

India-Bhutan Relations: The New Dimensions of 21st Century

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Abstract

The policy of neighborhood in India's foreign policy has been questioned by horizon from the very beginning of her relation towards Bhutan. Recently, the Government of National Democratic Alliance led by Narendra Modi, the Prime Minister of India has put emphasis on "neighborhood first" as a drive to foreign policy of India towards Bhutan proved to be true of this sentiment. This is a great shocking why India after completion of so long historic ties with Bhutan even in absence of any border dispute, unlike Pakistan and Bangladesh, has to bring such an issue towards the former. Is it a India's new approach to revive existing policy of reciprocity towards Bhutan in order to combat communist China in Bhutan and establish her hegemony in South Asia. This paper will analyze the evolution of bilateral relations between India and Bhutan in terms of the domain of economy, polity and strategic perspectives along with the possible solutions in strengthening the same in near future.

Key word: Foreign policy, bilateral economic relations, security, South Asia.

Introduction

Bhutan being a peaceful and prosperous neighbor has received special importance in India's foreign policy since the conclusion of historic Friendship Treaty 1949, which again dated back its roots to the treaties concluded in 1865 and 1910 both between British India Government and Bhutan. In fact the departure of British from the Indian subcontinent compelled Bhutan to choose either a subordinate status vis-à-vis Tibet or have sovereign independence, Bhutan opted the latter which automatically abrogated India-Bhutan Treaty 1910 with British India Government.³ The treaty of August 1949 signed between India and Bhutan, gave India substantial influences in handling the foreign policy of Bhutan. The most important provision was embodied in Article 2, the provision starting; "that the government of India would undertake to exercise no interference in the internal administration of Bhutan. On its part, the Government of Bhutan agrees to be guided by the advice of the Government of India, regarding its external relations".⁴ In fact it was the treaty of 1949, through by the security interest of India and Bhutan has been vested subsequently. True to this sentiment, Nehru declared in the Indian Parliament in November 1959 "any aggression against Bhutan.....would be regarded as an aggression in against India".⁵ However the present 21st century has witnessed the emergence of some new governing dynamics in the domain of economy and polity of Bhutan based on either India's "carrot-and-stick"⁶ policy or growing intrusion of China in the landlocked country Bhutan resulted the birth of a new segment of population particularly young generation of Bhutan seems to be posed challenge in the security and strategic perspective both between India and Bhutan and finally South Asia. Medha Bist, an IPSC analyst held that "Given that fifty Percent of population is young and economically Bhutan seems to be opening up, a new generation of Bhutanese youth seems to be emerging. The key to India-Bhutan relations would depend on the engagement and experience of this age group."⁷

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³ For details see Nagender Singh, 1988, "Bhutan: A kingdom in Himalayas, Treaty of punakha", New Delhi, pp242-243.

⁴ See for details "Foreign Policy of India: Text of Documents 1947-1959", Lok Sabha Secretariat, New Delhi, 1959, Edn. 2, p-17.

⁵ For details see Madhu Rajput, 2011, "Indo-Bhutan Relations through Prism of History", Manak Publications, New Delhi, p-115

⁶ Carrot and Stick policy: It refers to a policy of offering a combination of rewards and punishments to induce behavior.

⁷ For details Medha Bisht, 2014, "An Agenda for New Government: Policy Option for India in Bhutan", IPSC, Issues Brief No 248, p-

Like that of Bisht, S.D Muni states that “anti India sentiments are shared only in a section of Bhutanese Population, which is younger demographic.”⁸

Methodology: The present study is purely on the basis of secondary data. Hence for this purpose historical, analytical and descriptive method has been used.

