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BANGLADESH-BHUTAN RELATIONS: CHALLENGES AND PROSPECTS

Abstract

With the establishment of diplomatic relations between Bangladesh and Bhutan, various initiatives to accelerate the bilateral relations between the two countries began. Within a few years, such initiatives resulted in a number of bilateral agreements on trade, economy, culture, air service, education and technical side. While these agreements between Bangladesh and Bhutan reflect friendliness and mutual understanding between the two, the fact remains that the push as given in the beginning for more vigorous relations has not yielded tangible results up to an expected level. In effect, the pace of relations between the two nations advanced with caution, and in few instances, with indifference. Yet, the fact remains that enormous prospects lie ahead for a more cooperative and constructive relations between them in the changed international scenario. It is in this backdrop that the paper attempts to address a set of relevant questions: What are the areas of cooperation between Bangladesh and Bhutan? What are the challenges that Bangladesh and Bhutan face in various issues of mutual interest? What are the prospects for future enrichment of Bangladesh-Bhutan relations? The purpose of the paper is to seek possible answers to these questions.

Keywords: Small State, Bilateralism, SAGQ, SAFTA, Transit, Cooperation.

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Introduction

Bhutan, officially known as the Kingdom of Bhutan, has been a remote and an almost unknown country, separated from the outside world, until the 1960s. Since that time, the country started widening its contacts with the outside world by diversifying its diplomacy and negotiating with other countries. No sooner had the Kingdom's quest for a more open policy begun, the emergence of Bangladesh as an independent state in South Asia further gave an impulsion to such pursuit as the former too looked for building mutually beneficial relations with its proximate neighbours. Bhutan's wholehearted diplomatic and moral support to the Liberation War of Bangladesh (1971) coupled with many commonalities between the two in history, culture, geo-strategic, demographic and social conditions took very little time to set the stage for a more constructive relationship between the two countries in the future. The realisation that Bhutan and Bangladesh, both endowed with many potentialities, could gain materially from each other also acted as a catalyst in boosting up relations between the two neighbours.

It is important to note that the trajectory of Bangladesh-Bhutan relations passed through few important phases. Bhutan officially recognised Bangladesh as a sovereign state on 7 December 1971. Immediately after independence of Bangladesh, both the countries moved to set up diplomatic relations. But such relations did not take residential form until January 1980 due to political instability in Bangladesh. Setting up of diplomatic relations, however, increased official visits thereby accelerating the process of bilateral relations. As a result, a number of bilateral agreements on trade, economy, culture, air service, education and technical side were signed in the 1980s between the two countries. While these agreements between Bangladesh and Bhutan reflect friendliness and mutual understanding between the two¹, the fact remains that the push as

¹ There has been no friction since the establishment of diplomatic relations. Nonetheless, there are very few landmarks. The volume of total trade between the two countries in current time is about US\$ 14 million a year which is far ahead compared to that of the initial stage of relations. Little exchange of natural resources, smooth air link with two flights a week, and regular arrival of Bhutanese students to Bangladesh are also the landmarks. See, "Bhutan and Bangladesh could expand trade relations", available at

given in the beginning for more vigorous relations has not yielded tangible results up to an expected level. In effect, the pace of relations between the two nations advanced with caution, and in few instances, with indifference notwithstanding the fact that enormous prospects lie ahead for a more cooperative and constructive relations between them in the changed international scenario.

It is in this backdrop that the paper attempts to address a set of relevant questions: What are the areas of cooperation between Bangladesh and Bhutan? What are the challenges that Bangladesh and Bhutan face in various issues of mutual interest? What are the prospects for future enrichment of Bangladesh-Bhutan relations? In order to address the above stated questions, the paper, barring introduction and conclusion, would consist of four successive sections which are as follows: Section I – Imperatives for Bangladesh-Bhutan Relations: An Overview, Section II – Bangladesh-Bhutan Relations: Issues Revisited, Section III – Impediments to Bangladesh-Bhutan Relations and finally Section IV – Prospects for Bangladesh-Bhutan Relations: A Future Outlook. The methodology of the paper is empirical and analytical in nature. Research materials from books, journals, newspapers, etc. constitute the research documents of the author.

Section I - Imperatives for Bangladesh-Bhutan Relations: An Overview

In international relations, inter-state behaviour may manifest itself in three types of relations - conflict, competition and cooperation. While conflictive and competitive behaviour is caused by a complex web of factors, the one of cooperation simply flows from the political commitments of the states to cooperate with each other in an atmosphere of mutual trust and understanding. The factor that catapults cooperative relations is the expectation for few tangible gains out of a constructive interaction. In case of Bangladesh-Bhutan relations, one finds such cooperative spirit as the undertone of their mutual relations. Being ‘small states’² and vulnerable to interference

<http://www.bhutan.gov.bt/government/newsDetail.php?id=85%20&%20cat=9> accessed on 10 October 2006.

