

1. PM Visit to Bhutan – International Relations

Prime Minister Narendra Modi's recent visit to Bhutan strengthened the special ties of friendship and cooperation between the two countries

Key Outcomes of the Recent Visit / Bilateral Engagement

Major Hydropower Milestones

Inauguration of the 1020 MW Punatsangchhu-II Hydroelectric Project – Symbolises India's long-term energy partnership with Bhutan. Adds substantially to Bhutan's hydropower export capacity, a major contributor to its national revenue. Reinforces India's role as Bhutan's largest development partner.

Resumption of Work on the Main Dam of 1200 MW Punatsangchhu-I HEP – This project had been stalled due to geological challenges. Agreement to resume work indicates improved technical assessments and renewed financial/engineering confidence. Reflects India's sustained commitment to supporting Bhutan's hydropower-led growth model.

Connectivity and Travel Facilitation

Decision to Establish Immigration Check Post in Hatisar across Gelephu – Enhances people-to-people movement. Strengthens border trade and local tourism. Gelephu region is becoming strategically important as Bhutan plans an international economic gateway (Gelephu Mindfulness City concept).

Cultural and Diaspora Support

Land Grant in Varanasi for Bhutanese Temple/Monastery and Guest House – Deepens civilizational and cultural ties. Helps Bhutanese pilgrims, scholars and monks visiting India, especially Varanasi, an academic-spiritual hub.

Development Finance

INR 4000 Crore Line of Credit to Bhutan – Supports Bhutan's economic reforms and public investment needs. Allows financing of priority projects in infrastructure, energy, agriculture, digital connectivity, and MSME development. Demonstrates India's commitment to stabilising Bhutan's macroeconomy as it transitions to a more diversified economy.

Sectoral Cooperation via MoUs

Renewable Energy Cooperation MoU – Expands collaboration beyond hydropower to solar, wind, hydrogen, and green energy technologies. Helps Bhutan diversify its energy portfolio and reduce hydropower dependence.

Health and Medicine Cooperation MoU – Covers telemedicine, public health capacity, pharmaceuticals, and health research. Enhances Bhutan's health security and human resource training.

Institutional Linkage MoU between Bhutan's PEMA Secretariat and India's NIMHANS – Focuses on mental health capacity building and institutional strengthening. Important as Bhutan deals with rising mental health concerns, particularly among youth.

Brief on India–Bhutan Relations

Historical and Diplomatic Foundations – Diplomatic relations established in 1968, but civilizational ties go back centuries. 1949 Treaty of Friendship and Cooperation formed the basis of political, economic, and security relations.

2007 Treaty Revision – Removed India's earlier provision of 'guidance' in Bhutan's foreign policy. Strengthened sovereignty of Bhutan. Modernised the strategic partnership based on equality and mutual sensitivity.

High-Level Honours – In 2024, PM Modi received the Order of the Druk Gyalpo, Bhutan's highest civilian award—first foreign leader ever. Symbolises unprecedented trust between leadership. Recognises India's role in Bhutan's development trajectory.

Development Partnership

India as Bhutan's Foremost Development Partner – India has supported every Bhutanese Five-Year Plan since 1971. Assistance covers –

1. Energy infrastructure

2. Roads and bridges
3. ICT, digital public infrastructure
4. Education, scholarships
5. Healthcare systems
6. Urban development (Thimphu, Gelephu, Phuentsholing)

Annual Plan Talks / Bilateral Development Cooperation Talks – Institutionalised mechanism to determine developmental priorities. Enhances predictability, transparency, and alignment with Bhutan's national goals.

Trade and Economic Relations

India as Top Trading Partner – Accounts for over 80% of Bhutan's total trade. Bilateral trade increased from USD 484 million (2014–15) to USD 1.77 billion (2024–25), a three-fold increase.

2016 India–Bhutan Agreement on Trade, Commerce & Transit – Provides –

1. Free trade regime between both nations.
2. Duty-free transit of Bhutanese goods to/from third countries through India.
3. Predictable trade environment.

