

**Brief Embassy Report on Bilateral Relations – ITJ Division, DGCI&S,  
Kolkata.**

**India-Bhutan Bilateral Relations**

**A. Introduction**

1. 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. The traditionally unique bilateral ties characterized by mutual trust and understanding have been advanced by regular high-level exchanges between the two countries. PM Shri Narendra Modi 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.
3. His Majesty the King of Bhutan, Her Majesty, the Queen and HRH Prince visited India from 31 October to 3 November, 2017. In August 2018, His Majesty the King of Bhutan visited India to pay his respects to late former Prime Minister Shri Atal Bihari Vajpayee. His Majesty the King of Bhutan also visited India from 14 - 16 September 2022. In 2023, His Majesty the King of Bhutan paid two official visits to India in April and November 2023 and met President, Prime Minister, External Affairs Minister and other senior officials of Government of India. He also paid an official visit to the states of Assam and Maharashtra in November.
4. Prime Minister of Bhutan Tshering Tobgay accompanied by Lyonpo D.N Dhungyel, Minister of Foreign Affairs and External Trade, Lyonpo Gem Tshering, Minister of Energy and Natural Resources, Lyonpo Namgyal Dorji, Minister for Industry, Commerce and Employment and other senior officials, paid an official visit to India during 14-18 March 2024. Prime Minister Tobgay called on the President of India Smt. Droupadi Murmu and held discussions with the Prime Minister of India Shri. Narendra Modi, on the full spectrum of bilateral relations, including on the vibrant development co-operation. External Affairs Minister Dr. S. Jaishankar, Minister of Power, New & Renewable Energy Shri. R. K. Singh and Shri. Ramesh Bias, the Governor of Maharashtra called on Prime Minister Tobgay.
5. Earlier, Bhutan's Prime Minister, paid a State visit to India in December 2018 and again 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, visited India from 17-23 November 2019. Commerce and Industry Minister (CIM) visited Bhutan from 28-29 February 2020. EAM Dr. S. Jaishankar visited Bhutan from 29 – 30 April 2022

## **B. Commercial Relations (Trade and Foreign Investment) – Recent facts & figures**

6. The India-Bhutan Agreement on Trade, Commerce and Transit – which was first signed in 1972 and revised most recently for the fifth time in 2016 – establishes a free trade regime between the two countries. The Agreement also provides for duty free transit of Bhutanese exports to third countries. India is Bhutan's top trade partner both as an import source and as an export destination. Since 2014, India's merchandise trade (excluding electricity) with Bhutan has almost tripled from USD 484 million in 2014-15 to USD 1614.70 million in 2022-23, accounting for about 73% of Bhutan's overall trade, with the balance of trade in India's favour.

6. As a trading country partner of India, and as per latest compiled and available statistics with DGCI&S, India's exports to Bhutan during April'23-February'24 have been recorded at 963.73 million US Dollar and India's imports from Bhutan during the same reference period stands at 339.11 million US Dollar. India's exports to Bhutan were significantly high in 2022-23.

**Export-Import statistics as per India's Ministry of Commerce data bank from 2019-20 to 2023-24 are as follows :**

### **Export-Import statistics from 2019-20 to 2023-24**

**(US Dollar Million)**

<b>Year</b>	<b>Total trade</b>	<b>Import</b>	<b>Export</b>
2019-20	1144.33	405.73	738.60
2020-21	1134.02	433.00	701.02
2021-22	1430.94	545.13	885.81
2022-23	1614.70	535.61	1079.09
2023-24(April'23-February'24)	1302.83	339.11	963.72

*(Source: Department of Commerce, India)*

7. India's top exports to Bhutan are petrol & diesel, passenger cars, rice, wood charcoal, cellphones, Coke and semi coke, soya-bean oil, excavators, electric generators & motors, parts for turbines, transport vehicle, bitumen. India's top imports from Bhutan are Ferro-silicon, Ferro-silico-manganese, Portland pozzolana cement, Dolomite chips, Ordinary Portland cement, Silicon Carbide, Cardamoms, betel nut, oranges, semi-finished products of iron or non-alloy steel, boulders, etc. India is the leading source of investments in Bhutan, comprising 50% of the country's total FDI. There are about 30 Indian companies in Bhutan operating in various sectors - banking, manufacturing, electricity generation, agro food processing, ITES, pharmaceuticals, hospitality, and education – such as Punjab National Bank, State Bank of India, Tata Power Company Ltd., General Insurance Corporation, Apollo Educational Infrastructure Services, Azista Industries, Meghalaya Oxygen, etc.

