



## BHUTAN: INTERNAL DEVELOPMENTS AND EXTERNAL ENGAGEMENTS

*Medha Bisht is Research Assistant at the Institute for Defence Studies and Analyses, New Delhi.*



### Contents

1	Introduction.....	2
2	History.....	3
3	Governance.....	7
4	Foreign Policy.....	12
	4.1 Bhutan-India.....	13
	4.2 Bhutan-China.....	18
	4.3 Bhutan-Nepal.....	21
	4.4 Bhutan-Bangladesh.....	24
	4.5 Bhutan and International Organisations.....	24
5	Conclusion.....	25
	5.1 Select Reading .....	26
<b>Bhutan Maps</b>		
	Roads.....	6
	Districts.....	7
	Population Density.....	9
	Ethnic Composition of Bhutan.....	10
	Entry/Exit Points.....	14
	Sino-Bhutan Border Dispute.....	20
	Refugee Camps in Nepal.....	23
<b>Appendix</b>		
	Appendix I: India-Bhutan Friendship Treaty, March 5, 2007	
	Appendix II: Bhutan-China Agreement, 1998.	
	Appendix III: Bhutan Fact Sheet	
	Appendix IV: List of Agreements/MoUs between India–Bhutan, 2009	

# 1. Introduction



Source:<http://wvp.greenwichmeantime.com/time-zone/asia/bhutan/>

Bhutan, a landlocked country of roughly 38,394 sq km, flanked by two rising Asian powers, China and India, witnessed successful culmination of parliamentary elections on March 2008. Though only two parties participated, Bhutan in future would follow First Past the Post System (FPTP). Druk Phuensum Tshogpa (DPT) won by landslide victory as against the People's Democratic Party (PDP),

bagging almost 45 out of 47 seats in the National Assembly (the lower house of the Parliament).<sup>1</sup> Bhutan's experience is unique because the process of change was voluntarily initiated by the fourth king Jigme Singye Wangchuk and came about without any external levers or internal pressures.

It was in the year 1972 that Singye Wangchuk developed the vision for shaping Bhutan's policy choices. This vision encapsulated in the concept of Gross National Happiness, revolved around four pillars of sustainable and equitable socio-economic development, conservation of the environment, preservation and promotion of culture and promotion of good governance. While these goals continue to guide Bhutan's development philosophy both in internal developments and its diplomatic overtures, they also aimed to balance the forces

<sup>1</sup> Bhutan has a bicameral legislature. The Upper House, the National Council was established in 2008 under Article -2 of the Constitution. The National Council has both legislative and review functions and is also referred to as the House of Review. The National Council has 25 members including 6 women. Twenty members are directly elected by the people, one from each of the 20 district and five members are appointed by the King. (See: <http://www.nationalcouncil.bt/>). The Lower House is known as the National Assembly. National Assembly was established in 1953 with 38 members. Initially the scope and nature of issues for deliberation in the Assembly were limited to issues affecting the people at the village, block and district level. Many of these issues are today resolved by the Block Development (GYT) and District Development Committees (DYT). The year 2008 was historic with the establishment of a democratically elected Parliament with sovereign power vested with the people of Bhutan. The National Assembly constitutes of 47 members from each 47 constituencies directly elected by the people of their respective constituencies through secret ballot. All the members serve for a term of five years. (See: <http://www.nab.gov.bt/aboutus.php>)

of modernisation with traditional values reflecting a conscientious approach towards addressing growth with inclusive development. The document “Vision 2020”, states that the purpose of the vision is to “guide” Bhutan in its transition phase and the vision attempts to strike a balance between “development and environment, modernization and tradition, values and technology, immediate and long term, individuals and the society, and realism and aspirations.”<sup>2</sup>

## 2. History: An Overview

Internal developments in Bhutan can be broadly defined into four significant periods:- (i) The Early Period, from 650 A.D- 1594 A.D; (ii) The Period of Stability from 1594-1900 A.D; (iii) The Period of Unification and Modernization from 1907-1972 A.D and (iv) the Period of Democratisation and Decentralisation from 1972- present.

