

## India-Bhutan Bilateral Relations

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### **Abstract**

***Former Prime Minister Atal Bihari Vajpayee stated that 'Friends can change but not neighbors who have to live together.'***

*India's foreign policy has been rooted in its civilizational heritage, its geopolitical situation, its composite culture, the country's collective sub-consciousness, and in the policies and programmes of its government leaders. Although rapid changes are taking place at both the international and national levels, in order to understand a country's foreign policy, one needs to analyze the factors that shape its foreign policy. After independent the principle tool of India's foreign policy was the Non-Alignment Movement (NAM) which enabled India to actively engage in international politics without surrendering its identity and independent foreign policy, and to concentrate on domestic development. Therefore, in the 21st century, India needs to adopt a foreign policy, which could cope with her global and regional responsibilities as an emerging power among developing countries.*

***Key words:*** Colonialism, Dense Interdependencies, Gross National appiness, Gujral Doctrine, Militants, Neighborhood, Non-Alignment Movement

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## **Introduction**

Contemporary Indian foreign policy is focused largely on the promotion of economic interests, India's graduation to the high table of international relations, and most consistently since its independence, on enhancing its security within its immediate neighborhood, approaches to which has evolved over the decades. India shares land and maritime boundaries with eight countries-Bangladesh, Bhutan, China, Maldives, Nepal, Pakistan, and Srilanka. Setting aside China, Maldives and Bhutan-mostly at peace –six countries on India's immediate neighborhood have been on the boil on and off for many years. India accepts the reality that it must live with the neighbors it has, preferably peacefully.

With respect to cooperation, India sought to engineer a marked improvement in its relations with most of its immediate neighbors as of the 1990s, building on the articulation of the '**Gujral Doctrine**' in 1996. The accelerated development of every country in the subcontinent was a key goal of this doctrine. 'First establish yourself in your neighborhood-by privileging the neighborhood in your foreign policy scheme and strengthening or wining trust and confidence in both areas of strengthen and areas of problematical, or even bad relations. Leaving aside issue of implementation, two overlapping strands emerge clearly in India's contemporary neighborhood policy: security and development.

## **A Historical Background on Indo-Bhutan Relations**

In neighbors series India and Bhutan enjoyed a cordial but distant relationship quite recently. Bhutan's closest friend is its southern neighbor India. The two countries enjoy a special relation that extends far beyond geography to deep-rooted religious, cultural, historical and economic ties. Friendship encompasses these wide range of areas and issues of common interests. Nevertheless, Bhutanese society has traditionally been sensitive to issues of security, and preserving its sovereign independence and territorial integrity has historically been a constant challenge. By the early half of the 20th century, developments in the Himalayan region prompted Bhutan to re-evaluate the usefulness of its isolationist policy. Within this context, Bhutan began to develop political orientation towards its southern neighbor - nurturing a close relationship with India was one way of enhancing its own territorial security while at the same time enhancing the prospects for socioeconomic development. Since the 1950s, Bhutan's foreign policy focused on building a close relationship with its southern neighbor, thereby enhancing its territorial security and prospects for socioeconomic development. The foundation of this unique relation was laid by the King His Majesty Jigme Dorji Wang chuck and Indian Prime Minister Pandit Jawaharlal Nehru on the basis of mutual trust, friendship and neighborly cooperation. The first visit of India's Prime Minister Jawaharlal Nehru to Paro Bhutan in 1958 was the initiation of a "special relationship" between the two countries. As of now,

Bhutan has diplomatic bilateral relations with 22 countries. However, the adoption of the unique development philosophy of **Gross National Happiness** has brought about a distinct position for Bhutan in the region and beyond, and it is this principle that is meant to serve as the guiding philosophy in Bhutan's socioeconomic development initiatives.

