A Case Study on Development of International Trade Between India and Bhutan to Contain Unnecessary Advancement of China. An Emerging Issue in International Security and Global Politics

Dr. Pradipta Mukhopadhyay
Independent Researcher

Abstract: As the Society became more and more developed the world business environment also changed leading to the change in requirements for getting success, competitiveness and advancement of the economy. It has also been observed that because of the forces of globalization, increasing intensity of competition, rapid technological changes, demographic changes, environmental challenges and changing value systems at work, building better, proper and strategic relationships with the stakeholders have become essential not just for competitiveness but also for survival of the business in the modern business world. In this paper we will study in details the advantages and disadvantages of India conducting International Trade with Bhutan and how it is important to contain the unnecessary advancement of china which is always detrimental to interests of both India and Bhutan. The present study has been exploratory, casual and empirical in nature and the data needed for research work has been collected by using both direct and indirect method of data collection.

Keywords: International Trade, Bilateral, Geopolitical, Economy, Development

I. INTRODUCTION

Bhutan the 38th largest Asian Country by area is located on the southern slopes of the Eastern Himalayas, landlocked between the Tibet Autonomous Region to the north and the Indian states of Sikkim, West Bengal, Assam and Arunachal Pradesh to the west and South. The Bhutan India Border is the international boundary between the Kingdom of Bhutan and the Republic of India.

1.1 Relationship Between India and Bhutan

The Bilateral relations between the Himalayan Kingdom of Bhutan and the Republic of India have been traditionally close and both countries shared a special relationship with India always having influences over Bhutan’s foreign policy, defence and commerce.

It is observed that for much of its history, Bhutan has preserved its isolation from the outside world, staying out of international organizations and maintaining only few bilateral relations. Bhutan became a protectorate of British India after signing a treaty in 1910 allowing the British to guide its foreign affairs and defence. Bhutan was one of the first to recognize India’s Independence in 1947 and both nations fostered close relations thereafter and their importance was augmented by the annexation of Tibet in 1950 by the People’s Republic of China and its border disputes with both Bhutan and India. The Bilateral relations between the Himalayan Kingdom of Bhutan and the Republic of India have been traditionally close and both countries shared a special relationship with India always having a influence over Bhutan’s foreign policy, defence and commerce.

1.2 Economic Environment of Bhutan

The Economy of Bhutan, one of the world’s smallest and least developed countries is based on agriculture and forestry, which provide the main livelihood for more than 60% of the population and agriculture consists largely of
Subsistent farming and animal husbandry. Most production in the industrial sector is of the cottage industry type. Most development projects, such as road construction rely on Indian Migrant Labour. Model Education, Social and Environmental programs are undertaken with the support from various multilateral developmental organizations. Each Economic program takes into account the government’s desire to protect the country’s environment and cultural traditions. For example the government, in its cautious expansions of the tourism sector, encourages visits by environmentally conscious tourists.

1.3 Relationship Between Bhutan and China
The Bhutan China Border is the international boundary between Bhutan and Tibet, China through the Himalayas between the two tripoints with India.

The Kingdom of Bhutan and the People’s Republic of China do not maintain official diplomatic relations and relations are historically tense. The People’s Republic of China Shares a problematic border of 470 kilometers with Bhutan and its territorial disputes with Bhutan have been a source of potential conflict.

There is an apparent paradox in Bhutan and China’s relationship. The geographical location of Bhutan gives it both political and strategic importance in the Himalayan region. Bhutan has a long tradition of cultural and religious interaction with Tibet and shares a common border with China yet Bhutan is the only neighbour which does not have diplomatic relations with the People’s Republic of China (PRC) and even trade and economic contacts between the two countries are very small and their common border remains closed.

However, the status quo resulting from the turmoil that followed the integration of Tibet in the PRC (Public Republic of China) and the Sino-Indian border conflict in 1962 is about to change. Political contacts have been resumed since the mid 1980’s. The two governments have been using the annual border consultations to exchange views on a wider range of bilateral issues. It is observed that both countries have interest in the normalisation of their relationship but their perspectives are different, while Bhutan prefers to remain cautious according to the approach it has always maintained on the diplomatic scene, China is considering its relation with Bhutan as a part of its “Western Development Strategy “ that will allow Tibet to regain a central position in the Himalayan Region.

1.4 Current Relationship between India and China
Relations between India and China have been worsening in the recent past with the two world powers facing against each other along their disputed border in the Himalayan Region.

The main reason behind the current tension between India and China is not only the 3440 Km long disputed border but the two nations are also competing to build infrastructure along the border which is also known as the Line of Actual Control. India’s construction of a new road to a high altitude air base is seen as one of the main reason for a clash with Chinese troops in June that left at least 20 Indian soldiers dead.

The actual situation is that despite several military levels talks, tensions between India and China continues, which caused confrontations between the two troops on 20th January 2020, along the border in India’s Sikkim State, which is between the two countries of Nepal and Bhutan.