The Governing Dynamic Issue:

Indo-Bhutan bilateral relations have always been justified through economic and securities perspectives. Whereas in the domain of economy hydropower has been played a vital role, the security imperatives that the tiny land Bhutan could play for India neither underestimate nor set aside in the realm of Indo-Bhutan bilateral relations. Thus common issue pertaining to the bilateral relations both between India and Bhutan are domestic in nature in the perspective of Bhutan. Hydropower sector seems to be an area of debate, not only domestically but growing dissatisfaction in the entire Bhutanese society based on the former in regard to hydropower debt to India, unemployment and rupee crunch are some of the challenge that are becoming to be common issues in the bilateral economic relations between India and Bhutan on the one hand and growing intrusion of China in Bhutan through by use of soft power including construction of road into the trijunction, Doklam plateau lying between China's Chumbi valley to north, Bhutan's Ha valley to east and Sikkim, an Indian province to west has considered sole behind in the emergence triad, which axes are India, Bhutan and China. Again with the advent of parliamentary democracy and changing attitude of political elite towards China has been questioning the very existence of Indo-Bhutan bilateral relations. Quoting S. D Muni, Dhairya Maheshwari states that “Bhutan's new Orime Minister Dr. Lotay Tshering's economic agenda could affect the Himalayan Kingdom's relations with India.”⁹

Economic Issues:

His Majesty the king in his Royal Address during 109th National Day celebration in Trongsa on 17 December 2016 asserted that “...a successful democratic transition must be accompanied by successful economic transformation based on just, equal and harmonious society...”.¹⁰ The bilateral economic relations between India and Bhutan started through the provision of Indo- Bhutan Treaty of 1949 and its amendment in 2007. Article 3 of India-Bhutan Friendship Treaty 2007 states that “There shall, as heretofore, free trade and commerce between the territories of the Government of Bhutan and the Government of India. Both the Governments shall provide full cooperation and assistance to each other in the matter of trade and commerce.”¹¹ Accordingly Indo-Bhutan free trade and commerce was updated in 2016 based on its Indo-Bhutan Free Trade, Commerce and Transit Treaty of 1972. Thus India continually has shared her contribution to Bhutan's Five Year Plan in form grant and aid and loan especially in the field of hydropower, which resulted increase of hydropower in the export of Bhutan to India. In 2011, the largest share to country's Gross Domestic Product (GDP) was from hydropower with 17.05% of the total revenue.¹² No doubt hydroelectric project, are increased on day by day and economy of Bhutan has been steering up. But in spite of this, decrease domestic revenue and Gross Domestic Product (GDP) and rupee crunch are some of the serious threat that Bhutanese society has to face at present. Truly, mega project launched by India, growing private sector loan, trade balance, increased external debt inappropriate (cross border) trade practice adopted while importing and exporting goods from and to India are considered for rupee crunch. Intellectual identified the reason of rupee crunch as “The rupees for the (mega) projects are paid only after a few months and in the meantime Bhutan has to spend its limited rupees creating a shortage”.¹³

⁸ For details see S. D Muni quoted by Dhairya Maheshwari, “*Bhutan's new P.M's economic agenda to “affect relations” with New Delhi*”, National Herald, 28 October 2018, at <https://www.nationalheraldindia.com/international/bhutans-new-pms-economic-agenda-to-affect-relations-with-new-delhi>, accessed on 21 July 2019 at 1.30 p.m.

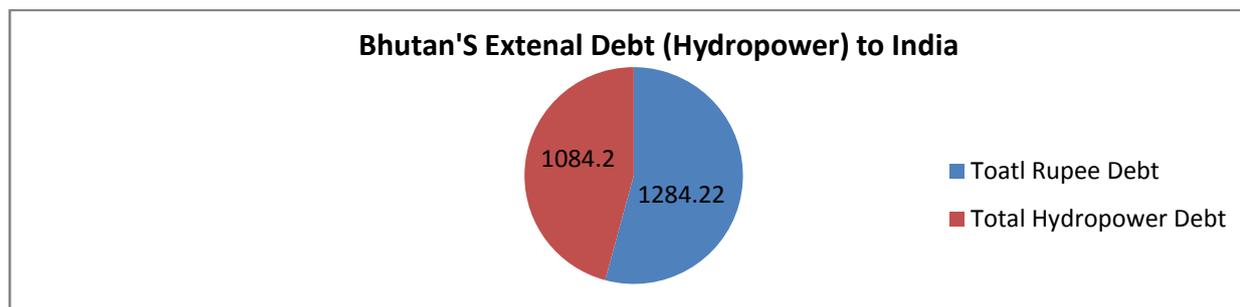
⁹ Ibid.