According to the sources, Bhutan’s political history can be traced to 650 A.D, when the country was divided into several small and big units.<sup>3</sup> Bhutan was often at sway of Tibetan invasions from 861-900 A.D, which led the country towards political fragmentation. It was at this time that religion came as a solace to loosely unite the country, when Padma Sambhava a Buddhist sage from India, introduced the warring rulers of Bhutan to Buddhism.<sup>4</sup> Peace stayed for a short while, until almost a century when Tibetans again attacked Bhutan. Though most of these Tibetans made forays into Bhutan as marauders, a particular Buddhist sect known as the Kargyupka (Drupka) later decided to settle in the country. As a result from the 12<sup>th</sup> century many Lamas of Drupka sect entered Bhutan. Thus the period between 13<sup>th</sup> and 16<sup>th</sup> century witnessed the consolidation of the Drukpa sect, and Bhutan emerged with a distinct religious Drupka identity. Many monasteries and temples were constructed during this time. This paved the way for the second period, when Bhutan was loosely united, but was still under the sway of various chieftains, vying for supremacy. It was through one such struggle that Shabdrung Ngawang Namgyal (1594-1651) emerged, who later established him self as the theocratic ruler of Bhutan.

Namgyal during his rule forced many Tibetan invaders to retreat, thus enhancing his image as an able ruler. Namgyal’s unique contribution to political legacy was the bifurcation of spiritual and temporal powers. While the Shabdrung (dharmaraja) looked after the spiritual and religious affairs, the Deb Raja

<sup>2</sup> Royal Government of Bhutan (1999), *Bhutan 2020: A Vision for Peace, Prosperity and Happiness*, Planning Commission, Bhutan.

<sup>3</sup> The earliest legends according to some sources, state that before the 7th century A.D. Indian rulers dominated Bhutan. According to the sources, Indian chiefs under the tutelage of Kamarupa, held sway in Bhutan. See, Singh, Nagendra (1972), *Bhutan: The Kingdom of Himalayas*, New Delhi: Thompson Press Limited.

<sup>4</sup> Singh, Nagendra (1972), *Bhutan: The Kingdom of Himalayas*, New Delhi: Thompson Press Limited, pp.19

looked after the administrative aspect of the state. A key difference between these two institutions was the superior power of the Shabdrung, as the former was hereditary, while the latter was chosen from key principal officers in the country. The Shabdrung also appointed Penlops (Chief of Provinces and Governors) and Dzongpons (Chief of Districts) for effective administration of the country. Subordinate to Dzongpons were Nieboos, who supervised scattered groups of villages. The Penlops were the senior members of the central council which included Chief Secretary to the Dharma Raja and the chief secretary to Deb Raja, the chief Judge and the Dzongpons. It was this council which formed the electoral body for the office of the Debraja. However as time passed, this dual control gradually became dysfunctional and with internecine feuds for supremacy between different governors, in 1907, the supreme authority of the state was brought under the control of one individual- the monarch. Hereditary monarchy was thus established in Bhutan in 1907 and henceforth the Wangchuk dynasty has predominantly shaped the external and internal affairs of Bhutan.

Thus the third phase which started in 1907 institutionalised Bhutanese politics into a system of hereditary monarchy. As stated before the dual system of governance because of competing interests between the Shabdrung and the Deb Raja, and the various governors was becoming ineffective. Ugyen Wangchuk, who was one of the governors', emerged as a virtual ruler of Bhutan in the civil war of 1885. As years passed, Wangchuk emerged as a strongest ruler, greatly strengthening his position of power. Consequently in 1907, by a unanimous vote of Bhutan chiefs and the principal lamas, Wangchuk was declared the hereditary king. Under the leadership of Ugyen Wangchuk, Bhutan not only witnessed stability but also moved South towards British India for security and stability reasons. While the British on their part wanted a strong leader who could serve their interests in securing trade routes to Tibet, Ugyen Wangchuk was looking for a strong ally, who could deter threats from Tibet. Consequently in 1910, Treaty of Punakha was signed under which British acquired the right to "advise" Bhutan on its external relations. Bhutan meanwhile secured assurance from the British that a policy of non-interference in internal affairs of Bhutan would be respected. Dissuading Tibetan invaders from the North was the primary incentive behind the signing of the Anglo-Bhutanese Treaty. It can be said that the Treaty of Punakha was therefore win-win situation for both the concerned parties. King Jigme Wangchuk was the second king of Bhutan, who reigned from 1926 till 1952. Under Jigme Wangchuk's reign Bhutan maintained a policy of isolation, continuing to take advice on foreign affairs from British India. No substantive change can be noticed in these years. Political changes were clearly visible under the reign of the third King, Jigme Dorji Wangchuk, who ruled from 1953- 1972. Dorji Wangchuk introduced the foundation of political reform which his son, the fourth King, Singye Wangchuk took forward. Dorji Wangchuk on his part established National Assembly in

