

India-Bhutan Relations

India and Bhutan share unique and exemplary bilateral relations, which are based on mutual trust, goodwill and understanding. Formal diplomatic relations between India and Bhutan were established in 1968. The basic framework of India-Bhutan relations is the Treaty of Friendship and Cooperation signed in 1949 between the two countries, which was renewed in February 2007.

2. **High-level exchanges:** The traditionally unique bilateral ties characterized by mutual trust and understanding, have been advanced by regular high-level exchanges between the two countries. PM visited Bhutan in August 2019. During the visit, four major bilateral projects including the 720 MW Mangdechhu Hydro project, the Ground Earth Station of ISRO for utilization of the South Asian Satellite, RuPay Card and the extension of interconnection between the National Knowledge Network of India and Bhutan's Research and Education Network were launched. His Majesty the King of Bhutan, Her Majesty, the Queen and HRH Prince visited India from 31 October to 3 November, 2017. His Majesty the King of Bhutan also visited India in August 2018 to pay his respects to late former Prime Minister Shri Atal Behari Vajpayee. At the invitation of the Prime Minister, the new Prime Minister of Bhutan, Dr. Lotay Tshering paid a State visit to India in December 2018. PM of Bhutan, Dr. Lotay Tshering also visited India to participate in the swearing-in ceremony of the new government in May 2019. EAM Dr. S. Jaishankar visited Bhutan in June 2019 as his first overseas visit after assuming office. Foreign Minister of Bhutan, Lyonpo Dr. Tandi Dorji visited India from 17-23 November 2019. Commerce and Industry Minister (CIM) visited Bhutan from 28-29 February 2020. Prime Minister Shri Narendra Modi had a telephone conversation with the Prime Minister of Bhutan, Lyonchhen Dr. Lotay Tshering on 11 May 2021.

His Majesty Jigme Khesar Namgyel Wangchuck, the King of Bhutan was the Chief Guest for the Republic Day celebrations in India in 2013. At the invitation of the President of India, His Majesty the King and Her Majesty the Queen paid an official visit to India in January 2014. In November 2014, then President of India Shri Pranab Mukherjee paid a State visit to Bhutan. Earlier in June 2014, Prime Minister of India Shri Narendra Modi paid a State visit to Bhutan in his first visit abroad after assumption of office. Such intensive bilateral exchanges – political, parliamentary and official - have helped give a new momentum to the multifaceted bilateral relationship in diverse sectors such as trade and economic, development partnership, defense and security, education, science and technology, skill development, training and people to people contacts.

3. **Trade and Economic Ties:** India is Bhutan's largest trading partner. In 2020, bilateral trade reached Rs./Nu. 9489 cr (including electricity) which accounted for 82.6% of Bhutan's total trade and the figure excluding electricity was recorded at Rs./Nu. 6719 cr, which accounted for 82.6% of Bhutan's total trade. Imports from India were Rs. 5138 cr. accounting for more than 77.1% of Bhutan's total imports. Bhutan's exports to India stood at Rs.4351 cr. (including electricity) and constituted 90.2 % of its total exports. The revised Bilateral Agreement on Trade, Commerce and Transit between India and Bhutan came into effect in July 2017, and would be valid for ten years. The agreement provides for a free trade regime between the two countries and also duty free transit of Bhutanese merchandise for trade with third

countries. The new agreement aims to enhance trade and investment between the two countries through trade facilitation. India has also provided a transitional Trade Support Facility of INR 400 Cr during the 12th FYP of Bhutan to strengthen economic and trade linkages, and to support Bhutan's industries exporting to India to adjust to GST regime.

In line with our 'Neighbourhood First Policy', new market access has been opened for five agri-commodities from Bhutan to India (Areca nut, Mandarin, Apple, Potato, and Ginger), and three commodities from India to Bhutan (Tomato, Onion, and Okra) from 16 October 2020. Enhancing connectivity with Bhutan, Gol has notified the Asian Highway 48 connecting Torsha tea garden in India and Ahllay in Bhutan as an additional route corresponding to Jaigaon LCS, for bilateral trade and third country transit trade. Gol has also opened the first Plant Quarantine (PQ) centre at Jaigaon across Phuentsholing (Bhutan) to facilitate the seamless export of Bhutanese agri-commodities to India in October 2020.

4. **Development Partnership:** India has been extending economic assistance to Bhutan's socio-economic development since the early 1960s when Bhutan launched its Five Year Plans. India continues to be the principal development partner of Bhutan. For the 12th Five Year Plan, India's contribution of Rs. 4500 cr. will constitute 73% of Bhutan's total external grant component. The key areas of focus of GOI's assistance include agriculture and irrigation development, ICT, health, industrial development, road transport, energy, civil aviation, urban development, human resource development, capacity building, scholarship, education and culture. At present over 82 large and intermediate projects (projects under Project Tied Assistance) and 524 Small Development Projects/HICDPs are at various stages of implementation in Bhutan. Secretary level Third India - Bhutan Development Cooperation Talks under the 12th FYP were held on 28 June 2021 in a virtual mode.

