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BANGLADESH-BHUTAN RELATIONS: AN OVERVIEW

Introduction

Bangladesh and Bhutan, two of the South Asian countries, became active members of the international community in the beginning of 1970s. In 1971, Bangladesh emerged as an independent state. The same year, Bhutan became a member of the United Nations. Both, Bangladesh and Bhutan, are situated in the East-North-eastern part of South Asia. Thus, while separated by a strip of Indian territory, they are close neighbours.

Consistent and stable relations between Bangladesh and Bhutan are of recent origin. Historically, there has hardly been any long-standing or meaningful contact between the peoples of two countries. However, the developments of 1971 served as the turning point in the history of relations between them. Bhutan had extended wholehearted support to Bangladesh during the latter's War of Liberation in 1971. Bhutan was the second country after India to officially recognise Bangladesh on December 7, 1971 - at the most critical juncture of Bangladesh's history. Since then, cordial relations between Bangladesh and Bhutan have always been considered by them to be mutually beneficial, both politically and economically.

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It is in this backdrop that an attempt would be made to review the developments of relations between Bangladesh and Bhutan. The main objective would be to identify the achievements and failures in their co-operative endeavours, their underlying reasons and the future prospects.

The Development of Political Relations: Steady and Consistent

In many respects, Bangladesh and Bhutan are asymmetrical partners. Bangladesh is a large country with an area of 144 thousand sq. km. and a population of 117.9 million according to 1994 estimates.¹ Bhutan is a much smaller country with an area of 47 thousand sq. km. and a population of only 675 thousand according to 1994 estimates.² The asymmetry is not confined only to size and population. For centuries, the inward-looking people of Bhutan were living in isolation on their land. Their exposure to the outside world was limited to Tibet and adjacent Indian territories. Even after 1971, when Bhutan became a member of the United Nations, its external relations were virtually confined to that with India alone. On the other hand, Bangladesh's exposure to the outside world in terms of political contacts, trade relations, cultural exchange and demographic movement covers a period that spread over several millennia. The birth of Bangladesh in 1971 and the accompanying developments attracted the attention of the whole world and the country became an actor in the international scene along with its birth.

However, the relations between Bangladesh and Bhutan developed steadily and rather rapidly, particularly by Bhutanese standard. While Bangladesh's interest in gaining Bhutan's support is understandable, Bhutan's interest in supporting the cause of Bangladesh needs some elaboration. As it appears, Bhutan's decision to recognise Bangladesh during the critical time of December 1971

1. *World Development Report 1996*, p.188.

2. *Ibid.*, p.221.

was not simply motivated by its treaty obligations that require Bhutan to closely co-ordinate its foreign policy on the basis of New Delhi's foreign policy preferences. Bhutan's decision was also prompted by the consideration of its own long-standing interests. Bhutan could realise that the emergence of Bangladesh was inevitable and the new country would play an important role in South Asia, its strategic location, size, population and economy being significant factors. It perceived that "a friendly Bangladesh, in addition to a friendly India, would be of great help to it in developing trade and commerce. As a landlocked country, it saw the advantage of an other outlet."³

In more concrete terms, a closer association with Bangladesh would strengthen Bhutan's political and diplomatic position and add significant leverage in exercising her independence. Economic calculations also played an important role in Bhutan's decision. In this regard, expectations for the development of trade relations were a significant point. While trade would be on a modest scale initially, potential for further expansion was considered. Bangladesh was seen as an alternative and easily accessible market and a source of supply that would allow the country to diversify its trade relations which were exclusively with India. Bangladesh was also viewed as a possible outlet of trade with the rest of the world through its two major seaports-Chittagong and Mongla. Thus, Bhutan came to consider her prospective relationship with Bangladesh as being important politically, economically and psychologically.⁴ It is in this backdrop that Bangladesh became a logical choice as the second country after India with which Bhutan established formal diplomatic relations.

