Chapter 5

Sri Lanka, Nepal and Bhutan

Sri Lanka's Ethnic Divide

India's relations with Sri Lanka are in large measure determined by the deep ethnic divide and unresolved conflict that has raged in Sri Lanka since its Independence in February 1948. India's principal interest in Sri Lanka arises out of the fact that Sinhala-majority Sri Lanka has a substantial Tamil population with close emotional, cultural and historical links to Tamils in India. There is considerable public sympathy within Tamil Nadu for the cause of the Sri Lankan Tamils, something that no government in New Delhi can ignore, the more so in today's era of coalition politics where regional Tamil parties exercise considerable influence in the Central Government. Although the Tamils and Sinhalese had been living peacefully on the same island for centuries, colonial Britain's policy of openly favouring the minority Tamils in administrative jobs created resentment among the majority Sinhalese, creating a backlash that swung the pendulum to the other extreme after Sri Lanka gained independence. A series of steps taken by Sinhalese leaders since the start of the government-driven policy to convert Sri Lanka into a Sinhala Buddhist nation made the Tamils living in Sri Lanka feel like second-class citizens.

The Tamil population in Sri Lanka consists of two distinct elements. The first is the much larger group of Sri Lankan Tamils, who have lived for centuries in the areas of traditional

Tamil habitation in northern and eastern Sri Lanka. A subset of the Sri Lankan Tamils is the Muslim Tamils, who have in recent decades gradually acquired a separate cultural and political identity. The second is a smaller group of so-called Indian Tamils taken by the British colonialists from India as indentured labour to work on the tea and rubber plantations in the Sri Lanka highlands. Any real or perceived discrimination against either category of Tamils has an understandable fall-out in India. The problem started immediately after Sri Lanka's Independence when as a result of the provisions of the Citizenship Acts of 1948 and 1949 a majority of the Indian Tamils became stateless and Sri Lanka sought their repatriation to India.

While Jawaharlal Nehru was cautious in accepting the Sri Lankan demand and agreed to accept as Indian citizens only those Tamils in Sri Lanka who qualified under the provisions of the Indian Constitution, Prime Ministers Lal Bahadur Shastri and Indira Gandhi signed bilateral agreements in this regard with the Sri Lankan Government in 1964 and 1974 respectively. These agreements acknowledged that the Indian Tamils were the joint responsibility of both Sri Lanka and India and provided for the repatriation of a fixed number of Indian Tamils to India. While this gesture on India's part did remove an irritant in the India–Sri Lanka relations, it has not completely solved the problem of the Indian Tamils. A large number of them who do not wish to be repatriated to India remain in Sri Lanka and may once again become stateless. At the same time, India's approach may well have created more problems in the long term through the message it sent out to both the Sri Lankan Government as well as the Sri Lankan Tamils. On the one hand, it reinforced Sinhala chauvinist sentiment that Tamils (both Indian and Sri Lankan) did not really belong to Sri Lanka and were India's responsibility. On the other hand, it conveyed to the Sri Lankan Tamils that they could count on popular sentiment in Tamil Nadu to manipulate India's position in their favour. India's 1971 operations in Bangladesh further strengthened the conviction of many Sri Lankan Tamil leaders that India would intervene in Sri Lanka to 'liberate' Tamils on the lines of what it had done in Bangladesh.

The policy that India under Indira Gandhi followed in the early 1980s in supporting Sri Lankan Tamil parties and Tamil militant groups certainly seemed to point in this direction. The 1983 anti-Tamil riots in Sri Lanka, which led to a brutal crackdown on Tamils and the exodus of large numbers of Tamil refugees to India, however, spurred India under Rajiv Gandhi to be more active in pushing the Sri Lankan Government to find a solution that would satisfy the Sri Lankan Tamils. Most notable was India's initiative in arranging talks between the Sri Lankan Government and the various Tamil groups and parties, including the Liberation Tigers of Tamil Eelam (LTTE), in Thimpu and elsewhere in 1985–86. Regrettably, but unsurprisingly, these talks failed and the Sri Lankan civil war continued.