5. **Hydropower Cooperation:** Mutually beneficial hydro-power cooperation with Bhutan forms the core of bilateral economic cooperation. For Bhutan, hydro-power development continues to be a vital catalyst for socio-economic development. The ongoing cooperation between India and Bhutan in the hydro-power sector is covered under the 2006 bilateral agreement for cooperation and its Protocol signed in 2009. Four hydro-electric projects (HEPs) totaling 2136 MW are already operational in Bhutan and are supplying electricity to India. The 720 MW Mangdechhu was commissioned in August 2019. Two HEPs namely, 1200 MW Punatsangchhu-I, 1020 MW Punatsangchhu-II in Inter-Governmental mode are under various stages of implementation. The Concession Agreement for the first Joint Venture Hydro Electric Power Project, 600 MW Kholongchhu, was signed on 29 June 2020, following which the construction work of the Project is to commence. As part of Gol's commitment to jointly develop 10000 MW hydro-power in Bhutan, both sides have identified a number of other projects in the sector. Discussions are ongoing for the implementation modalities of the 2585 MW Sankosh Reservoir.

6. **Educational, Cultural Cooperation and People-to-People Exchanges:** There is close bilateral cooperation in the educational and cultural fields between India and Bhutan. Over 950 scholarships are being provided annually by Gol for Bhutanese students to study in India in a wide range of disciplines including medicine, engineering, etc. It is estimated that approximately 4,000 Bhutanese are studying in undergraduate courses in Indian Universities on self-finance basis.

Under the Nehru Wangchuck Scholarship Scheme since its inception in 2010, 8 slots are annually allotted to students and scholars from Bhutan. 20 slots are provided every year to students from Bhutan under the ICCR Scholarship. Ambassador's Scholarship is granted to deserving Bhutanese students, who are studying in India on self-financed basis and also for undergoing vocational training in India. 05 scholarships slots are being provided every year for Bhutanese students to study at Nalanda University. Most recently, 03 new scholarships have been introduced for Bhutanese youth to pursue M. Tech. courses at IIT Kanpur from the current academic year onward. Further, 02 seats are reserved for Bhutanese students every year at the St. Stephens college. Under the ITEC program, about 300 slots have been utilized annually by Bhutan for upgrading administrative and technical skills of government officials and private sector employees in Bhutan. India-Bhutan Foundation was established in August 2003 with the aim of enhancing people to people exchanges in areas such as education, arts and culture and environment protection. A number of cultural, educational, scientific activities are undertaken under the auspices of the Foundation to promote greater people to people exchanges and understanding.

7. **Cultural and Buddhist Links:** A number of Bhutanese pilgrims travel to Bodh Gaya, Rajgir, Nalanda, Sikkim, Udayagiri, and other Buddhist sites in India. His Holiness the Je Khenpo (the head monk of Bhutan) visited Rajgir in November 2018 to preside over the Salang or ground breaking ceremony to construct a Bhutanese Lhakhang (temple) and for World Peace Prayer in Rajgir in Bihar. The Zhabdrung Statue, currently on exhibition at the Simtokha Dzong in Bhutan, has been loaned by the Asiatic Society, Kolkata to the Royal Government of Bhutan. (Dharma Raja or Zhabdrung, is the title of Ngawang Namgyal, a 16th century Buddhist monk – a revered figure in Bhutan, regarded as the founder of the modern nation state of Bhutan).

8. **New Areas of Cooperation:** Apart from hydro-power cooperation and development partnership has moved into new and emerging areas with full interoperability of the flagship digital project RuPay, which has been successfully completed. Bhutan became the second country to launch the BHIM app, further deepening the financial linkages between our two countries. Space cooperation has continued with the two countries collaborating on the development of a small satellite for Bhutan. An Implementing Arrangement has been signed between ISRO and Department of Information Technology and Telecom, RGoB for Joint development and launch of the satellite.

9. **COVID-19 Assistance:** In line with India-Bhutan unique and special relations, Gol ensured continuous supply of trade and essential items to Bhutan, despite COVID-19 related lock-downs. Gol also provided essential medicines and medical supplies- including Paracetamol, Hydroxychloroquine, PPEs, N95 masks, x-ray machines and test kits to the Royal Government of Bhutan. Following the lockdowns in India, Gol has facilitated repatriation of over 2000 Bhutanese nationals stranded in various parts of India to Bhutan. Under the Vaccine Maitri Initiative, Gol gifted 5.5 lakh doses of the Made-In-India Covishield vaccines to Bhutan, which enabled it to vaccinate its adult population during the month of March-April 2021.

11. **Indians Working in Bhutan:** It is difficult to estimate the number of Indian nationals in Bhutan at any time, since many of them are short-term contract labourers working on specific construction projects. Some Indian daily-

workers also enter and exit Bhutan every day in the border towns, in a sign of the close economic inter-dependence between both countries.

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