Thereafter during June 2020 Galwan Valley clash which was fought with sticks and clubs, was the first fatal confrontations between the two sides since 1975.

In this context while India accused China of provoking military tensions at the border, China denied both charges and blamed India for the stand-off. Thereafter while China accused India of firing shots at its troops, India accused China of firing into the air and in turn if these accusations are true, it would mean that first time in last 45 years shots were fired at the border, when the use of guns and explosions near the border were prohibited by a 1996 agreement between the two country. This military stand-off has increased political tensions as not only both the sides are established nuclear powers but there can also be an economic fallout as China is one of India’s biggest trading partners.

According to Mr. S. Jaishankar, India’s External Affairs Minister, India’s relationship with China is going through a “Very difficult phase” because in violation of agreements and understandings of many many years the Chinese have deployed a very large part of their military on and close to the Line of Actual Control without explanation for a year
now which has disturbed the peace and tranquility in the border areas and accordingly the minister said that India has been very clear that peace and tranquility in the border areas is absolutely essential for a good relationship with the neighbouring country.

1.5 Business Conditions in Bhutan

Detail controls and uncertain policies in the areas such as industrial licensing trade, labour and finance continue to hamper foreign investment in Bhutan. In South Asia, Bhutan ranks first in economic freedom, ease of doing business and peace, second in per capita income, and the least corrupt country as of 2016.

However Bhutan continues to be a least developed country and hydroelectricity accounts for the major share of its exports. The economy of Bhutan is closely aligned with India’s through strong trade and monetary links and is dependent on India’s financial assistance.

Then comes the border trade which is different from trade through air, land or sea ports, which involves clearance through customs. The first formal agreement on trade and commerce between India and Bhutan was made on 17th Jan 1972. It is subsequently been renewed periodically with mutually agreed modifications. Then another agreement was signed on 28th February 1995 which was valid for a period of ten years and last agreement was signed on 28th July 2006 at New Delhi.

1.6 Economic Relationship Between India and Bhutan

The Government’s of Republic of India and the Royal Government of Bhutan, conscious of their age-old ties and with a desire to strengthen them, convinced of the benefits which will accrue to their people from the free trade and commerce between the two countries by expansion of the bilateral trade and collaboration in economic development, have in furtherance of the above mentioned objectives, agreed as follows:

There shall as heretofore, be free trade and commerce between the territories of the Royal Government of Bhutan and the Government of the Republic of India.

The Royal Government of Bhutan may, henceforth impose such non-tariff restrictions on the entry into Bhutan of certain goods of Indian origin as may be necessary for the protection of industries in Bhutan. Such restrictions however will not be stricter than those applied to goods of third country origin. The Government of the two countries may impose such non-tariff restrictions on entry into their respective territories of goods of third country origin as may be necessary.

In view of the free movement of goods flowing between the two countries and of the possibility of the flow from one to other of the goods of third country origin, the government of the two countries shall have annual consultations.

All exports and imports of Bhutan to and from countries other than India will be free from and not subject to customs duties and trade restrictions of the Government of the Republic of India. Trade between India and Bhutan will continue to be translated in Indian Rupees and Bhutanese Ngultrum.

Here at this juncture we see that Government of India has adopted its Look East Policy, which is an effort to cultivate economic and strategic relations with the various nations of South East Asia to extend its standing as a regional power and counterweight to the strategic influence of the Peoples Republic of China.

Initiated in 1991, it marked a strategic shift in India’s prospective of the world. It was developed and enacted during the government of Prime Minister PV Narsimha Rao(1991-96)and regionally pursued by the successive administrations of Atal Bihari Vajpayee (1998-2004) and Manmohan Singh(2004-2014). Currently Prime Minister Narendra Modi is taking this Policy to next level as Act East Policy.

In this light Indo - Bhutan trade Centre has been inaugurated at Darranga in Tamulpur, Bhaksa district of Assam. As per Chief Minister of Assam, Mr. Sonowal the trade Centre will lead to strengthening of India - Bhutan relations and the border trade Centre is a result of co-operation of the people of the four districts – Baksa, Udalguri, Chirag and Kokrajhar of the State of Assam. Chief Minister Sonowal also said the Government has decided to construct 264 KM of border roads for the development of four bodoland districts and the Druk Air flight connecting Paro Guwahati and Singapore would take India’s relation with the Asean countries to new heights.
All these will go on to develop the region, both economically and socially. The year 2018 was a milestone year for India-Bhutan relationship as the countries celebrated the accomplishments of the last fifty years of time - tested special ties. Today India is Bhutan’s largest export market, the biggest source of its imports and one of the top foreign investors in the country. India also provides Bhutan’s transit facility through its territory to access sea ports for trading with rest of the world. Cooperation in hydropower projects is one of the most significant examples of win-win cooperation between India and Bhutan. These projects are a reliable source of inexpensive and clean electricity to India and a major contributor towards Bhutanese GDP and strengthening India-Bhutan economic integration. Bhutan has been pivotal to two of India’s major foreign policies “ The Neighbourhood First Policy “ and the “ Act East Policy “. Thereafter we see that after coming into power in 2014, the Narendra Modi led BJP Government has laid special emphasis on India’s neighbourhood as well as its relations with Bhutan which have mostly been tension free.