### **Relations with Independent India**

Bhutan's first contact with India in the realm of political relations was through the British East India Company in 1773. British interference in what Bhutan considered as political right on Cooch Behar affairs shaped its relation with the British, and later with independent India. As the **Treaty of Punakha** did not define Bhutan's status technically or legally, and the British did not realize the necessity for Bhutan's external relations so long as the country remained isolated and inward-looking, there was some uncertainty over Bhutan's relation with India during the time that British rule in India was coming to an end. After independence in 1947, the Government of India signed 'standstill agreement' with Sikkim, Nepal and Tibet to continue existing relations until new agreements were signed. Bhutan's own status became clearer when Nehru invited Bhutan to participate in the Asian Relations Conference in 1947 – the first international conference that Bhutan participated in. The Bhutanese delegation went to India in as far as 1948 to negotiate a fresh treaty although the negotiation for a new Indo-Bhutan Treaty started only in the summer of 1949. Bhutan's main objectives were to reaffirm India's recognition of its independence and for the restoration of Dewangiri in south-eastern Bhutan ceded to British India under the **Treaty of Sinchula (1965)**; on India's part, it surrendered the 32 km territory of Dewangiri (Deothang) to remove any fear of India's alleged imperialistic designs, and to prevent Bhutan from looking north.

**The Indo-Bhutan Treaty of 1949** forms the basis for formal relations between the two countries. The ten-article treaty provides for, among others, "peace and friendship", "free trade and commerce", between the two countries and "the government of India agrees to grant the Government of Bhutan every facility for the carriage, by land and water, of its produce throughout the territory of the Government of India, ..." A year later in 1950, the People's Liberation Army (PLA) entered Tibet to what it called 'liberate' Tibet and defend China's frontiers; China disputed the McMahon border line with India. This development changed the geopolitical scene not only in Bhutan but also in the entire Himalayan region and Indian subcontinent. Tibet's fate was a warning to Bhutan that an isolationist policy could cost it its independence. The country was forced to re-evaluate this traditional policy of isolation, and the need to develop its lines of communications with India became an urgent necessity. As a consequence Bhutan moved closer to India and the process of modernization began with the acceptance of India's assistance in its development

programmes.

### **A Great Variety of Bhutan's Foreign Relations**

#### **Development Assistance and Economic Relations**

Mutually beneficial economic inter-linkages between India and Bhutan have been an important element in our bilateral relations. India continues to be the largest trade and development partner of Bhutan. Planned development efforts in Bhutan began in the early 1960s. Planned development in Bhutan began in 1961, with the first two Five Year Plans (FYP) wholly financed by the Government of India. Over the last four decades, India has provided assistance mainly in the social sectors such as education and human resource development, health, hydropower development, agriculture, and roads. In addition, India also provides partial or full grant assistance and gradually, economic relations have evolved with cooperation extending towards mutually beneficial projects such as in hydropower development and industrial projects. These projects are taken up outside of the FYP programmes with many major works awarded to Indian companies. Important projects invested in under Government of India Royal Government of Bhutan cooperation include the Chhukha (336MW), Kurichhu (60MW), and Tala (1020MW) Hydro Power Projects; the Penden and Dungsam Cement Projects; and the Paro Airport Project. With the huge Indian market for electricity currently facing domestic supply difficulties, Bhutan has high potential to offer supply relief to India – presently, approximately ninety percent of electricity generated in Bhutan is exported to India, and this only translates to 0.5 of the total demand.

#### **Trade and Investment**

The first recorded Indo-Bhutanese trade link was established in the post-turmoil period of Cooch Behar annexation by Bhutan and the subsequent peace initiatives, which culminated into the Anglo-Bhutanese Treaty of 1774. This Treaty made it possible for the Bhutanese traders to visit Bengal to sell and buy goods; this can be considered a rudimentary form of export-import reported between Bhutan and India.

