

# ISAS Brief

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## **Narendra Modi's Visit to Bhutan: A Meeting of Friendly Minds**

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Setting at rest speculation about where Narendra Modi might go for his first foreign trip as India's Prime Minister, he visited Bhutan on 15 and 16 June 2014. Briefing the media before the visit, India's Foreign Secretary Sujatha Singh said, "Our relations with Bhutan are unique and especially warm. Our historical and cultural linkages make us natural friends and partners" and the "Prime Minister's visit reflects the high priority that Government of India attaches to its relations with Bhutan and to good neighbourly relations in our South Asian neighbourhood". Earlier, heads of governments of all the South Asian countries had been invited to Mr Modi's swearing-in ceremony, marking the new government's intention to focus on building friendly relations with India's immediate neighbours.

The Prime Minister was accompanied by External Affairs Minister Sushma Swaraj, National Security Adviser Ajit Doval and Ms Sujatha Singh. During his stay at Thimphu, Mr Modi held

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meetings with Jigme Khesar Namgyel Wangchuck, the Current and Fifth King of Bhutan; Jigme Singye Wangchuck, the Fourth King of Bhutan; Tshering Tobgay, Prime Minister of Bhutan; and the Leader of Opposition. Mr Modi addressed a Joint Sitting of the Bhutanese Parliament and unveiled the Foundation Stone of the 600-Megawatt Kholongchu Hydropower Project, a Joint Venture between Indian and Bhutanese public sector undertakings. He also inaugurated the new Supreme Court building which was constructed with assistance from India at a cost of Rupees/Ngultrum 793.545 million.

India has played a significant role in the economic development of Bhutan, offering development assistance since its 1<sup>st</sup> Five Year Plan in 1961. Most recently, India allocated Rs/Nu 45 billion for the 11<sup>th</sup> Five Year plan (2013-2018) and Rs/Nu 5 billion for the economic stimulus plan of the Royal Government of Bhutan.

## **Strategic and Mutually Beneficial Relations**

Besides being the friendliest neighbour, Bhutan is of strategic importance to India. In the past, insurgent groups from Northeast India had taken sanctuary along Bhutan's treacherous border with the Indian state of Assam; and, there have been reports recently about the Chinese army's activities in north and northwest Bhutan.<sup>2</sup> At a different level, Bhutan plays a significant role in augmenting India's energy supplies through the provision of hydroelectric power.

For Bhutan, Mr Modi's visit was important to ensure continuity and to be sure of India's adherence to earlier agreements in the face of a change of government in New Delhi. The visit was also an opportunity to understand the foreign policy priorities of the new Prime Minister. There were also concerns within the Himalayan kingdom that a ban on the export of certain food items in order to rein in the inflationary pressures in India would impact the landlocked country

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<sup>2</sup> 'Transcript of Media Briefing by Foreign Secretary on Prime Minister's forthcoming visit to Bhutan', Media Centre, Ministry of External Affairs. <http://www.mea.gov.in/mediabriefings.htm?dtl/23431/Transcript+of+Media+Briefing+by+Foreign+Secretary+on+Prime+Ministers+forthcoming+visit+to+Bhutan>. Accessed 19 June 2014.

adversely. On the whole, analysts and former Indian diplomats insist that this is an important relationship where cooperation on a number of areas is of mutual benefit.<sup>3</sup>

## **Energy Diplomacy**

Energy, which has become an important factor in New Delhi's diplomacy features prominently in India-Bhutan relations. Prior to the visit, Bhutanese Prime Minister Tobgay said, "Bhutan and India must tap the full potential of the hydropower industry in Bhutan which is the centre-piece of our bilateral cooperation".<sup>4</sup> While Bhutan provides energy to India to meet its high requirements partially, the deal provides a much-needed source of revenue for Bhutan.

Currently, three hydroelectric projects totalling 1,416 MW are already operational, and three more are under construction – these are scheduled to be commissioned in 2017-2018. In April 2014, a framework agreement on four joint venture hydroelectric projects totalling 2120 MW were signed, of which the above-mentioned 600-MW Kholongchu Hydropower Project is one. During Mr Modi's visit, the two countries reiterated their commitment to achieving the 10,000-MW target that was set earlier.

In the past, there have been delays in the implementation of projects particularly in the hydro electric sector which has been a matter of concern in some quarters in Bhutan.<sup>5</sup>

## **Concerns and Opportunities in Northeast**

In India's Northeast, there are concerns about the downstream impact of the dams, particularly with reference to the rivers in Assam where, in 2004, massive floods had played havoc following a sudden rise in water levels due to the release of excess water from the reservoir of the 60-MW

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<sup>3</sup> 'PM Narendra Modi in Bhutan - Countering China?', *NDTV*, 15 June 2014. <http://www.ndtv.com/video/player/the-buck-stops-here/watch-pm-narendra-modi-in-bhutan-countering-china/325892>. Accessed on 19 June 2014.

<sup>4</sup> 'Hydel projects central to our ties: Tshering Tobgay', *The Hindu*, 15 June 2014, <http://www.thehindu.com/news/national/hydel-projects-central-to-our-ties-tshering-tobgay/article6115192.ece>. Accessed 19 June 2014.

<sup>5</sup> The delays were partly due to differences between the Ministry of External Affairs and the Planning Commission. This was reflected in the Parliamentary Standing Committee Report in India.

Kurichu hydropower project, located at Gyalpozhing, Mongar, on the Kurichhu River in Eastern Bhutan.

