

MP-IDSA *Commentary*

Diplomacy and Development: Bhutan's Engagement with Australia

Sneha M.

January 20, 2025

S*ummary*

The bilateral relationship between Bhutan and Australia is driven by sustained collaboration in education, economy and capacity building.

Introduction

Bhutan’s development philosophy of Gross National Happiness (GNH) prioritises well-being over mere economic growth. Coupled with its high democratic indices, Bhutan presents a unique model of governance and development, distinguishing it from its regional counterparts. For much of its history, throughout the 20th century, Bhutan adopted an isolationist approach, engaging minimally with the global community. Within its immediate neighbourhood, Bhutan maintained a special relationship with India, governed by the Treaty of Friendship and Cooperation signed in 1949 and its foreign policy closely aligned with India’s economic and strategic interests. Conversely, Bhutan has adopted a cautious approach *vis-à-vis* China and relationship has been rather complex due to unresolved border disputes.

In the 21st century, Bhutan underwent significant political transformations. The 1949 treaty with India was revised in 2007 to remove restrictions on foreign relations. The country transitioned to a democracy in 2008 and conducted four general elections (2008, 2013, 2018 and 2023–24).¹ At the same time, its diplomatic relations have steadily advanced towards broader international engagement.

Much of the discourse on Bhutan’s international relations tends to focus on its dynamics with India or China. Nonetheless, a notable shift is evident in its expanding diplomatic outreach to other nations, including its growing engagement with Australia. In 2021, Bhutan established its first resident embassy in Canberra, one of only six worldwide, which represented a significant step in strengthening bilateral relations. In the last decade, the two nations have cultivated ties across various sectors, blending strategic interests with developmental collaboration.

Historical Context

The bilateral relationship between Bhutan and Australia is underpinned by shared values, robust educational collaboration and enduring people-to-people ties. This relationship is rooted in the early stages of Bhutan’s development which began in the 1960s through cooperation under the Colombo Plan, long before diplomatic ties were established in 2002.² The Colombo Plan is an intergovernmental organisation that provides development assistance to member countries in Asia and Pacific. Bhutan’s participation in the Colombo Plan in 1962 marked its entry into the international community, with Australia playing a pivotal role in facilitating

¹ Nitasha Kaul, “[Beyond India and China: Bhutan as a Small State in International Relations](#)”, *International Relations of the Asia-Pacific*, Vol. 22, No. 2, May 2022, pp. 297–337.

² “[Australia-Bhutan Relations](#)”, Royal Bhutanese Embassy, Canberra, Australia.

Bhutan’s membership. In August 1963, Australia made its first contribution to Bhutan by providing four-wheeler trucks and spare parts valued at £65,000.³ This was followed by the awarding of scholarships to five Bhutanese students under the Plan, marking the beginning of a long-standing educational partnership between the two nations.

Education has been the cornerstone of Bhutan–Australia relations since the 1970s, when the first cohort of Bhutanese students travelled to Australia for higher education. Scholarships such as the Australia Awards and Endeavour Fellowships have enabled many Bhutanese to acquire advanced skills and contribute to national development upon their return. In recent years, cooperation has expanded to include Technical and Vocational Education and Training (TVET), reflecting Bhutan’s growing focus on equipping its workforce for a modern economy. Initiatives like the partnership with Technical and Further Education New South Wales (TAFE NSW) exemplify this strategic shift, providing Bhutanese professionals with the skills needed for sustainable development.⁴ The establishment of the Australian Volunteer Programme office in Thimphu in 2013 further underscores Australia’s commitment to capacity-building in Bhutan. Through this programme, Australian volunteers have addressed critical capacity gaps across various sectors, enhancing Bhutan’s human resource development. These efforts are complemented by the strong people-to-people connections between the two nations.

Diplomatic engagements have further strengthened this partnership. In 2022, Foreign Minister Lyonpo Dr Tandi Dorji visited Australia to mark 20 years of diplomatic relations.⁵ This was followed by a 2023 visit to Bhutan by Tim Watts, Australia’s Assistant Minister for Foreign Affairs.⁶ In a historic visit, His Majesty King Jigme Khesar Namgyel Wangchuck visited Australia in October 2024 and met government officials, business leaders and the Bhutanese diaspora.⁷ In addition to high-level visits, the two nations hold Annual Bilateral Consultations to discuss national developments, priorities and challenges, fostering mutual understanding of each other’s goals and aspirations. These exchanges demonstrate the deepening partnership across multiple sectors and a shared commitment to collaboration.

³ Dolay Tshering, Jenetter Berman and Judith Miller, “[The Educational Relationship Between Bhutan and Australia](#)”, *Bhutan Journal of Research & Development*, Vol. 9, No. 1, 2020.

⁴ “[Australia Bhutan TVET Sector Reform Project](#)”, Ministry of Industry, Commerce & Employment, Royal Government of Bhutan, 10 February 2022.

⁵ “[Hon’ble Foreign Minister Lyonpo \(Dr.\) Tandi Dorji’s Official Visit to Australia](#)”, Royal Bhutanese Embassy, Canberra, Australia, 16 September 2022.

⁶ “[Visit by the Hon Tim Watts, Assistant Foreign Minister](#)”, Royal Bhutanese Embassy, Canberra, Australia, 16 May 2023.

⁷ “[Royal Visit to Australia](#)”, Ministry of Foreign Affairs and External Trade, Royal Government of Bhutan, 15 September 2024.