India's Security Concerns

A second Indian concern is that Sri Lanka should be stable and united without any inimical foreign presence in that country. India does not want a separate Tamil State to come up in Sri Lanka, as this would have the potential of stoking Tamil regional sentiments within India. The recent flare-up in Malaysia over the discrimination against the Indians, a large percentage of whom are Tamils, has given a fillip to Tamil nationalism. Faced with many secessionist movements within the country, India can hardly encourage the breakup of another country. Moreover, any independent Tamil State in Sri Lanka is likely to become dependent on outside powers for its survival. Even in a united Sri Lanka, India cannot afford to have an inimical foreign presence in this strategically located neighbour, since that could pose a direct threat to the various nuclear, space and defence establishments concentrated in peninsular India. India's approach creates understandable sensitivities within Sri Lanka.

As the civil war raged in Sri Lanka in the early and mid-1980s, India was also increasingly concerned about the growing military ties of Sri Lanka with Pakistan and China, and Sri

Lanka's perceived strategic proximity to the West, especially after the US was given permission to set up a powerful Voice of America station in Sri Lanka—which India suspected of being a cover for electronic snooping on India—and a Singapore-based US company was given the leasing rights for oil storage tanks in the strategic harbour of Trincomalee. India sought to resolve its security concerns and the ethnic problem in Sri Lanka by resorting to strong-arm tactics in 1987. It dramatically airlifted relief supplies to Jaffna in northern Sri Lanka in June 1987 to break the Sri Lankan military's siege of the city. A month later, in July 1987, the India–Sri Lanka Accord was signed, paving the way for the deployment of the Indian Peace Keeping Force (IPKF) in Sri Lanka to enforce the Accord. India's concerns about the Voice of America radio station, about keeping out foreign military personnel and experts from the Sri Lankan army and about keeping foreign companies out of Trincomalee were also met in confidential letters exchanged at the time of the signing of the India–Sri Lanka Accord. The Sri Lankan Government passed the 13th Amendment to the Sri Lankan Constitution that provided for provincial autonomy to a united Tamil majority northern and eastern province. However, India's strategy failed because the LTTE and the Sri Lankan Government continued to distrust each other, and neither of them trusted India. It is not surprising that this Accord should have floundered in the light of double-crossing in which all sides were engaged. India, which till then had been arming and supporting the LTTE, was now attempting to disarm it, even as the LTTE continued to enjoy considerable support and funding from Tamil Nadu. Similarly, the Sri Lankan Government that had been fighting the LTTE and had invited the Indian military to help it to do so began to secretly supply weapons to the LTTE to fight the Indian army. The truce that followed the induction of the IPKF turned out to be a temporary one. Neither was the 13th Amendment implemented, nor did the Sri Lankan Army withdraw to the barracks, nor did the LTTE disarm. This bizarre situation obviously was unsustainable, and resulted in the hasty and unceremonious withdrawal of the IPKF in 1990. An enraged LTTE retaliated against India by assassinating Rajiv Gandhi in 1991.

The conflict in Sri Lanka continues to rage. Pressure on the LTTE from the international community mounted after the so-called Global War on Terror was launched post-9/11. Following the curbs that were imposed on the LTTE's functioning and fundraising in Western and other countries, the LTTE beat a tactical retreat. It agreed to a ceasefire in February 2002 and began talks with the Sri Lankan Government. Hopes that the ceasefire agreement of 2002 and the subsequent rounds of talks under the aegis of the Norwegian mediators (with the approval of India) would lead to an agreement faded, especially after Mahinda Rajapakse became President in November 2005. In January 2008, the Sri Lankan Government formally abrogated the ceasefire agreement and the Sri Lanka Monitoring Mission folded up. The essential problem is that neither the Sri Lankan Government nor the LTTE is sincere about seeking a political solution. Both the Sri Lankan Government and the LTTE appear convinced that they can militarily triumph over the other, even though a decisive military victory has eluded both sides for more than a quarter of a century. The Sri Lankan Government appears intent on dealing with the LTTE from a position of strength, while the LTTE's determination to seek a military solution seems to have been strengthened after it lost its control over the eastern province. Even if the LTTE, after its defeat in the eastern province, is defeated in the north, an inclusive political solution involving a credible devolution package will be required to satisfy the genuine grievances of the Tamils in Sri Lanka. Not sufficient serious thought is being given to this aspect of the ethnic conflict.

