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**SUB-REGIONAL RELATIONS IN
THE EASTERN SOUTH ASIA:
With Special Focus on Bangladesh and Bhutan**

**Kyoko Inoue
Mayumi Murayama
M. Rahmatullah
Centre for Bhutan Studies**

Joint Research Program Series No. 132

**アジア経済研究所
Institute of Developing Economies**

〔IDE-JETRO〕

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Authors

INTRODUCTION

The Institute of Developing Economies (IDE-JETRO) has been running a research project titled “Regional Relations among Eastern South Asian Countries.” Under this project, we organized two Overseas Joint Research Projects; one on Bangladesh with the Centre for Policy Dialogue (CPD), Dhaka, and the other on Bhutan with the Centre for Bhutan Studies (CBS), Thimphu. As part of the joint projects, a work-shop “Economic and Political Relations in Eastern South Asia: with special reference to Bangladesh and Bhutan” was held on January 26, 2004, at the IDE. Dr. M. Rahmatullah of the CPD and Ms. Tashi Choden of the CBS attended the work-shop and gave presentations. The discussion that followed was lively and stimulating with the participation of members of the mother project and the IDE researchers. This book is the outcome of these two joint research projects.

In South Asia, whereas the smooth development of the regional framework, namely, the South Asian Association for Regional Cooperation (SAARC, established in 1985), and the consolidation of amicable bilateral relations have been disappointingly slow, new moves for strengthening the sub-regional ties have come into shape by the initiatives of the various institutions, including the governments, private sectors, NGOs and multinational agencies. These include South Asian Growth Quadrangle (SAGQ: Bangladesh, Bhutan, India and Nepal), Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation (BIMST-EC, established in 1997), and the recently started Sub-regional Economic Cooperation (SASEC).

So far, studies on the regional cooperation have mainly concentrated on bilateral relations among South Asian countries, and even when South Asia as a whole has been taken up, studies have often been circumscribed by the boundaries of nation-states and have not gone beyond the persistent conflicts between India and Pakistan, which have obstructed regional cooperation. In such circumstances, we believe that the shift in the focus to the sub-region within South Asia and beyond could open a scope for the study on the potential as well as the difficulties of regional cooperation in light of the existing realities of the area.

For the purpose of the study, we set the field of our research to the sub-region of eastern South Asia consisting of Bangladesh, Bhutan, Nepal, India, specifically the states

of West Bengal as well as the seven states of north-eastern India, and Myanmar, with inclusion of adjoining areas of southern China.

In this area, a new development of bilateral relationships has been observed recently, such as the transit negotiations between Bangladesh and India and between Nepal and Bangladesh via India, the move to build land communications connecting India and Myanmar, and the opening of a land route between India and China through Sikkim. Another important development in this region is the growing presence of China as an influential economic power, which is considered likely to render far-reaching effects over the regional relationships in the short and long run.

While there seems to be a sign of new development in the area, there are a lot of difficulties that hinder smooth regional cooperation. The uncontrolled trans-border movement and settlement of people create regional tensions as well as international conflicts. In this region, it is difficult to verify and identify the nationality of the residents because of the nature of the porous borders, the constant immigration-migration movement across borders, and the lack of a proper registration system. We have observed the case of Indo-Nepal relations in this regard. As there are articles in the Indo-Nepal Treaty of Peace and Friendship 1950 which allow the nationals of both countries to reside in the other country, being given an equal treatment of the nationals of the country concerning economic activities, conflicts of interest are unavoidable. When constraints grow, they tend to develop to the ethnic conflicts, in which those who have resided in the place for generations become easy victims of the regional “sons-of-the soil” voices. The victims are, without distinction, branded as “foreigners” and “illegal residents.” The “anti-foreigners” movements in Assam in the 1980s, the issue of the “massive infiltration of Bangladeshis” to India and the “southern Bhutanese problem” are examples of such cases. Frequent eruptions of ethnic conflict and the activities of armed insurgency groups in this region are issues keenly discussed but hardly tackled. Moreover, armed conflicts, military oppression and retaliation can hardly create an environment conducive for regional cooperation.