Even before the establishment of formal diplomatic relations, both the countries took active interest in strengthening the bilateral

3. R. C. Misra, "Bhutan-Bangladesh Relations", a paper presented in the Seminar on *Politics in Bangladesh* held during March 13-14, 1981 at South Asia Studies Centre, Jaipur, India.
4. Kamal Uddin Ahmed, "Prospects of Bangladesh-Bhutan Relations", in S. R. Chakravarty and Virendra Narain (eds.), *Bangladesh: Global Politics*, (South Asian Publishers, New Delhi, 1988), Vol.III, p.171.

relations through exchange of high level visits. The Foreign Minister of Bhutan, Lyonpo Dawa Tsering, paid an official visit to Bangladesh during April 15-20, 1972. Mr. Shamsul Huq, the then Minister for Local Government, Rural Development and Co-operatives, led a delegation to Bhutan in August 1972. In early 1973, formal diplomatic relations were established between Bangladesh and Bhutan with the exchange of diplomatic representatives. The then President of Bangladesh, Muhammadullah, paid an official visit to Thimpu during June 1-5, 1974 to attend the coronation of the present King of Bhutan, Jigme Singye Wangchuck.

Bangladesh-Bhutan relations made a qualitative shift towards closer contacts in January 1980 when both the countries decided to set up diplomatic missions in each other's capitals and exchange resident Ambassadors. It was a significant move, particularly on the part of Bhutan. Because, apart from its mission in New Delhi, Bhutan's mission in Dhaka was the second one. It reflected the importance that Bhutan accorded to its relations with Bangladesh. Subsequently, exchange of visits between the two countries, including at the highest levels, became a regular feature of bilateral relations between the two neighbours. During the period following the formation of SAARC, contacts between the two countries became more frequent and more purposeful.

While Bhutan has always been keen to gradually expand the scope and dimension of her bilateral relations with Bangladesh, a limitation is imposed on Bhutan in this regard by its landlocked position and its special relations with India under the Indo-Bhutanese Treaty of 1949. By article 11 of the Treaty, for example, Bhutan agrees "to be guided by the advice of the Government of India in regard to its external relations".⁵ In this light, the Bhutanese leaders made clear their preference for cautious and slow steps in

5. Syed Sikander Mehdi, "Bhutan and its Strategic Environment", *Strategic Studies*, Vol.XII, No.2, (Winter 1988), p.80.

developing relations with Bangladesh so as to avoid all possible difficulties in its relations with India. Bangladesh as well has been quite sensitive to Bhutan's predicaments. While developing its relations with Bhutan, Bangladesh has always been cautious enough not to evoke India's misgiving. Such an approach on the part of both the countries allowed the development of political relations between them rather smoothly without inviting any adverse reaction on the part of India. However, such a success could not be achieved in case of the development of economic relations between Dhaka and Thimpu.

The Development of Economic Relations : Vast Potentials Remain Unexplored

As indicated, the development of closer economic co-operation between Bangladesh and Bhutan has been one of the major goals that both the countries intended to pursue in their bilateral relations. As early as in April 1972, during the visit by Bhutanese Foreign Minister to Bangladesh, the leaders of both the countries expressed their desire to develop bilateral trade. They also thought of developing water resources through joint ventures.⁶ In practice, however, the initiation of economic co-operation between the two countries proved to be a highly difficult undertaking. Its development remains still quite problematic with vast unused potentials. A discussion on the issue is organised below under three sub-headings: i. Trade and Transit; ii. Technical and Cultural Co-operation; and iii. Co-operation in the Development of Water Resources and Joint Venture in Industry.

Trade and Transit

Bangladesh and Bhutan has taken quite a long time to establish trade relations between the two countries. On September 8, 1980,

6. Kapileshwar Labh, "Bhutan-Bangladesh Partnership in Peace and Economic Development: Commonalties and Constraints", in S. R. Chakravarty (ed.), *Foreign Policy of Bangladesh*, (Har-Anand Publications, New Delhi, 1994), p.237.

two agreements on trade and transit were signed between the two countries in Thimpu. Initially valid for ten years, the trade agreement may be renewed for a period of another ten years. Both the countries agreed to accord to each other the most favoured nations (MNF) treatment in respect of trade.⁷ According to the agreement, Bhutan could export to Bangladesh dolomite, gypsum, dust coal, slate, graphite, copper and timber products, cardamom, gum, resin, ginger and dry chillies, orange and apple. The list of goods for Bangladesh to export to Bhutan included items such as, newsprint, jute products, leather and leather products, chemicals and detergents, betel leaves, tea, tobacco, pharmaceuticals and medicine.⁸ The terms of the trade agreement are quite liberal and mutually beneficial.