² Small states are generally characterised by small size, low per capita income, high dependence on the foreign capital and weak defence

by big powers, such relations were influenced by certain perceptions and approaches. In the initial stage, Bangladesh as part of its state-building process put emphasis on preservation and promotion of congenial relations with the neighbouring countries, and hence its attachment to the development of relations with neighbouring Bhutan. In contrast, Bhutan's psychological impulse for establishing relations with Bangladesh was based on a different calculation. The former considered that the latter in future would play an important role in the eastern zone of South Asia and, therefore, an association with Bangladesh could give Bhutan a degree of politico-diplomatic leverage to exercise as a sovereign state.³ In the eyes of Bhutan, the emergence of Bangladesh increased its political manoeuvrability at the regional level; in other words, it can pursue a policy like that of Bangladesh in order to be free from all kinds of foreign domination. Perhaps, there is no gainsaying that Bangladesh's foreign policy envisaging 'friendship to all and malice to none' attracted Bhutan

capability. However, while defining small states, such characteristics are often missing in different regions of the contemporary world. One, therefore, considers a small state, which has a very low conventional war capability (expressed in terms of GNP and military budget), not only in absolute global comparative terms...*but also vis-à-vis the large powers in the region*. But now, small states appear to be nothing but appendages of the spheres of great power influence, helpless fragments at the mercy of the giant neighbours. Because of the sheer gigantic size of India, with the power capabilities it commands in the South Asian region, both Bangladesh and Bhutan obviously appear to be small states. Power, as a function of mobilisable and deployable military force and a strategic resource base for a very specific purpose, is viewed as a quantifiable and commensurable mass, which can be measured and weighed. See, Atiur Rahman and Jaglul Haider, "Underdevelopment, Dependence and Instability in the Small States: What is the Way Out?", in M. Abdul Hafiz and Abdur Rob Khan (eds.), *Security of Small States*, University Press Limited, Dhaka, 1987, p. 62; Talukdar Maniruzzaman, "The Security of Small States in the Third World", *Canberra Papers*, 1988, p. 14; Shaheen Afroze, "Small States in Global Perspective: In Search of a Role Model in Regional Security", in Mohammad Humayun Kabir (ed.), *Small States and Regional Stability in South Asia*, University Press Limited, Dhaka, 2005, p. 12.

³ Syed Serajul Islam, "Bangladesh-Bhutan Relations: From Isolation to Intimacy", in Muzaffer Ahmed and Abul Kalam (eds.), *Bangladesh Foreign Relations: Changes and Directions*, University Press Limited, Dhaka, 1989, p. 51.

significantly. Then, there is the question of economic factor. If Bhutan could be friendly with Bangladesh, then it could develop its trade relations with Bangladesh. In this respect, Bangladesh could provide Bhutan with alternative source for importing and exporting necessary goods as well as serve as an outlet to the rest of the world through its two major seaports. This way, the limitations in which Bhutan is placed by its landlocked position and certain demands arising out of its special relationship with India could, to a certain extent, be reduced. However, it is important to note that the Kingdom of Bhutan, in its political and foreign policy domain, has been overtly cautious in dealing with issues that could evoke controversy. As a result, the best option for the country has been to open itself to the others economically. It is in line with this philosophy that Bhutan sought to forge a relationship with Bangladesh with the utmost economic consideration in mind. The subsequent section attempts to delve into the issue.

Section II - Bangladesh-Bhutan Relations: Issues Revisited

Although Bangladesh and Bhutan are asymmetric in terms of size, resource endowment and population, they share few significant commonalities (See Table-1).

Table 1: Bangladesh and Bhutan: Asymmetry and Symmetry

Country	Area of land (sq. km.)	Arable land	Population (million)	Population growth	GDP (real growth rate)	GDP per capita income (PPP)
Bangladesh	133910	55.39%	147.36	2.09%	6.1%	\$2200
Bhutan	47000	2.3%	2.27	2.1%	5.9%	\$1400

Source: <http://www.cia.gov/cia/publications/factbook/geos.bt.html> accessed on 27 March 2007.

The commonalities have given birth to a common set of interests that both the countries seek in pursuit of their respective socio-economic development. As indicated earlier, after the independence of Bangladesh, the leaders of both the countries met several times and expressed their desire to set up bilateral relations. It was not until the establishment of diplomatic relations between the two that their bilateral relations started intensifying in its own direction. Some of the very important issues that got priority in Bangladesh-Bhutan

relations were economic in nature. A brief description of such issues is furnished below in order to determine the position of Bangladesh and Bhutan *vis-à-vis* each other.