Having badly burnt its fingers by its military and diplomatic fiasco over the induction of the IPKF, India has stayed away from getting directly involved in the Sri Lankan conflict. Despite many entreaties by successive Sri Lankan governments and Tamil parties to play a more active role in ending the conflict and working out a negotiated settlement, India merely keeps a close and watchful eye on developments in Sri Lanka. Even if it wanted to, India cannot play a direct role in trying to resolve the Sri Lankan ethnic conflict. Politically, India's hands are tied as a result of Rajiv Gandhi's assassination since this precludes any contact with the LTTE, which remains banned in India.

Nor can India openly give military assistance to the Sri Lankan Government, which explains India's reluctance to sign the Defence Cooperation Agreement proposed by the Sri Lankan Government or to undertake high profile defence projects and activities in Sri Lanka. India has thereby left the field free for other powers like Norway, Japan, EU, China, Pakistan and the US to be much more active and influential in Sri Lanka than India would like, not just in steering the talks between the Sri Lankan Government and the LTTE but also in the military and economic field. India realizes that its cautious approach has led to an undesirable drift in India's Sri Lanka policy that should not be allowed to continue indefinitely. Fortunately, since Rajiv Gandhi's assassination, public opinion in Tamil Nadu has been turning away from the LTTE, even though LTTE still manages to influence the political debate in Tamil Nadu. India has been quietly undertaking military cooperation with Sri Lanka in the form of exchange of visits, training, sharing of intelligence, joint naval exercises and supply of non-lethal military equipments. It is heartening that, despite their experience with the IPKF, Sri Lankans today do not consider the Indian armed forces as a threat. Conscious of the influence of Tamil Nadu's politicians on India's Sri Lanka policy and of Tamil popular opinion regarding the LTTE, the Sri Lankan Government keeps its ear close to the ground in Tamil Nadu, where the influx of refugees has increased following the Sri Lankan Government's tough crackdown on the LTTE over the last couple of years.

Economic and People-to-People Ties

As India struggles to find a way to regain a central role in the resolution of Sri Lanka's ethnic conflict, the rapid growth of trade, economic and people-to-people ties between India and Sri Lanka over the last decade augurs well for the long-term future of India–Sri Lanka relations. Seeing an opportunity for itself in the growing Indian economy, Sri Lanka was the first country to sign a Free Trade Agreement (FTA) with India in 1998. The positive results of this agreement in promoting Sri Lanka's

exports and attracting Indian and foreign investment into Sri Lanka has prompted Sri Lanka to propose a Comprehensive Economic Partnership Agreement, which has been negotiated and is awaiting signature. Liberalization of air services has led to a sharp rise in the numbers of Indian tourists visiting Sri Lanka. In a remarkable turnaround, the Trincomalee Oil Tank Farm, an issue that was one of the triggers for the India–Sri Lanka Accord of 1987, has been taken on long lease by Lanka Indian Oil Corporation, a wholly owned subsidiary of Indian Oil Corporation in Sri Lanka. Sri Lanka has taken a conscious decision to seek closer economic integration with India, not only for the economic benefits it brings to Sri Lanka, but also because it believes that greater Indian stakes, both of the government and the private sector, in Sri Lanka's economy will bring Sri Lanka long-term political benefits in dealing with the LTTE. With the intention of improving connectivity between the two countries, Sri Lanka is keen to establish a land bridge between India and Sri Lanka, as opposed to the Sethusamudram Canal Project that certain vested interests in India have been pushing. India's long-term interest should be in establishing a land bridge connecting India and Sri Lanka, as has been done by many countries around the world that have an analogous geographical location.