The trade agreement, however, remained ineffective for a rather long time because of India's lack of preparedness to provide overland transit facilities. Bhutan made persistent attempts to secure the transit facility through India in order to develop trade relations with Bangladesh. New Delhi has taken the position that it has some technical difficulties in providing the transit facility to Bhutan.⁹ Such a position was not convincing to either Bangladesh or Bhutan. As it appeared, India was either opposed to the development of trade relations between Bangladesh and Bhutan or it was yet to make calculations of the implications of the development for New Delhi's long-standing interest in Bhutan. In this regard, an understanding of the economic factors alone are by far insufficient to grasp the depth of Indian interests and its stake in Bhutan. From the very beginning, particularly since the Sino-Indian War of 1962, India has been considering Bhutan to be of crucial strategic interest *vis-à-vis* China. It is difficult to ascertain whether it is because of Bangladesh's closeness with China or not, but India was not much co-operative with regard to the development of trade relations between Bangladesh and Bhutan.

7. Kamal Uddin Ahmed, *op. cit.*, pp.173-74.

8. Kapileshwar Labh, *op. cit.*, pp.237-38.

9. Kamal Uddin Ahmed, *op. cit.*, pp.174-75.

The policy continued even after India's signing of two agreements, one with Bhutan in December 1983 and the other with Bangladesh in January 1984, which provided for transit facility. Even the formation of South Asian Association for Regional Co-operation (SAARC) in 1985 did not change the situation. As a consequence, the trade agreement remained ineffective until the late-1980s when India provided convenient transit route through its territory for the conduct of Bangladesh-Bhutan trade. In this regard, the pattern of behaviour as displayed by Bangladesh and Bhutan suggests that neither of the countries were much surprised by the Indian attitude. Both the countries have displayed considerable caution and patiently cultivated Indian goodwill that was indispensable for the development of trade relations between them.

Trade between Bangladesh and Bhutan had been very slow in picking up and the problem of transit was not the lone hurdle. Though close neighbours, Bangladesh and Bhutan were unfamiliar with each other. However, they continued their efforts with a view to developing the trade relations. During the visit of King Jigme Singye Wangchuck to Bangladesh in February 1984, two accords were signed between the two countries. These are: (a) The Protocol on Expansion and Regulation of Trade; and (b) Agreement on Economic and Cultural Co-operation.¹⁰ The officials of the two countries met in January 1985. After reviewing the latest status and implementation of the trade agreement of 1980, both sides agreed to increase the number of items that could be traded.¹¹ Again in March 1985, the Bhutanese Minister for trade, Industry and Forest, Prince Namgyel Wangchuck, met Air Vice-Marshal Sultan Mahmud, Bangladesh Minister for Industry, Commerce, Jute and Textile, in Dhaka. The meeting reviewed the whole gamut of trade relationship between the two countries. Both the sides agreed that the existing friendly relations between the two countries had not been

10. Kapileshwar Labh, *op. cit.*, p.238.

11. Kamal Uddin Ahmed, *op. cit.*, p.175.

reflected in the sphere of trade and commerce, and stressed the need for increased co-operation.¹² Nonetheless, the trade relationship between Bangladesh and Bhutan continued to remain one of exploratory nature.

The situation, however, suffered a rather radical change during the late 1980s. Mainly two factors could be identified as the driving force behind this transformation. First, in 1986, both the countries decided to exempt all taxes, levies and duties on the goods to be traded between the two countries. Second, India, at last, decided to permit Bhutan to use the most convenient Burimari-Chengrabandha route for its trade with Bangladesh with effect from January 1988. With the opening of the Burimari-Chengrabandha route, Bangladesh-Bhutan trade increased more than fifty times just in one year. Bhutan's export to Bangladesh increased from Tk.2.10 million in 1986-87 to Tk.105.80 million in 1987-88. In 1988-89, it stood at Tk.248.90 million. Despite some fluctuations and decline in Bhutan's export to Bangladesh, in 1993-94, it stood at Tk.327.60 million. Against this, Bangladesh's export to Bhutan remained stagnant in between Tk.3.26 million and Tk.8.92 million during the whole period since 1988-89 to 1995-96 (Table 1). In other words, Bangladesh-Bhutan trade became a one-way traffic. Only Bhutanese export to Bangladesh has increased dramatically, while Bangladeshi export to Bhutan remained stagnant at a meagre amount.