1.7 Various Aspects of International Trade

Building relationships between countries will definitely go on to create the foundation for a new, progressive and people centric strategy which attracts the sources and not the symptoms of challenges facing the present day business. Over the last decades, social responsibility of business has become very popular in modern economics. Due to the strengthened global focus on sustainability aspects, there has been a need for socially responsible behavior by business all over the world. The prime objective will be to consider the business operating environment and its stakeholders which mean being responsible to them for the business outputs and imports and meeting the stakeholder’s interests.

Now-a- days it is a accepted fact that all business needs to voluntarily demonstrate their commitment towards a better society and a cleaner environment and it has become imperative to function as a responsible citizen and discharge certain social responsibilities in the form of environmental protection, infrastructural development, general welfare, employment generation, skill development, rehabilitation etc.

Though the primary objective of a business is monetary growth, corporates throughout the world over are facing pressure from various stakeholders like employees, investors, consumers and other civil society groups to pay attention to environment friendly operations.

In the interest of long term planning and growth they are themselves realizing that there is little alternative to integral sustainable development planning in their strategy.

1.8 Positioning of India Bhutan Border

The special positioning of some of the Indian States and their engagement and sharing of borders with few of the neighbouring countries shape the dynamics of cross –border transnational developments be it social, economic, cultural and political.

The Indo Bhutan Border is considered to be porous in nature as the frontiers are open for the physical movements of the people.

The border between Bhutan and India is the only land access for entering into Bhutan as the border with china runs through very high altitude areas.

1.9 Objective of the Study

This research study will try to find out the specific problems of the Indo- Bhutan International trade, in respect of economic, social, political and environmental factors to prepare a suitable strategy to develop the International Trade between India and Bhutan to contain the unnecessary advancement of China.

II. LITERATURE REVIEW

There is a growing literature on highlighting various steps to develop the International Trade between India and Bhutan to develop the regional economy of the respective countries.
Sarkar Anuraj in his report “Cross-border shopping tourism: Examining motivations and perception from the perspective of Bhutanese visitors in Jaigaon, India”, made a investigation in regard to cross border shopping tourism, by profiling the demographic characteristics of the Bhutanese, analyzing the motivating factors for cross-border shopping and also aims to identify their perception of the goods of the cross border linkages in the Indo Bhutan border town of Jaigaon.

Bhattacharjee Joyeeta in her report “Enhancing Border Management Cooperation for BBIN (2016), has made a study of enhancing border management cooperation for BBIN countries like Bangladesh, Bhutan, India & Nepal to find out that smart border management has become an increasingly urgent imperative thing in the post globalisation world, to ensure seamlessness in the legitimate movement of people and goods across their borders and also to undertake measures to curb illegal flow.

Das Pushpita in her report “Status of India’s Border Trade with it’s Strategic and Economic significance” (2014) has made a study on status of India’s Border Trade with its strategic and economic significance to find out that border trade is basically a trade in local products of limited value by the people residing within a few kilometers on either side of the international border, and although the contribution of border trade in India’s economy is negligible, it has substantial impact on its relations with its neighbours as well as on the people living on the border. Again at the bilateral level it is a major confidence building measure as it reduces trust deficits, encourages constructive engagements, stabilises the borders by reducing friction and gives a legal basis to the disputed international borders. At the local level, border trade brings economic prosperity to the people residing in the far-flung border areas and has a positive impact on their emotional well-being. It also aids in better border management as attention gets focused on better regulation of the traffic of goods and people across the international border.

Das Krishna Jadav in his report “Corporate Social responsibility in the Indian Power Sector: A study of Selected Power Plants in West Bengal” has stated that a business entity is a central economic institution in the society and as the world business environment changes the requirement for sustainability, success and competitiveness also changes. The forces of globalization, increasing intensity of competition, rapid technological changes, demographic changes, environmental challenges and changing value systems at work, building deeper and more strategic relationships with the stakeholders have become central to competitiveness and even survival. Building these relationships can form the foundation for a new, progressive and people centered strategy which attacks the sources and not the symptoms of challenges facing the present day business. In this study Das had emphasized on the prime objective of a business is to consider the firm’s operating environment and its stakeholders which mean being responsible to them for the organisation’s outputs and meeting the stakeholders needs.

III. RESEARCH METHODOLOGY

The data needed for Research Work has been collected through both direct and indirect methods of collections of Primary and Secondary Data.