While Pakistan and Bangladesh have complexes vis-à-vis India because of the circumstances of their creation, and Nepal and Bhutan feel vulnerable because of their small size and landlocked status, Sri Lanka is quite different from India's other neighbours. Although Sri Lanka as a much smaller neighbour of India does suffer from insecurities, India is not a bogeyman to the same extent as with India's other neighbours. Rich in resources and strategically located in the middle of the Indian Ocean, Sri Lanka has reason to be self-confident. Its people live longer, and are much better educated and more prosperous than other South Asians. Its history and culture is linked to, but sufficiently independent of, mainland India's. If instead of being a thriving prosperous country Sri Lanka today is the most militarized State in South Asia torn by an active ethnic conflict raging for over a quarter of a century, the blame

for this lies principally with the Sri Lankan people themselves. Perhaps a solution to the Sri Lankan conflict will have to await the emergence of an enlightened and united Sinhala leadership in Sri Lanka that does not suffer from a minority complex, the exit of LTTE's supreme leader Prabhakaran from the political scene and India's playing a more active role in Sri Lanka guided by its overall national interests rather than just Tamil Nadu politics.

Nepal: A Critically Important Neighbour

Relations with Nepal have a vitally important domestic as well as a foreign policy dimension for India. Many factors make India's relationship with Nepal critical. These include the extensive people-to-people, religious, cultural and economic links between the two countries, the open border and the resultant security problems for India, free Indian currency convertibility in Nepal, the presence of Gorkhas in the Indian army, the millions of Nepalis living and working in India, and the flow of major rivers from Nepal to India. As it enters uncharted political waters after the recent elections to the Constituent Assembly, Nepal poses a formidable challenge to Indian diplomacy. The monarchy, traditionally the symbol of Nepal's sovereignty and identity, is no more. From being a Hindu monarchy, Nepal has become a republican secular State. The domination of the Rana elite in Nepal's economy, politics and the military is greatly reduced. The Nepali Congress, traditionally the most influential political force in Nepal, has had to make way for the Maoists, who were for close to a decade political outcasts, feared and hounded by both the Nepali and the Indian establishments. The *Paharis*, the inhabitants of the hill areas who have dominated Nepali politics for decades, will now have to share power with the *Madheshis*, the people of the Terai region bordering India, in some kind of federal set-up, whose contours will be debated by the newly elected Constituent Assembly. It is noteworthy that both the President and the Vice President of Nepal are *Madhesis*. The immediate

post-election euphoria has given way to the expected rivalries among political forces and parties. All these new elements create fresh uncertainties in the already complex relationship between Nepal and India.

India–Nepal relations are regulated by the bilateral Treaty of Peace and Friendship of 1950, whereby the two countries agreed to grant each other's citizens national treatment in all matters, including taking up jobs, doing business and owning property. This was ensured through an open border and the free circulation of Indian currency in Nepal. The benefits were obviously more for Nepal, whose citizens could take advantage of India's big market and higher level of development. The reciprocal facilities that Indians were entitled to get in Nepal—as envisaged by the confidential letters exchanged—were generally not available in practice, though some Indians, principally Marwari traders, managed to take advantage of the provisions to set up very profitable trading and other businesses in Nepal. As it closely mirrored the 1923 Nepal–Britain Treaty, the 1950 India–Nepal Treaty did not materially change the extant situation. Nor was there any viable alternative before either side. In the absence of any natural geographical boundaries, it would have been virtually impossible, and financially ruinous, to close or even regulate the traditionally open India–Nepal border.

