar. As South Asian internal experience has demonstrated, especially in India, Bangladesh, and Nepal, water disputes are very difficult to solve. Should a transborder debate arise in an area where the border is not even agreed upon, the issue would spur tension.

Whatever the future developments, it is clear that the Himalayan water issue not only engages environmental questions but also those of national and international security. In this context, the nature of the Himalayan river drainage system gives a great advantage to Tibet.

China and India: Toward a New Coexistence in the Himalayan Region

In June 2003, then-Indian Prime Minister Atal Bihari Vajpayee paid an official visit to China, the first such trip since P. V. Narasimha Rao visited in 1993. Vajpayee's visit was the result of steady growth and distinct improvement in

10. The MRC was established on April 5, 1995. Member countries are Cambodia, Laos, Thailand, and Vietnam. The MRC maintains a regular dialogue with the two states of the Mekong River basin, China and Myanmar.

Sino-Indian relations during the previous three years. Both sides made efforts to address the most crucial matter of contention, their relations in the Himalayan region. Although highly publicized, especially in China, India's declaration that it "recognizes that the Tibet Autonomous region is part of the territory of the People's Republic of China and reiterates that it does not allow Tibetans to engage in anti-China political activities in India"¹¹ did not depart from New Delhi's traditional policy toward the Tibet issue. The agreement to appoint two special representatives "to explore from the political perspective of the overall bilateral relationship, the framework of a boundary settlement" indicated there was still much to be done in this regard. The most significant decision, however, was the signing of a Memorandum of Understanding on Expanding Border Trade that raised the possibility of reopening the Tibet-India trade route via the Nathu La Pass, which separates the TAR from the Indian state of Sikkim.

This decision has several implications, including possible resumption of trans-Himalayan trade, which has become one of China's priorities in the region. Currently, the TAR has official border trade only with Nepal, but that commerce represents more than 70% of total regional foreign trade. The TAR is working hard to become a trading nexus for the Himalayas. Apart from building infrastructure and adopting preferential policies to attract more funds, technology, and professionals from inland areas and other parts of the world, the TAR has been improving local foreign trade and custom services and developing export-oriented industries. Regional authorities are planning to establish border trade markets in 27 counties and townships. The construction of free trade zones where tariff exemptions would apply to specific goods is also under consideration.

The reopening of a trading post on the Sikkim-Tibet border could be expected to boost Chinese exports to South Asia. Because genuine Tibetan export-oriented products are still relatively scarce, only a portion of that trade would originate directly from the TAR, at least in the short term. Over the long term, however, the reopening of this post could have an impact on the whole Himalayan region including the TAR, where export-oriented assembly plants could be opened on a limited basis. Historically, the Lhasa-Kalimpong (in North Bengal) trade route and its extension to the port of Kolkata have generated considerable wealth in central Tibet and north India. The reopening of the Yadong area has been listed as a priority in the TAR's 10th Five-Year Plan (2001–05). This district, adjacent to Bhutan on the east, used to be the region's largest land port. TAR officials expect an increase in border trade of 15%

11. Declaration on Principles for Relations and Comprehensive Cooperation Between the People's Republic of China and the Republic of India, signed in Beijing, June 23, 2003, Xinhuanet, June 24, 2003.

annually when Yadong is reopened. From the Chinese point of view, such a move is intended not only to boost the economy in Tibet but also to fuel foreign trade in China's western areas such as Qinghai and Gansu Provinces and the Xinjiang Uygur Autonomous Region. Currently, exports from these areas to South Asian countries have to go through Guangzhou or Hong Kong. Via the Nathu La Pass, the transportation distance could be shortened by more than 5,600 miles. There are direct roads linking the Yadong border area and India's seaport of Gandhinagar, which could facilitate imports and exports from China's western provinces to Southeast Asia and Europe. The Lhasa-Kalimpong trade route is about one-third shorter than the Lhasa-Kathmandu axis currently linking Tibet with South Asia, and it is geographically more accessible.