Education, Economy and Diplomacy

Bhutan's economy is characterised by its small size and heavy reliance on hydropower, agriculture and tourism, highlighting both its strengths and vulnerabilities. Hydropower contributes around 30 per cent of its GDP and constitutes over 80 per cent of its exports, primarily to India. However, this heavy reliance on a single sector makes Bhutan susceptible to fluctuations in energy demand and climate conditions. Tourism, another vital sector, is constrained by Bhutan's high-value low-volume policy, which limits tourists to preserve cultural heritage and environmental sustainability. As a small, landlocked country with a population of approximately 800,000, Bhutan faces challenges like limited access to global markets, dependence on external aid and a narrow industrial base. These factors necessitate strategic diversification in trade partnerships and the pursuit of enhanced opportunities abroad.

The migration of the Bhutanese to Australia is shaped by both push and pull factors. Limited higher education opportunities, scarce job prospects and the desire for economic advancement drive migration from Bhutan. In contrast, Australia’s renowned universities, strong labour market and multicultural society act as powerful pull factors. Sectors like healthcare, education and hospitality have attracted Bhutanese professionals, while bilateral agreements such as the Australia–Bhutan education cooperation, have eased migration pathways. According to the Australian Bureau of Statistics, the Bhutanese population in Australia has grown from 5,200 in 2014 to 27,810 in 2024.⁸ About 13,406 student visas have been issued in 2024 alone, reflecting the appeal of Australia for education and professional opportunities.⁹ While Bhutan benefits from the remittances that flow from Australia, Australia’s international education strategy also strengthens its soft power diplomacy and advances its national interests. In 2023 alone, international education contributed US\$ 47.8 billion to the Australian economy.¹⁰ This strategy not only drives economic gains but also focuses on retaining talent by offering post-graduation work visas of up to four years, creating pathways for skilled migration and citizenship for high achievers. Additionally, it fosters long-term cultural and professional ties, with alumni acting as bridges. Bhutan exemplifies the soft power impact of this approach, as many Australian-educated Bhutanese hold influential positions including as government ministers, bureaucrats and executives. Their understanding of Australia aligns with its educational goals and creates

⁸ [“Australia’s Population by Country of Birth”](#), Australian Bureau of Statistics, June 2023.

⁹ [“International Student Numbers by Country, by State and Territory”](#), Department of Education, Australian Government, September 2024.

¹⁰ [“Education Export Income 2023”](#), Department of Education, Australia Government, 28 November 2024.

opportunities for greater educational, cultural and economic cooperation between the two countries.

Australia also actively supports Bhutan's sustainable development through initiatives focused on building human capital, women empowerment and addressing climate change. To fulfil these commitments, in the financial year 2024–25, Australia has allocated Official Development Assistance (ODA) worth US\$ 4.7 million, including an estimated US\$ 2.1 million in bilateral development assistance and US\$ 2.6 million from regional and global programmes.¹¹

While the educational relationship between the countries is long-standing and well-established, collaboration has also extended to the agricultural sector. In 2018, Australia initiated a project called ‘Bhutan Blossoms’, a social enterprise based in Punakha that focuses on niche food products crafted from locally grown herbs, spices, teas and edible flowers. In December 2021, ‘Bhutan Blossoms’ successfully began exporting its products to Australia.¹² This achievement marked a significant milestone as ‘Bhutan Blossoms’ became the first Bhutanese enterprise to penetrate the highly competitive Australian food market.

However, overall economic and trade ties remain relatively negligible. Australia ranks as the 14th preferred source of imports for Bhutan and stands at 22nd among its export destinations.¹³ This indicates that while there is potential for collaboration, the overall volume of bilateral trade is minimal, with economic relations overshadowed by partnerships with Bhutan’s larger trading partners such as India and China. Strengthening these ties would require concerted efforts to identify and develop mutually beneficial trade opportunities, leveraging sectors where both nations have complementary strengths.

India can play a pivotal role in strengthening Australia–Bhutan relations by leveraging its longstanding ties with Bhutan and its growing strategic partnership with Australia. One key approach is fostering triangular cooperation in areas such as sustainable development, renewable energy and capacity building, where all three nations can contribute and benefit. Additionally, India’s expertise and involvement in Bhutan’s hydropower, education and climate resilience sectors provides a platform for collaborative projects.

¹¹ [“Bhutan Development Cooperation Factsheet”](#), Department of Foreign Affairs and Trade, Australian Government, May 2024.

¹² [“Expanding Horizons: A Guide for Export Growth from Bhutan to Australia”](#), Royal Bhutanese Embassy, Canberra, Australia, 13 October 2023.

¹³ [“Bhutan Trade Statistics”](#), Department of Revenue and Customs, Ministry of Finance, Royal Government of Bhutan, 2024.

Conclusion

Bhutan’s partnership with Australia exemplifies a mutually beneficial relationship that aligns with its development priorities and aspirations. Through Australia’s support in areas such as education, sustainable development and climate resilience, Bhutan has gained valuable resources and expertise to address its unique challenges as a small, landlocked nation. As Bhutan navigates its path towards economic diversification and sustainable growth, its ties with Australia provide a model for fostering meaningful partnerships that yield long-term benefits for both nations. For India, the strengthening of Bhutan–Australia ties offers a valuable opportunity to foster mutual understanding and collaboration among the three nations, paving the way for a robust trilateral partnership that serves the broader interests of the region.

About the Author



Ms. Sneha M. is Research Analyst at the Manohar Parrikar Institute for Defence Studies and Analyses, New Delhi.

Manohar Parrikar Institute for Defence Studies and Analyses is a non-partisan, autonomous body dedicated to objective research and policy relevant studies on all aspects of defence and security. Its mission is to promote national and international security through the generation and dissemination of knowledge on defence and security-related issues.

Disclaimer: Views expressed in Manohar Parrikar IDSA's publications and on its website are those of the authors and do not necessarily reflect the views of the Manohar Parrikar IDSA or the Government of India.

© Manohar Parrikar Institute for Defence Studies and Analyses (MP-IDSA) 2025