¹⁰ Annual Report 2016/2017, Royal Monetary Authority of Bhutan, p-xiv.

¹¹ Indo-Bhutan Friendship Treaty 2007.

¹² National Revenue Report 2011-2012, Department of Revenue and Customs, Ministry of Finance, Royal Government of Bhutan.

¹³ For details see Tensing Lamsang, “Opportunities, Issues and Regional Cooperation in the India Bhutan Hydropower Development Story”, The Bhutanese, October 11, 2013, at <https://thebhutanese.bt/opportunities-issues-and-regional-cooperation-in-the-indo-bhutan-hydropower-development-story/>, accessed on 12 July 2019 at 12.15 a.m.

Figure 1.1 Bhutan Hydropower Debt to India

Source: *Annual Report of Royal Monetary Authority, 2016-2017, Royal Government of Bhutan, Thimphu.*

Figure 1.2 Bhutan Youth Unemployment rate (%)

2010		2011		2012		2013		2014		2015		2016	
M	F	M	F	M	F	M	F	M	F	M	F	M	F
7.1	11.0	6.8	10.9	7.3	7.2	9.2	9.9	8.6	10.0	8.2	12.7	16.4	11.0

Source: *Labor Force Survey Report, 2016, Ministry of Labor and Human Resources, RoGB, Thimphu.*

Political Issues:

Un like economy, political relations between India and Bhutan has been considering more convergence in terms of their mutual interest. However with the beginning of 21st century Bhutan's internal political variable especially the issue of Lothshampas (the people speaking Nepali) and the use of her soil by some anti-Indian militant group viz United Liberation Front of Assam (ULFA), Kamotapur Liberation Tiger Froce (KLTF) and Bodoland Liberation Tiger Froce (BLTF) had been deemed to be fuel to drive the engine of deadlock in strengthening the bilateral relation between India and Bhutan. It is also noteworthy to mention that Bhutan shares the border of thickly populated Nepali speaking province West Bengal and the entire process of dropping out of Nepali speaking people from the southern part of Bhutan was started during the midst of 20th century in the name of building Bhutanesehood through initiating dress code and other measures resulted to be homeless more than one lacs of Nepali speaking people of southern Bhutan by the end of the said century. Many of them had settled in the refugee camp of Nepal and others were in the border part of Indian province West Bengal and Assam. The issue had continued with the crackdown of militant group from southern part of Bhutan with the joint venture of India and Bhutan arm personals, which again subsequently led to the close down of open border in 2003 on the side of Bhutan to India especially to the border areas of Assam. Though border gate were reopened but at political level an axes of triad as China-Bhutan-India has been becoming a new paradigm in the realm of bilateral relations between India and Bhutan, which is quite clear from the India's blocked of essential commodities to Bhutan in summer 2013, when Bhutan was going for her second general election to National Assembly. Truly, discontentment among the new civil society exceed to that point at which they usually viewed that the direct intervention of India in the internal affairs of Bhutan seems to have breached an unwritten but accepted protocol of understanding between China and India. The unpublicized but accepted protocol seems to be, "Tibet is Chinese internal affairs and Sikkim is India's internal affair. And let the kingdom of Bhutan exercise her own sovereign choice".¹⁴ Again the sentiment of nationhood that Bhutan has cherished along with the militant activity in the bordering area of India indirectly influence the very existence of relation at level of people to people contact and finally in the bilateral relations between India and Bhutan. Recently refusal of Bhutan to sign Bhutan Bangladesh India and Nepal Motor Vehicle Agreement (BBIN-MVA) 2015 under the auspice of India's Act East Policy (AEP) has clearly Quoting Nihar Nayak a Research Fellow of Institute of Defence and Strategic

¹⁴ See for details Wangcha Sangey, "The After Effect of Indian interference in Bhutan Election", 8th August, 2013 at http://wangchasangey.blogspot.com/2013/08/the-after-effects-of-indian_8.html , accessed on 6 May 2019, at 2.00 pm.