Both the countries signed their first bilateral Agreement on Trade in early September 1980. With flexible terms⁴ and limited items, the agreement was initially valid for 10 years. It kept the option for renewal for a period of another ten years. Thus, trade relations began but tangible results of such relations did not come until India signed two agreements with Bhutan and Bangladesh separately in 1983 and 1984 respectively. These agreements provided for overland transit facility, which stipulated the earlier agreement on trade and advanced both the countries to sign the Protocol on Expansion and Regulation of Trade in 1984. One of the outcomes of the protocol was the meeting of representatives of the two countries in 1985. The meeting reviewed the trade relations and agreed to increase the number of traded items. Nonetheless, trade between the two countries was very slow. The slowness, however, got a face-lift when Bangladesh waived 50% of tariff on imports from Bhutan in 1986 and India permitted most convenient Phuntsholing (Bhutan)- Changrabandha (India)-Burimari (Bangladesh) route effectively in January 1988.⁵ These attempts provided a boost for trade relations although Bangladesh advanced on a declined basis.

The existing agreement on trade continued in 1990s. During that time, both the countries increased their exported items and allowed concessions on duties on a wide range of products. Products from Bangladesh were granted duty free access in Bhutan, while products

⁴ Both will take necessary measures for developing trade and provide each other the most favoured nation's treatment with regard to custom duties, issue of licenses, storage and handling charges, and in any other fees levied on export and import of goods. All payments for goods to be exported or imported can be made in any convertible currency. See, 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, p. 174.

⁵ A. K. M. Abdus Sabur, "Bangladesh-Bhutan Relations: An Overview", *BISS Journal*, Vol. 19, No. 1, 1998, p. 62.

from Bhutan were taxed 50% of normal duty in Bangladesh.⁶ The trade relations, thus, entered into a new phase. In September 2000, although the agreement on trade expired, bilateral trade continued. In 2002, the agreement on trade was again renewed under which Bhutan unilaterally began granting zero tariffs to all Bangladeshi goods.⁷ In return, Bangladesh announced that they would apply only 15% of their applicable duty rates on about 18 Bhutanese goods, which were levied a 50% duty concession.⁸ With such initiatives, Bangladeshi melamine and readymade garments captured the Bhutanese market, while Bhutanese agro-produce and minerals extended its domination in Bangladesh.⁹ Eventually, trade relations between the two countries geared up. Exports of Bangladesh in 2005 were worth US\$ 4.8 million while imports from Bhutan amounted to US\$ 7 million (See Table-2).

Table 2: Trends in Bangladesh-Bhutan Bilateral Trade

(In million US\$)

Year	Export	Import	Volume of Total Trade
1991	0.16	4.7	4.86
2001	1.18	5.65	6.83
2002	1.67	3.92	5.59
2003	1.57	2.74	4.3
2004	2.92	5.43	8.45
2005	4.8	7	11.8

Source: Import Payments and Export Receipts, Bangladesh Bank, 2005; Bangladesh Economic Review, Ministry of Finance, 2005.

⁶ “Economic and Political Relations between Bhutan and Neighbouring Countries”, A Joint Research Project of the Centre for Bhutan Studies (CBS) and Institute of Developing Economics, Japan External Trade Organization (IDE/JETRO), *Monograph 12*, April 2004, pp. 68-70.

⁷ “Renewal of Dhaka-Thimpu trade accord to boost economic ties”, available at <http://www.weeklyholiday.net/041002/busi.html> accessed on 6 October 2006.

⁸ “Bhutan and Bangladesh could expand trade relations”, *op.cit.*

⁹ “Economic and Political Relations between Bangladesh and Neighbouring Countries”, available at <http://www.ide.go.jp/English/Publish/Jrp/Pdf/jrp-132-sec1.pdf> accessed on 5 October 2006.

However, the volume of total trade between the two countries in current time is about US\$14 million a year.¹⁰ While for Bhutan, it is encouraging, for Bangladesh it is insignificant. Taking this point in consideration, Bhutan has expressed its keen interest to import huge quantity of biodegradable packaging materials. It has officially informed the Bangladesh mission in Bhutan, and asked for a list of the materials.¹¹ Meanwhile, the Bangladesh mission has urged the Export Promotion Bureau (EPB) to take necessary steps in this regard. The EPB is now communicating with the local industrialists to export their products to Bhutan. On the other hand, Bhutan has also showed its keen interest to import vehicle spare parts made in collaboration with Japan, excide car batteries, and pharmaceuticals, which are among the best in the South Asian region. Such positive attractions could be the new sign for trade and economic relations. However, the relations could be discerned not only in the pursuit of trade but also in their efforts for water, education and technical, air service and cultural development.

