


Embassy of India
Thimphu

BHUTAN– FACT SHEET



Official Name : Royal Kingdom of Bhutan
Capital : Thimphu
Area : 38,394 sq km
Geographical Coordinates : 27 30 N, 90 30 E

Flag 

Population : 745,153 (2014)
Population Density: 19.4 per sq. km
Religion: Buddhist 75%, Hinduism 25%
Head of State King Jigme Khesar Namgyel Wangchuck (since 14 December 2006); Coronation took place on 6 November 2008.

Prime Minister/Lyonchhen: Tshering Tobgay

System of Government: Constitutional Monarchy. The PM is assisted by a Council of Ministers (10) nominated by the King in consultation with the PM. The bicameral Parliament consists of the non-partisan National Council (25 seats; 20 elected members representing the 20 districts (dzongkhags) for five-year terms and 5 members nominated by the King); and the National Assembly (47 seats; members elected by direct, popular vote for five-year terms). The last elections to the National Council were held on 23rd April, 2013 and to the National Assembly on 13 July 2013. PDP won 32 out of 47 seats in the general elections.

Currency : Ngultrum (Ngultrum is pegged at par with INR)
Nominal GDP : Nu. 104.4 billion (2013)
GDP Real growth rate : 5.1% in 2012 & 2.1% in 2013
GDP per capita: USD 2440 (2013)
GDP by sector : Primary Sector (crops, livestock, forestry and logging): 16.2%; Secondary Sector (mining and quarrying, manufacturing, electricity, water supply and construction): 42.3%; Tertiary Sector (wholesale & retail trade, hotel and restaurants, transport, storage, communication, finance, insurance and real estate): 41.5%

Inflation rate : 8.6% (June 2014)

Foreign Trade

Global Imports	:	Nu. 53.27 billion (2013)
Global Exports	:	Nu. 31.85 billion (2013)
India's share in Bhutan's imports:		82.4%
India's share in Bhutan's exports:		91%
India's Exports	:	Nu. 43.89 billion (2013)
Major items		High speed diesel, ferrous products, motor spirit including aviation spirit (petrol), rice, ferrous waste and scraps, wood charcoal, hydraulic turbines, ,coal, briquette and similar solid fuel of coal, coke and semi coke of coal, bar and rods of iron and non alloy steels, corrugated iron and non alloy steel sheet, soybean oil, milk powder etc.
India's Imports	:	Nu. 28.98 billion (including electricity) (2013)
Major items		Electricity, ferro-alloys, carbides, bar and rods, cement, copper wire, semi finished products of iron and non-alloy steel, Dolomite, gypsum, agri products such as oranges, cardamom and potatoes.

Development Assistance:

India's financial commitment for Bhutan's 11th Five Year Plan :		Rs. 4500 crores (Rs. 2800 crores towards Project Tied Assistance, Rs. 850 crores for Small Development Projects, Rs. 850 crore as Programme Grant) and Rs. 500 crore towards Economic Stimulus Package. This amount excludes grants and loans for HEPs.
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Economic Cooperation:

India has set up 3 Hydro Electric Projects so far: 336 MW Chukha HEP, 60 MW Kurichhu and 1020 MW Tala HEP. 3 more projects are under implementation: 1200 MW Punatsangchhu-I HEP, 1020 MW Punatsangchhu-II HEP, and 720 MW Mangdechhu HEP. IG agreement has been signed for development of 4 JV HEPs. Prime Minister Narendra Modi during his visit to Bhutan in June 2014 laid the foundation stone of Kholongchhu HEP, a JV project between DGPC and SJVNL, on June 16, 2014.

Indian Community:

There are about 60,000 Indian nationals living in Bhutan, employed mostly in hydro-electric projects and construction and roads industry. In addition, between 8000 and 10,000 day workers come into Bhutan everyday to work in border towns.

EMBASSY OF INDIA

THIMPHU

India-Bhutan Relations

Diplomatic relations between India and Bhutan were established in 1968 with the appointment of a resident representative of India in Thimphu. Before this our relations with Bhutan were looked after by our Political Officer in Sikkim. The basic framework of India-Bhutan bilateral relations is the Treaty of Friendship and Cooperation signed in 1949 between the two countries, which was renewed during the visit of His Majesty Jigme Khesar Namgyel Wangchuck to India in February 2007.