Analysis (IDSA), Pratim Ranjoan Bose stated that “Pema Gamtsho, successor of J. Y. Thinley is the principal opposition giving rumblings against BBIN-MVI along with the free movement of passenger especially Nepali’s”.¹⁵ Again in 2016, Bhutanese authority identified the unlawful activities prevailing in the bordering area as the sole obstacle behind the acceptance of BBIN-MVA. “Bhutan trackers and passenger continue to face harassment such as requirement to pay illegal money, unauthorized levies and coerced donation aggravated by interferences of illegal and quasi-legal authorities as well as involvement of middle man will not be addressed by MVI”.¹⁶ In fact this stagnation is the consequence of the persuasion of New Delhi’s attitude to buy loyalty through economic aid from Bhutan and the failure to assimilate the young generation of people of Bhutan specially the bordering area. Though the tenability of colonial-style protectorate-ship vanished, India’s new born Englishmen started to take Bhutan for guaranteed. In fact, they mistook Bhutanese adherence to their obeisance to India paternalism. Scores of commentaries have concluded that such misconception and mistaken assumption have bed resentments, resulting in India’s foreign policy topsy-turvy.¹⁷

Security Issues:

The strategic perspective of Indo-Bhutan bilateral relations rest on the security implication to both of them and it has been considering as very much influential from the policy of People Republic of China. The boundary talk between Bhutan and China exceed to the number of twenty-fourth in 2016 since its inception in 1984 but still become less fruitful due to the question of China’s objection on the India’s involvement in this talk and dearth of India’s willingness to solve the burning problem. Discussion on the role of India until amendment of Article 2 of Indo-Bhutan Treaty of 1949 on demarcation of Sino-Bhutan border was full of India’s negative approach to the problem. Hence the popular sentiment is “Bhutan is not only landlocked but, more importantly, it is India-locked”.¹⁸ Medha Bisht, an analyst of Institute Peace and Conflict Study has classified the phase of Sino-Bhutan boundary talk as engagement phase of 1984, redistribution phase of 1996 and normalization phase of 2000 stated that most stagnant point of Sino-Bhutan boundary talk was the China’s offer of Package deal proposing an exchange of Pasamlung Jakalung Viley totaling an area of 495 sq km of central Bhutan with the pasture land of Doklam, Sinchulung, Dramana and Shakatoe amounting to 269 sq km North Western Bhutan.¹⁷ Thus Sino-Bhutan bilateral talk by the end of year 2000s, though in its origin in 1950s was concentrated to formal resolution of a total disputed border of 764 sq km, but has been redirected to strategic perspectives which shifted from package deal in 1996 to employment of soft power including construction of road, airport and other developmental priorities both in the Bhutan’s border area of Tibet and Chumby Valley on one hand and direct economic aid and assistance to Bhutan on the other. China’s construction of road in Tibet, especially in the border area of Bhutan, estimated to be 75470 km as on 2014, whereas construction of road Gyantse to Phari (in the sensitive Yadong country, where Chumby Valley is located) has become a serious threat to India and Bhutan since Phari was a traditional trading hub for Bhutan, and is about an eight –hour walk from the Bhutan-China border.¹⁹ Thus development domain of Tibet and the border areas of Chumby Valley, which is only km from Silliguri, the chicken neck to access Indian north eastern state, led by China, has been considered a milestone in terms of security perspectives both for Bhutan and India. Now it has been regularly reported the Tibetan infiltration to north western part of Bhutan backed behind by China. Medha Bisht pointed out that “Chinese soldiers have touched upon Royal Bhutan Army (RBA) outposts several times. Stealing yaks, medicinal herbs and timber by Tibetan herders is also a common activity- an aspect which directly impacts the livelihood needs of the Common people of Bhutan residing in the border areas.