3.1 Direct Method

The Study has been based on primary data collection during field visit at the various sites of the border areas and the respondents are those persons who uses the study areas for various reasons.

- The Interview Method: To ensure the successful execution of the research work, interviews has been conducted using interview schedules.
- The Questionnaire Method: This Method has been adopted to find out the views of the persons of different fields who are general population of both the country and who regularly visit the study areas.

3.2 Indirect Method

A number of newspapers, magazines, journals, websites, working papers and other reports were also consulted to gather information related to our study.
3.3 Data Analysis

The present study has been exploratory, casual and empirical in nature. The study has been based on both primary and secondary data. The primary information has been collected by personal interview through a structured questionnaire among randomly selected respondents.

The interview for collections of primary data was made on the people who are directly involved with these border areas. Ideally, the two-stage sampling technique has been applied for the entire study.

In the first Stage, some of the Sample areas (border points) was selected and thereafter in each of the selected areas, the second stage units, that is the respondents were selected to collect the necessary information needed for our study. The Secondary information has been collected from gram panchayates, municipal offices, block offices, district offices, and other related organizations. Also various books, journals, magazines, dailies, websites other reports and working papers has been considered for collection of the secondary data.

Data obtained from both primary and secondary sources was subjected to standard scrutiny and was analyzed thoroughly and the results of the analysis are presented below.

IV. FINDINGS

In the studies made it is seen that development and upgradation of the India-Bhutan cross border trade will go on to give a huge jump to the commercial strata of the economically backward peoples of the Himalayan foothills as this development will come as a boon for overall commercial activity.

Again apart from the trade with its largest trade partner India, being land locked, Bhutan is dependent on Indian passage for its third country trade. Though rupee value wise the Indo Bhutan trade figure is not too high against India’s total Exim value, but Bhutan’s external trade as a whole is too important for thousands of peoples living in the border areas.

4.1 Trends in International Trade between India and Bhutan:

Total trade between India and Bhutan has increased by nearly 50 times during 2000-01 and 2018-19. Growth in bilateral trade has been driven largely by the rapid economic growth and greater commercial integration between the two countries.

India’s share in Bhutan’s export to the world has averaged almost more than 90% in the last few years and India’s share in Bhutan’s total import from the world, on average has also been close to 88% during the same time period.

On the other hand, Bhutan as a trading partner for India holds very little significance in terms of the total value of the trade, India conducts with the world. Bhutan’s share in India’s total exports to the world has not been steady and has been fluctuating a lot. It has however gone up over time from almost zero to under 0.2% of India’s total exports. At the same time, Bhutan’s share in India’s total imports from the world has also been low and varied from 0.3% to 0.08% of in the last two decades.

4.2 Composition of Trade

Top commodities exported from India to Bhutan in 2018-19 included Petroleum oils and oils obtained from bituminous minerals, motor vehicles, ferrous product obtained by direct reduction of iron ore, light oils and wood charcoal. India’s top imports from Bhutan included electrical energy, ferro-silicon, carbon products, plate sheets of polymers of ethylene and cement.

4.3 Bhutan’s Transit Agreement with India

The Agreement on Trade, Commerce and Transit between India and Bhutan provides for the transit of Bhutanese goods through Indian territory either from one part of Bhutan to another part of Bhutan or to from other countries located in South Asia and rest of the world. The goods in transit are exempted from customs duties and all transit duties or other charges except reasonable charges for transportation and such other charges commensurate with the costs of services rendered.
The Protocol to the Agreement on Trade, Commerce and Transit specifies mutually agreed 21 entry-exit points: Jaigaon, Chamuchi, Ulta Pani, Hathising, Darranga, Kolkata, Haldia, Dhubri, Raxaul, Panitanki, Changraban, New Delhi, Mumbai, Chennai, Phulbari, Dawki, Delu, Gasupara, Lokser, Kulkuli and Nagarkata. Of these Kolkata, Haldia, Mumbai and Chennai are the designated seaports, Dhubri is the riverine route, New Delhi, Chennai, Mumbai and Kolkata are the air routes and Raxaul is the rail route. The others are the designated road routes. The bulk of Bhutan’s foreign trade is through Kolkata and Haldia Port due to their close proximity to the major Bhutanese cities like Pheuntsholing and Thimpu.

4.4 India Bhutan Connectivity

India and Bhutan have been working on improving connectivity for better trade and economic relations within different regional and bilateral frameworks. Both countries are a part of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic cooperation.