The renewed India-Bhutan Friendship Treaty not only reflects the contemporary nature of our relationship but also lays the foundation for their future development in the 21st century.

High Level Visits

The traditionally unique bilateral relations, characterized by trust and understanding have matured over the years. The special relationship has been sustained by the tradition of regular visits and high level dialogues between the two countries. 2013 saw some high level exchanges with the visit of His Majesty Jigme Khesar Namgyal Wangchuck, the King of Bhutan to India as the Chief Guest for the 64th Republic Day celebrations. At the invitation of the President of India, His Majesty the King and Her Majesty the Queen paid an official visit to India from 6-10 January, 2014. They again visited India in October 2014 on a private visit which included visit to Lawrence School, Sanawar (as chief guest of the 167th Founder's Day celebration), Bodhgaya and Varanasi.

After being elected Prime Minister, Lyonchhen Tshering Tobgay undertook his first official visit to India from 30 August to 4 September, 2013. PM Tobgay along with a 6-member delegation which included Foreign Minister again visited India from 25-28 May, 2014 for the swearing-in ceremony of PM-designate Narendra Modi.

At the invitation of the Prime Minister of India, the Prime Minister of Bhutan, Lyonchhen Tshering Tobgay, paid an official visit to India along with his delegation from 10-18 January 2015. He addressed the inaugural session of the Vibrant Gujarat Summit in Ahmedabad and visited a number of successful projects in Gujarat. He met with PM Shri Narendra Modi and had wide-ranging discussions on bilateral issues. He called on the President of India in Delhi and had meetings with several Ministers and senior officials. During the visit, PM Tobgay sought Amul Dairy's expertise to source 2,000 cows from India, when he was in Gujarat. He also visited Bodhgaya where he was presented a sapling of the Maha Bodhi tree.

At the invitation from India Foundation as the Chief Guest of the 2nd India Ideas Conclave themed "Learning from Civilisation" in Goa, PMTT visited India from 13 to 17 November 2015

A delegation from the Bhutanese Parliament led by Speaker of the National Assembly of Bhutan Lynpo Jigme Zangpo visited India from 09 to 14 August 2015. The delegation attended a session of the Parliament in New Delhi and met the Parliamentary Affairs Minister Venkaiah Naidu. The delegation also called on Prime Minister of India, Shri Narendra Modi.

At the invitation of the King of Bhutan (K5), **the Prime Minister of India Shri Narendra Modi paid a State Visit to Bhutan from 15 16 June, 2014.** He was accompanied by External Affairs Minister, National Security Advisor and Foreign Secretary among other senior officials. It was his first visit abroad after assumption of office. The visit reinforced the tradition of regular high level

exchanges between the two countries. During the visit, PM Modi had audience with K5 and K4 and meeting with PMTT. The Opposition Leader called on PM Modi. He also addressed the Joint Session of Bhutanese Parliament on 16th June, 2014. During the visit, he laid the foundation stone of 600 MW Kholongchu Hydropower Project and inaugurated the Supreme Court building which was constructed with Government of India's assistance. Besides exchanging views and discussing bilateral relations and economic cooperation, PM Modi announced doubling of Nehru Wangchuck Scholarship to Rs. 2 crores per year. He also announced Government of India's assistance for establishment of E-Library in the National Library of Bhutan and in all the 20 districts of Bhutan. The two sides agreed to continue close coordination and cooperation in areas relating to their national interests and not allow each other's territory to be used for interests inimical to the other.

At the invitation of the King of Bhutan, **the President of India Shri Pranab Mukherjee paid a State Visit to Bhutan from 7-8 November, 2014.** During the visit, he held wide-ranging discussions with His Majesty the King of Bhutan including on bilateral and regional issues. He also met His Majesty the Fourth Druk Gyalpo and Prime Minister Lyonchhen Tshering Tobgay. During the visit, the President delivered an address on "India-Bhutan Relations" and launched/inaugurated three GOI assisted PTA projects, namely the School Reform Program, Upgradation of the East-West Highway and the Power Training Institute. He also announced the doubling of the Ambassador's Scholarship programme from Rs 1 crore to Rs 2 crore per year. Three MOUs on bilateral cooperation in the field of education and one MoU on the establishment of Nalanda University were also signed during the visit.

Minister of Road Transport, Highways and Shipping, Shri Nitin Gadkari visited Bhutan from 15-16 June 2015. The BBIN Motor Vehicle Agreement was signed in Thimphu by the Transport Ministers of the four countries on June 15, 2015.