¹⁵ See for details Pritom Ranjan Bose, *Bhutan says exit of BBIN Motor Vehicle Agreement is Temporary*, <https://www.thehindubusinessline.com/economy/logistics/bhutan-says-exit-from-bbin-motor-vehicles-pact-is-temporary/article9685062.ece>

¹⁶ Review Report on Motor Vehicles Agreement for the Regulation of Passengers and Cargo Vehicular Traffic between Bangladesh, Bhutan, India and Nepal, Legislative Committee, National Council of Bhutan, October 2016, [https://www.nationalcouncil.bt/assets/uploads/files/BBIN%20Report%20Final\(1\).pdf](https://www.nationalcouncil.bt/assets/uploads/files/BBIN%20Report%20Final(1).pdf), accessed on 18 August 2019, at 2.30 pm.

¹⁷ For details see P. Stobdan, “*India and Bhutan: The strategic Imperative*”, IDSA, Occasional Paper, No 36, September 2014, p-6.

¹⁸ For details see Gopila Acharya, “*When the Small Dragon Meets the Big One*”, IPA Journal, July 30, 2012 at <http://www.ipajournal.com/2012/07/30/when-the-small-dragon-met-the-big-one/>, accessed on 12 April 2019 at 1.20 pm.

¹⁹ See for details Medha Bisht, “Sino- Bhutan Boundary Negotiations : Complexities of ‘Package Deal’”, IDSA Comment, 19 January 2010, at https://idsa.in/idsacomments/Sino-BhutanBoundaryNegotiations_mbisht_190110, accessed on 28 October 2019, at 11.15 am.

The Chinese response to Bhutanese objections has however been unequivocal whereby China has officially conveyed that as there has been no agreement on its proposal it cannot²⁰. Again the provision of scholarship to the student of Bhutan, encouraging tourism and cultural exchange in the field of art and literature, game and sport to equip new generation of Bhutan,²¹ express the use of soft power by China and its acceptability among the said generation is great concern for Indo-Bhutan bilateral relation in 21st century. In the statement of Bhutan Post Corporation Limited (BPCL) in 2012 regarding allocation of tender to a Chinese company, Global Traders and Gangjung (GT) condemn the deficiency of buses manufactured by India is a great concern,²² in the sense of shifting preference from India to China among the present stakeholder of Bhutanese society. Thus Indo-Bhutan relations which is being continued through security perspective of both of the countries has become matter of discussion and genuinely pose a question, why China initiated such kind of activity in the tiny land of Bhutan? Are they prepared themselves to ouster the pro-India sentiment from the land of Bhutan in future? The answers for these questions revolve to the more dynamic Indo-Bhutan bilateral relations. Tilak answers for these questions revolve to the more dynamic Indo-Bhutan bilateral relations. Tilak Jha viewed that “Bhutan could play critical role for China: firstly in furthering its strategic depth against India’s North- Eastern periphery; second in restraining its Tibetan dilemma from spilling over into Bhutan; and lastly in stopping Bhutan from being guided by Indian concern alone”.²³ Hence it is urge for India and Bhutan to meet this situation at the very outset in terms of her security perspectives is concern in near future.

Findings: Findings of the above study reveals that bilateral relations between India and Bhutan is very much governed by the domestic variables in context of economy, polity and strategic aspect of Bhutan along with the approach of New Delhi towards dealing with the major issues that are confronting by both countries in the 21st century. Some suggestions are being put forwarded in this regard.

Suggestion:

To cope up these challenges and carry on the mutual bilateral relations to future ahead, it becomes obligation to evolve and initiate some remedial responses behind the foreign policy decision making process of India and Bhutan.

For India

(i) Encouragement to Bhutan’s Look South Policy: Since Bhutan has come foreword by initiating trade practice with Bangladesh and Nepal, it is the responsibility for India to nurture it through by adopting more liberal attitude and encouragement to flourish it.

(ii) India’s focus should be shifted from New Delhi to Bhutan’s bordering areas: The focus of India’s foreign policy should be shifted from New Delhi to cross border areas of Bhutan. More and more importance should be given on the infrastructure development of India’s bordering areas to Bhutan so that people to people contact both between bordering areas could be improved and sustain.

(iii) Employment Generation in Bhutan: Since lack of proper human resources to be engage in the different development sector initiated by India specially hydropower sector and low growth of primary sector of economy of Bhutan unemployment has been reckoning the latter’s economy in a adverse manner hence India’s development aid must concern the local sentiment in terms of generating employment opportunity in Bhutan.