Being a regional super power, India occupies an important geopolitical position, in this region, sharing borders with many countries. Bangladesh is bordered not only by India but also by Myanmar in the south. Nepal and Bhutan, both land-locked, are located between India and China, but due to geographic and historical reasons, they have India as a dominant neighbour and the main gateway to the other countries. As their dependency on powerful and influential India is inevitable, they always have to tread carefully not to jangle India’s nerves, especially when it comes to India’s security

concerns. The nature of relationships between India and these countries cannot be on an equal footing.

On the other hand, there are strategic advantages in building regional cooperation. These include geographical proximity, regional economic complementarity, and scope towards further east. Related to this, China, which has already built a strong tie with Myanmar, could play an important role in this regional cooperation. Although there has been no consensus reached among the regional countries on how China should be counted, there is no denying that, without taking China in, the regional cooperation would remain as an abstract argument. There might also be another subtle factor. By taking in China, India, being ambitious to be the leading power in the region and preoccupied by China's presence for security reasons, could be more cooperative in the working for regional cooperation, partly in the worry that India should not be left out in the new regional cooperation and partly in the search for economic advantage.

This region has tremendous difficulties to overcome. Political relations among the countries have not been smooth. Even strong animosity is occasionally observed and easily instigated. For India's neighbouring countries, domestic politics often bind their governments in negotiations with India. They detest to be seen they are conceding too much to India. Hence, they have to make even greater efforts to convince their people otherwise. In such a situation, still, exploring the implication of, and possibility for, regional cooperation should have a meaning. Moreover, in the era of globalization, conscious efforts are needed not to be further marginalized; otherwise the region will remain the least developed within less developed South Asia.

This book consists of two independent but, methodologically identical sections. The first section deals with Bangladesh. The country specific study focusing on Bangladesh has been carried out with the objectives of providing the fundamental information with respect to the current state of the sub-regional economic, political and social inter-relatedness, and of presenting a perspective for future development of the sub-regional co-operation. It should be noted that the geographical location of Bangladesh is of central importance in our interests. Sharing long boundaries with Indian states and Myanmar has caused a trans-border flow of people, goods and services since ancient times. Notwithstanding, the post-colonial framework of nation-states and the subsequent courses of bilateral relationships have deterred the expansion of regional integration. Rather, the natural inter-relatedness of the region has become a cause of political and economic tension among the countries. In this section, Bangladesh's bilateral and multilateral economic and political relations with neighbouring countries are

discussed. It explores the potentials of regional cooperation and identifies the problems. Special focus is given to the transport sector, as a key to the expansion of intra-regional trade and investment. The importance of political commitment to enhance regional cooperation is stressed. This section is written by Dr. M. Rahmatullah, Programme Director, CPD and Ms. Mayumi Murayama, Director, South Asian Studies Group, IDE-JETRO.

The second section is on Bhutan. Bhutan is a Himalayan kingdom with limited economic dimensions. The process of economic development in Bhutan started in 1961 when the kingdom was opened to the world by ending the self-imposed isolation and also when the Bhutan's first five-year development plan was inaugurated. Since then, Bhutan has undergone remarkable changes. The Bhutanese economy has been predominantly agricultural with an economic system characterized as subsistence rather than market-oriented. Agriculture is still the main source of livelihood for the majority of the population. However, in recent years, in the course of economic development and the process of globalization, the interdependence of the Bhutanese economy with neighbouring countries and beyond has increased substantially. The main purpose of this section is to analyze the nature, scope and problem of Bhutan's economic relations with its neighbouring countries and areas. For this purpose, the following subjects are studied: (1) to have an overview of the Bhutanese economy; (2) to trace the economic development policy of Bhutan and identify its characteristics; and (3) to analyze Bhutan's economic and political relations with its neighbouring countries and areas. The prominence of Indian involvement in Bhutan's economic and political affairs is given due examination. It is pointed out that India remains the most important development partner for Bhutan. This section is written by the researchers of the CBS (Mr. Karma Ura, Director). It should be noted that this section is the first comprehensive analysis written by Bhutanese scholars on the Bhutanese Economy and related issues. As Bhutan is one of the countries where the supply of information and data on its economy is limited, this section fills the gap with primary data collected by the CBS. We are convinced that this section will be a significant contribution to the further study of Bhutan and the Bhutanese economy.