With the opening of the Qinghai-Tibet Railway, Yadong is expected to play an even more important role in the development of China's western areas. In order to prepare for that evolution, the TAR has decided to invest 6 billion yuan (US\$726 million) in improving the road from Shigatse to Yadong during the 10th Five-Year Plan. It must be noted, however, that despite infrastructure investments, the Nathu La route will remain hazardous for large trucks because of difficult climatic conditions during monsoons and the risk of landslides. For that reason, shipping freight between China and India through Nathu La would be much more costly than other routes, for most commodities.

On the Indian side, Sikkim has been drumming up support to press New Delhi to adopt a less defensive attitude toward India's border relations with China—because of the prevailing military tranquillity on the Sino-Indian frontiers—and to reopen its historic route to Tibet. In the Sikkimese capital, Gangtok, it is considered that border trade will be a powerful instrument to resolve poverty and unemployment, both of which are factors in this insurgency-wracked region. The local government welcomed the memorandum of understanding signed in Beijing. It is believed in Sikkim that exports to Tibet could reach 10 billion rupees (US\$203 million) from the current figure of zero, once the trade corridor is open. Sikkim could trade in vegetables, oils, and household items, which are in great demand in Tibet. In return China would probably export manufactured goods. Moreover, Sikkim is not the only Indian state that could benefit from the warming of China-India ties. Even the remote nearby northeastern Indian state of Arunachal Pradesh, where China and India fought their border war in 1962, has a keen interest in the reopening of a branch of the Silk Route historically linking Hindustan to Tibet.

The impact of the reopening of a trading post, however, should not be overestimated. Despite ambitious plans, natural and technical obstacles will remain a major constraint on trade flows. Symbolically, the move is expected to start a new chapter in Sino-Indian trade. But it will take long before a new trade pattern can emerge in the Himalayan region, where transportation is difficult. Recent shifts in the Sino-Indian relationship in the Himalayas do not

mean that all sources of bilateral tension there have disappeared. The two sides have yet to demarcate their respective territories. India accuses China of occupying 14,670 square miles of territory in Kashmir, while Beijing lays claim to 34,750 square miles, nearly all of Arunachal Pradesh state. A chill in ties even developed while Vajpayee was winding up his trip to China, after India alleged that a Chinese patrol had crossed into Arunachal Pradesh. Trade between India and China is already irksome, with New Delhi accusing Chinese entrepreneurs of dumping cheap commodities across the border. Indians worry about this pattern becoming predominant once border trade is officially sanctioned. Opening an “invasion route” into a region perceived as militarily vulnerable is still a serious concern in New Delhi.

China, on the other hand, prefers to downplay politics, at least for the time being, in order to clear the ground for its economic strategy. This is why Beijing in 2003 took a symbolic step toward recognizing Sikkim as an Indian state, thereby helping to mitigate a bilateral issue that has existed since India incorporated the former protectorate in 1975. Although Chinese officials insisted that the border trade agreement did not mean tacit recognition of India’s “annexation” of Sikkim, they admitted this question was an “inheritance of history.”¹² On October 8, 2003, while Prime Minister Wen Jiabao met his Indian counterpart on the sidelines of a Southeast Asian summit in Indonesia, the Chinese foreign ministry adopted a confidence-building measure by deleting from its website all references to Sikkim. Also symbolic was the visit to Tibet in November that year of an Indian military delegation from the Fourth Corps posted on the disputed border between the TAR and Arunachal Pradesh. Both countries take the stance that they do not pose any threat to each other and that common interests outweigh differences, so additional confidence-building measures are desirable. This development is exactly what Beijing needs in order to further implement its “Go West” policy in the TAR (see Tables 1 and 2).

China and Bhutan: Toward Normalization with a Buddhist Neighbor

An apparent paradox exists in the China-Bhutan relationship.¹³ The geographical location of Bhutan gives it both political and strategic importance in the Himalayan region. Bhutan has a long tradition of cultural and religious interaction with Tibet and shares a border with China. Nonetheless, the tiny kingdom

12. Ministry of Foreign Affairs of China, spokesman’s declaration, *Biweekly Briefing*, Beijing, June 25, 2003.

13. Thierry Mathou, “Bhutan-China Relations: Towards a New Step in Himalayan Politics,” in *The Spider and the Piglet: Proceedings of the First International Seminar on Bhutan Studies*, eds. Karma Ura and Sonam Kinga (Thimphu: Center for Bhutanese Studies, 2004), pp. 388–412.