Although both the countries chalked out various plans to develop water resources through joint ventures in 1972, no functional initiative was taken until 1988. In 1988, through an effective initiative, Bangladesh and Bhutan formed a Joint Team of Officials (JTOs). The JTOs met three times in 1989 and finalised a report for submission to the governments of the two countries. The report recommended cooperation in flood forecasting and warning for disaster preparedness, exchange of hydro-meteorological data in time, and setting up of an institutional framework for following up of the recommendations. However, no tangible progress seems to have been made in this regard till to date.

Aside from water, both the countries took initiatives to develop relations in technical and educational fields. Even without any formal agreement, such relations were initiated by Bangladesh in 1980, when some Bhutanese students were admitted to the Universities/Medical Colleges in Bangladesh for higher studies. The

¹⁰ “Bhutan and Bangladesh could expand trade relations”, *op.cit.*

¹¹ “Bhutan to import packaging materials from Bangladesh”, *United News of Bangladesh*, Dhaka, available at <http://independent-bangladesh.com/news/aug/24/24082005bs.htm#A12> accessed on 25 January 2007.

Bhutanese leaders considered this matter as useful to Bhutan, which has shortage of qualified and trained personnel. In 1984, they signed an Agreement on Economic and Technical Cooperation which also provided opportunities to Bhutanese students for pursuing higher studies in Bangladesh, and creating ways of exchanging expert missions in technical side. Since then, Bangladesh has been providing limited number of scholarships to the Bhutanese students in required fields. Under the agreement, the two countries also agreed to promote a programme of development cooperation providing training facilities in relevant institutions. In this way, both the countries have been benefited over the period of time in the field of human resource development.

With the objective of facilitating the movement of people from one country to the other and promoting people-to-people contact, an Agreement on Air Services was signed between the two countries in 1986. This agreement granted the Royal Bhutan Airlines to operate weekly air services to and fro between Dhaka and Thimpu. The air link between the two countries became more intensified when Bhutanese high level officials came to Dhaka in 2002. During that time, Dhaka made a decision to reduce landing fees for Druk Air, the flag carrier of Bhutan, at Zia International Airport. Dhaka also granted 50% concession on handling charges.¹² With such initiatives, the Druk Air introduced two flights a week instead of once-a-month flight between Paro and Dhaka.

During the visit of former King Jigme Singye Wangchuck to Bangladesh in 1984, it was reaffirmed that development of relations would not be only mutually beneficial but also go a long way in fostering closer cooperation and understanding between the peoples of the two countries. In order to give a concrete shape to this policy, an Agreement on Cultural Cooperation was signed in 1986. But, cultural exchanges between the two countries took place at a level much below expectation. However, since 1972, exchange of visits at a high level and exchange of ideas on different occasions clearly indicate that the two countries intend to have close bilateral relationship to promote their national interests. Despite such mutual intention, the bilateral relationship has not yet been developed into a

¹² “Economic and Political Relations between Bhutan and Neighbouring Countries”, *op.cit.*, p. 69.

meaningful collaboration. The next section would try to explore the impediments, which are responsible for such a scenario.

Section III – Impediments to Bangladesh-Bhutan Relations

The status of relationship between Bangladesh and Bhutan is far from being satisfactory. Since the establishment of formal relationship between the two countries, several hurdles have been affecting the bilateral relations. While many of them are viewed as formidable, some can certainly be overcome. It is, thus, important to have a little discussion to find out the impediments in their relation.

First, located in the Eastern Himalayas between Tibet and India, Bhutan is a land-locked country. Similarly, Bangladesh is virtually India-locked with an outlet to the Bay of Bengal in the south. Both Bangladesh and Bhutan are smaller neighbours of India, each being detached from the other by about 30 km of Indian territory.¹³ Geographically, they are, therefore, proximate but not contiguous, which makes India central to any joint management and development in South Asia. For example, when it is an issue on water, India's strict bilateralism¹⁴ serves here as the most crucial factor. Experts in Bangladesh estimate that dry season flows of water may be increased by building large storage dam.¹⁵ Therefore, Bangladesh wants to build a reservoir in the Sunkosh river of Bhutan. But India along

¹³ Kapileshwar Labh, "Bhutan-Bangladesh Partnership in Peace and Economic Development: Commonalities and Constraints", in S. R. Chakravarty (ed.), *Foreign Policy of Bangladesh*, Har-Anand Publications, New Delhi, 1994, p. 232.

