

## 2 CHAPTER

# *India and Bhutan Relations*

*After reading the chapter, the reader will be able to develop an analytical understanding on the following:*

- Historical background
- India–Bhutan Treaty–1949
- India–Bhutan Commercial Diplomacy
- India–Bhutan Hydrodiplomacy
- India–Bhutan Security Cooperation
- Chumbi Valley Issue
- Operation All Clear
- China factor in Indo-Bhutan relations
- Analysis of Visit of Indian PM to Bhutan, 2014.

### **HISTORICAL BACKGROUND**

The ancient kingdom of Bhutan was originally the State of Monyul. Its traditional name is Drukyl, that is, the country of Drukpas or the ‘land of thunder dragons’. India’s relations with Bhutan go back to 747 AD when a Buddhist monk Padmasambhava went from India to Bhutan and led the Nyingmapa sect of Buddhism. Thus, India contributed to the cultural growth of Buddhism in Bhutan. In the modern times, there were Anglo–Bhutan wars and Bhutan became a part of British Empire. In 1910, as per the Treaty of Punakha, between China–Tibet and Bhutan, Bhutan was not officially annexed but the legal status of Bhutan itself remained undefined. When India became independent in 1947, Nehru went on a horseback to Bhutan to build relations and advised King J D Wangchuk to build relations with India. Bhutan also preferred India over China as, in 1949, when China took over Tibet, it did create tensions and fears of annexation in Bhutan. In 1949, India and Bhutan concluded a Treaty of Friendship. The treaty discusses peace, trade, commerce and equal justice between India and Bhutan. In the treaty, one important article was Article-2. As per Article-2, India accepted the sovereign and independent status of Bhutan but advised that Bhutan, in matters of external affairs, seek assistance from India. India did not interfere in internal affairs of Bhutan and in fact, in 1971, took up the matter of UN membership for Bhutan. The Indo–Bhutan treaty is the bedrock of India and Bhutan’s relationship.

### **INDIA–BHUTAN TREATY, 1949**

India and Bhutan concluded a Treaty of Friendship in 1949. As per the treaty, India and Bhutan have agreed to extend national treatment to each other. As per the precepts of national treatment, Indian citizens have same right for employment in Bhutan as Bhutani

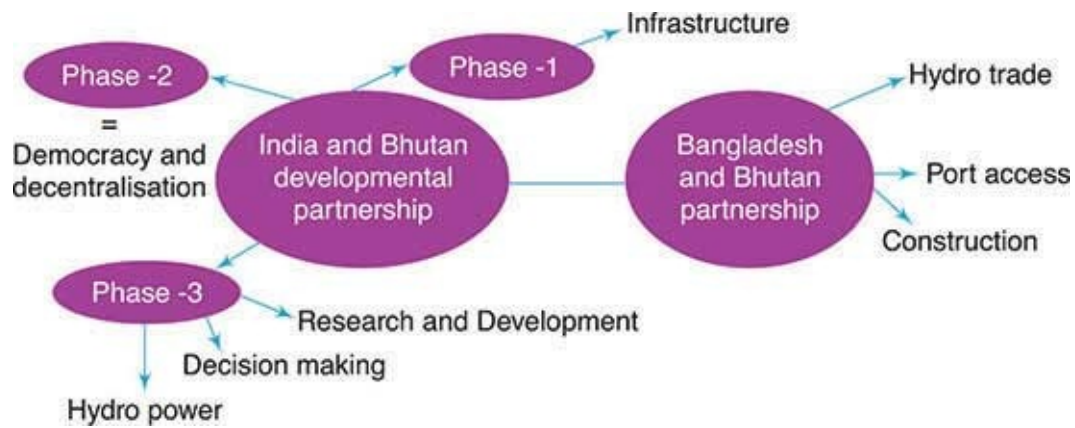
nationals do in India. Under the treaty, India and Bhutan have agreed to have an open border. Under the open border system, citizens of India and Bhutan have a right to move into each other's territory without a visa. The treaty has a special mention of a clause of extradition. Again, as mentioned earlier, the Treaty has Article-2 and under the Article-2, Bhutan has to seek advice of India in matters related to external affairs. In 2007, Bhutan raised the issue of Article-2 with India and advocated the modification of Article-2. India, immediately agreeing to revise the treaty, modified the Article-2 in the treaty. This instilled confidence in Bhutan about its broad relations with India and made an impression that India is a partner in Bhutani progress. India recognises the sovereignty, independence and territorial integrity of Bhutan. The treaty also talks about cultural cooperation, sports development, cooperation in science and technology and healthcare. Under the revised treaty of 2007, India and Bhutan will cooperate with each other on matters of national security.

## **INDIA–BHUTAN COMMERCIAL DIPLOMACY**

The origin of commercial diplomacy goes back to 1961 when India began to provide assistance to the first and second five year plans of Bhutan. In 1971, when Bhutan became a UN member, the external aid it received got diversified as other nations in the world began to contribute. Bhutan has 80% of its trade with India and it majorly happens through the Kolkata port. There is a Phuntsholing to Paro road that facilitates Indo–Bhutan trade. Indian banks, such as the SBI and Bank of Baroda, have presence in Bhutan. Indian firms are undertaking work related to hydroelectric power, minerals exploration and construction in Bhutan. India imports from Bhutan, minerals, hydropower, wood and chemicals while it exports machinery and food products. The trade is governed by the Agreement on Trade and Commerce, 2006, which also provides for duty free trade and use of territory for third country transit.