TABLE 1 *China's Foreign Trade (Customs Statistics) with India, Nepal, and Bhutan (in US\$10,000)*

	2000	2001	2002	2003	2004
India					
Total	291,421	359,624	494,590	759,508	1,360,410
Exports	156,073	189,627	267,172	334,359	592,667
Imports	135,348	169,997	227,418	425,150	767,743
Nepal					
Total	20,421	15,321	11,034	12,734	17,147
Exports	19,707	14,858	10,507	12,199	16,324
Imports	714	463	527	5,350	823
Bhutan					
Total	195	162	63.7	198	51
Exports	195	160	61.6	197	35
Imports	—	2	2.1	1	17

TABLE 2 *Tibet Autonomous Region's Foreign Trade (US\$10,000)*

	1999	2000	2001	2002	2003	2004
Total	16,645	13,031	9,291	13,037	16,100	22,300*
Exports	8,627	11,334	8,237	8,112	12,160	13,000
Imports	8,018	1,697	1,054	4,925	3,950	9,300

SOURCE: *National Bureau of Statistics of China (Beijing, 2002)*.

* According to local statistics, border trade represented US\$61.45 million in 2002, US\$77.48 million in 2003, and US\$90.66 million in 2004.

is China's only neighbor that does not have diplomatic relations with the PRC. Even trade and economic contacts between the two countries are minimal; the border has remained closed since 1962.

The turmoil following the integration of Tibet into the PRC and the Sino-Indian border war in 1962 forced Bhutan to interrupt its ancient relationship with its northern neighbor for security reasons and to reorient its trade route toward India. The status quo resulting from this situation is about to change. Political contacts were resumed in the mid-1980s. The two governments have been using annual border consultations to exchange views on a wide range of bilateral issues. Territorial disputes have been successfully reduced to limited areas in the northwestern part of Bhutan. Grazing incidents between Bhutanese and Tibetan herders on high-altitude pasturelands have decreased. Both countries have an interest in normalizing their relationship. Yet, their perspectives are different.

Although the spirit of *détente* between New Delhi and Beijing has paved the way for Bhutan-China normalization, Thimphu must still walk a political tightrope. India is Bhutan's close regional ally. Under the assumption that linkage politics and perceptions of security are essential in Bhutan's China policy, the kingdom prefers to remain cautious.¹⁴ China, on the contrary, is eager to normalize relations: the sooner the better. The Chinese approach to border talks with Bhutan resembles that taken earlier with Nepal—and once proposed to India—with preference for a “package deal” rather than a sector-by-sector settlement. Beijing views its relations with Thimphu as part of its global strategy in the Himalayas. Since the Agreement on Maintenance of Peace and Tranquillity on the Bhutan-China Border signed in Beijing in December 1998, contacts between the two countries have developed steadily, mainly because of Beijing's eagerness to speed up the process. According to Bhutanese official sources, “[T]he Chinese side has even been keen to go beyond Bhutan's setback.”¹⁵ Although the Chinese considered that the boundary issue “had, by and large, been resolved” during the 15th round of talks held in Thimphu in December 2001, they nonetheless agreed to deal with new issues introduced later by the Bhutanese side.¹⁶

14. Thierry Mathou, “The Growth of Diplomacy in Bhutan 1961–1991: Opportunities and Challenges,” in Kiscadale Asia Research Series, no. 5, *Bhutan: Aspects of Culture and Development* (Gartmore, Stirlingshire, Scotland: Kiscadale, 1994), eds. Michael Aris and Michael Hutt, pp. 51–85.

15. “80th National Assembly Debates,” *Kuensel* (Enlightenment), Thimphu, July 5, 2002. Here, “setback” refers to a shift in Bhutan's attitude during the border negotiations. At the end of 2001, it was generally agreed that the discussion was close to final resolution. In 2002, however, the Royal Government of Bhutan (RGOB) felt that the earlier agreement was not acceptable and some changes had to be made in the claims.

16. No details have been released regarding new issues raised by Bhutanese. It seems that Bhutan had security concerns regarding its western sector and the existence of Chinese military camps in the disputed regions. China reacted unhappily over the consequent delays to negotiations.