Minister of State for Rural Development, Shri Sudarshan Bhagat visited Bhutan from 29-30 July 2015 to participate in 4th Meeting of SAARC Ministers on Poverty Alleviation in Thimphu.

Chief Minister of West Bengal Mamata Banerjee visited Bhutan along with her delegation from 5th-9th October, 2015 on the invitation of PM Tshering Tobgay (PMTT).

Gen. Dalbir Singh, CoAS of India visited Bhutan on October 31 – November 02, 2014 as his first official foreign visit after taking over the charge on August 01, 2014. He had an audience with H.M the King of Bhutan and also called on HM, the Fourth King. The visit continues the tradition of close military cooperation between India and Bhutan.

Foreign Secretary Dr. S. Jaishankar visited Bhutan on 01st March 2015. He met the officiating Foreign Secretary of Bhutan and called on PM Tshering Tobgay. He assured PM India's consistent support to Bhutan and that it will be his endeavor to further strengthens relations between the two countries. He was granted audience by HM King Jigme Khesar Namgyel Wangchuck.

Commerce Secretary Shri Rajeev Kher visited Bhutan from 25-27 May 2015 to attend the India-Bhutan Bilateral Meeting on Trade and Transit held in Thimphu on 25 May 2015.

Economic Cooperation

Mutually beneficial economic linkages between India and Bhutan have been an important element in our bilateral relations. India continues to be the largest trade and development partner of Bhutan. Planned development efforts in Bhutan began in the early 1960s. The First Five Year Plan (FYP) of Bhutan was launched in 1961. Since then, India has been extending financial assistance to Bhutan's FYPs. The 10th FYP ended in June 2013. India's overall assistance to the 10th FYP was a little over Rs. 5000 crores, excluding grants for hydropower projects.

(a) Hydropower Cooperation

Cooperation in the hydropower sector between our two countries is a true example of mutually beneficial relationship. Hydropower is one of the main pillars of bilateral cooperation. Three hydro-electric projects (HEPs) totaling 1416 MW, (336 MW Chukha HEP, the 60 MW Kurichu HEP, and the 1020 MW Tala HEP), are already exporting electricity to India. In 2008 the two governments agreed to further develop a minimum of 10,000 MW hydropower generation capacities by 2020 and identified ten more projects. Of these, three projects totaling 2940 MW (1200 MW Punatsangchu-I, 1020 MW Punatsangchu-II and 720 MW Mangdechu HEPs) are under construction and are scheduled to be commissioned in the last quarter of 2017-2018. Out of the remaining 7 HEPs, 4 totaling 2120 MW (600 MW Kholongchhu, 180 MW Bunakha, 570 MW Wangchu and 770 MW Chamkarchu) will be constructed under Joint Venture model. A Framework IG agreement has been signed between both the Governments on 22.04.14 for these JV HEPs. DGPC and SJVNL, JV partners for Kholongchhu HEP signed a MoU for carrying out pre-construction activities.

Prime Minister Sh. Narendra Modi, during his visit to Bhutan in June 2014, laid the foundation stone of Kholongchhu HEP on 16.06.14. President of India laid the foundation stone for the Jigme Wangchuk Power Training Institute during his state visit to Bhutan in November, 2014.

Power is an important sector of Bhutanese economy. It contributes 14% to the GDP. It is the most important export item contributing about 35% of Bhutan's total exports. Druk Green Power Corporation, which controls all electricity generation plants of the country, is the highest tax payer of the country.

(b) Eleventh Five Year Plan (2013-18): The 11th Five Year Plan has a total budget outlay of Nu.21300 crores, with self-reliance and inclusive green socio-economic development as the key objectives. Government of India committed to support Bhutan's 11th Five Year Plan to the tune of Rupees 4500 crores (Rs. 2800 crores as Project Ties Assistance (PTA), Rs. 850 crores for Small Development Projects (SDP) and Rs. 850 crores as Programme Grant / Development Subsidy). There was also a commitment for an additional Rupees 500 crores for the Economic Stimulus Plan.