Areas of Strategic Economic Cooperation

1. Hydropower exports
2. Construction and labour
3. Digital payments integration
4. Agriculture and food processing
5. Tourism and transport services

Energy Cooperation – Hydropower & Renewables

Flagship Sector of Bilateral Cooperation – Hydropower accounts for ~14% of Bhutan's GDP and ~30% of its revenue. India has constructed major HEPs –

1. Chukha (336 MW)
2. Kurichhu (60 MW)
3. Tala (1020 MW)
4. Mangdechhu (720 MW)

Ongoing Projects

1. Punatsangchhu-I (1200 MW)
2. Punatsangchhu-II (1020 MW)

Why Hydropower Matters – Provides Bhutan sustainable revenue. Supplies India clean, renewable energy. Strengthens energy security and grid integration in the region.

Cooperation in Space & Digital Connectivity

Space Collaboration – South Asia Satellite ground station (2019) enhances communication and disaster management capacity. India–Bhutan SAT (2022) – First joint satellite—symbolic of advanced technical cooperation.

2024 Joint Plan of Action on Space Cooperation –

1. Remote sensing
2. Disaster management
3. Weather forecasting
4. Ground infrastructure
5. Satellite-based communication

Fin-Tech Integration – RuPay Card launched in 2019 & 2020. BHIM-UPI launched in 2021, enabling seamless digital payments. Supports tourism, trade, and people-to-people transactions.

Indian Diaspora in Bhutan

Around 50,000 Indians work in Bhutan. Contribute to hydropower, infrastructure, education, and commerce. A natural anchor for bilateral cultural and economic ties.

Significance of Bhutan for India

Geostrategic Importance – Acts as a buffer between India and China. Stability in Bhutan safeguards the Siliguri Corridor (Chicken's Neck). Doklam plateau is critical for India's national security.

Neighbourhood First and Act East Policies – Bhutan is a core pillar of India's regional diplomacy. Facilitates connectivity to India's Northeast and broader sub-regional initiatives (BBIN, BIMSTEC).

Energy Security – Bhutan's surplus hydropower contributes to India's clean energy transition. Reduces India's dependence on fossil fuels.

Trade and Economic Integration – Bhutan is part of India's strategy for sub-regional trade corridors (BBIN). Enhances India's influence in eastern Himalayan region.

Diplomatic Support – Bhutan usually aligns with India in UN and multilateral forums. Maintains strong military cooperation and joint training.

Challenges in Bilateral Relations

Economic Asymmetry – Bhutan runs consistent trade deficit with India. Bhutanese industry is small and highly import dependent.

China Factor – Bhutan-China boundary negotiations (24 rounds + 2021 three-step roadmap). India fears Chinese encroachment near the critical Doklam tri-junction. Bhutan's desire to maintain strategic autonomy needs careful Indian handling.

Connectivity Limitations – Bhutan has not joined BBIN Motor Vehicle Agreement due to sustainability concerns. Limited road/rail links slow subregional integration.

Environmental Concerns – Bhutan prioritises Gross National Happiness (GNH) and environmental protection. Large infrastructure projects can clash with Bhutan's sustainability commitments.

Strategic Autonomy – Post-2007 Treaty, Bhutan desires more foreign policy flexibility. Managing this while maintaining strategic trust is essential.

Way Forward

Sustaining Mutual Trust – Transparent communication on security and geostrategic issues. Respect for Bhutan's sovereignty and developmental choices.

Diversifying Economic Partnership – Move beyond hydropower into –

1. Green hydrogen
2. Skill development
3. Tourism
4. Startups
5. Digital public infrastructures
6. Agriculture value chains

Enhancing Connectivity – Sustainable, environmentally sensitive connectivity projects. Upgraded cross-border trade infrastructure.

Managing the China Factor Constructively – India should engage Bhutan as a partner, not a protector. Confidence-building measures to avoid Doklam-like stand-offs.

Supporting Bhutan's Economic Reforms

1. Financial stability support
2. Investment in MSMEs
3. Assistance for Bhutan's LDC graduation
4. Facilitating market access for Bhutanese products

Conclusion

India-Bhutan ties are characterised by trust, mutual respect, shared borders, and civilizational links. As Bhutan modernises and seeks diversified international partnerships, India must maintain sensitive diplomacy and developmental support to sustain this relationship as a model for South Asian neighbourhood cooperation.

Source – <https://www.thehindu.com/news/national/pm-modi-embarks-on-two-day-visit-to-bhutan/article70265472.ece>