As a matter of fact, having normal neighborly relations with Bhutan would present several advantages for China. As the only Mahayana Buddhist state in the world, with strong cultural, religious, and historical links with ancient Tibet, Bhutan retains sympathy for modern Tibet. Still, the RGOB has never advocated a proactive policy on the international scene in favor of Tibetan autonomy, nor does it maintain relations with the Dalai Lama, who has never visited the kingdom. Resuming official religious exchanges between Tibetan and Bhutanese monasteries would be in China's interest because the exchanges could illustrate what Beijing calls its "policy of freedom of religion in the TAR." Indeed, this question goes far beyond the religious issue. Interestingly enough, while the question of Taiwan is described in similar terms by both Beijing and Thimphu, Tibet is not even mentioned in official bilateral communiqués. Yet, Chinese media regularly describe Bhutanese officials' visits to the TAR in terms intended to demonstrate the positive aspects of China's policy in the region. Because they are Buddhists living in the Himalayan region, Bhutanese visitors are among the foreigners best qualified to judge the Tibetan situation in terms of sociocultural development. For that reason, Beijing would probably like to interpret Bhutanese assessments on Tibet as "moral approval" of its policy in the TAR as far as the preservation of culture and religion is concerned.

Although a minor issue in the context of the small Bhutanese market, the economic dimension of normalized Sino-Bhutan relations will not be insignificant. For the long term, the potential reopening of the Lhasa-Kalimpong trade route will have considerable impact on Bhutan. It is very unlikely that the old Tibet-Bhutan trade pattern will re-emerge. As noted by Leo Rose in 1977, "[A] whole new Bhutanese trade pattern has emerged since 1960, based upon ready access to India as both a market and a source of supply, and any change in this trade structure would be highly disruptive to Bhutan's economy. The removal of the embargo from Tibet, therefore, would have at best a limited impact of Bhutan's trade system, except possibly in the sparsely populated but highly strategic northern border areas."¹⁷ Although these remarks remain valid, the situation has changed since the 1970s, mainly in Tibet where trade and township industries are developing. The example of Outer Mongolia, whose economy has been partly reoriented toward China following the collapse of the Soviet Union, shows that Chinese products can spread rapidly in a new market. In the case of Bhutan, such a pattern would imply construction of roads in Bhutan's underdeveloped northern border areas. No doubt China would be ready to finance such projects, as it did in Nepal, should Bhutan consider diversifying its regional sources of foreign assistance. Because China supported the idea of a Himalayan federation during the 1950s, it could be tempted by a less political yet effective economic concept: the creation of an integrated

17. Leo E. Rose, *The Politics of Bhutan* (Ithaca, N. Y.: Cornell University Press, 1977), p. 95.

economic and trading zone in the Himalayan region, with Tibet as a hinterland. Both Bhutan and Nepal would operate at the forefront of that strategy.

Sino-Nepalese Relations: A “Model” of Transborder Cooperation

Sino-Nepalese cooperation has developed continuously since the establishment of diplomatic relations in 1955; there are frequent exchanges of high-level visits. China has provided Nepal with substantial amounts of financial and technical aid for infrastructure projects, especially for construction of highways and hydropower stations. So far, Nepal is the only country to be linked to Tibet by a direct air-route and to have a consulate general in Lhasa. The development of bilateral trade, which has remained modest—\$153 million in 2001, including \$81.13 million in border trade—because of limited infrastructure and transportation in both Tibet and Nepal, has been identified as a priority by both sides. New road links between the two countries are under construction. In an unprecedented move, the two countries decided in 2002 that the Chinese yuan would be freely exchangeable in Nepal. A new agreement was signed in July that year to boost bilateral cooperation in the fields of border trade, tourism, and transportation.