¹⁴ One of the facets of India's policy towards neighbours is to deal with all matters on a bilateral basis. Again, this is a general policy equally applicable towards all neighbours. India feels that all matters with neighbours should be settled bilaterally on the basis of equality and mutual benefit, i.e., without, needlessly complicating them by internationalising in multilateral form, or inviting third party intervention. But this is not reciprocated sometimes by many neighbours in South Asia. See, M.S. Rajan, "India and Its Neighbours: The Policy and Problems", in S.D. Muni (ed.), *Understanding South Asia: Essays in the Memory of Late Professor (Mrs) Urmila Phadnis*, South Asian Publishers, New Delhi, 1994, pp. 10-35.

¹⁵ Madhukar S. J. B. Rana, "Nepal-Bangladesh Relations: Retrospect and Prospects", *BISS Journal*, Vol. 24, No. 3, 2003, p. 340.

with its centrally placed colossal position between Bangladesh and Bhutan is yet to show any positive attitude to this demand.

Second, because India has the tendency to turn its natural pre-eminence in South Asia into predominance, and that no other significant power other than Pakistan in the region has the potential to check Indian dominance or hegemonic aspirations, Bangladesh, in general, and Bhutan, in particular, may be considered as the smaller powers from the point of their respective vulnerability *vis-à-vis* India.¹⁶ The vulnerability may be explained by a simple factor such as decision making capability. In the context of South Asia, Bhutan still seems not to be in a position to take independent decisions in its foreign relations since it continues to be guided by cooperative attitude and consultative mechanism of the Government of India. In addition, geo-political and geo-physical compulsions along with special relations with India under the Indo-Bhutan Friendship Treaty concluded on 8 August 1949 does not provide Bhutan with policy options to independently pursue politico-economic relations with Bangladesh and other countries of the world.¹⁷

Third, although South Asia shares cultural affinity, this can sometimes become a threat when the smaller states face serious problems in developing their separate and distinct identities. The powerful elements of cultural affinity tend to create serious problems along borders through migration of culturally homogeneous people. This often leads to turmoil and conflict and, in turn, contributes to tension.¹⁸ For instance, the very presence of Nepalese and Indians in Bhutan challenges its indigenous peoples' attempt to create a process of Bhutanisation.¹⁹ Therefore, the presence of foreigners, even if they

¹⁶ Abul Kalam Azad, "Common Risks and Common Solutions for the Smaller States of South Asia: A Comparative Perspective", in Mohammad Humayun Kabir (ed.), *Small States and Regional Stability in South Asia*, *op.cit.*, p. 153.

¹⁷ Parth S Ghosh, *Cooperation and Conflict in South Asia*, University Press Limited, Dhaka, 1989, p. 139.

¹⁸ Shahnaz Karim, "Security Implications and Economic Benefits of Transit Facility: A Bangladesh Perspective", in Iftekharuzzaman (ed.), *Regional Economic Trends and South Asian Security*, Regional Centre for Strategic Studies (Colombo), Manohar, New Delhi, 1997, p. 101.

¹⁹ Manoroma Kohli, "Security Challenges Before Bhutan", *Himalayan Miscellany*, Vol. 14, 2002, p. 20.

are a few thousand in number, becomes a source of serious concern and anxiety. In line with its determination to preserve national identity from harmful outside influence, the Government of Bhutan imposed strict limits on the movement of foreigners. In effect, diversified interactions between Bangladesh and Bhutan are yet to be flourished.

Fourth, Bhutan still finds itself dependent, to a certain extent, on India as a large portion of its national development budget is supported by India's economic aid and technical assistance. This assistance is provided mostly as grants and soft term loans. Because of geo-political compulsions, Bhutan has accepted such reliance, which imposes restrictions on its domestic politics as well. On the other hand, even after accepting limited economic aid from different international agencies, it has not entered into any bilateral economic agreement with any country other than India.

Fifth, although both Bangladesh and Bhutan agreed in 1986 to set up a Joint Commission to coordinate mutual cooperation, no functional initiative was taken in this regard till to date. In 1972, both the countries, for the first time, considered cooperation in the field of management and development of water resources through joint ventures as a gesture of bilateral cooperation. In 1988, they again took an initiative in identifying and implementing appropriate flood control measures. In spite of these initiatives, no significant progress has been made. In addition, there appears to be a lack of sustainable and pragmatic approach to the development of bilateral relations. This was evident when Bangladesh in early 1990s imposed tariff previously exempted on imports from Bhutan. It was a retrograde step in the context of global economy and a blow for trade relations.

Sixth, both Bangladesh and Bhutan are least developed countries, lacking adequate domestic resources. This led them to cooperate with each other at the United Nations and other international forum, where they called for greater North-South and South-South cooperation and for granting of special economic assistance.²⁰ However, despite having such approach, efforts to ease economic cooperation between the two countries have so far failed and thus, remained ineffective. There are a number of crucial factors,

²⁰ Kapileshwar Labh, *op.cit.*, p. 241.

which are responsible for such ineffectiveness. Some of the factors are discussed below.