Over the period of 1981-2001, Bhutan's exports to India accounted for an average of 86.5 percent of its exports, and imports from India accounted for an average 79 percent of the total imports. Bhutan's main items for export to India are electricity, mineral products, product of chemical industries, base metals and products, and wood and wood products with hydropower generation being the most important area of comparative advantage. Imports from India include a wide range of items including machinery, mechanical appliances, base metals, electronic items, foodstuff and other basic necessities and consumer items. Indian companies such as the Jaiprakash Industries and NHPC carry out major works for the Tala and Kurichhu Power Projects respectively. In light of an already thriving trade and investment

relation between the two countries, as well as the proximity, one may anticipate that since the coming of the FDI policy, the major investors in Bhutan could well be Indian companies. India's role figures into the FDI-related proposal for export processing of imported agricultural raw materials under the agriculture-processing sector. This proposal is "firmly focused on the Indian market", meaning that the companies most likely to profit from such activities will be those already established in the Indian market and see investment in Bhutan as a lower-cost alternative for servicing their existing market.

India is not only Bhutan's main development partner but also its leading trade partner. A free trade regime exists between India and Bhutan. The India-Bhutan Trade and Commerce Agreement, which expired in March 2005, have been renewed for a period of 10 years. Currently, the major items of exports from Bhutan to India are electricity (from Tala, Chukha and Kurichhu Hydroelectric Project), base metals and articles, minerals, vegetable fat and oils, alcoholic beverages, chemicals, cement, timber and wood products, cardamom, fruit products, potatoes, oranges and apples, raw silk, plastic and rubber products. Major exports from India to Bhutan are petroleum products, mineral products, base metals and articles, machinery, automobiles & spares, vegetable, nuts, spices, processed food and animal products, chemicals, wood, plastic and rubber. Sixteen exit/entry points in India identified in the Protocol for Bhutan's third country.

In 2016, total bilateral trade between the two countries stood at Rs. 8,723 crore with total imports being Rs. 5528.5 crore (82% of Bhutan's total imports) and exports recorded as Rs. 3205.2 crore including electricity (90% of Bhutan's total exports).

### **Labor Relations**

Beginning with the inception of development plans in the 1960s, Bhutan's requirement of semi-skilled and unskilled labor has been filled in by expatriates, particularly Indians, first in road construction and then in other sectors such as mining, agro-based industries and hydropower projects with the shift in development priorities. From road-workers to teachers, medical personnel, engineers, accountants, and administrators, India's labor contribution to Bhutan has been invaluable. In the final analysis, it can be inferred that the recruitment of Indian laborers to work in different aspects of Bhutanese economy has so far been mutually beneficial. The development activities and growth of Bhutanese economy is a source of direct employment for people in the Indian states of West Bengal and Assam particularly. At the same time, their availability spurred the growth of industries in Bhutan's border towns.

### **Other Areas of Cooperation**

The benefits of Indo-Bhutan relations are also prominent in other areas such as education and culture where there is a high level of interaction. The Indian

government provides about fifty scholarships annually to Bhutanese students for their higher studies in India. PM Modi announced doubling of the Nehru Wangchuck Scholarship to Rs. 2 crore/year. In 2001 a cultural exhibition titled, “The Living Religious and Cultural Traditions of Bhutan” was hosted by the Indian government at New Delhi and Kolkata; consequently, a six-month Festival of India was held in Bhutan from June to November 2003 – the main purpose of these initiatives has been to strengthen the ties of friendship, and to create awareness among the people of the many areas of commonalities between the two countries.

In the international fora, Bhutan has not always voted a hundred percent in line with India but it has consistently supported India’s position on most occasions and significant issues. Some of these include issues of the CTBT, the establishment of Nuclear Weapons Free Zone in South Asia, India’s aspirations to be a permanent member of the UN Security Council, India’s candidature to various international bodies, negotiations in the WTO, and the importance of India in the success of SAARC.

#### **Election Commissions**

The institutional cooperation has been formalized through signing of a MoU between the two Election Commissions during the visit of our Chief Election Commissioner in May 2006. India has extended full assistance to Bhutan in formulating its election laws. Government of India also provided helicopters during the National Council elections to transfer election officials and equipment to remote areas.