It is the security provisions of the Treaty that are noteworthy and have become controversial. The 1950 India–Nepal Treaty was signed against the backdrop of the impending Chinese invasion of Tibet after the Communists took over power in 1949. As India considered Nepal to be part of its security perimeter, it was keen to ensure that its security interests were protected in a new Treaty with Nepal. Under the Treaty, Nepal agreed to depend on India for its security. Through a confidential exchange of letters the two sides agreed that in case of any threat to the security of the other by a foreign aggressor, the two governments would consult with each other and devise effective countermeasures. Nepal agreed that it would not import arms, ammunition and other military equipments except with India's consent. As part of the follow-up measures to the 1950 Treaty, Nepal and India agreed that there would be joint manning of posts on the Nepal–Tibet border, and an Indian Military Mission was set up in Nepal.

India's payback to the Rana regime was its tacit agreement to protect it against the democratic winds that had begun blowing in Nepal too under the influence of the political ferment in India in the closing years of the British Raj. This was the first step taken by India in what has turned out to be a consistent policy and ability to be a decisive influence in Nepal's internal political affairs. Examples of this are the refuge granted to King Tribhuvan and the subsequent restoration of the monarchy in 1951; the support and facilities in India that Nepal's democratic movements and parties have received at various times for undertaking their political activities in Nepal; India's economic squeeze on Nepal in 1989–90 that led to the institution of the multiparty system in Nepal; or, most recently, the facilitation of the historic 12-point agreement between the Maoists and the seven-party alliance in 2005 which set the ball rolling for the new political arrangements that have come into being after the 2008 elections for a Constituent Assembly. On all these and other occasions, India has been, willy-nilly, an active player in Nepal's domestic politics. Nepal's political parties too have sometimes dabbled in Indian politics. But these have proved costly, as B.P. Koirala and the Nepali Congress found when they incurred the wrath of Indira Gandhi for supporting the movement of Jayaprakash Narayan in the mid-1970s that formed the backdrop to the notorious declaration of the Emergency in India in 1975. Thus, although India has been traditionally wary of the Maoists in Nepal because of their perceived links with and support to Indian Maoists, Naxalites and other insurgent groups, India's fears are probably overstated since not only is there no evidence of this but it is also highly unlikely that the Maoists would want to needlessly antagonize the Indian state.

The 'Ugly' Indian

In general, Indians have taken Nepal too much for granted. India's approach towards Nepal has been dismissive and neglectful. The Indian Government and public have never

shown adequate sensitivity to Nepali pride and uniqueness. Nepal is the only South Asian country that not only successfully fought off the British and escaped becoming a part of the British Empire in India but also has a tradition of expansionism and a self-perception of being the traditional 'superpower' of the Himalayas. Indian envoys to Nepal have often tended to behave like viceroys. Large sections of the Indian public, even the political class, have never quite understood much less appreciated the independent and sovereign nature of Nepal—Nepal is regarded and treated like another Indian State albeit vaguely somewhat different. Too little effort has been exerted in trying to understand the complexities of Nepal and the complexes of Nepal's ruling elite. Too much reliance has been traditionally placed on a narrow group of Indian interlocutors, such as Bihar politicians and bureaucrats or former Indian princely rulers having ties of kinship with the Nepali ruling elite.

Landlocked Nepal's umbilical and all-round dependency on India, combined with a fiercely independent and proud consciousness of its separateness from India, understandably made anti-Indianism the foundation of Nepali nationalism. Some of the fault for this lies with India. India's perceived priority to projects that served India's security and other needs rather than the development of Nepal aroused animosity and distrust of India in Nepal. On the ground, India's slipshod implementation of projects on the Kosi and Gandak Rivers in Nepal in the 1960s created suspicions that India had somehow cheated Nepal. This has given rise to negative feelings about India among wide sections of the Nepali public and acted as a hindrance to cooperation in other projects involving Nepal's water resources. It does not help India's image in Nepal that the Indian states that border Nepal are relatively poor and backward. The fact that the Indians across the border that cuts through the Terai region are the kith and kin of the Madhesis who have not been given a meaningful share in Nepal's power structure has tended to create a perverse, if wholly misplaced, superciliousness towards India on the part of the ruling Nepali elite.

