

India-Bhutan Relations, a Year after Prime Minister Modi's Historic Visit

By Abhismita Sen

As India's global aspirations took off with Prime Minister Narendra Modi making all the right kind of moves, including the highly successful "Make in India" campaign, the foreign relations of the country extended beyond its immediate neighbourhood and scaled heights previously untouched. However, India's attempts to reconstruct its "special relationship" with its immediate neighbor, Bhutan, were moving at a pace slower than desired. Slow as it had been, but progress has been steady, reaping the fruits of goodwill and diplomacy initiated by PM Modi on his visit to Thimphu in June 2014. Bhutan's Prime Minister Tshering Tobgay returned Modi's visit in January 2015^[1] when he became a part of the Vibrant Gujarat Global Summit, where his involvement was appreciated.

Bhutan became the highest beneficiary of India's foreign aid for the fiscal year of 2015-16, having secured a net worth of US Dollars (USD) 985 million.ⁱⁱ As per its 11th five year plan, India is set to contribute Rs.4500ⁱⁱⁱ crores as assistance towards Bhutan in development subsidies. India and Bhutan have signed a Memorandum of Understanding (MoU) to collaborate on the establishment of the Nalanda University in the Indian state of Bihar and develop it into an international centre of excellence in the years to come.

China Factor

Interestingly, when PM Narendra Modi chose to make Bhutan his first foreign port of call after assuming office, speculations were rife about this move being a part of his 'China containment strategy' in the neighbourhood. Although China and Bhutan are yet to establish formal diplomatic relations, economic and geopolitical considerations make both the nations take interest in what the other has to offer. For instance Bhutan can offer one of the shortest routes to Tibet, assisting China in bolstering its strategic interests in the region. Many see the various mega rail projects like the Sichuan-Tibet railway project (which was approved in October 2014, and plans to reach completion by 2021)^{iv} which China is building with significant investments along its entire Himalayan borders with India, as efforts to enhance connectivity to Tibet and link its markets with the Himalayan fringe-lands like Bhutan. China is also taking to soft diplomacy through sports and tourism to warm up to Bhutan.

While China can be seen taking effective leaps towards revitalization and strengthening of its relations with Bhutan, it becomes critical to analyze India's efforts in maintaining its 'special relation' with this landlocked country in this changing geopolitical backdrop.

Energy in Cooperation

In the year 2015, hydroelectricity became the centrepiece of India-Bhutan bilateral cooperation. India finances building of dams through a combination of

aid and loans and buys the excess electricity at very low prices in its own currency from Bhutan, making it a notable instance of a win-win scenario which is not so often seen in the conduct of inter-national relations.

Hydroelectricity projects are usually funded by both grants and loans by India, with loans constituting the larger chunk of the finances extended to Bhutan for the said purposes. Bhutan is expected to bear the major share of losses (if incurred) as well as a higher amount of interest is expected to be paid on the loans used to build the dams should any geological discrepancies arise (as in case of the Punatsangchu I hydroelectric dam). As much of the material for the building dams comes from India, a recurrent balance of payment crisis has impacted Bhutan's economy negatively. According to a report in *The Hindu*, Bhutan's Royal Monetary Authority (BRMA) had pegged Bhutan's total external debt in December 2014 to be 112 percent of its Gross Domestic Product (GDP).^v The debt accrued by loans for hydropower dams accounted for 86 percent of Bhutan's rupee debt burden.^{vi} Faulty and poor transmission of electricity has worsened the situation for the country as the inability to sustain provision of steady electric current to the industries in India has resulted in a decline in demand for hydroelectricity produced in Bhutan, reducing its profits considerably.

Tourism

Tourism plays a key role in Bhutan's development. Foreign exchange earnings from tourism ranks second to hydroelectric power sold to India. Tourism revenue also contributes to Bhutan's education and health programs. While Bhutan could manage to withstand the negative impacts of the massive earthquake that had shaken Nepal in 2015, Bhutanese tourism however, still suffers from several infrastructural challenges. In fact, one of the biggest impediments to the expansion of the Bhutanese tourism sector is the lack of adequate modern infrastructure which is needed to meet the demands of the changing world. For instance, internet coverage and the speed of the bandwidth are quite limited in certain areas. It is here that India can play a vital role, especially by investing in the airline and telecommunications sector of Bhutan and strengthen the country's eco-tourism sector further. Strict controls imposed by Bhutan also need to be relaxed in order to boost tourism in the country. Tourism policy in Bhutan has always been high-value and low impact, and thus has not managed to generate adequate revenues for this small country.

In fact, recognizing the commercial potential of its vast biodiversity, the World Wildlife Fund (WWF) has launched the 'Bhutan for Life' programme to overcome these challenges while also utilizing the great opportunities existing within its own forests to promote ecotourism through parks, sanctuaries and wildlife conservation and creating more jobs.

Para Diplomacy

Coming back to India, making use of PM Narendra Modi's para-diplomacy initiative, the Chief Minister of West Bengal, Mamata Banerjee, chose to make a visit to Bhutan in October 2015, where she met King Jigme Khesar Namgyel Wangchuck and discussed various ways of mutual collaboration like irrigation, farming, agro based industries, education and tourism. In this scheme of affairs, she suggested two crucial aspects of co-operation, the first being medical-tourism and the second being modernization of Bhutanese air facilities for trade and tourism as well as overall infrastructural development. In the light of West Bengal having announced 100 percent sales tax exemption on aircraft fuel, she suggested that airlines in Bhutan could use the state's privately sponsored Greenfield airport as a gateway to other countries. Banerjee also suggested that, Kolkata, the capital of West Bengal could serve as a better alternative for treatments to the Bhutanese citizens, being a low cost substitute to Bangkok, which usually experiences the footfall of the ailing Bhutanese population, needing immediate medical attention. There were also talks on setting up an expert committee to look into the issue of Bhutanese rivers causing floods in Bengal.