(c) Bilateral Trade

India is Bhutan's largest trading partner. A free trade regime exists between India and Bhutan. The India-Bhutan Trade and Commerce Agreement was first signed in 1972 which was last renewed in 2006 for a period of 10 years. The Agreement provides for duty free transit of Bhutanese merchandise for trade with third countries. During 2013, bilateral trade reached Rs.7287 Cr; imports from India being Rs. 4389 cr. while Bhutan's exports to India stood at Rs. 2898 cr. (including electricity) Total bilateral trade grew by about 4.7% in 2013.

Particulars	2010	2011	2012	2013	2014
Exports to Bhutan (Imports from India) (Rs. Cr)	2930	3520	4180	4389	4785
Exports to Bhutan from India as a % to total Bhutanese import	75.1%	72.3%	79.4%	82.4%	89.3%
Imports from Bhutan(Exports to India) (Rs. Cr)	2600	2640	2780	2898	3180
Imports from Bhutan to India as a % to total Bhutanese export	88.7%	83.8%	93.9%	91%	89.4%

Major items of exports from Bhutan to India are electricity, ferro-alloys, carbides, bar and rods, cement, copper wire, semi finished products of iron and non-alloy steel, Dolomite, gypsum, agri products such as oranges, cardamom and potatoes. Major exports from India to Bhutan are high speed diesel, ferrous products, motor spirit including aviation spirit (petrol), rice, ferrous waste and scraps, wood charcoal, hydraulic turbines, coal, briquette and similar solid fuel of coal, coke and semi coke of coal, bar and rods of iron and non alloy steels, corrugated iron and non alloy steel sheet, soybean oil, milk powder etc.

Educational and Cultural Cooperation

There is close bilateral cooperation in the educational and cultural fields between India and Bhutan.

Government of India scholarships are granted to Bhutanese students at undergraduate and post graduate levels every year in Indian institutions of higher learning. Under the Nehru Wangchuck Scholarship Scheme (implemented in 2010) and under the new Bhutan ICCR Scholarship Scheme (implemented in 2012) 67 Bhutanese students are undergoing graduate/post graduate courses in India. For the academic session 2014-15, 89 Undergraduate scholarships and 20 Bhutan ICCR Scholarship nominees have been selected and are in the process of getting placed in various educational institutions in India. Ambassador's scholarships are granted to deserving self financing Bhutanese students who are studying in India. In the past ten years, more than 3000 Bhutanese students have benefited from the Ambassadors Scholarship Scheme. Ten slots every year are being provided at Sainik Schools in India for Bhutanese students of the 6th Std level. The entire cost of their studies in the Sainik School upto 12th Std is borne by the Government of India. Three Lecturers from India are on deputation in two colleges of the Royal University of Bhutan under the TCS Colombo Plan. The request of RGoB for a further 27 Lecturers from India under this scheme is under consideration. Total 269 slots were utilized by the Bhutanese side under the ITEC Programme (220 slots) and the Technical Cooperation Scheme of the Colombo Plan (60 slots) which were provided to Bhutan in the FY 2013-14 for upgrading administrative and technical skills of Government/Semi-Government/Private Sector Employees.

India-Bhutan Foundation

India-Bhutan Foundation was established in August 2003 during the visit of the present King (then Crown Prince) to India with the aim of enhancing people to people exchanges in focus areas like education, culture, scientific and technical research and environment protection. Ambassador of Bhutan and India are the Co-Chairpersons of the Foundation. The Royal Government of Bhutan and the Government of India have contributed Rs. 5 Crores each as main corpus fund to IBF and the entire amount of Rs.10 Crores has been kept in a fixed deposit in Bhutan. Interest earned from the fixed deposit is used for financing proposals received from Bhutanese/Indian citizens and Non Governmental Organizations to such activities that can help in achieving the objectives of the Foundation. The 14th Board of Directors Meeting was held in Thimphu on 11th March, 2015.

'Mountain Echoes', a literary festival is organized in Bhutan every year. The 6th edition of the Mountain Echoes Literary Festival, co-sponsored by the India-Bhutan Foundation was organized in Thimphu from 19-22 August, 2015. The Festival features a mix of Bhutanese, Indian and international writers, film makers, musicians and artists.

Nehru – Wangchuck Cultural Centre

There are vibrant cultural exchanges between the two countries. Nehru Wangchuck Cultural Centre in Thimphu is abuzz with cultural activities around the year. Regular classes for Indian classical music, tabla and yoga are being organized in this centre. NWCC also organizes cultural functions, exhibitions, bollywood movie shows, seminar etc.

