

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 updated and signed during the visit to India of His Majesty Jigme Khesar Namgyel Wangchuck in February 2007.

The updated 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. Amongst others, the Treaty provides for perpetual peace and friendship, free trade and commerce, and equal justice to each other's citizens.

On 17 December 2009, coinciding with the 102nd National Day of Bhutan, the Royal Bhutanese Consulate, in Kolkata was inaugurated by the Governor of West Bengal in the presence of the Bhutanese Foreign Minister.

The traditionally unique bilateral relations, characterized by trust and understanding have matured over the years. Today, there is extensive cooperation in the field of economic development, especially in the mutually beneficial sector of hydropower.

High Level Visits

This special relationship has been sustained by the tradition of regular visits and extensive exchange of views at the highest levels 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 to the 64th Republic Day celebrations preceded by EAM, Shri Salman Khurshid's visit to Bhutan (14-15 Jan. 2013). 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. Their Majesties expressed their appreciation to the President for inviting them to be the first guest at the refurbished guest wing of the Rashtrapati Bhawan.

In the first overseas visit after being elected Prime Minister, Lyonchhen Tshering Tobgay (PMTT) visited India from 30 August to 4 September, 2013. It was his first official visit to India. He was accompanied by his wife and Foreign Minister among other senior RGOB officials. PMTT met with the President, Vice President and the Prime Minister and other Ministers and dignitaries. During the visit, GOI assistance package for Bhutan's 11th Five Year Plan was agreed upon. PMTT also visited Hyderabad during his stay in India.

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.

Hydropower is one of the main pillars of bilateral cooperation. Three Hydropower projects developed with Indian assistance are 1020 MW Tala Hydroelectric Project, 336 MW Chukha Hydroelectric Project, 60 MW Kurichhu Hydroelectric. Ten more projects have been agreed to. Of these three are already under construction – Punatsangchhu-I Hydro Electric Project, Punatsangchhu-II and Mangedechhu HEPs. Out of the remaining 7 projects, DPR for 6 projects (Kholongchu, Bunakha, Amochhu, Chamkharchhu-I, Wangchhu, and Sankosh) have been cleared / are awaiting clearance by relevant agencies. The work for preparing DPR for the 7th Project (Kuri-Gongri) has been entrusted to WAPCOS. The Union Cabinet has approved the signing of an Inter-Government Agreement (IGA) on four JV-mode HEPs (Kholongchu, Wangchhu, Bunakha and Chamkharchhu) with Bhutan, and 15% GOI funding (DGPC's equity) for the 600 MW Kholongchhu HEP.

Eleventh Five –Year Plan (2013-18): The highlight of the first session of the National Assembly was the approval of the 11th Five Year Plan. The Plan has a total budget outlay of Nu.213 billion, 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 45 billion – Rs. 28 billion as Project Ties Assistance (PTA) Rs. 8.5 billion for Small Development Projects (SDP) and Rs. 8.5 billion as Programme Grant / Development Subsidy. There was also a commitment for an additional Rupees 5 billion for the Economic Stimulus Plan. In the 2nd Plan Talks, GOI has agreed to support 40 PTA projects worth Rs. 818.18 crores. In the SDP Committee meeting held in March 2014, GOI has agreed to support 59 SDPs worth Rs. 183.53 crores.

Standby Credit Facility: GoI extended a standby credit facility of Rs 1000 crores to RGoB to help Bhutan overcome the rupee liquidity crunch. This Credit Facility was provided at a concessional interest rate of 5% per annum. It is valid for 5 years.

Trade with India

India is not only Bhutan's main development partner but also its leading trade partner. The existing free trade regime between India and Bhutan was last renewed in 2006 for a period of 10 years. The India-Bhutan Trade and Commerce Agreement was

first signed in 1972. The major items of exports from Bhutan to India are electricity, ferro-alloys, carbides, Bar & rods, Copper wire, Dolomite, Gypsum, Agri products (oranges, cardamom, potatoes. Major exports from India to Bhutan are High Speed Diesel, ferrous products, Motor Spirit including aviation spirit (petrol), Copper wire, Rice, Wood Charcoal, Hydraulic turbines, machinery items, Coke and semi coke of coal, soybean oil, milk Powder etc.

