



## Bhutan's PM Visits India

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Recently, Prime Minister of Bhutan Lotay Tshering came to India on a state visit.

- This was the first overseas visit by Bhutanese PM after assuming the office in November 2018.
- 2018 marks 50 years of the diplomatic relations between India and Bhutan.

## India-Bhutan Relations

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- Diplomatic relations between India and Bhutan were established in 1968.
- The basic framework of India- Bhutan bilateral relations are defined by the **Treaty of Friendship and Cooperation** which was **signed in 1949 and was revised in 2007**.
- **Military Relations**
  - **India is largely responsible for the military security of Bhutan.**
  - As per the 2007 India-Bhutan Friendship Treaty, the two nations cooperate closely on issues relating to each other's national interests and neither government should allow the use of its territory for activities harmful to the national security and interest of the other.
- **Cooperation in Hydro Power projects** is an important component of India-Bhutan relations.
  - Hydropower sector is covered under the Protocol to the 2006 agreement on Cooperation in Hydropower which was signed in March 2009.
  - Under this Protocol, Government of India has agreed to assist Bhutan in developing a minimum of 10,000 MW of hydropower and import the surplus electricity from this to India by the year 2020.
- **Bilateral Trade**
  - India is Bhutan's largest trading partner. In 2016, total bilateral trade between the two countries stood at more than rupees eight thousand crores with total imports around rupees five thousand crores (80% of Bhutan's total imports) and exports rupees around three thousand crores including electricity (90% of Bhutan's total exports).

- The trade between the two countries is governed by the **India-Bhutan Trade and Transit Agreement 1972** which was last renewed in November 2016. The Agreement established a **free-trade regime between the two countries**.
- The trade between the two countries is **transacted in Bhutanese Ngultrums and Indian Rupees**. The Agreement also provides for **dutyfree transit of Bhutanese exports to third countries**.

## Importance of Bhutan

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- Bhutan and India have historical and cultural linkages.
- Bhutan is central to India's '**Neighbourhood First**' policy. Being a long time partner, India is firmly committed to partner Bhutan's development and economic prosperity.
- Bhutan is of great geopolitical importance to India for its location as a landlocked country between India and China.
- In the Doklam standoff at the tri-junction near Sikkim in 2017, Bhutan took a pro-India stand on the issue and called the infringement of the border as direct violation of border agreement between Bhutan and China.
- Bhutan is the only country in South Asia apart from India which refused to participate in China's One Belt One Road initiative.

## Highlights of the Visit

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- **ISRO Ground Station**

Indian Space and Research Organization (ISRO) will build a ground-station in Bhutan to help Bhutan reap the benefits of the South Asian Satellite- weather information, telemedicine, and disaster relief.

- **Financial and Developmental Assistance**

- India has decided to give grant assistance of rupees 4500 Crore to Bhutan's 12th Five Year Plan for the period of 2018 to 2023.
- A transitional Trade Support Facility of rupees 400 Crore over a period of five years is also established to strengthen bilateral trade and economic linkage.

- **Hydro Power Cooperation**

- Both countries reiterated their commitment to jointly develop 10,000 MWs of hydropower generating capacity in Bhutan.
- Both countries agreed to commission 720 MW Mangdechhu hydro-power project in Bhutan as early as possible.

- Bhutan Government has taken the decision to launch the RuPay Cards.

## Way Forward

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- Bhutan PM's visit is based on Bhutan's '**India First**' policy like the Maldives. The visit signals India's pivotal position in South Asia.

- Bhutan is trying to convert the relationship with India from the traditional “donor and aid recipient” to that of investment and trade. India should try to seize the moment and move from being Bhutan’s largest developmental partner to Bhutan’s largest investor and business partner.
- Bhutan is looking to expand and diversify its revenue basket. India can play an important role in helping Bhutanese private sector both manufacturing and services to build their capacities.