Indian Community

There are about 60,000 Indian nationals living in Bhutan, employed mostly in the hydro-electric power and construction industry. In addition, between 8000 and 10,000 daily workers enter and exit Bhutan everyday in border towns.

(8th December 2015)

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COUNTRY NOTE ON BHUTAN

Introduction

Nestled in the heart of the great Himalayas, Bhutan remained in self-imposed isolation for centuries, aloof from the rest of the world. Since its doors were cautiously opened in 1974, visitors have been mesmerized by the beautiful scenery and landscape and the pristine environment. Traditional architecture which still remains alive in Bhutan is striking and adds character to the landscape. The people are hospitable and charming, and the culture is unique in its purity.

2. Despite the huge potential of its natural resources, shunning the '*profit at all costs*' mentality of the rest of the world, Bhutan was one of Asia's poorest countries till the 1950s. With one foot in the past and one in the future, it now moves confidently towards modernization, on its own terms, fiercely protecting its ancient culture, its natural resources and its Buddhist way of life.

History

3. Little is known of the early history of Bhutan or Druk Yul (Land of Thunder Dragon). Archaeological evidence suggests Bhutan was inhabited possibly as early as 2000 BC. Buddhism was probably introduced in the 2nd century although traditionally its introduction is credited to the visit of Indian Saint Padmasambhava (Guru Rimpoche) in the 8th century A.D. Guru Rimpoche is the most important figure in Bhutan's history, regarded as the second Buddha.

4. Before the 16th century, numerous clans and noble families ruled in different valleys throughout Bhutan, quarrelling among themselves and with Tibet. This changed in 1616 AD with the arrival of Ngawang Namgyal, a monk of the Drukpa Kagyu school of Buddhism from Tibet. He taught throughout the region and soon established himself as the religious ruler of Bhutan with the title Shabdrung Rimpoche. He repelled attacks from rival lamas and Tibetan forces and transformed the southern valleys into a unified country called Druk Yul (Land of the Dragon). While the political system he established lasted until the beginning of the 20th century, the announcement of the Shabdrung's death in 1705 was followed by 200 years of internal conflict and political infighting. There were also conflicts with Tibetans and Cooch Behar rulers. The British (East India Company) got involved in the conflict between Cooch Behar and Bhutan, and subsequently fought a few wars with Bhutan, annexing several Duars.

5. Instability lasted until 1907 when Ugyen Wangchuck, Penlop (Governor) of Trongsa, was elected, by an unanimous vote of Bhutan's Chiefs and Principal Lamas, as hereditary ruler of Bhutan. He was recognised as such by the British Government of India. Thus the first king was crowned in 1907 and the Wangchuck dynasty began. In January 1910, a treaty was signed between the British Government and the Government of Bhutan at Punakha. It provided that British India would not interfere in the internal affairs of Bhutan and Bhutan agreed that it will be guided by British advice in its external relations. Over the following four decades, King Ugyen and his heir, King Jigme Wangchuck, brought the entire country under the monarchy's direct control. Upon independence in 1947, India

recognised Bhutan as a sovereign country. India also returned to Bhutan about 82 sq. km of duars, including Deothang, annexed by the British. India Bhutan Friendship Treaty was signed in 1949 which was also revised in 2007.

6. The Third King, Jigme Dorji Wangchuck (1952-1972), is regarded as the Father of Modern Bhutan because of the development plans he initiated. The country was formally admitted to the United Nations in 1971. The Fourth King, His Majesty King Jigme Singye Wangchuck (1972-2006) ascended the throne in July 1972. He continued the policy of controlled development with particular focus on the preservation of the environment and Bhutan's unique culture. Among his ideals is economic self-reliance and what he nicknamed 'Gross National Happiness'. Subsequent to his announcement of abdication of the throne, Crown Prince, HRH DASHO JIGME KHEGAR NAMGYEL WANGCHUCK took over as the Fifth King of Bhutan on 9th December 2006 through a Royal decree. The formal coronation ceremony for the Fifth King took place on 6th November 2008.

Area and population

7. The country has an area of 38,394 sq km and a population of a little over 7.4 lacs. The population growth rate is 1.16% according to latest figures. With the development in health facilities, life expectancy has increased dramatically from 47.5 in 1984 to about 70 years now.

