

INDIA-BHUTAN DEVELOPMENT COOPERATION – INDIA’S NEIGHBOURS

NEWS: Recently, the **India-Bhutan Development Cooperation Talks** were held to review the full spectrum of India-Bhutan development partnership.

WHAT’S IN THE NEWS?

Diplomatic Foundation and Historical Ties

- **Formal Ties Established (1968):** India and Bhutan established diplomatic relations in 1968 with the opening of India’s Resident Representative Office in Thimphu.
- **1949 Treaty of Friendship and Cooperation:** The foundational agreement provided for India’s guidance in Bhutan’s external affairs.
- **2007 Treaty Revision:** The treaty was updated to reflect modern realities — giving Bhutan greater autonomy in foreign policy while reinforcing mutual respect for sovereignty, territorial integrity, and security cooperation.

Symbol of High Recognition

- **2024 Civilian Honour:** Prime Minister Narendra Modi was conferred Bhutan’s highest civilian award, the *Order of the Druk Gyalpo*, becoming the first foreign leader to receive this honour. It symbolizes deep respect and enduring ties.

Development Partnership

- **India as Primary Development Partner:** Since Bhutan’s first Five-Year Plan in 1971, India has provided consistent financial and technical assistance.
- **Annual Plan Talks (Bilateral Development Cooperation Talks):** An institutional mechanism that identifies priority sectors for Indian assistance and ensures timely project implementation.
- **Key Sectors Supported:** Roads, energy, digital connectivity, health, education, human resource development, agriculture, urban infrastructure, etc.



Economic and Trade Relations

- **India: Bhutan's Largest Trading Partner:** India remains Bhutan's top source of imports and destination for exports.
- **Trade Growth:** Bilateral trade increased significantly — from USD 484 million in 2014–15 to USD 1,615 million in 2022–23.
- **2016 Trade, Commerce, and Transit Agreement:** Establishes a free trade regime between the two, allowing duty-free transit for Bhutanese goods to/from third countries via Indian territory.

Energy Cooperation: Hydropower and Renewables

- **Constructed Projects:** India has funded and built four major hydroelectric power plants (HEPs): Chukha (336 MW), Kurichhu (60 MW), Tala (1020 MW), Mangdechhu (720 MW).
- **Ongoing Projects:** Two additional large HEPs are under construction — Punatsangchhu-I and Punatsangchhu-II (both 1020 MW each).
- **Importance:** Hydropower exports to India are a major revenue source for Bhutan and a pillar of energy security for India.

Space and Digital Cooperation

- **Satellite Cooperation:**

- *South Asia Satellite Ground Station* inaugurated in 2019.
- *India-Bhutan SAT* jointly developed and launched in 2022, marking Bhutan's entry into space.
- *2024 Joint Plan of Action* on space cooperation enhances long-term collaboration.
- **FinTech Connectivity:**
 - *RuPay Cards*: Launched in 2019 and expanded in 2020 for full interoperability.
 - *BHIM App in Bhutan (2021)*: Facilitates cross-border digital payments to promote cashless trade.

People-to-People Ties

- **India-Bhutan Foundation (2003)**: Promotes cooperation in education, culture, science, and technology through joint initiatives.
- **Indian Diaspora in Bhutan**: About 50,000 Indians work in Bhutan across sectors like hydropower, infrastructure, education, and trade — showcasing strong interpersonal links.

Strategic and Geopolitical Importance

- **Buffer Against China**: Bhutan serves as a geopolitical buffer between India and China. India is wary of Chinese assertiveness, especially near the India–Bhutan–China tri-junction (Doklam region).
- **Neighbourhood First Policy**: Bhutan is a cornerstone of India's regional diplomacy, exemplifying its commitment to cooperative regionalism.
- **Siliguri Corridor Security**: Bhutan's stability is essential for securing India's only land link to the Northeast — the strategic Siliguri Corridor (Chicken's Neck).
- **Act East Connectivity**: Bhutan plays a vital role in India's broader goal to link its northeastern states with Southeast Asia.

Bhutan's Support in Multilateral Forums

- **Diplomatic Support**: Bhutan often aligns with India in global platforms like the United Nations.
- **Shared Principles**: Bhutan's peaceful foreign policy and focus on non-alignment align with India's vision for stable and cooperative regional diplomacy.

Challenges in Bilateral Relations

- **Trade Imbalance:** Bhutan faces a large trade deficit with India. Despite free trade access, Bhutanese exports and industries lack competitiveness and diversity.
- **China Factor and Border Concerns:**
 - Bhutan and China have engaged in 24 rounds of border talks.
 - A 2021 MoU outlined a “three-step roadmap,” raising concerns for India, especially regarding Doklam.
- **Connectivity Constraints:**
 - Limited road and rail links constrain economic and strategic cooperation.
 - Bhutan has hesitated to join the BBIN Motor Vehicles Agreement due to environmental and cultural sensitivities.
- **Environmental Tensions:**
 - Bhutan’s strong focus on Gross National Happiness and ecological sustainability occasionally conflicts with India’s infrastructure-driven development model.
- **Strategic Autonomy:** Bhutan increasingly seeks diversified foreign engagements and greater diplomatic independence, though India remains its closest partner.

Way Forward

- **Preserve Mutual Trust:** The India–Bhutan relationship stands on a foundation of historical trust, cooperation, and people-to-people bonding.
- **Adapt to Changing Realities:** Geopolitical shifts, economic aspirations, and sustainability goals require the relationship to evolve sensitively.
- **Transparent Dialogue:** Managing emerging challenges—especially those involving China, trade imbalances, and environmental concerns—needs open communication and mutual respect.
- **Model Bilateral Partnership:** India–Bhutan ties exemplify a successful, peaceful, and mutually beneficial neighbourhood partnership — a model for South-South cooperation.
- **A total of 10 projects**, covering sectors such as **healthcare, connectivity and urban infrastructure** in Bhutan, were approved.
- India has committed support of 10,000 Crore (100 billion) for **Bhutan’s 13th Five Year Plan period (2024-2029)**.
- The two sides agreed to hold the **next Development Cooperation Talks in Thimphu at a mutually convenient date**.

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