The Government of India also facilitated holding of a workshop in Thimphu for senior bureaucrats in Bhutan on ‘Democratic Constitutional Monarchy’ with eminent civil servants from India acting as resource persons.

#### **Issues of Concern**

Although Bhutan and India share an extraordinary friendship; there are some issues that are of concern to both countries. These are mainly centered on the illegal presence of militants in Bhutan rebelling against the Indian government, the state of relations with China, and (more exclusively for Bhutan) the liberalization policies in India.

#### **Illegal Presence of Militants**

The illicit establishment of camps by groups of armed militants in the dense jungles of South-east Bhutan has been a matter of great security concern for Bhutan over the last decade. Their unwanted but continued presence on Bhutanese soil has not only posed potential threat to the friendly relations between Bhutan and India, but has also created problems for commercial activities of the business sector and affected implementation of development programmes in the country. The United Liberation Front of Assam (ULFA) militants are fighting for the independence of Assam, while the National Democratic Front of Bodos (NDFB) militants are fighting

for an independent state of Bodoland. The need for a peaceful resolution has been stressed repeatedly by the government in keeping with the fact that in spite of their actions, the militants are nonetheless citizens of India from the neighboring states of Assam and West Bengal; besides consideration of the close ties between India and Bhutan, it is of special concern to the Bhutanese that this matter be solved peacefully without claim on precious lives, and without affecting Indo-Bhutan relations.

### **Indo-Bhutan Relations in Present Scenario**

Newly appointed Prime Minister of India Mr. Narendra Modi made his first foreign trip to Bhutan on 15<sup>th</sup> -16<sup>th</sup> June 2014. While addressing a joint session of the Bhutan Parliament, he mentioned: 'relationship with Bhutan will be a key foreign policy priority of my government. During the visit, he laid the foundation stone of the 600 MW Kholongchhu Hydropower Project and inaugurated the Supreme Court building, which was constructed with Government of India's assistance. Besides exchanging views and discussing bilateral relations and economic cooperation, He also announced Government of India's assistance for establishment of an E-Library project covering all the 20 districts of Bhutan. The visit was made in haste and obviously to preempt any negative consequences of the China-Bhutan Boundary talk scheduled in Beijing in July. The visit also indicated the importance of the Himalayan nation in the strategic calculus of India. The good neighborly relationship was cemented way back when India's first Prime Minister Pandit Nehru visited Bhutan in 1958. The long relationship of these two countries is based on the 'soft power'. Nowhere in the world, have two countries existed in perfect harmony as Bhutan and India have done that many cities envy.

### **Conclusion**

Aware of its small size, lack of advanced technology and military defense capabilities, Bhutan has had to rely on alternative security measures such as "national identity for cultural cohesion, and neutrality to renew its long-term security" Being a landlocked, mountainous country, Bhutan's trade routes and access to the sea pass through India and it is thus largely dependent on the latter for its economic security. As the world globalizes and traditional barriers are broken down, Bhutan too is being swept into the process. Along the way, its traditional strongholds of national identity and cultural cohesion will continue to face increasing challenges, just as its long spell of internal peace and tranquility was challenged by issues manifesting out of regional situations like poverty, economic migration and militancy. Ever since Bhutan and India embarked upon the road of friendship and cooperation, the two countries have demonstrated that a journey of peace and mutual benefit between two neighbors can be pursued, even in a region where the level of economic disparity, terrorism and conflict is high. As Bhutan comes of age in the regional and international community, however, the spillovers of regional phenomena such as poverty, economic migration

and militancy have found their way into the traditional confines of Bhutanese society, requiring Bhutan to face the “other” realities of being part of the region and making the necessary adjustments. We can perhaps look at such a relation as a model of friendship and cooperation between close neighbors.

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