8. Northern Bhutan consists of high mountain ranges with rugged peaks covered with snow. The range has mountain peaks rising up to 7300m. In addition, the Black Mountains which run from north to south cut Bhutan into two, both geographically and linguistically. Central Bhutan has beautiful valleys at heights ranging from 1880m to 2400m. They are comparatively broad and flat. High mountain ranges with heights of 3600 to 4500 meters separate these valleys in the region. Valleys in the central region of Eastern Bhutan are at a height of about 900 meters. Southern Bhutan consists of low foothills with an intricate maze of streams and rivers merging into the southern plains in West Bengal and Assam. This area of Bhutan is a 5-10 km wide belt, running from East to West, separating the plains from the valleys of Central Bhutan.

Environment

9. Bhutan's ecosystem is virtually intact and boasts of the most varied habitats and a rich array of animal and plant species. Under Bhutanese law, 60% of the kingdom will remain forested for all time. There is currently 72.5% forest cover with more than 5000 plant species, including over 300 medicinal strains. There are 165 species of mammals including many rare and endangered animals such as the golden langur, snow leopard and red panda. So far, 675 species of birds have been recorded, including the rare and endangered black-necked crane.

Natural Resources

10. Bhutan has deposits of slate, gypsum, dolomite, copper, graphite, limestone, coal and tungsten. Bhutan has considerable potential for hydropower development. The deep gorges of fast-flowing rivers, fed by the snow-melt of the Himalayas, provide enormous hydro-electric power potential. Forests covering about 70% of the land are another major natural resource.

Languages

11. There are four main languages spoken in Bhutan:
- (a) Dzongkha: spoken in western and northern Bhutan and is also the official language of the country;
 - (b) Bumthangkha: spoken in Central Bhutan,
 - (c) Sarchopkha: spoken in Eastern Bhutan,
 - (d) Nepali: spoken in Southern Bhutan

Nepali is written in Devanagari and the other three languages are written in the Tibetan script.

Religion

12. A majority of the Bhutanese are Mahayana Buddhists of the Drukpa Kagyu sect. The people of Nepali origin, who are concentrated mainly in the hot and humid *duars* of Southern Bhutan, are predominantly Hindu. The main monastic group, the Central Monastic Body (comprising 5000 monks) is led by an elected Head Abbot (Je Khenpo) who is the religious head of the nation. Most Bhutanese art, dance, drama and music are steeped in Buddhism. These traditions can be seen in all their glory at Bhutan's religious dance festivals called *tsechus*.

Constitution and Form of Government

13. Traditionally, the Monarch in Bhutan enjoyed absolute power. However, Jigme Dorji Wangchuck, the third King of Bhutan, progressively took steps to liberalize the country's political structure by establishing institutions associating the people in running the affairs of the State. In 1953, he established the *Tshogdu* or National Assembly. It had 150 members, viz., (a) people's representatives; (b) monastic representatives; and (c) official representatives. A smaller body consisting of 9 members (6 people's representatives, 2 monastic representatives, and a Chairman appointed by the Cabinet) called the Royal Advisory Council was set up in 1965 comprising representatives of the people, the Lamas and the Government. These two institutions were dissolved in August 2007.

14. In a significant development, the Fourth King set up a Constitution drafting committee in 2001 to draft the first Constitution of the Kingdom. Chief Justice Lyonpo Sonam Tobgye, was appointed the Chairman of the Constitution Drafting Committee. The draft Constitution was distributed nationwide and launched on the Internet on 26 March 2005. The last version of the draft Constitution was released to the public on 1st August 2007.

15. The draft Constitution was discussed in all the 20 districts first by the Fourth King and later by the present King and the then Crown Prince through a public consultation mechanism. The Constitution was discussed by the Joint Session of the new Parliament in May 2008 and was signed on 18th July 2008. The form of government in Bhutan is Democratic Constitutional Monarchy. The Legislative Powers are vested in the Parliament which consists of the King, a National Assembly and a National Council. The National Assembly which originally had a maximum of 55 members now has 47 according to current delimitation. The National Council has 25 members. A primary round of elections is held to select two main political parties for the general elections. The two political parties

having the highest number of votes in the primary round contest the general elections held on constituency basis. The party which wins the majority seats in the general elections is the ruling party and the other the opposition party.

National Council Elections 2013

16. Elections to the National Council, upper house of the Bhutanese Parliament were held on 23rd April 2013. The NC comprises a total of 25 members, of which 20 are elected by the people of the 20 dzongkhags (districts) while 5 are nominated by the King. The NC is the house of review and the members are apolitical. The first NC elections were held in 2008.