1953, followed by the Council Ministers in 1971. The King also banned the collection of rents in kind by monasteries in 1968, which subsequently received an annual grant of 5,00,000 Ngultrum. As the Ministry of Finance was authorized to audit the account of monk bodies, the writ of the state slowly extended over religious institutions. However a significant change during this time was Bhutan's deliberate move towards independent India.

In 1949, Bhutan and independent India signed the Treaty of Friendship, which became the framework for guiding bilateral relations between both countries. The treaty was symbolic of continuing the relationship which the two had shared in past few years. Bhutan all this while had continued the policy of isolation. However a sharp policy shift was noticed in 1959, when Bhutan allowed India to build its first motorable road from Phuentsholing near the Indian border to the country's capital, Thimpu covering a distance of 175 km. It would not be an exaggeration to state that this decision reflecting Bhutan's willingness to move South was a response to China's occupation of Tibet in 1951. Perhaps as a response to Bhutan's decision to move South, China in 1961 published a map that showed alterations of traditional Sino-Bhutanese border in Beijing's favour. China had claimed Bhutanese territory earlier on 1954 and 1958. This triggered Bhutanese response with an embargo on cross-border trade with Tibet, and developing closer links with India.<sup>5</sup> This is well reflected in the development planning initiated by Bhutan in 1961, which was extensively planned by the Planning Commission in India. While India agreed to finance entirely the first five year plan for Bhutan, in 1965, India also financed Bhutan's membership for the Colombo Plan.<sup>6</sup> Thus, during Jigme Dorji Wangchuk's reign the first two five year plans were charted out. The second plan focused increased allocation towards the education and health sector.<sup>7</sup> The subsequent years under the rule of the fourth king witnessed planned allocation on sectoral basis, whereby the hydro-power sector received enhanced allocation.

The fourth phase can be termed as the phase of democratisation and decentralisation, and an era of pro-active planning. During this phase the development philosophy –the concept of Gross National Happiness took roots. At the domestic level, hydro-power development received priority. For instance, the Chukha hydel project was initiated in 1978. Chukha was built under a 99 year agreement between India and Bhutan, whereby India provided a financial

<sup>5</sup> Library of Congress (1993), *Bhutan*, Country Studies, available at: [http://lcweb2.loc.gov/cgi-bin/query/r?frd/cstdy:@field\(DOCID+bt0079\)](http://lcweb2.loc.gov/cgi-bin/query/r?frd/cstdy:@field(DOCID+bt0079)).