The BIMSTEC as a regional framework was conceptualised on the doctrine of open regionalism bringing together countries from South Asia and SouthEast Asia. Under the ambit of BIMSTEC, Bangladesh, Bhutan, India and Nepal signed a Landmark Motor Vehicle Agreement (MVA) for the Regulation of Passenger, Personnel and Cargo Vehicular Traffic by the transport ministries of the four BBIN countries in Thimpu, Bhutan on 15th June 2015. The MVA agreement is expected to pave the way for a seamless movement of people and goods across their borders for the benefit and integration of the region and its economic development. Trial runs for cargo vehicles under the MVA were conducted along the Kolkata-Dhaka-Agartala and Delhi-Kolkata-Dhaka routes in the past. The trials were successful establishing the Agreement’s economic benefits.

Once implemented, MVA will allow vehicles to enter each other’s territory and eliminate the need for transhipment of goods from one country’s truck to another at the border, thereby, reducing the transaction cost and time involved in trading. The agreement envisages electronic trading of cargo vehicles, issuances of permits online and electronically sending it to all land ports. Bangladesh, India and Nepal have already ratified the MVA and have agreed to start the implementation of the MVA among the three signatory countries and even though Bhutan has not yet ratified the MVA, efforts are being made to improve connectivity between India and Bhutan.

4.5 India’s FDI in Bhutan

It has been observed that historically, Bhutan has always pursued a conservative and restrictive FDI policy regime as the country had concerns regarding the impact of FDI on the tradition and culture of Bhutan. This resulted in the existence of only a handful of foreign investments in Bhutan. It was only in the early 2000s that the Government of Bhutan formulated a clear-cut policy on FDI. The Bhutanese economy welcomed FDI formally for the first time through the adoption of FDI Policy 2002 and its subsequent implementation in 2005. The policy was amended in 2010 to re-align to the changing needs of the economy and changes in global environment.

The policy liberalisation efforts have made Bhutan an important foreign investment destination with investments flowing in form several countries around the world. However, it is India which is the major source of FDI into Bhutan. In fact, the first flow of Indian investment came to Bhutan as early as 1972 when the State Bank of India (SBI) invested 40% equity in Royal Bank of Bhutan (RBOB) to develop the banking sector in the Bhutanese economy. Over the years, many Indian parties have established their operations in Bhutan in the electricity, gas and water sector in order to take advantage of the cheap and reliable electricity available in the country. This sector has received a share of 42% of India’s cumulative investment in Bhutan.

The second most important sector receiving the maximum flow of Indian investment is the wholesale, retail trade, restaurants and hotels sector with a share of 26%. This is followed by the manufacturing sector, agriculture, hunting, and forestry.

4.6 Cooperation in Hydroelectric Power Projects

Cooperation in hydropower projects is one of the most significant examples of win-win cooperation between India and Bhutan. These projects are a reliable source of inexpensive and clean electricity to India, a major contributor...
towards Bhutanese GDP and strengthening India -Bhutan economic integration. India’s engagement in Bhutan’s hydropower sector goes back to 1961 when the two countries signed one of their first hydropower cooperation pacts with the intent of harnessing hydroelectricity from the Jaldhaka river. In 1974, India and Bhutan signed an agreement on Chukha hydropower project. This was the first mega power project which was fully funded by the Indian Government (60% grant and 40% loan basis).

4.7 Some of the Challenges to India- Bhutan Trade, Transit and Connectivity:
Here in this part we will discuss some of the several constraints to trade and transit which was found during our study:

1) The Physical and Technological infrastructure at the Land Custom Station (LCS ) in Jaigaon is inadequate relative to the volume of trade it handles. This is the root cause of inefficiencies and delays arising in the passage of cargo into or out of Bhutan.
2) The Land Custom Stations (LCS) are not properly planned before construction.
3) Prior to the operationalization of EDI at Jaigaon and implementation of GST in India, the Clearance procedure was fast and simple. The goods would be inspected, papers would be checked - manually and consignments cleared quickly as there were no duties to be collected. Thereafter, GST requires electronic submission and processing of documents, but due to poor internet connectivity at Jaigaon, data transfer between the LCS at Jaigaon and the central server of the Indian customs takes more time. The bandwidth provided by State-owned BSNL is inadequate to facilitate data transfer. This resulted in increase in the time taken to obtain clearance from customs at Jaigaon.

4.8 Challenges at Kolkata - Phuentsholing Transit Corridor
This corridor is extremely important for the economic exchange of goods between Bhutan and rest of the world, transiting through the Indian Territory.

1) The main problem of this Kolkata-Phuentsholing corridor is that due to the restrictions on the movement of heavy good’s vehicles within Kolkata city during the day time it takes one whole day just to exit the city limits.
2) Thereafter the poor conditions of the roads and heavy traffic along the route leads to unnecessary delays in transportation of goods.