National Assembly Elections 2013

17. The first round of National Assembly elections, called the primary round was held on 31 May, 2013. Druk Phuensum Tshogpa (DPT), People's Democratic Party (PDP), Druk Nyamrup Tshogpa (DNT) and Druk Chirwang Tshogpa (DCT) contested in the elections. Bhutan Kuen-Nyam Party (BKP), yet another party, was disqualified to participate. DPT won the highest share of votes (44.5%) followed by PDP (32.5%). DNT and DCT stood third and fourth respectively. DPT and PDP therefore, contested for the general elections held on 13 July, 2013. The total turnout of voters for this round was 66%. PDP had the landslide victory securing 32 out of 47 seats. The Bhutanese electorate appeared to have voted for "change". Cabinet under the leadership of Prime Minister Tshering Tobgay was constituted on 25 July 2013.

Economy

18. The decline in Bhutan's economic growth since the last several years has continued with real GDP growth hitting an all-time low of 2.1% in 2013. Real GDP growth in the last few years was:

2007	2008	2009	2010	2011	2012	2013
17.9% [@]	4.7%	6.7%	11.7%	7.9%	5.1%	2.1%

[@]The high growth rate was due to Tala HEP going on stream.

19. The sharp decline in growth is said to be policy-engineered. It has been nearly 3 years since Royal Monetary Authority of Bhutan had to take several unconventional measures to address pressures from growing external imbalances. These imbalances emanated from deep rooted underlying structural factors and manifested as a severe shortage of Indian rupee in the country. In March 2012, in an effort to stem the rising rupee shortage, the Royal Monetary Authority imposed credit and import restrictions, particularly in import-heavy activities such as construction and transport that required large Rupee payments. This step had a negative impact on the economy. The revenue situation is expected to improve with the commissioning of the Dungsam cement plant and the Dagachhu HEP and the three mega hydropower projects of Punatsangchu I and II and Mangdechu. There is continuous increase in Bhutan's external debt levels. It stood that at USD 1.8 bn which is 101.3% of GDP as of June 2014 – convertible currency debt has reached USD 629.5 mn as of June 2014 while INR debt stood at INR 67.9 bn, increasing by 8.7% and 10.6% respectively from a year ago. However, almost all of the convertible

currency debt are concessional loans used to finance various socio economic development projects while 83.4% of INR debt are hydropower debt. The debt-GDP ratio which is 101.3% in June 2014, is expected to go up over the next 3-4 years but will come down after 2018 to sustainable levels as revenues from new hydropower projects begin to flow in. Nevertheless, Bhutan's narrow export base and high current account deficit make the country vulnerable and pose a moderate risk.

20. Bhutanese economy has undergone a significant structural changes thanks to export of electricity and power-intensive products like cement, dolomite, gypsum etc. The rapid growth of hydropower, manufacturing, construction and mining sectors compared to agriculture has led to a noteworthy change in the composition of GDP. Even though over 60% of the population depends on agriculture, forestry and livestock, the share of this primary sector was only 16.2% per cent of GDP in 2013. The secondary and tertiary sectors have now become the main driving force of the economy, contributing 42.3% and 41.5% of the GDP respectively. In recent years electricity, construction, hotels and restaurants and transport and communications have been the main contributors to growth.

21. Bhutan's per capita GDP in 2013 decreased marginally to USD 2440 from USD 2533 in 2012. Poverty rate is 12%. Unemployment rate is estimated at 2.9%. . With increase in levels of education, youth are reluctant to take up jobs involving physical labour. Problems of educated unemployed is likely to grow in the short to medium term.

22. While the agriculture tax was abolished in 1970, the bulk of the revenue comes from indirect taxes, corporate income tax, and royalties and dividends from public sector corporations. The internal revenue generation has increased mainly due to sale of power from Chukha, Kurichhu and Tala projects and is now more than sufficient (over Rs. 10 billion) to cover their recurring expenditure. Personal income tax (PIT) has been introduced w.e.f 1 January 2002 which has significantly contributed to the internal revenue generation.