On the security front, nearly a decade after they were flushed out from their camps in southern Bhutan, there are reports<sup>6</sup> that a faction of the United Liberation Front of Asom (ULFA) is making attempts to re-build its base in the densely-forested region.<sup>7</sup> India continues to seek Bhutan's cooperation in fighting Indian insurgent groups operating across the border areas.

Yet, on this occasion, Mr Modi focused on new areas of cooperation where Bhutan and India's Northeast could benefit. He suggested the development of a holistic approach to tourism and a circuit "combining India's Northeastern states and Bhutan".<sup>8</sup> India has also proposed a joint sports festival between the Northeastern states and Bhutan. And, the idea of setting up a university on Himalayan studies was also proposed.<sup>9</sup>

## China Factor

With anxieties about China's intentions having become a factor in India's relations with its neighbours, the issue also features in India-Bhutan relations. A surprise meeting with the then Prime Ministers of Bhutan and China, Jigme Yoser Thinley and Wen Jiabao respectively, on the sidelines of an international summit in Brazil in 2012 had reportedly caused some unease in the security establishment in India.<sup>10</sup>

India and Bhutan signed a Treaty of Friendship in 1949 which called for non-interference in each other's internal affairs, but on matters of foreign policy, Bhutan agreed to let India "guide" it.

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<sup>6</sup> 'Assam insurgents trying to 'recreate' base in Bhutan', *The Hindustan Times*, 30 September 2012. <http://www.hindustantimes.com/india-news/newdelhi/assam-insurgents-trying-to-recreate-base-in-bhutan/article1-938097.aspx>. Accessed 19 June 2014.

<sup>7</sup> An operation code-named 'All Clear' in 2003 had been conducted by the Royal Bhutanese Army (RBA) with the 'active' help from the Indian Army.

<sup>8</sup> 'Modi prods Bhutan to curb NDFB', *The Telegraph*, 18 June 2014. [http://www.telegraphindia.com/1140618/jsp/frontpage/story\\_18523235.jsp#.U6KnKbHNncY](http://www.telegraphindia.com/1140618/jsp/frontpage/story_18523235.jsp#.U6KnKbHNncY). Accessed 19 June 2014.

<sup>9</sup> 'India proposes new ideas to strengthen ties with Bhutan', Ministry of External Affairs Media Centre. <http://www.mea.gov.in/articles-in-indian-media.htm?dtl/23447/India+proposes+new+ideas+to+strengthen+ties+with+Bhutan>. Accessed 19 June 2014

<sup>10</sup> 'China coziness with Bhutan rings security alarm for India', *The Times of India*, 23 June 2012. <http://timesofindia.indiatimes.com/india/Chinas-coziness-with-Bhutan-rings-security-alarm-for-India/articleshow/14361713.cms>. Accessed 19 June 2014.

This was revised in 2007 where the provision requiring Thimphu to seek New Delhi's guidance in foreign policy was replaced with a broader sense of sovereignty where "(t)he Government of India agrees that the Government of Bhutan shall be free to import, from or through India into Bhutan, whatever arms, ammunition, machinery, warlike material or stores as may be required or desired for the strength and welfare of Bhutan...".<sup>11</sup>

As of today, Bhutan does not have formal diplomatic relations with China, and there are outstanding border disputes that need to be settled. Responding to questions about the possibility of China opening a consulate in Thimphu, Prime Minister Tobgay responded<sup>12</sup> that the resolution of border dispute is a pre-condition to the establishment of formal diplomatic relations, and without that the question of opening a consulate did not arise. This puts any further speculation on this front to rest and provides India more time in building on its exclusive sphere of influence in the country.

Prime Minister Modi, in letting out a slip-of-the-tongue in referring to his host as Nepal on one occasion, invariably drew focus on the concern that exists in the Indian establishment in regard to the country's relationship with Nepal. Policy makers are keen to ensure that Bhutan does not go the Nepal way, where the perceived creation of dependency on New Delhi and interference by it had caused resentment against India, pushing Kathmandu closer to China which was the biggest foreign investor, overtaking India, in the first six months of the last fiscal year.<sup>13</sup>

The decisive mandate with which Mr Modi has formed government in New Delhi and the conclusion of a successful maiden foreign trip have ensured that international expectations about India remain high, and in particular, with the focus being on its new Prime Minister's ability to deliver on promises made to India's neighbours. While Mr Modi was successful in conveying a message that his focus on reviving growth in India would promote regional prosperity in South Asia, the subtext of his message can also be inferred to mean that there would be rewards for

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<sup>11</sup> India Bhutan Friendship Treaty 2007, Ministry of External Affairs, Government of India. <http://mea.gov.in/Images/pdf/india-bhutan-treaty-07.pdf>.

<sup>12</sup> 'No Question of Chinese Embassy Here: Bhutan PM Tshering Tobgay', *NDTV*, 17 June 2014. <http://www.ndtv.com/video/player/news/no-question-of-chinese-embassy-here-bhutan-pm-tshering-tobgay/326093>. Accessed 20 June 2014.

<sup>13</sup> 'China is largest FDI source for Nepal, overtakes India', *The Hindu*, 26 January 2014. <http://www.thehindu.com/news/international/world/china-is-largest-fdi-source-for-nepal-overtakes-india/article5618081.ece>. Accessed 20 June 2014.

those cooperating with India. Despite the new and glowing praises for Mr Modi, whose lack of experience in foreign policy was brandished against him during the recent Indian elections, his real test will come when he deals with India's other neighbours with whom relations are not as easy as with Bhutan.

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