4.9 Challenges at Bhutan - Bangladesh Border Point
The main items of export from Bhutan to Bangladesh through changrabandha -Burimari are minerals like dolomite, limestone, quartzite and boulders for construction purposes and fresh fruits. The main items of imports from Bangladesh to Bhutan are potato chips, biscuits, readymade garments and melamine tableware. The volume and value of Bhutan’s import from Bangladesh is significantly lower than exports to Bangladesh. Bangladesh is the second-largest export partner of Bhutan after India. There are two Border points that are primarily used for Bhutan’s trade with Bangladesh through India, which are Changrabandha(India) Burimari (Bangladesh) and Phulbari (India) Bangabandha (Bangladesh). Goods from Bhutan are exported to Bangladesh mainly through the Changrabandha-Burimari border point.

4.10 Challenges at Changrabandha - Burimari Border Point
Some of the main problems at Changrabandha are as follows:

1) First of all due to the heavy volume of Cargo at the Burimari -Changrabandha Border, often there has been long queues of trucks.
2) Inadequate infrastructures at Burimari also causes similar delays.
3) Lack of coordination between the government departments like Customs and other border agencies in regard to the inspection and clearance of goods, adds to the delay.
4) It is observed that requirement of excessive documentation goes on to create unnecessary delays in clearance of goods.

5) Thereafter there had been incidences where Bhutanese truck drivers passing through Indian territories of Assam or North Bengal has faced harassments like extortion of payment on various pretexts by the local goons along the Indian highways.

4.11 Suggestions to Improve International Trade Between India and Bhutan

It is observed that both India and Bhutan have maintained a unique relationship over a long period and in regard to overcome the various challenges which the two countries face in realising the full benefits of economic cooperation some of the measures which are to be taken are as follows:

1) In order to promote bilateral trade between India and Bhutan, both sides should share in advance the regulatory and procedural requirements that have to be fulfilled at the time of exporting/importing any product so that the unnecessary delays can be reduced.

2) There is an immediate need to not only develop the physical infrastructure at the L.C.S in Jaigaon, but also the soft infrastructure at Jaigaon like improving the internet connectivity to ensure that the EDI system works in a uninterrupted manner is necessary and crucial.

3) An overall infrastructural improvement including creation of better business and regulatory environment like increased transparency and better customs management is absolutely necessary.

4) Both India and Bhutan should try to streamline trade procedures in order to facilitate trade which could be done through implementation of automated customs systems, electronic exchange of data, automated risk management, automated border procedures, electronic single window and other related digital customs and trade facilitation initiatives.

5) In order to stop the Bhutanese Transport operators from facing harassment and extortion by Indian goons while crossing through the Indian territory a dedicated help-line system for distressed Bhutanese people moving within the Indian territory could be set up for prompt redressal of their grievances.

6) In regard to Bhutan’s trade with Bangladesh through India, additional gates need to be opened at Changrabandha LCS. The infrastructure also needs to be upgraded both at the Changrabandha side as well as Burimari side. There is an urgent need to install and operationalise a fully functional single window to eliminate the use of hard copy of documents.

7) A mechanism for regular consultations between the border officials of both India and Bhutan should be established to smoothly coordinate the trade proceedings.

8) Thereafter it is also observed that there is a need for regular trilateral consultation meetings between India, Bhutan and Bangladesh for better coordination of issues related to trade and transit. There is also a need for Co-ordination among the governments, border forces and customs agencies of all the three countries to facilitate cross border trade.

4.12 Suggestions to Improve Connectivity

1) The BBIN Motor Vehicle Agreement is a landmark step towards achieving greater sub-regional integration as a free movement of cargo and passengers across signatories of the Agreement is slated to bring greater prosperity to all the participants. The apprehensions faced by Bhutan regarding the Agreement needs to be addressed so that they ratify it.

2) In order to transform transport corridors into economic corridors there is a need to upgrade not just the physical infrastructure but also have to implement certain policy and regulatory measures which can help address the non-physical barriers to seamless movement of cargo, vehicles and people between two countries or within the sub-region.
4.13 Suggestions to Improve Investment

Some suggestions to improve investments are as follows:

1) Bhutan’s increasing trade deficit with India has become a serious cause of worry for the Bhutanese who fears that it could lead to a serious Balance of Payment’s crisis in the future. Therefore in order to keep its Balance of Payments in order Bhutan mainly relies on Indian investment in Bhutan and export of electricity and minerals to India. Therefore India should take steps to revive investments in Bhutan in a manner that would be mutually beneficial for both the countries.

2) India and Bhutan can also try and negotiate a Bilateral Investment Treaty (BIT), which can provide protection for the other country’s foreign investments as BIT can provide many benefits for Indian investors in Bhutan, such as national treatment, fair and equitable treatment, protection from expropriation performance requirements for investments and access to neutral dispute settlement.

3) It is observed that most of the existing Indian investment has gone in to the energy sector while Bhutan also has potentials to attract investment in other areas such as tourism and natural resources sector.

4.14 Suggestions to Improve Cooperation in Hydroelectric Power Projects

1) The new 2018 CBTE guidelines issued by India provide a better opportunity for boosting regional connectivity in electricity trade.