- Since the finalisation of the agreement on trade, both Bangladesh and Bhutan made diplomatic efforts to secure transit facility from India to develop their trade relations. But the efforts have not been functionally fruitful even after formally getting Burimari-Changrabandha route because India is unlikely to compromise its economic interests in Bhutan and therefore, is not favourably disposed towards the Bangladesh-Bhutan trade agreement. The reason is that the agreement might provide some diversification for Bhutan and affect the existing Indo-Bhutanese economic relations.
- Almost 90% of Bhutanese products are exported to India while only 5% comes to Bangladesh. Similarly, Bhutan imports approximately 85% of goods from India and just 3% from Bangladesh.²¹ Both Bangladesh and Bhutan, even after this uneven situation of trade relations between them, are still far from initiating any serious and effective measures to increase the volume of trade between the two countries. Such reluctance along with huge amount of trade between Bhutan and India has grossly undermined the maturity of interest in bilateral trade and economic cooperation.
- Bangladesh exports some conventional and less demandable items to Bhutan such as readymade garments, melamine, tableware, kitchenware, medicine, bakery products, etc. But it imports fruits, prepared foodstuffs and beverages on a large scale. Under the South Asian Free Trade Agreement (SAFTA), the imported items are given unhindered access with the offer of conceded duties. In effect, difference to the qualitative and quantitative import and export items between Bangladesh and Bhutan and the facilitation of the SAFTA have thereby, turned the trade relations between the two countries into a one-way traffic.
- Bhutan started to increase imported items from Bangladesh in mid 1990s. But imports from Bangladesh could not be

²¹ “Bhutan and Bangladesh could expand trade relations”, *op.cit.*

effective owing to various causes like natural calamities, inadequate supply of goods and lack of institutions such as Joint Economic Commission (JEC), Joint Business Council (JBC), Joint Chamber of Commerce (JCC), consular offices at each other's major trade or transit entry points, etc. in Bangladesh. Moreover, Bangladeshi goods by and large are not competitive in Bhutan in comparison with those from other countries. As such, the volume of imports from Bangladesh to Bhutan has been insignificant.

However, cooperation between the two countries is normally a continuing process. In the process, consideration of national interests is important. In case of Bangladesh-Bhutan relations, the aforementioned impediments hinder the process of cooperation in its various phases. But the impediments may not necessarily bring it to a halt. Given the goodwill on the part of both Bangladesh and Bhutan and with appropriate corrective measures, such scenario could be overcome.

Section IV - Prospects for Bangladesh-Bhutan Relations: A Future Outlook

In spite of many obstacles in the relationship between Bangladesh and Bhutan, there are enormous prospects for bilateral cooperation between the two countries. Amendments in some articles of the 1949 Friendship Treaty between India and Bhutan have increased this opportunity.²² The revised treaty significantly amends Article II and Article VI of the 1949 Treaty.²³ It speaks of cooperation and setting up of a consultative mechanism in conducting foreign policy of Bhutan. It also allows Bhutan to import non-lethal military equipment from other countries without India's

²² India and Bhutan revised the Friendship Treaty of 1949 and signed it on 8 February 2007. See, Meeting New Times, *Kuensel*, 10 March 2007.

²³ Article II says that Bhutan will be guided by the advice of the Government of India regarding its external relations. Article VI declares that Bhutan would be allowed to import arms, ammunitions, machines and war materials or store for its welfare but with India's assistance and approval. See, Syed Sikander Mehdi, "Bhutan and Its Strategic Environment", *Strategic Studies*, Vol. XII, No. 2, Winter 1988, p. 80; India, Bhutan Amend Friendship Treaty, *The Daily Star*, 10 February 2007.

consent and thus ends India's 57 years of direct oversight in guiding Bhutan's foreign and defence policies.²⁴ This means that the revised treaty, therefore, is not only just relevant to the times but is also a strong basis for the future of Bhutan's external relations. In this sense, Bangladesh-Bhutan relations could be discerned in a new direction. The current relationship between the two countries has vast potentials for developing mutually beneficial cooperation. Following is an attempt to shed light on some of the crucial unexplored or under-explored areas of cooperation. Discussion has been focussed on six such areas: trade and economy, education and technical, water resources, natural resources, electricity and tourism.

Trade and Economy

An important aspect of the ongoing globalisation process is the increasing integration of national economies of neighbouring countries. It can generate strong development through effective cooperation in the field of trade and economy, which is one of the existing prime prospective areas of Bangladesh-Bhutan relations. To enhance trade and economic potentialities between the two countries, some insights on trade and transit issues are given below.