Security Issues

India, however, does have real problems relating to Nepal. India's principal grouse is that the latter has not shown sufficient sensitivity to India's genuine security concerns arising out of the open border with India. Dramatically highlighted by the hijacking of the Indian Airlines flight from Kathmandu to Delhi in December 1999, these have remained a persistent headache for India for many decades. Nepal has become a useful and important centre for intelligence and subversive operations by foreign powers as well as non-state actors against India. The open border makes it easy to infiltrate spies, pump in forged currency, traffic in arms and drugs, encourage fundamentalist religious groups and activities, and conduct terrorist activities. The presence and activities of foreign powers in Nepal, including China, are almost exclusively linked to the policies they would like to pursue vis-à-vis India.

Over the last six decades, Nepal has skilfully managed to carve out a larger political space for itself vis-à-vis India by leveraging, among other things, its geographical contiguity with the Tibet region of China. No longer does India have the kind of overwhelming presence and influence it once did in Nepal. In an unprecedented move, Prime Minister Prachanda made his first overseas visit to China on the pretext of attending the closing ceremony of the Olympic Games. While Nepal does remain significantly dependent on India, it has diversified its foreign relations and contacts. India has accepted, sometimes tacitly, sometimes reluctantly, Nepal's many deviations from both the letter and the spirit of the 1950 Treaty, and has progressively given more generous terms of both trade and transit to Nepal.

From time to time, Nepal has been asking for a revision of the 1950 Treaty. Although India has on more than one occasion publicly conveyed its willingness to have a fresh Treaty, Nepal has hesitated from following up meaningfully. Even the Maoists who have been calling for scrapping the 1950 Treaty, for closing the open border between India and Nepal,

and for stopping recruitment of Gorkhas in the Indian Army, have been cautious and measured in their remarks after the elections. Maoist leader and now Prime Minister Prachanda has left all options open by simply saying that while Nepal would like a new treaty with India, the two sides should sit together and 'review the relationship with an open mind'. On the border issue, he has made it clear that Nepal has no intention to close the open border but merely wants to regulate it better. As for recruitment of Gorkhas, he has parried what he calls 'this sensitive and delicate issue' by emphasizing the need to consult other parties. Prachanda has also stated that while Nepal has to be watchful of China and will not enter into any 'alliance' with India, the ground realities of Nepal's relations with India dictate that Nepal cannot be 'equidistant' between India and China. All this is understandable. The bottom line remains that the open border is critical for Nepal, which has been able to export its unemployed to India, thereby relieving social tensions and pressures within Nepal itself. Notwithstanding occasional rhetoric emanating from Kathmandu, no sensible leader of Nepal would want to upset an ongoing arrangement that is clearly beneficial to Nepal.

As Nepal starts a decisively new phase in its political life, a welcome opportunity has opened up to make a fresh start in bilateral relations, unencumbered by past prejudices and attitudes of the monarchy and the earlier ruling elite. Both sides understand their mutual dependence and the deep-rooted nature of their multifaceted relations. As by far the larger neighbour, India should make some unilateral economic concessions and pander to the psychological sensitivities and insecurities of Nepal. But India must also use its clout to insist that the new political structure that Nepal will build be an inclusive one that takes care of the interests of all sections of Nepali society, without which Nepal can hardly remain united, peaceful and stable. Nor should India compromise on its core security concerns. Nepal has to be made to appreciate that an open border regime works successfully only between countries that have shared security perspectives. Perhaps India and Nepal could benefit from looking at existing border control mechanisms within the European Union. The objective should