Yet, considerable effort will have to be made not only to develop bilateral trade but also to equilibrate the partnership. Nepal has a huge trade deficit, with imports from China totaling \$105 million in 2002, while exports reached only \$5 million. Since the mid-1980s, the Chinese side has been the main beneficiary of the boom in cross-border trade. Nepal exports mainly handicrafts, incense, foodstuffs like vegetables, fruits, rice, and dairy products, and vegetable ghee, a greasy butter-like substance used in Tibet as a substitute for traditional yak butter to fuel butter lamps in monasteries. In return, China exports manufactured goods such as textiles, plastics, and building materials. The extension of the Qingzang Railway to the Nepal border that could start after 2007 would allow China to export more manufactured products to its neighbors. Currently, only 1% of Nepal’s exports go to China, while 12% of its imports come from there, mainly across the Nepal-Tibet border. This imbalance will probably remain a major concern for Kathmandu because Nepal has a limited export capacity in terms of manufactured goods and high-value-added products. As far as Nepal is concerned, Tibet is expected to become a major transit region—the so-called trade hub—for goods coming from inland China. While the local impact of this trade could be modest, especially in Tibet (aside from the development of infrastructure), its transregional consequences could be significant.

Trade is not the only aspect of transborder relations between Tibet and Nepal that needs to be monitored. The 2002 trade agreement includes general provisions

regarding free border crossings for both Chinese and Nepali citizens, who need to carry only immigration passes from their home countries, not visas. The accord also includes measures to facilitate pilgrimages between Nepal and the TAR. Yet, the recent history of Sino-Nepalese relations has been dominated by growing control over unauthorized movement of Tibetans to Nepal along what used to be the main transit route for Tibetans heading to the Dalai Lama's base in India. Following the spectacular escape in 2000 via Nepal of the Karmapa Lama, one of the highest-ranking Tibetan religious figures, transborder movements between Tibet and Nepal have been closely monitored. Beijing has been keen to secure guarantees from Kathmandu that the latter would clamp down on Tibetan exile activists in Nepal. Both sides have increased their cooperative efforts to curb illegal immigration, demonstrated in May 2003 by the repatriation of 18 Tibetans to China despite international appeals.

From China's point of view, securing the cooperation or at least the neutrality of all of the TAR's neighbors on the sensitive question of Tibetan exile activity is not only a matter of rhetoric but also a political necessity in order to create a favorable environment for implementation of Beijing's global strategy in the Himalayas. For the same reason, China is concerned with the growing instability in Nepal resulting from leftist guerrilla activity in the kingdom. The arrest in Tibet that November of four suspected Maoist rebels who apparently tried to smuggle arms and explosives into Nepal could increase Beijing's sensitivity to border security should this type of incident multiply.

Conclusions

The Himalayan region provides a good example of China's new policy in border areas. The Tibetan plateau occupies a strategic position in central and south Asia in terms of both geography and access to natural resources. For decades, this used to be a buffer territory between antagonistic neighbors. The coming of an era of détente between China and India derives largely from Beijing's placing a priority on economic development in a peaceful environment. In that context, Tibet could serve as a bridge between China and South Asia, although local physical and transportation conditions will prevent this concept from being transformed into a large-scale economic reality. Taking the Himalayan region as a part of South Asia, one cannot exclude the possibility that China may explore the political dimension of this concept through further contacts with the South Asian Association for Regional Cooperation. From China's point of view, this evolution has two implications as far as Tibet is concerned.

In order to implement its "Go West" policy in the TAR, Beijing has to build up confidence measures not only toward its immediate neighbors like India but also toward the international community on the overall Tibet issue. For

that reason it seems reasonable to expect symbolic gestures from Beijing regarding the question of dialogue with the Dalai Lama or further releases of Tibetan prisoners. Such moves should not be seen as a major evolution of the Chinese position on the question of Tibet, which will remain, according to Beijing, a Chinese region and an internal issue.

By shifting the debate on the Tibet question from politics to economics, China is playing a major card. Beijing considers that building the Qingzang Railway will be much more effective than any campaign of propaganda or repression to secure the integration of Tibet with inland China. Opening Tibet to fuller involvement with the regional and international environment is a two-step strategy. On the one hand, such an opening is expected to help Beijing reduce the development gap between China's eastern provinces and its western regions, which have been neglected for too long. On the other hand, the emphasis on economic development is also intended to maintain and reinforce national unity and accelerate the integration of Tibetan society into the mainstream of China's modernization.

