

## To be or not to be – that is the question

### *Bhutan's Concerns with Political Economy Pertaining to Regional Connectivity*

*The effectiveness of a regional connectivity initiative lies in the strength of individual country's political efficacy and institutions. The member countries of the Bangladesh, Bhutan, India and Nepal Motor Vehicles Agreement (BBIN MVA) must trust each other and also win the trust of their citizens in order to successfully implement it. This Policy Brief identifies issues relating to political economy that are existent in Bhutan and suggests necessary interventions by the government to successfully implement the BBIN MVA.*

## Introduction

In a globalised world, Bhutan faces several economic challenges like small domestic market and insignificant export base. These challenges are compounded by inadequate infrastructure and high transportation costs. Shortage of professionals affects the management capabilities resulting in low productivity. Absence of research and development (R&D) hinders effective policymaking and coordination among stakeholders. Difficulty accessing land and finance has further increased the economic challenges of the country.

However, most of these economic challenges seem to be a trade-off with Bhutan's adoption of a middle path to development guided by the overarching philosophy of Gross National Happiness (GNH) based on four pillars: sustainable economic developments; preservation and

promotion of culture and tradition; conservation of environment; and good governance.

Bhutan's competitive advantages include its preserved natural environment and reliable and competitively priced energy potential have cast positive outlook on the country's economic development. The peace and security of the country with political stability offers the right environment for economic activities to flourish.

The Economic Development Policy (EDP) targets diversification of the economy and addressing economic challenges without harming the country's pristine environment. As a result, the EDP calls for low volume green services and products that do not hurt the environmental policy of the country as well as other pillars of GNH.

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border trade can be classified into two categories, one being the trade with India and the other is the trade with third countries through India.

The corridors selected for the study are:

1. Thimphu-Phuentsholing-Jaigaon-Changrabandha-Burimari-Dhaka
2. Pemagatshel-Samdrup Jongkhar-Rongia-Birathnagar

Major trade in Bhutan happens through the Phuentsholing Border Check Point. The other border check points are Samtse, Gelephu and Samdrup Jongkhar.

### **Current Issues Pertaining to Political Economy: *Facts from the Ground***

This Policy Brief highlights the current issues with political economy in Bhutan, particularly in the above mentioned corridors. These are:

- Businesses in Bhutan mainly use Indian trucks to transport their goods since the usage of Indian trucks is cheaper. The Indian trucks come to Pasakha to deliver the raw materials for various industries. While going back to India, they carry products ready for dispatch to various parts of India at a cheaper rate compared to Bhutanese trucks. The other reasons for using Indian trucks are:
  - ◆ Greater carrying capacity of the Indian trucks
  - ◆ Bhutanese trucks require permits to enter India beyond West Bengal and Assam
  - ◆ Bhutanese drivers are not able to read signboards and there are communication problems
  - ◆ Unfamiliar roads for Bhutanese drivers who consequently feel unsafe
- Goods and Services Tax (GST) has created a lot of confusion and complication in the transportation of goods to and from across the border. Capacity building of personnel handling such issues is urgently required.



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- Though Ngultrum and Indian Rupee are officially valued equally, in actuality Ngultrum is devalued against Indian rupee. For every ₹1,000 they have to pay a commission of Nu. 20. Indian rupees are not easily available and there is ceiling on Indian currency for Bhutanese people travelling to India, which makes it inconvenient for travellers.
- Non-recognition of standards of Bhutanese goods causes unnecessary loss of time in clearance and travel.
- Remittance or transfer of payments is another problem. In the absence of direct transfer of money to other countries, the process continues to be lengthy and cumbersome.
- Lack of clarity and awareness among different stakeholders on the issue of regional connectivity has led to a very narrow and negative impression on the BBIN MVA. Even media professionals stated that they either do not have adequate information or access to information related to the subject matter.
- There is lack of market information for trading and travelling to other countries. The government plans to institute a single window facility. A Committee chaired by the Secretary to Ministry of Finance has been formed to look into these issues.

## Policy Recommendations

- **Connecting beyond India**  
Bhutan must be able to access markets beyond India like Bangladesh and Nepal. This requires multimodal connectivity and bilateral agreements.

Utilisation of inland waterways in Bangladesh would make transportation of goods between Bhutan and Bangladesh five to six times cheaper than by road transport. Bhutanese traders should also be able to use railway routes in India.

An agreement could be arranged between Bangladesh and Bhutan with provisions for multi-modal connectivity between the two countries. This will positively impact the implementation of BBIN MVA.

- ***Enhance security for Bhutanese travellers along the Indian roads***

Improved relations between governments of India and Bhutan need to be reflected on the ground. Mutual apathy and misgivings must give way to better connections between the people of the two countries. Bhutanese drivers ought not to feel apprehensive and unsafe while using Indian roads.

- ***The governments must ensure effective cross - border coordination between various agencies and government departments***

Harmonisation and mutual recognition of standards, documents, and processes across the member countries is imperative for proper

implementation of any connectivity initiative. This is also expected to reduce lengthy procedures and cumbersome documentation. For example, Bhutan Agriculture and Food Regulatory Authority's (BAFRA) certificate of quality and origin needs to be recognised and accepted by India and other countries.

- ***Awareness on regional connectivity***

There is a need to provide correct information to all relevant stakeholders regarding regional connectivity. Media coverage should be improved. It is important to hold media conferences and training on regional connectivity in Bhutan in order to inform Bhutanese journalists and capacitate them for dissemination of information and awareness about connectivity issues.

- ***People-to-People and business linkages***

Governments should encourage and facilitate cultural exchanges and visits and private business linkages amongst the people of the sub region. Such measures will foster better understanding, and contribute to mutual trust and confidence-building and bring about harmonious co-existence among the people of the region.

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