Bangladesh has time and again emphasised to the Bhutanese side the need for boosting its imports from Bangladesh with a view to bridging the existing imbalance in bilateral trade. Bhutan is very much aware of the fact as it earns foreign exchange from tourism and her exports to Bangladesh alone. So, Thimpu's stake in the continuation of its trade relations with Bangladesh is quite high. While the Bhutanese side has repeatedly expressed its keen desire to remove the trade imbalance with Bangladesh, Thimpu still remains

12. *Ibid.*

Table 1. Bangladesh's Trade Balance with Bhutan: 1986-87 to 1995-96
(Bangladeshi Taka in millions)

Year	Export from Bangladesh	Import into Bangladesh
1986-1987	-	.30
1987-1988	-	2.10
1988-1989	3.26	105.80
1989-1990	5.16	248.90
1990-1991	5.54	167.50
1991-1992	8.15	165.00
1992-1993	8.92	88.30
1993-1994	4.50	327.60
1994-1995	8.60	88.90
1995-1996	7.87	211.80

Source: For the export *Bangladesh: Annual Export Receipts 1995-96*, (Statistics Department, Bangladesh Bank, Dhaka, 1997), pp.580-81. For the import *Bangladesh: Annual Import Payments 1995-96*, (Statistics Department, Bangladesh Bank, Dhaka, 1997), pp.576-80.

far from initiating any serious and effective measure in this regard. Persisting severe imbalance in trade between Bangladesh and Bhutan has grossly undermined the mutuality of interests in bilateral co-operation. It remains the single-most important obstacle in the way of further development of trade.

Technical and Cultural Co-operation

Bangladesh has always been keen to develop technical and cultural co-operation. In this regard, a commitment was made to Bhutan that Bangladesh would provide, within its limited resources, whatever assistance needed by Bhutan in the field of education and technical training. Even without any formal agreement, a modest technical co-operation with Bhutan was initiated by Bangladesh during the early 1980s. Accordingly, some Bhutanese students came

to study in Bangladesh on Bangladesh Government's scholarship.¹³ In February 1984, during the visit of the King of Bhutan to Bangladesh, an agreement on Economic and Technical Co-operation was signed between the two countries. By now, a good number of students receive education regularly in Bangladesh. Currently, Bangladesh offers every year a total of 34 seats to the Bhutanese students in different institutions in a variety of fields, including medicine and engineering.

The Air Service Agreement between Bangladesh and Bhutan was signed on June 4, 1986. The agreement provides for air services between and beyond the respective territories of the two countries. From October 1987, the Druk Air had started operation between Paro and Dhaka.

An agreement on Cultural Co-operation was signed between Bangladesh and Bhutan on June 4, 1986. However, cultural exchange between the two countries remains a very rare incident. Bhutanese Minister for Cultural Affairs visited Bangladesh at the invitation of his Bangladeshi counterpart in November 1993 during the Sixth Asian Biennial Art Exhibition.

Co-operation in the Development of Water Resources and Joint Ventures in Industry

As indicated, Bangladesh and Bhutan considered co-operation in the field of the development of water resources through joint ventures as an objective even in 1972. However, for a quite long time, they undertook no initiative to this direction. Only in October 1988, during the working visit of the then President of Bangladesh, Hussein Muhammad Ershad, to Bhutan, an initiative aimed at co-operation in the field of water resources development, flood control in particular, was undertaken. Accordingly, a Joint Team of Officials on Flood Control was established. The Joint Team of Officials met

13. *Ibid.*, p.176.

three times - in January 1989 (Dhaka), in August 1989 (Thimpu) and in December 1989, again in Dhaka - and finalised the report for submission to the Governments of the two countries. The Team recommended, *inter-alia*, co-operation in flood forecasting and warning, in hydrometeorology and setting up of an institutional framework for follow-up of the recommendations. As it appears, there has been no progress in the matter. More importantly, the vast potential for the joint management and development of water resources could not even be considered by the two sides.