be to craft a new paradigm for bilateral relations, which takes care of the concerns and sensitivities of both sides. In the coming months and years, Nepal poses a formidable challenge to Indian diplomacy. The long-term stakes for India in Nepal are huge. There are two principal reasons for this: one, the open border regime between India and Nepal that poses security threats to India and two, the need to get the cooperation of Nepal, the upper riparian State, for harnessing—for power generation, irrigation, flood control and preservation of the environment—the waters of the many rivers flowing from Nepal to India that sustain the livelihood of hundreds of millions of Indians living in the plains.

Bhutan: A Cautious Opening

Bhutan, like Nepal, was never part of the British Indian Empire, nor did the British seek to make it so. Bhutan's importance lay in its being a desirable buffer, and later a useful intermediary, with Tibet. So long as it played that role, and gave up its influence in the region of the Dooars, the gateway to Assam, Britain was happy to leave Bhutan on its own. India continued with the relationship it inherited from the British. The 1949 India–Bhutan Friendship Treaty was modelled on the 1910 Treaty between Britain and Bhutan under which Bhutan agreed to be 'guided' by Britain in its foreign relations and Britain agreed not to interfere in Bhutan's internal affairs. It also contained security clauses similar to what was later negotiated between India and Nepal in 1950, but without any side letters, thereby leaving some ambiguity whether India had the obligation to defend Bhutan. Nevertheless, in the light of the Chinese Army's entry into Tibet in 1950, Bhutan was happy to hear Nehru's assertions about the Himalayas being India's security frontier.

It was not till Jawaharlal Nehru's arduous journey by yaks and ponies to Bhutan in 1958 that Bhutan began to gradually and cautiously come out of its self-imposed isolation. The Chinese

takeover of Tibet in 1959 greatly worried the Bhutanese, who sealed their border with Tibet, hitherto their principal trading partner, and agreed to develop closer ties with India, as India had been urging upon Bhutan for some time. India embarked on an extensive programme, almost entirely financed by India for the first decade, for Bhutan's development, including construction of roads and power stations, technical assistance in the fields of agriculture, health, education and training of personnel in diverse fields. India and Bhutan have a free trade regime, and more than 90 per cent of Bhutan's trade is now with India.

There is close cooperation between India and Bhutan in the defence and security fields. India maintains an Indian Military Training Team (IMTRAT) in Bhutan that has trained the Royal Bhutan Army. India looks after Bhutan's defence, with Bhutan in turn undertaking not to do anything that may pose a danger to India. Although Bhutan conducts its own border negotiations with China, it closely consults India in this regard. Bhutan has cooperated with India in clearing out the bases of United Liberation Front of Asom (ULFA) and Bodo groups from its territory in 2003 as it believed that these groups posed a security threat to both Bhutan and India. Behind Bhutan's move was its fundamental principle of preserving its distinctive culture and identity and not encouraging any groups that have their own political agenda or social structure that could create controversy, discord or conflict.

An 'Exemplary' Relationship

India has invested heavily in Bhutan's infrastructure, especially for power generation. Three major hydroelectric plants, namely Chukha, Kurichhu and Tala have already come up, and within the framework of an Agreement on Cooperation in the field of Hydropower concluded in 2006, the target is to set up power generating capacity of 5000 megawatts by 2020. The revenues that Bhutan earns from sale of surplus electricity to India have given Bhutan the highest per capita income in South Asia,

and enabled it to reduce its budgetary dependence on India. India is also conducting feasibility studies for extending rail connectivity up to Bhutan.