(iv) A defence mechanism should set up: In order to check out Chinese engagement in Bhutan, a defence mechanism should be set up in joint venture by Ministry of External Affairs and Ministry of Defence in Sikkim so that any misunderstanding could not inculcated Indo-Bhutan bilateral relations to be failure in future ahead.

(v) Aware of cultural sensitiveness: India should be aware of cultural sensitiveness of Bhutan’s people. Provision to shift the location of Institute of Military Training (IMTRAT) head quarter from Ha District of North western Bhutan should be reviewed so far as possible.

(vi) Impact evaluation of hydropower sector: Flood and shortage of river water has been considered to be a serious problem for harvesting agricultural crops and pursuing animal husbandry in the bordering areas of India

²⁰ For details see Medha Bisht, “Sino- Bhutan Boundary Negotiations : Complexities of ‘Package Deal’, IDSA Comment, 19 January 2010, at https://idsa.in/idsacomments/Sino-BhutanBoundaryNegotiations_mbisht_190110, accessed on 28 October 2019, at 11.15

²¹ For details see Sudha Ramchandran & Hansini Hariharan, Shibani Mehta, “*Strategic Assessment: India Bhutan Relation- Fostering Friendship*”, Takshashila Policy Advisory, 8th May 2018, p- 5.

²² See for details see Medha Bisht note 5, p-4

²³ For details see Tilak Jha, 2013, “China and Its Peripheries: Limited Objectives in Bhutan”, Institute of Peace and Conflict Studies, Issues Brief # 233, p-

and Bhutan, which according to the people of this locality is the result of fast growing hydropower project of Bhutan. Though impact evaluation of hydropower sector is the sole responsibility of Royal Government of Bhutan but a combined impact assessment of hydel dam and potential possibilities of Glacial Lake Outburst flood (GLOF) and Land Slide dam Outburst flood (LSOF) should be carried out in a joint venture of India and Bhutan along with the evaluation of basin-wide studies of river that are flows from Bhutan to plain of India. However the view of people of the bordering areas of India and Bhutan in terms of impact evaluation hydropower sector must be heard and justified.

For Bhutan

(i) **Promotion of Agriculture, Animal Husbandry and traditional craft:** Instead of overwhelming importance on hydropower sector Bhutan should put due consideration on the promotion of traditional craft. Ministry of Agriculture and Food of Royal Government of Bhutan should given special attention on the promotion of agricultural activities and animal husbandry, which might be able to absorb both rural and urban employment scenario to a extent.

(ii) **Promotion of Small and Cottage Industry:** Small and cottage industry has been proved to be another landmark in the solution of unemployment problem in India. Bhutan also could apply this to solve her unemployment problem.

(iii) **Improvement of Border Infrastructure, Management and Custom legislation practice:** Royal Government of Bhutan should put additional importance on the development of infrastructure i.e., road, electricity, telecommunication, data connection and finally custom legislation and practice so that export and import of Goods and service would be benefited.

(iv) **Trade Related Technical Assistance and Membership in International Investment Treaties:** Royal Government of Bhutan should sought trade related assistance from international community along with the attempt to be member of international investment treaty for incoming investment and finally to curb trade deficit resulted from trade balance of her through export and import.

(v) **Build up of Southern Bhutan as Industrial Belt (Economic Zone):** Since as a industrial belt Phuentsholing has been almost grown up hence Royal Government of Bhutan should put due consideration in building up Sandrup Jongkhar, the South Eastern Bhutan as an industrial belt or economic zone in future ahead.

(vi) **Moderate Tariff Policy on Tourism:** Moderate tariff policy should be adopted to encourage the flow of tourist to Bhutan.

(vii) **Foreign Direct Investment:** Though Royal Government of Bhutan has launched Foreign Direct Investment in 2002 but much has to achieve in this regard. Public and Private sector should jointly indulge in the field of transport, telecommunication, education and health and medical so that job would be created to unemployed of Bhutan.