2) The guidelines stated in the 2018 CBTE should be used as a base to allow the regional market development and integration of neighbouring countries.

3) Adequate infrastructure with a dedicated transmission should be developed to ensure and enhance efficient supply of high power electricity.

4) It would be always better for both India and Bhutan to work towards exempting export/import/duty/levies/feed etc for both Cross-Border trade and exchange of electricity between buying and selling entities.

5) India and Bhutan should ensure non-discriminating access to respective transmission grids as per the applicable rules, regulations and inter-governmental bilateral trade agreements.

4.15 Cross Border Trade of Electricity

Cross border trade of electricity between India and Bhutan has been taking place under the bilateral Power Trade Agreement signed between the two countries in 2006. Thereafter in 2016, with an objective of facilitating and promoting cross border trade of electricity with greater transparency, consistency and predictability in regulatory approaches across jurisdictions and minimising the perception of regulatory risks, the Ministry of Power issued the guidelines on Cross Border Trade of Electricity ‘where guidelines were framed for conducting cross-border trade of electricity, and for institutional framework which is needed to govern Cross Border Trade of Electricity, cooperation with neighbouring countries, tariff determination, trade through power exchanges, transmission system, scheduling and accounting grid operation, safety and security and dispute resolution. It is noted that in 2018, India amended the cross-border power trading regulations addressing several concerns and apprehensions raised by Bhutan. The revised guidelines paved the way for regional cooperation in the energy sector. The 2016 CBTE guidelines allowed India to trade electricity with its neighbouring countries under bilateral agreements. However as per the guidelines, no neighbouring countries would be able to trade electricity within themselves using the territory of India. The revised 2018 guidelines mention that cross-border trader of electricity across India will be allowed under the overall framework of bilateral agreements signed between the respective countries.

4.16 The China Factor in India-Bhutan Relationships

The People’s Republic of China has been keen to have good relations with Bhutan regardless of the status of Tibet and so it preferred to use diplomacy rather than force and so even though China have been interested in extending its influence on the southern range of the Himalayas while secretly supporting the formation of a Himalayan Federation including Nepal, Sikkim and Bhutan, it has quickly abandoned this idea.
4.17 Bhutan and the 1962 Sino-Indian Border Conflict

It was seen that since 1950s China had not renounced to have direct influence in the southern Himalayas and while India had implicitly recognised China’s sovereignty over Tibet in 1954, China criticised the close-up between Sikkim and India and encouraged Nepal’s dual diplomacy. After the Sino-Indian conflict, some in Bhutanese National Assembly seemed to be in favour of a balanced diplomacy between India and China which was to be based on an equal friendship with Delhi and Beijing like the Nepal Model. The RGOB (Royal Government of Bhutan) however did not even consider this options as Bhutan was not only more sensitive than Nepal regarding the fate of Tibet, the common socio-religious origins with Tibetans and the historical factors made Bhutanese highly suspicious with the Chinese strategy in the Himalayas.

The tension between India and China eventually erupted into a border war in October 1962. Although Bhutan did not take part in the war, it’s territory was adjacent to the battlefield as fierce fighting took place in the Kameng district in NEFA (North-East Frontier Agency) just on the east of Bhutan. The Royal Government of Bhutan was fully aware that an extension of the conflict could easily involve it’s territory but fortunately for Bhutan the war was brief and eventually China decided a unilateral cease-fire and withdrew its forces from north of the main Himalayan range.

Thereafter although the risks of direct confrontation rapidly disappeared after the end of the Sino-Indian conflict, Bhutan remained cautious during the 1960’s while there were reports of China building roads and setting up military installations in border areas.

In the early 1970’s with India feeling responsible for the protection of the borders of Bhutan, the kingdom had to wait for the improvement in the Sino-India relations. The Royal Government of Bhutan had some strong reservations concerning possible interactions with China and had to solve some issues like formal delimitation of the 200 miles Sino-Bhutan Border. This boundary was never demarcated in the past and the officials and local people had a understanding of the territory limits only for areas adjacent to the major pass traditionally used by the traders. The rest of the frontier was largely unknown and nobody has expressed any interest for the demarcation of territorial jurisdictions prior to 1959. It is precisely in these unknown areas where difficulties arose during the 1960s. High-altitude pasturelands located on the border areas were periodically the cause of disputes between Bhutanese and Tibetan herds. Such disputes were not only of a casual nature as Beijing’s policy in the Himalayan frontier region was to claim disputed areas on the basis of usage by Tibetans. China periodically indicated that it was ready to reach a boundary settlement with Bhutan through direct bilateral negotiations. It was observed that although Bhutan could agree with this arrangements, its treaty commitments to India made the Chinese approach infeasible before a complete normalisation of the Sino-Indian relations.

4.18 Current Relationship between Bhutan and China

Now-a-days Beijing is creating pressure for a land swap deal to settle the China-Bhutan border issues in hopes of gaining an advantage over India.