The Agreement on Trade and Commerce also provides for duty free transit of Bhutanese merchandise for trade with third countries. Sixteen exit/entry points in India identified in the Protocol for Bhutan's third country trade are: Jaigaon, Chamurchi, Ulta Pani, Hathisar (Gelephu), Darranga, Kolkata, Haldia, Dhubri, Raxaul, Panitanki, Changrabandh, Phulbari, Dawki, New Delhi, Chennai and Mumbai. Of these, Kolkata, Haldia, Mumbai and Chennai are the designated seaports. Dhubri is the riverine route. New Delhi, Chennai, Mumbai and Kolkata are the air routes. Raxaul is the rail route. The others are the designated road routes.

During 2012, bilateral trade reached 68.3 billion. Imports from India were Rs. 41.7 billion, accounting for 79% of Bhutan's total imports. Bhutan's exports to India amounted to Rs. 26.6 billion (including electricity) and constituted 94% of its total exports. Total bilateral trade in 2012 grew by about 11% from the previous year.

[Rupees in Billion]

Year	2007	2008	2009	2010	2011	2012
Exports to Bhutan (Imports from India)	15.09	17.33	223.3	29.30	35.2	41.7
Imports from Bhutan (Exports to India)	22.72	21.48	20.5	26.00	26.4	26.6

Source: Royal Monetary Authority, RGoB

Trade Talks: The India Bhutan Bilateral Trade Talks were held in New Delhi on 18-19 August 2011. At the request of RGoB, Gol has agreed to the use of Dalu LCS (land custom station) and Ghasuapara LCS (both in Meghalaya) as additional exit/ entry points for Bhutan's trade with Bangladesh. Ghasuapara LCS will be used only as exit point for Bhutan till the necessary infrastructure is in place for it to be used as entry point also. In addition, 4 additional entry/ exit points for India-Bhutan bilateral trade – Upper Khogla (West Bengal), Dalmore or Birpara (West Bengal), Bokajuli (Assam) and Rangapani (Assam) – have also been agreed. Gol has also agreed to open two alternate routes to the industrial estates in the border towns of Phuentsholing (from Highway at Bolan Chaupati, near Mangalabari in Jalpaiguri district (WB) to Alay village at border near Toribari/ Pasakha industrial estate of Bhutan) and Samdrup Jongkhar (road from Bokajuli in Daranga (Assam) up to Matanga industrial estate, Samdrup Jongkhar). Pursuant to these talks, GOI has issued notification allowing Bhutanese passengers duty free access at Indian airports, and exempting Bhutan from export bans on some essential items subject to limits. Gol also appointed Lokasan, Nagarkata and kulkuli as seasonal Land Custom stations vide its Notification No. 18/2013 dated 31st January 2013

The next India-Bhutan Trade and Transit meeting was held in Thimphu on 21st January, 2014. The Indian delegation was led by Shri S.R. Rao, Secretary, Ministry of Commerce, while the Bhutanese side was led by Dasho Sonam Tshering, Secretary, Ministry of Economic Affairs. The meeting provided an opportunity to the two sides to exchange views on how trade between the two countries could be further enhanced and facilitated. The significant consequence of this meeting was lifting of ban on imports of furniture and alcohol which was in force for nearly two years as the aftermath of Rupee crunch in Bhutan.

Several important economic and commercial conferences and trade fairs and exhibitions have been held in Bhutan and in India to further our bilateral economic and commercial relations.

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. Several hundred Bhutanese students are studying in India under these two schemes. In addition, 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 Bhutanese self financing students studying in India. In the past ten years, more than 3000 Bhutanese students have benefited from the Ambassador's 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 process in MEA. Through the ITEC Programme (220 slots) and the Technical Cooperation Scheme of the Colombo Plan (60 slots) were provided to Bhutan in the CFY 2013-14 for upgrading administrative and technical skills of Government/Semi-Government/Private Sector Employees out of which 269 slots were utilized by Bhutan.

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 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 Crore 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 Organisations on studies, research, and similar activities, exchanges of a cultural/educational/scientific nature, programmes and activities such as seminars, work shops on subjects of common mutual interest etc. that can help in achieving the objectives of the Foundation. The 13th Board of Directors Meeting was held in Delhi on 19th December, 2013.

The 14th Board of Directors Meeting is scheduled to take place in Thimphu in the latter part of 2014.

There is a vibrant cultural exchange between the two countries. Nehru Wangchuck Cultural Centre is abuzz with cultural activities around the year. Mountain Echo, a literary festival is organized in Bhutan every year.

Indian Community

Foreign residents / workers in Bhutan are estimated at about 37,000 (RGoB figures), the bulk of which are Indian nationals, excluding day workers which number around 7000.

For more information and latest updates please visit
Embassy of India, Thimphu website:
<http://www.indianembassythimphu.bt/>

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