7. **Development Partnership:** India has been extending economic assistance to Bhutan's socio-economic development since the early 1960s when Bhutan launch edits 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. constitutes 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 83 large and intermediate projects (projects under Project Tied Assistance) and 524 Small Development Projects/HICDPs are at various stages of implementation in Bhutan. The 6<sup>th</sup> India-Bhutan Development Cooperation Talks under the 12th FYP and the 2<sup>nd</sup> Talks under the 13<sup>th</sup> FYP were held in March 2024, during the visit of Bhutan's Foreign Secretary to India.

8. **Hydropower Cooperation:** Mutually beneficial hydro-power cooperation with Bhutan is a key pillar of bilateral economic cooperation. For Bhutan, hydro-power development continues to be a vital catalyst for socio-economic development. Revenues from Hydropower constitutes a significant portion of the total revenues of the Royal Government of Bhutan. 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) totalling 2136 MW are already operational in Bhutan and are supplying electricity to India. The 720 MW Mangdechhu was commissioned in August 2019 and handed over to Bhutan in December 2022. Two HEPs namely, 1200 MW Punatsangchhu-I, 1020 MW Punatsangchhu-II in Inter-Governmental mode are under various stages of implementation. India's imports of electricity from Bhutan amounted INR 2448 crores in 2022, as per Government of Bhutan's data.

9. **Educational, Cultural Cooperation and People-to-People Exchanges:** There is close bilateral cooperation in the educational and cultural fields between India and Bhutan. Over 1000 scholarships are being provided annually by GoI 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. 25 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. The outlay under this scholarship has been doubled since 2023, 30 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 onwards. 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.

10. **Cultural and Buddhist Links:** A number of Bhutanese pilgrims travel to Bodh Gaya, Rajgir, Nalanda, Sikkim, Udayagiri, and other Buddhist sites in India. As part of the 50th anniversary celebration of diplomatic relations, GOI sponsored a visit by 18 Lam Netens (Buddhist monks) and

representative of the Central Monastic Body of Bhutan to 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.

11. **New Areas of Cooperation:** Apart from hydro-power cooperation, our 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. India is collaborating with Bhutan on a number of technology initiatives such as ‘Digital Drukyl’ for which, financial support for an optical fibre backbone has been provided till the gewog (village) level across all 20 districts of Bhutan; peering arrangement between India’s National Knowledge Network (NKN) and Bhutan’s Druk Research and Education Network (DrukREN) with usages in telemedicine services, research and education etc; support for the establishment of the third international internet gateway for Bhutan. Space cooperation is a new and promising area of bilateral cooperation. Pursuant to the state visit of the Prime Minister of India to Bhutan in August 2019, where both India and Bhutan agreed to collaborate on the joint development of a small satellite for Bhutan, and the MoU between India and Bhutan on cooperation in the peaceful uses of outer space in November 2020. ISRO and Department of Information and Technology (DITT) jointly developed satellite ‘India-Bhutan SAT’ was launched on 26 November 2022 by ISRO's Polar Satellite Launch Vehicle (PSLV). Inauguration of Ground Earth Station during visit of Chairman, ISRO took place in March 2023. As part of our education collaboration, India is also helping Bhutan to fill the shortages of STEM teachers in schools of Bhutan.

12. **COVID-19 Assistance:** In line with India-Bhutan unique and special relations, GoI ensured continuous supply of trade and essential items to Bhutan, despite COVID-19 related lockdowns. GoI 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, GoI has facilitated repatriation of over 2000 Bhutanese nationals stranded in various parts of India to Bhutan. Under the Vaccine Maitri Initiative, GoI 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.

13. **Indians Working in Bhutan:** About 50,000 Indian citizens are working in Bhutan, mainly in the construction sector, education and technical consultants involved in infrastructure projects. Some Indian daily-workers also enter and exit Bhutan everyday in the border towns, as a sign of the close economic interdependence between both countries.

***Prepared based on MEA’s Report.***