The potential impact of such a policy on Tibet and the Tibetans is far from clear. The transborder aspects of development could have several contradictory consequences. As already noted, the increase in transboundary trade could have a limited impact on Tibet itself if Beijing only focuses on finding new channels for exporting products from inland China to South Asia. Based on a pattern observed in other sectors, the increase of foreign trade in Tibet will probably attract more and more non-Tibetan migrant laborers and businesspeople (mainly Han) whose skills and experience greatly exceed those of the local work force. The implication for local communities of a new approach will largely depend on implementation of a comprehensive development strategy in border areas—as seems to be the case in the Yadong District. There are already townships and urban enterprises in the TAR that now produce mainly for the local market. Some of them are even export-oriented. If transportation and communications infrastructure significantly improves, these enterprises may be able to engage in transborder trade. The TAR government announced in 2003 that it planned to sharply accelerate the migration of rural Tibetans to urban areas. During the current Five-Year Plan, 15,000 to 25,000 persons per year are already migrating and that number is expected to increase. Some of these Tibetans could become involved in enterprises positioned to export.

Tibetan exiles could also acquire new channels of interaction with people in Tibet. As shown by the pattern of relations between Nepal and Tibet, trade is often a way to perpetuate or recreate transborder solidarities. Moreover, commerce might not be the only beneficiary of the development of transborder exchanges. Many people in Sikkim feel that reopening a trade route with Tibet could lead to the growth of tourism, including Buddhist pilgrimages, both from and to China. Although such an evolution clearly depends on China's

readiness to tolerate social transborder interactions, including religious exchanges, the opening of new border posts will probably complicate China's eagerness to strictly control transboundary movements.

All kinds of interactions could take place in border areas. Some of these would probably fuel speculation about China's intention to use its dominant position in Himalayan trade to obtain political advantages in the region. To what extent the increase of trans-Himalayan trade would affect the Indian government's relations with the Tibetan exiles, has yet to be seen. Some in Dharamsala would probably criticize the development of commerce as resembling the final step in acceptance by India of Tibet's integration into the Chinese mainstream. Others would prefer to look for opportunities that could result from Tibet's greater exposure to its regional environment.

As a matter of fact, the resurgence of tensions in the Himalayas must not be ignored when assessing the possible transborder consequences of China's strategy in Tibet. Apart from difficulties that could arise in interstate relations because of the potentially disruptive impact of development projects in the TAR, the increase in transborder links between Tibet and its southern neighbors must be considered in the global context of political and social evolutions in the Himalayan region. In December 2003, Assamese rebels appealed to China for safe passage into Tibet while fleeing a crackdown in Bhutan. China rejected this appeal and denied wanting any kind of involvement in an issue that concerned mainly India and Bhutan. Yet, this episode provides a good example of how the TAR's territory—and even some Tibetan communities—could be exposed to the influence of outside issues such as rebel movements originating to the south, should the Himalayan region become a transborder reality. The potentiality of a Tibetan connection has already been noticed in connection with political insurgency in Nepal.

According to Wu Jianguo, a Chinese economist, the development of Tibet's border trade and opening up of South Asian markets would benefit the TAR's development as well as the "adjustment of Tibet's industrial structure and development of new industries." The opening would "have great significance" for jump-starting Tibetan development.¹⁸ Because we do not yet know to what extent and with what timing the development of transborder exchanges between Tibet and the Southern Himalayan region could take place, it is difficult to anticipate the ensuing consequences for the medium and long term. What can be concluded at this stage, however, is that implementation of China's new

18. Wu Jianguo, "Shilun Zangqu Xiandaihua Jincheng Zhong de Suoyou Zhizao Jiegou Wenti. Yi Xizang He Sichuan Ziqu Wei Li" (Essay on the structure of property in the modernization process in Tibetan areas. Study based on Tibet and Tibetan areas in Sichuan), *Minzu Yanjiu* (Ethno-National Studies), Beijing (February 2003), pp. 79–85.

Himalayan strategy represents a challenge for both Chinese authorities and Tibetan communities. Tibetans' futures could be influenced by the repositioning of the TAR in a zone where Tibet used to play a central role. Although the political context has totally changed since Tibet became a part of the PRC, geographical factors could regain importance. The overall impact of this repositioning should not be overestimated. But it certainly is a new factor to consider while addressing the Tibet issue.

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