However, several problems plague Banerjee's apparently positive vision. First, since the Kazi Nazrul Islam Airport is an out and out private initiative, aviation is likely to be on the expensive side, despite the tax exemption. Although, the state government has provided a 25 percent concession on the base fare of the tickets in four passenger categories, in the commercial flight services by Air India, the Bhutanese migrant population does not count among, any of the four categories. Thus, if at all implemented, medical tourism, will only create, a further and more deeply entrenched stratification among the 'haves' and 'have nots' in the Bhutanese society, being affordable to only the elites.

Secondly, West Bengal's public medical facilities are not enough to cater to the health necessities of its own native population. The government hospitals are ill-kempt, unhygienic with inefficient and sluggish staff and poor facilities. Thirdly, Banerjee's approach to Bhutan's development is utilitarian and motivated by self-interest, which is keenly focussed on West Bengal's development, rather than mutual development of both Bengal and Bhutan. And ultimately, West Bengal is one of the most backward states of India in terms of infrastructure, where corruption thrives on every level of governance and development projects are a few and unreasonably slow. It is easy to make big promises, but whether the state has the potential to deliver, its promises, is where the doubt lies.

Another, instance of para-diplomacy in the sphere of India-Bhutan relations in 2015 has been the Mountain Echoes literary festival in capital Thimphu. Organized in August by the India Bhutan foundation- a think-tank established in

2003 with the objective to enhance exchange and interaction among the peoples of both countries, through activities in the areas of educational, cultural, scientific and technical fields- this event was organized in collaboration with the Government of Rajasthan and sponsored by Reliance Industries. The festival hosted several eminent writers, poets, visual artists, curators, film critics and commentators from the all over the world.

Challenges Ahead

However, even as India doles out finances on many counts, the extent of Indian influence on the common Bhutanese lifestyle is a debatable issue, especially as the as the country's presence is at times resented for being hegemonic in nature. To add to this, despite India's massive financial assistance extended through business, aid and grants, 30% ^{vii} of Bhutan's population still lives below the national poverty line (which in itself is way below the standard rates of an average developing country). The rate of youth unemployment in Bhutan is around 7.3% ^[8].

Also, while the tech-savvy and the diplomatically innovative Narendra Modi is in many ways a leader of modern thoughts and ideas whose international outreach has established immense credibility for brand India, however these highly-charged plans are bound to fall short when the ties with a resource famished, but high on potential Bhutan is not cultivated in the right manner. While the 'Modi Doctrine' has indeed infused a huge deal of resources into Bhutan, what is left for India is to ensure that Bhutan's infrastructure is strengthened enough to make the best use of the finances that is being provided.

India in itself is a developing nation and it is not possible for a traditionally low-income country like Bhutan to develop quickly on resources provided by a developing nation like India. It is for the multilateral trading blocs and regional organizations functioning across East Asia and the Asia Pacific, to contribute towards the socio-economic development of Bhutan. India must collaborate with organizations, such as SAARC, ASEAN, the Asian Development Bank and the New Development Bank to reach this goal. The UN Economic and Social Commission for Asia and the Pacific (ESCAP), also has a significant role to play in this regard.

The Indian Union Minister of Road Transport, Highways and Shipping Nitin Gadkari had visited Bhutan in June 2015 to sign a sub-regional Motor Vehicle Agreement, called BBIN (Bangladesh, Bhutan, India and Nepal) Motor Vehicle Agreement for the regulation of passenger, personal and cargo vehicular traffic amongst four SAARC countries. The Transport Ministers of Bangladesh, Bhutan, India and Nepal (BBIN) signed the agreement in Thimphu on June 15. The signing of BBIN agreement would promote safe, economical, efficient and

environmentally sound road transport in the sub-region and would further help each country in creating an institutional mechanism for regional integration. BBIN countries would be benefited by mutual cross-border movement of passenger and goods for overall economic development of the region. Each member state of the BBIN sub-regional grouping would bear its own costs arising from implementation of this agreement which will go a long way in cementing regional cooperation and enhancing trade among member states. According to Gadkari, BBIN has already linked with identification of 14 routes for passenger services and 7 routes for cargo movement. He has assured that work on the \$8 US billion road connectivity BBIN project is likely to be completed soon with Asian Development Bank funding, which would cause a seamless vehicular movement between SAARC and ASEAN nations.

It is also being speculated that the signing of the Motor Vehicles Agreement (MVA) among Bangladesh, Bhutan, India and Nepal will turn a new leaf in the story of Bhutan's development.

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ENDNOTES

ⁱ Pillalamarri Akhilesh, '*Bhutan and India Reinforce Ties*', The Diplomat, 16th January 2015

ⁱⁱ General Knowledge Today, '*India and Bhutan sign MoU on establishment of Nalanda University*' (<http://currentaffairs.gktoday.in/current-affairs/india-bhutan>), accessed on 31st December 2015

ⁱⁱⁱ Ibid

^{iv} Aneja Atul, '*Integrating Tibet with the world*', The Hindu, 13th July 2015

^v Ibid

^{vi} Ethirajan Anbarasan, '*Reality hits charming Bhutan*', BBC News, 30th October 2013

^{vii} Ibid