From India's point of view, the relationship with Bhutan is a model one, with both sides describing it as 'exemplary'. India has handled relations with Bhutan with attention and sensitivity, taking care not to smother Bhutan's independent personality and to develop relations with Bhutan at a pace with which Bhutan is comfortable. Over the years, India has helped Bhutan become a member of various international organizations including the UN, and has not raised objections to Bhutan getting development assistance from multilateral and bilateral aid donors. Bhutan has also become a member of SAARC and BIMSTEC. Earlier, Bhutan had a bilateral diplomatic Mission only in India, but it has gradually opened resident diplomatic Missions in other neighbouring countries, namely Nepal, Bangladesh and Thailand, and at the UN offices in New York and Geneva. China has been conspicuously excluded. Bhutan has followed a deliberate policy of not exchanging resident diplomatic Missions with the Permanent Members of the Security Council or other big powers, as it does not want to get entangled in their rivalries. In practice, Bhutan has generally allowed itself to be guided by India's advice in its external relations as provided for under the 1949 India–Bhutan Treaty. This has been because Bhutan believed this to be in its self-interest rather than because of any pressure or imposition by India.

In keeping with the changing times, India and Bhutan mutually agreed to update the 1949 Treaty with the 2007 India–Bhutan Friendship Treaty that explicitly recognizes Bhutan's sovereignty and no longer formally requires Bhutan to be guided by India in foreign policy though it is very likely that in practice Bhutan may find it expedient to closely consult India. The Treaty does take care of India's essential security interests. Thus the Treaty envisages close cooperation between India and Bhutan on issues relating to their national interests and commits both sides not to allow the use of its territory for activities harmful to the national security and interests of the other. The earlier Treaty's provisions regarding free trade and movement of people remain in force.

The Refugee Issue

One issue that could have, but has not been allowed to, become an irritant in India–Bhutan relations is the question of the Lhotsampas or persons of Nepali origin, euphemistically termed as 'Southern Bhutanese' by Bhutan, who came as labourers to work in the dense tropical forests of Bhutan's foothills over the last century or so and settled down in southern Bhutan. As their numbers increased, Bhutan got worried that they would change Bhutan's demographic structure and thereby dilute Bhutan's national identity. Accordingly, some time ago it decided not to give Bhutanese citizenship to those who had migrated to Bhutan after 1958. In recent years, Bhutan has been apprehensive that extremist elements like the Maoists/Naxalites may have infiltrated the refugees living in camps in Nepal, and that if Bhutan were to take in such people, they would be a disruptive element in Bhutan's society and polity. In the early 1990s, Bhutan evicted about 100,000 people of Nepali origin, forcing them to live in refugee camps in Nepal. India, unwilling to offend either Nepal or Bhutan, continued to maintain, somewhat unrealistically and ostrich-like, that this was a bilateral matter between Nepal and Bhutan, conveniently ignoring that these people had taken refuge in India but were forcibly dumped into Nepal by India. This was a strange reaction of a country that otherwise legally absorbs millions of Nepalese, that turns a blind eye to millions of illegal Bangladeshi migrants into India, and that has accepted Tibetan and Afghan refugees including Tibetans who first took refuge in Bhutan in 1959 and were later accepted within India.

India's attitude gave an opportunity to outside powers to insert themselves into the affairs of South Asia, showing up India's inability to solve problems in its backyard even when it involved two countries with which it claims a special relationship. Finally, it is the Western countries that have come to the rescue of the hapless refugees. The US has agreed to accept the bulk (about 60,000) of the refugees and a few other Western countries like Australia, New Zealand, Denmark, Netherlands, Norway and Canada will take in another 20,000

or so. India's approach was a regrettable signal that it is the US, rather than India, that can solve South Asia's problems. No doubt this will unduly encourage India's neighbours to seek outside powers' help rather than turn to India to resolve issues. Nor does India appear to have looked at the long-term security implications of a large number of persons of South Asian origin, indebted and grateful to the countries that gave them refuge, being used to further the agendas of these countries in South Asia. As for Bhutan itself, the repatriation of the refugees will not solve the underlying problem of how to make the persons of Nepali origin feel that they are equal citizens of Bhutan.