With regard to the question of overland transit facilities, the elements of geographical contiguity may strongly support the trade initiatives between Bangladesh and Bhutan. It may be stated here that the existing Chilmari-Dubri IWT route is serving the Indian traffic from Kolkata to Assam via Bangladesh. Bhutan is also connected with Dubri by a motorable road. In addition, the railway track between Mogalhat and India's Gitaldah in Cooch Behar is used by goods' train from Cooch Bihar to Lalmonirhat carrying boulders and other goods for Bangladesh. Gitaldah is also connected by motorable road with Bhutan. Therefore, these two entry-exit points, i.e. Chilmari-Dubri and Mogalhat- Gitaldah could be conveniently used. By road, now central Bhutan - Dalu (India) - Nakuganj (Bangladesh) route is being considered more convenient than existing one due to shorter distance, moving traffic across the border and transshipment cost.²⁵ On the other hand, Bhutan wants Mongla

²⁴ India, Bhutan Amend Friendship Treaty, *op.cit.*

²⁵ "Economic and Political Relations between Bangladesh and Neighbouring Countries", *op.cit.*

Port for transshipment of goods to and from its territory considering shorter distance (compared to Kolkata) and lower congestion.²⁶ The Government of Bhutan is also thinking of opening consulates in Chittagong and Mongla to facilitate trade and business activities between the two countries. With long-term policy, these requirements need to be examined. Bangladesh must take these factors into consideration and formulate its policy accordingly.

Although the volume of trade between Bangladesh and Bhutan currently stands at about US\$14 million a year, imports from Bhutan are remarkably higher than exports to Bhutan. This is a reality that needs to be taken into account and hence, an integrated institutional approach in trade expansion and facilitation, payment arrangements, tariff concessions, trade transportation, freight forwarding and customs administration needs to be considered as well as expanded. In addition, JEC, JBC and JCC, (to identify a number of sectors where joint venture projects could be set up, and to incorporate the private sectors of both the countries), and consular offices need to be established. Moreover, a bilateral Free Trade Arrangement (FTA) between the two countries could be set up considering geographical proximity, presence of trade complementarities and sound political relations to undertake a sustained trade policy for deepening and broadening the bilateral trade relations. In the process, regular interactions, at track-I and track-II level through visits, would also be a way of improving trade relations between the two countries. However, the prime response of Bangladesh, to take benefit from trade relations, is to diversify its products. One of the ways, considered by the expertise, is the continuation of the Single Country Trade Fair of Bangladeshi products in the Bhutanese capital, which tries, with enthusiastic efforts, every year to showcase a wide range of new products such as interior fittings, building materials, handloom products, educational and institutional services, cosmetics, toiletries, etc. and increase Bhutan's eagerness to import more from Bangladesh.

Education and Technical

Bhutan depends heavily on foreign expertise for educational and technical institutions. For example, in the case of its aviation

²⁶ *Ibid.*

industry, there is a need of a large number of technicians and airport staffs, although it has only two aircrafts in its fleet. This means that Bhutan would continue to procure substantial inputs of foreign expertise in the foreseeable future and hence, there are some opportunities for expanding educational and technical cooperation between Bangladesh and Bhutan. The following steps need to be considered in this regard:

- Exchanging know-how and sharing knowledge for technological and technical development programmes between the institutions of the two countries;
- Setting up of joint venture institutions like schools of nursing, pharmaceuticals, hospitals, and tourism in selected areas;
- Arranging fairs in education and institutional services;
- Providing area-based expertise in Bhutan; and
- Giving permission of more Bhutanese students in Bangladesh.

Water Resources

Issues like water are so contentious that the South Asian Association for Regional Cooperation (SAARC) refuses to incorporate it as an agenda for regional cooperation. With long-standing planning, sub-regional mechanism like South Asian Growth Quadrangle (SAGQ)²⁷, a sub-regional grouping among the countries of the Ganges and the Brahmaputra river basins, can be substantially fruitful. It might, at least, insist on the formation of the Ganges-Brahmaputra-Meghna (GBM) River Basin Authority to be engaged

²⁷ The SAGQ, an idea for sub-regional cooperation, was mooted in 1996. It consists of Bangladesh, Bhutan, Nepal and India's North-eastern states and West Bengal. It has a total area of 688.6 thousand sq. km. with a population of over 247 million. It is seen as a practical solution to the socio-economic development of the sub-regional phenomenon in South Asia without forcing a major policy shift to the member states. See, Muchkund Dubey, Lok Raj Baral and Rahman Sobhan (eds.), *South Asian Growth Quadrangle: Framework for Multifaceted Cooperation*, Macmillan India Ltd., Delhi, 1999, pp. 9-11.

in joint studies for the utilisation of these trans-boundary rivers for mutual benefit. The arrangement would, to some extent, reduce flood problem and mitigate severe shortage of water. As a member of the SAGQ, India must come with a positive attitude. Bhutan and Bangladesh should give top most priority to developing regional, national and local water markets through the active participation of the private sectors. Besides, Bangladesh and Bhutan should initiate joint studies on techniques of water management and development. In this regard, the initiative of 1988 might be considered afresh.