23. Monetization of economy is still limited and Indian Rupee, which is at par with Ngultrum, and accepted within the country. Apart from the Royal Monetary Authority, established in 1982 to provide central banking services, the financial sector consists of the Bank of Bhutan, owned by the Royal Government with the State Bank of India having 20% stake, the Bhutan National Bank with 40% of the equity held by ADB and Citibank and Royal Insurance Corporation of Bhutan. Druk PNB, a joint venture of PNB, has also opened its several branches in Bhutan. Another private sector bank Tashi Bank has also opened in Thimphu and Phuentsholing in 2010.

24. Rupee Crunch: Bhutanese economy has been facing INR shortage since some time but became evident from early 2012. The reasons for the INR shortage has been attributed to the increase in trade deficit with India and hydropower loan increase in domestic consumption due to expansion of credit in Bhutanese economy leading to increasing construction activities, import of vehicles which has led to the increase in fuel consumption. In the meanwhile, Bhutan's exports to India have remained limited.

25. In March 2012, the Royal Monetary Authority (RMA), the Central Bank of Bhutan, adopted a series of measures to address the problem. First and foremost it specified INR as 'foreign currency', putting a ceiling on cash INR withdrawals by both Bhutanese and resident foreign nationals, disallowing INR remittances by Bhutanese nationals (though

foreign residents are allowed INR remittances through banking channels), banning import of non-essential items (vehicle imports and import of construction materials for housing purposes by individuals/ business entities, registered after 8 March 2012 are specifically banned), and imposing a blanket ban on opening of any deposit accounts in the name of non-resident foreigners w.e.f. 9 March 2012 and closing all existing deposit accounts in the name of non-resident foreigners by 15 March 2012. RMA took loans from SBI & PNB. RMA also sold US \$ 400 million convertible currency in recent times, to India to buy INR. India has extended Standby Credit Facility of Rs. 1000 crore (at the interest rate of 5% p.a.) to Bhutan to help deal with the rupee crisis. RMA also signed a currency swap agreement with RBI that allows withdrawal of up to US\$ 100 million. The swap is offered in US \$, euro or INR. With the improvement in liquidity/rupee reserves, RGoB has started lifting bans on certain imports. In early 2014, ban on import of Indian beer and furniture was lifted. The ban on vehicle import has also been lifted in the second half of 2014.

26. In June 2014, Bhutan's gross international reserves stood at USD 997.9 million. Out of this, USD 829.3 million were convertible currency reserves, while the remaining equivalent of USD 168.6 million (Rs. 10.1 billion) were Indian Rupee reserves. The total forex reserves of USD 997.9 mn (including INR reserves) were sufficient to cover 13 months of merchandise imports. while covering 56.9% of public external debt

External Relations

27. Bhutan began to emerge from centuries of self-imposed isolation in 1962, by joining the Colombo Plan. It joined the United Nations (1971), Non-Aligned Movement (1973) and SAARC (1985). Bhutan does not have formal diplomatic relationship with any of the permanent members of UN Security Council. Bhutan now has diplomatic relations with 53 countries and the EU. Bhutan has established resident Embassies in India (accredited to Nepal and Japan), Bangladesh (accredited to South Korea, Sri Lanka and Pakistan), Kuwait (Switzerland and Bahrain) and Thailand and also Permanent Missions to the United Nations at New York and Geneva (accredited to Austria, Switzerland, Denmark, Sweden, Norway, Netherlands and Finland and the EEC). Bhutan has also appointed Honorary Consuls in Belgium, Canada, San Francisco, Washington, Macau, Seoul, Osaka and UK. Thailand has appointed an Honorary Consul in Bhutan. Bhutan recently set up their Embassy in Brussels. Bhutan has diplomatic relations with all the member countries of SAARC. Kuwait established its resident Mission, in Thimphu, in December 2010.

28. While India continues to be the largest development partner, Bhutan has been receiving aid from UNDP and other multilateral agencies, such as UNICEF, WHO, IMF, IBRD, ADB, etc., and assistance from Japan, Denmark, Australia, UK, Switzerland, Austria, the Netherlands etc. Bhutan became a member of the International Monetary Fund, World Bank in 1981 and Asian Development Bank in 1982. Bhutan has applied for membership to WTO. An internal debate is continuing on this issue. Based on consultations and deliberations on WTO membership of Bhutan, a report will be submitted to the Bhutanese Cabinet to take further decision. Bhutan has been admitted as a member of BIMST-EC. It is a member of various international sports bodies like IOC and FIFA.

8th December, 2015