India and Bhutan also have a developmental partnership and India has assisted Bhutan in development administration, as can be seen in three phases. In Phase-1, from 1960 to 1980, initially, India provided support for physical infrastructure creation. The subsequent phase, from 1980 to 2000, was a period when Bhutan explored the dimension of a transition to democracy. During this period, India provided assistance for development of democratic values and provided capacity support for decentralisation. In this period, institutional sharing of the best democratic and decentralisation related practices were encouraged for exchange. The third phase, which is ongoing from 2000 till present, is where Indian developmental assistance has been diversified. Today, the assistance ranges from hydroelectricity generation to IT services including support in education and skill development.

A comparison with Bangladesh–Bhutan trade is warranted at this stage. The relationship between Bhutan and Bangladesh is at three levels viz., trade, culture and environment. Bangladesh is very keen on purchasing power from Bhutan and allows Bhutan to use their sea ports for third country trade. A lot of Bangladeshi workers have been significantly present in Bhutanese construction companies.



## INDIA–BHUTAN HYDRODIPLOMACY

Bhutan is a Himalayan state with tremendous hydropower potential. It is an upper riparian state where rivers originate. Bhutan exports around 45% of its hydropower to India. Surprisingly, the electricity generation in Bhutan was developed in 1960s with Indian assistance itself. India in the 1960s, had provided Bhutan with diesel sets which helped in providing electricity in towns. During this period, Bhutan lacked capacity to generate electricity and in 1967 Bhutan began to replace Indian diesel sets with import of electricity from Jaldakha plant in Bengal. In 1989, India helped Bhutan with the establishment of a 33 Megawatt electricity plant in Chukha.

It is only in the 1980s that, with Indian assistance, Bhutan realised the potential of hydropower. Bhutan also became convinced that hydropower generation is safe and is environment friendly. Bhutan realised that if it succeeds in developing hydropower, it can also emerge as a net exporter of the same which can eventually help Bhutan generate foreign exchange. They began to seek Indian assistance which can be broadly seen in two phases.

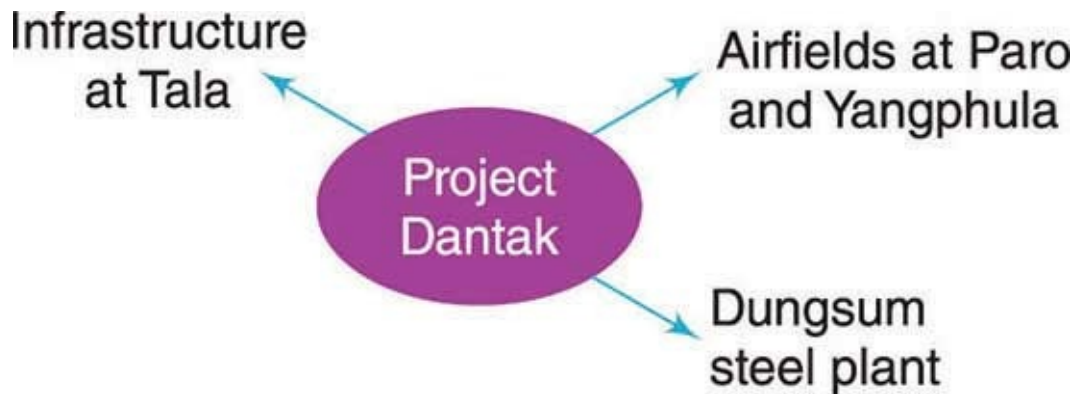
**Phase-1—1987 to 2007:** In this initial phase, India provided assistance to Bhutan in the establishment of specific site based plants at Chukha, Kurichu and Tala. India provided monetary assistance in the form of 60% grant and 40% loan for these projects. Meanwhile, India domestically worked to establish grid infrastructure in its territory. As these plants became operational, they supplied electricity to India and this electricity from Bhutan fed the Northern and North Eastern power grid in India.

**Phase-2—2007 to 2020:** In this phase, India has committed to undertake creation of mega hydro plants in India primarily to harness the targeted 10,000 Megawatt electricity by 2020.

Over a period of time, due to the existence of hydrodiplomacy between India and Bhutan, some issues have erupted on both sides. The Indian side witnessed massive flooding in the downstream state of Assam in 2014. Bhutan alleges today that due to hydro cooperation with India, there is a dominance of Indian firms in Bhutan. It feels that an overwhelming presence of Indian firms in Bhutan has restricted the space of growth for the Bhutanese corporate sector. Moreover, Bhutan feels that the Indian firms end up recruiting cheap Bangladeshi labour, as a result of which Bhutanese don't stand to benefit from the diplomacy. This issue was taken up by Bhutan during India PM visit to Bhutan in 2014.