Natural Resources

Bangladesh has mainly three types of natural resources – natural gas, arable land and timber. Besides, it possesses a well-known forest, the Sunderbans. On the other hand, Bhutan has ample natural resources – notably timber with extensive forest reserves remaining virtually unexploited, and minerals including stones, gypsum and calcium carbide.²⁸ There is a huge demand for those resources of Bhutan in Bangladesh. Bangladesh has a booming construction industry and would like to import more stones from Bhutan to construct roads and bridges.²⁹ In return, Bhutan can import cement made in collaboration with Japan, cylindered gas, and forest collections like honey, shell, crab, shrimp, fish, and fuel food from the Sunderbans. Besides, both the countries have a commonality of interest in creating community forestry, preserving natural wildlife and forest reserves. This means that enormous potentials wait for long-term collaboration between the two countries due to remarkable complementarities in supply of raw materials. To concretise such prospects and reap benefits, both the countries have to take effective measures at government as well as private sector level.

Hydroelectricity

While Bhutan has vast potentials for generating hydroelectricity, Bangladesh, in contrast, has shortage in the supply of electricity. Growing requirement and economic cost involved with the factors of production are creating a vast market for the product in Bangladesh.

²⁸John Bray, “Bhutan: The Dilemmas of a Small State”, *Global Studies: India and South Asia*, McGraw-Hill/Dushkin Company, USA, 2002, p. 198.

²⁹ Bhutan and Bangladesh could expand trade relations”, *op.cit.*

Therefore, electricity is a major product that Bangladesh could import from Bhutan. Bhutan has already shown keen interest in getting investment in its hydroelectric sector from Bangladesh. India too has demonstrated positive attitude at the SAARC energy ministers' meeting in New Delhi in March 2007 towards Dhaka's plan for bringing hydroelectricity from Bhutan through India by interconnecting regional power grids.³⁰ With this new opportunity, electricity could be an area of cooperation between the two countries.

Tourism

Tourism is a source of foreign exchange earning for both Bangladesh and Bhutan. Since the people of Bhutan are very much interested to visit the cultural and heritage sites in Bangladesh and conversely, the tourism sites in the Himalayan Kingdom can be places of attraction for Bangladeshis, there is an immense potential for the promotion of tourism between the two countries.³¹ It is important to note that there is no visa requirement between the two countries. Existing agreement on air services may facilitate the movement of people from one country to the other. Moreover, the introduction of bus service between the two countries is also on the cards.

Conclusion

Both Bangladesh and Bhutan are very much interested to set up a meaningful cooperation in socio-political and economic field. But their relentless efforts have not gained much as one may have expected. The Indo-Bhutan Friendship Treaty still appears to be the most outstanding obstacle to the bilateral relationship between Bangladesh and Bhutan. The other two impediments are lack of common border and Bhutan's economic dependency on India. As long as the outstanding factors exist, the prospect of a fruitful socio-economic cooperation between Bangladesh and Bhutan looks limited. In such a scenario, the expansion of the relationship between the two countries on a sustained basis needs to take the following suggestions into consideration.

³⁰ India responds positively to power import plan from Bhutan and Nepal, *The Daily Star*, 12 March 2007.

³¹ "Renewal of Dhaka-Thimpu trade accord to boost economic ties", *op.cit.*

- At the domestic level, it is very important to study the sector-wise challenges and then formulate ways and means for mutually beneficial cooperation considering geography, polity, security and economy. In this case, optimal mobilisation of resources in terms of both men and materials is essential. But initiating meaningful efforts is difficult for any country individually. It can be rendered through cooperative endeavours with the help of not only government but also participation of a number of concerned agencies and experts in various disciplines to combat the challenges and flourish the prospects.
- Since both Bangladesh and Bhutan are members of SAGQ and SAARC, the present relationship between the two countries can also be followed up in both sub-regional and regional forum. If the two countries are engaged in a long-term relationship on such issues as hydroelectricity, water resources development and management etc. then sub-regionalism will gain rapid momentum pulling in India to cooperate trilaterally. For this to happen, the concerned countries need to assess their problems and devise policies so that a win-win situation for all the three nations can be created.
- If any initiatives like SAFTA are undertaken, regionalism in South Asia may create scopes for enhancing bilateral cooperation. Uninterrupted multi-modal transport connectivity can be established in South Asian region under the framework of SAARC involving government and non-government agencies. This would facilitate better transport communication system between Bangladesh and Bhutan.