Today China is stepping up pressure on Bhutan to settle their bilateral border dispute where in addition to laying claim on more territory in Bhutan, Beijing has revived an old land swap deal that will require Thimpu to cede control over its territory in order to settle its border dispute with China.

It is observed that until recently the Sino-Bhutanese border dispute involved territory in the Western and Central sectors only where Beijing claimed 764 square kilometres of Bhutanese territory comprising of 49 Sq Km in the Jakurlung and Pasamlung valleys in North-Central Bhutan and another 269 Sq Km in Western Bhutan.

Thereafter at the Global Environment Facility (GEF) meeting China claimed Sakteng for the first time. Here Bhutan has requested funding for a project in the wildlife sanctuary and Beijing objected to the GEF funding it on the ground that it is located in the China-Bhutan disputed areas and that the Chinese delegate claimed that Sakteng is on the agenda of the China-Bhutan boundary talks. Thereafter China’s Ministry of Foreign Affairs has repeatedly said that the disputes over the eastern, central and western sectors of the border have existed for a long time.

Bhutan has rejected Beijing’s claim, by not only stating that the Sakteng wildlife sanctuary is an integral and sovereign territory of Bhutan, but also at no point during the boundary discussion between the two countries has it
featured as a disputed area. So it is recommended that in the mutual interest of both India and Bhutan and with the view of containing China in its unnecessary advancement or claims in the territory of Bhutan and India, both India and Bhutan should try and develop a better economic, political relationship among themselves through development of International Trade along with development of border trade.

4.19 Suggestions to Improve Border Trade

1) First of all the retailers should segment cross-border shoppers by demographic and other factors to identify their target customers and prepare a proper retail strategy to create an attractive shopping environment with a good variety of services to increase the transactions to increase the overall economy of the border regions. In this regard the shop owners can try to develop some suitable services to make shopping more attractive, encouraging, interesting and entertaining. One such services may be that the shop owners may prefer to keep staffs speaking the languages of the target customers to make shopping easier for the target customers.

2) In order to increase the transnational integration the governments should increase the interaction and co-operation among the peoples of both sides of the border to maintain friendliness, harmony etc which are needed to improve the living conditions of the people among the borders which is absolutely needed for proper management of borders for national security as any neglect or mismanagement of the borders can affect and endanger the defence of the country. Here it can be mentioned that though the Government of India over the years has taken many steps to manage the borders, many problems still persist at the ground level and so there is always an immense necessity of a well –trained and dedicated border guarding force who have friendly relations with the local populations. Therefore the 2nd most important implication of this study is to highlight the importance of interaction and co-operation of the people across the border.

In this regard we see that although India and Bhutan share bilateral ties and have strong border communications, the open border situations between India and Bhutan is always getting wrongly used by both criminals and insurgent groups. So this aspect should be carefully noted by both the governments to formulate an appropriate policies to handle it.

3) The Third implication of this study is that the Governments of both the country should try to understand the nature of the trade which can be done at the borders, to take the appropriate steps like legalizing trade of some essential items to prevent smuggling or any other illegal trading or movement of those goods.

V. CONCLUSION

India’s relations with Bhutan remain firmly rooted in historic, cultural and shared economic interests over several decades, but today’s complicated geopolitical realities make it difficult to predict the direction of political developments anywhere in the world.

China’s diplomacy and the growing economic appeal for one Belt and Road initiative have great implications on the region’s geopolitical scenario. In this context China’s relationship with Pakistan and Nepal and currently China’s effort to expand it’s presence in the Himalayas through negotiations with Bhutan has been a great concern for India. China - Bhutan tensions dates back to the Chinese occupation of Tibet in 1951, which was followed by the publication of Chinese maps that claimed considerable territory in the central and north-western Bhutan. This resulted in closer ties between India and Bhutan along with an embargo on cross - border trade with China.

In 1996, China made a proposal to exchange a large claim over the Pasamlung and Jakarlung valleys in Central Bhutan for a relatively smaller geographical portion of Bhutan’s north western territory in Chumbi Valley which borders Tibet and lies in close proximity to Siliguri corridor which is one of India’s most strategic and sensitive territories.

While China and Bhutan have disagreed on the disputed tracts of Doklam plateau in Western Bhutan and the Jakarlung and Pasamlung valleys in north western Bhutan, the countries are moving closer to a resolution on their
disputed 470 Km border. Thereafter reports of repeated, aggressive Chinese incursions into India’s Ladakh region at regular intervals and china’s sustained interest in the Chumbi Valley have created a great sense of urgency for India to remain involved in Bhutan’s border negotiations.

Therefore we conclude by saying that in order to safeguard her own border for her security from unnecessary advancement of China it is extremely needed for India to develop a good relationship with Bhutan which can be only done through development of International trade between India and Bhutan.

REFERENCES