## INDIA–BHUTAN SECURITY COOPERATION

Since the 1962 Sino–India war, India has been focussing on forward access to the upper reaches of Himalayas to keep an eye on China. In this respect, Bhutan becomes strategically significant from the Indian point of view. India has strategic presence in Bhutan. Bhutan, due to its border skirmishes, does not have a diplomatic relation with China. An absence of diplomatic relation with China enhances India's chance to exercise its sphere of influence in Bhutan. India has established the IMTRAT, that is, the Indian Military Training Team unit, in Haa district of Bhutan.



Under a bilateral agreement, India also provides training to army officers of Bhutan in India. The Border Roads Organisation has, since 1961, run Project Dantak. Under this, the BRO provides for roads construction, telecom works, colleges, schools and other infrastructure. Under the project, there have been notable achievements too.

### Chumbi Valley Issue

Chumbi valley is a tri-junction between Bhutan, India and China. It is close to the chicken's neck (the Siliguri corridor) and a gateway to India's north east. Chumbi valley holds significance for China as it connects Tibet and Sikkim and China wants to expand its manoeuvres here. The Bhutan–China border problem began in 1950 when China published a map and claimed the West Bhutan area. This map also included Chinese claims on North Bhutan. China and Bhutan began negotiations on border issue in 1984. China, in West Bhutan, claims Doklam, Charithang, Sinchulimpa and Dramana pastures. This brings China close to Chumbi Valley, between Sikkim and Bhutan. The Chumbi Valley has one artery running from the Tibetan city of Shigaste to Yatung. By claiming area in West Bhutan, China can widen its land and in the eventuality of war, it can have more space on their side as otherwise, the size of Chumbi Valley is less for the stationing of any number of troops. For India, any such claim is dangerous as Chumbi Valley is barely 500 km from the Siliguri corridor, which is a narrow strip of Indian territory connecting the Indian north east to the rest of India.

### Operation All Clear

In 2003–04, the Royal Bhutan Army launched a mega operation to eliminate

militarily ULFA and NDFB cadres in South Bhutan. As Bhutanese army launched the operation, Indian army positioned itself near the border. Indian army placed 12 Battalions along the border to ensure no insurgent cadres enter into India. Bhutan successfully neutralised 650 insurgents and destroyed 30 insurgent camps.

## **CHINA FACTOR IN INDO–BHUTAN RELATIONS**

When the British left Bhutan, the Chinese captured some border villages of Bhutan. Since 1947, those territories are under dispute. Bhutan does not maintain diplomatic relation with China due to this persisting border dispute. This gives India enough space to exercise a sphere of influence in Bhutan.

Even in the recent times, the border has not been resolved and China has undertaken tremendous intrusions into the border area around Bhutan. These intrusions deprive the people of Bhutan of forest produce and create uncertainty about their resources and livelihood. In recent times, China has begun to engage in cultural and religious diplomacy with Bhutan. China has committed itself to the establishment of the tallest statue of Buddha in Bhutan (in Thimpu). It is investing in the telecom sector of Bhutan as well. In Rio+20 Summit in 2012, the Bhutanese PM met Wen Jiabao and the two leaders did discuss a potential bus agreement and discussed other avenues of trade. But diplomatic relation remained off. The situation, as of 2017–18, is such that India still has an edge where Bhutan is concerned.

## **ANALYSIS OF VISIT OF THE INDIAN PM TO BHUTAN, 2014**

In 2014, after the swearing in of the new government, the thrust towards neighbourhood first policy saw the Indian PM, Narendra Modi, visiting Bhutan. During his visit, the PM inaugurated the Supreme Court building in Bhutan, made with Indian assistance. He addressed a joint session of the Bhutanese Parliament. Normally, the people of Bhutan do not use clapping as a congratulatory gesture. However, when the PM delivered a well-crafted speech, the Bhutanese legislators in the house clapped to convey a positive gesture to the PM. The PM also laid a foundation for a 600 Megawatt Kholongchu Hydroelectric power plant and announced two hundred scholarships worth two crores for the Bhutanese youth. The PM committed establishment of a digital library to give access to two million books for the youth of Bhutan. To pacify fears of Bhutan related to dominance of Indian firms in hydropower sector, the Indian Prime Minister agreed to establish a Power Training Institute in Bhutan to provide its youth skilled training to ensure they contribute to the Bhutanese workforce.

Bhutan has an open economy. Due to a liberalised system, Indian FDI finds place in Bhutan. But, Bhutan also has high number of Indian firms. In 2014, during the PM's visit, he had committed Indian assistance for the skill development of Bhutanese youth. Bhutan faces a Rupee crunch at the financial level and to address this, India has agreed to provide Bhutan with a credit facility. The hydropower generation of Bhutan is basically seasonal in nature. In the recent times, domestic consumption of power in Bhutan is on the rise. In the winter season, Bhutan imports electricity from India while in summers it exports electricity to us. To address the problem, India has agreed to establish a power bank in Bhutan in future. The Indian PM also agreed to assist Bhutan in the establishment of a University of Himalayan studies in Bhutan.