In this regard, India's long-standing policy of strict bilateralism served as the most insurmountable obstacle in the way of the joint management and development of water resources. Geographical and ecological situation made India central to any joint management and development of water resources in this part of the world. Not only India's support but also its active participation is indispensable in such ventures. Bangladesh, since the very inception, has been viewing the Ganges and the Brahmaputra river basins as international ones. International character of any basin entails interdependence among the co-riparian states. Co-operation among them for the efficient utilisation and proper management of water resources is crucial to their interests. It is in this backdrop that Bangladesh was advocating regional solution to a regional issue. India, until very recently, was vehemently opposed to the idea. In this regard, her insistence on bilateralism in dealing with the neighbours has shaped her stand on the issue. India was believed to be apprehensive that the neighbours with whom New Delhi has specific bilateral problems might gang up against her and make attempts to bargain collectively. More importantly, Bangladesh's attempts to bring China and the donor agencies into the picture have seriously irritated India, as it would dilute her influence on the issue.¹⁴

Bhutan possesses huge quantities of untapped mineral and forest resources suitable for joint ventures in cement, railway sleepers,

14. Shaukat Hassan and Abdur Rob Khan, "Bangladesh Floods: The Debate", in M. G. Kabir and Shaukat Hassan (eds.), *Issues and Challenges Facing Bangladesh Foreign Policy*, (Bangladesh Society of International Studies, Dhaka, 1989), p.88.

paper and pulp and a host of other mineral based and agro-based industries. In this regard, mutually beneficial joint venture between the two countries is feasible. It is particularly because of the fact that there exist remarkable complementarities between the two countries in terms of the supply of raw materials and manpower, production as well as marketing, in the region as well as outside. Bhutan also has vast potentials for generating hydro-electricity. Increasing demand for electricity in Bangladesh and India, and the financial and ecological cost involved with the production of electricity using fossil fuel in these countries, are also creating a vast market for the product. As a matter of fact, Bhutan's potential for generating hydro-electricity as well as its demand in India and Bangladesh would be so vast that it could make Bhutan what oil made Kuwait.

Concluding Remarks

Over the years, the political relations between Bangladesh and Bhutan have developed steadily and consistently. It has been vividly manifested in the frequent exchange of visits, particularly at high levels, close understanding developed between the leadership of the two countries and their resolve, as expressed on many occasions, to further develop and diversify the mutually beneficial relations between the two countries. However, friendly and close political relationship between the two countries could not lead to the establishment of equally meaningful economic co-operation. The prevailing status of co-operation between Bangladesh and Bhutan in the fields of trade, communications, industry, development of natural resources and so on remains far behind the requirements of the two countries. It becomes even more obvious when one takes into consideration the vast potentials of the two countries for mutually beneficial economic co-operation.

While discussing the obstacles, mention was made of the difficulties associated with the initiation of co-operation between the two economically strange partners as Bangladesh and Bhutan once were. These are not insurmountable obstacles. Given goodwill on the

part of both the sides and appropriate corrective measures, such obstacles could be overcome.

While discussing the prospects for economic co-operation between Bangladesh and Bhutan, the first thing that one encounters is the centrality of the role of India in this regard. That refers not only to the Indo-Bhutanese Treaty of 1949 and everything that goes with it, but also to the tyranny of geography which has made Bhutan land-locked as well as India-locked. Therefore, for Bhutan, to have co-operative relations with the outside world, India's co-operation is indispensable. Any country willing to develop feasible economic co-operation with Bhutan must take this factor into consideration and formulate its policy accordingly. Bangladesh cannot be an exception. For Bangladesh and Bhutan, to undertake any grand or even small project with a view to exploring some of the vast potentials for co-operation between the two countries, India's active participation is indispensable. Until very recently, India was not forthcoming in this regard.

However, India seems to be on the threshold of a qualitative change with regard to its policy towards multi-lateral co-operation among the countries of the Ganges and the Brahmaputra river basins. The emerging sub-regional grouping, South Asian Growth Quadrangle (SAGQ) that includes Bangladesh, Bhutan, Nepal and the seven North-eastern states of India, and the commitment made by the leadership of these countries to the success of the venture are indicative of such a trend. The project still remains in its formative stage. Therefore, it is too early to make any assessment of whether, when and how far India would make a departure from the past that is capable of unleashing a process of meaningful co-operation within the framework of SAGQ - a region with the world's largest concentration of poverty. If SAGQ prospers, Bangladesh and Bhutan can confidently move towards the development of multifarious economic co-operation between them and with the other countries of the region and beyond. Otherwise, in search of mutually beneficial co-operation between them, Bangladesh and Bhutan are almost certain to rove around where they are now.