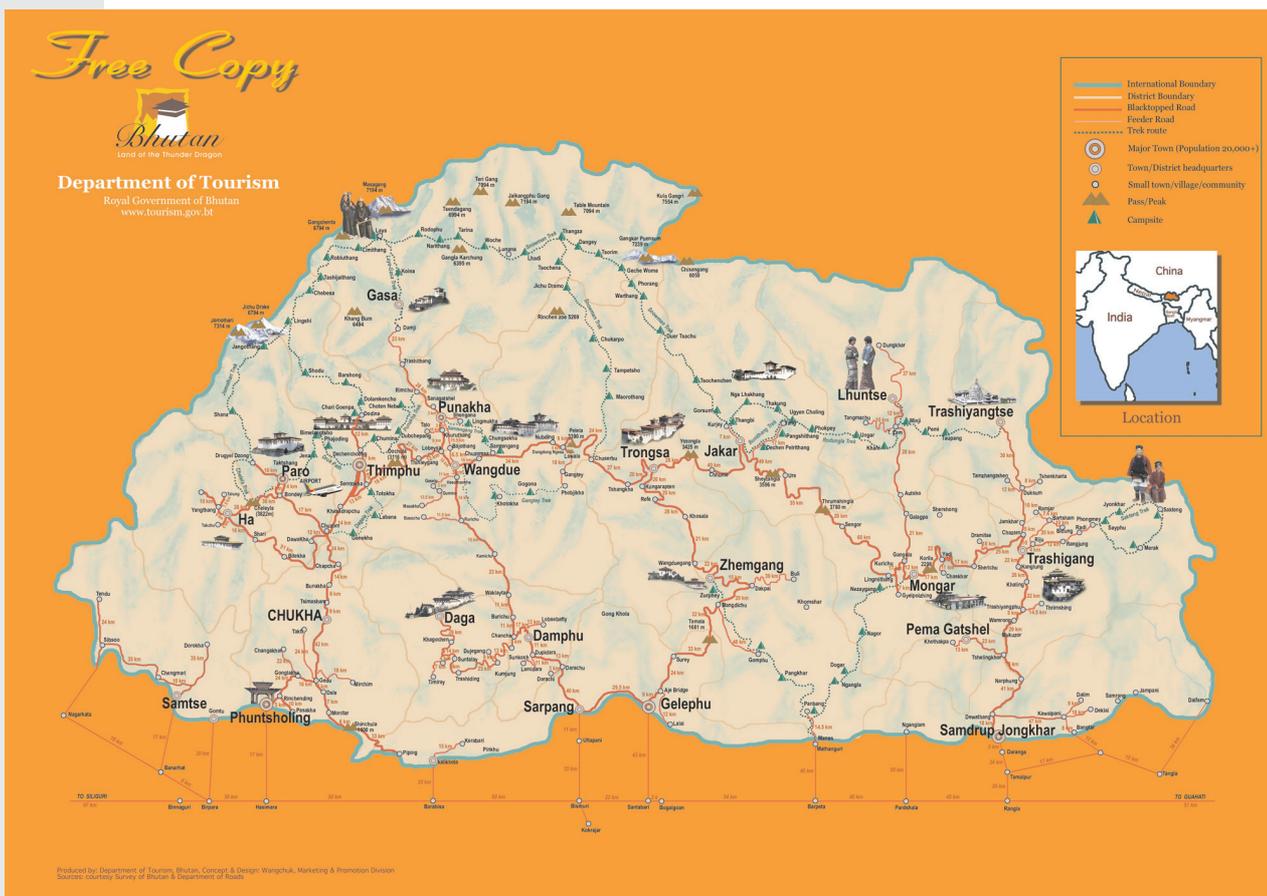
<sup>6</sup> The Colombo Plan was established on July 1, 1951 by Australia, Canada, India, Pakistan, New Zealand, Sri Lanka and the United Kingdom and currently has expanded to include 26 member countries including non-Commonwealth countries and countries belonging to regional groupings such as ASEAN (Association of South-East Asian Nations) and SAARC South Asian Association for Regional Cooperation). The Colombo Plan is a partnership concept of self-help and mutual-help in development aimed at socio-economic progress of its member countries.

<sup>7</sup> Samarasinghe, S (1990), "The Bhutanese Economy in Transition", *Asian Survey*, 30 (6): 560-75.

package that was 40 percent loan and 60 percent grant. Later a guaranteed power buy-back provision was included in the agreement. This arrangement has proved beneficial to both. Chukha led to the doubling of Bhutan's national revenues between 1985/86 and 1987/88. In 1998/99 this project alone accounted for 35 percent of Bhutan's revenue generation. Though Bhutan was initially paid Nu 0.50 per unit, India later increased the tariff rate to Nu 1.00 in April 1997 and further to Nu 1.50 in July 1999.<sup>8</sup> The rate in 2009 is Nu 2.00 kWh. The revision of the tariff rate has been a generous posture, setting up the pace for further cooperation.

In the 1980s there was also a visible enhancement of funds for road connectivity. According to one source, where in the first plan 59 percent (63 million Ngultrum) of the total expenditure was spent on road works, by 1987, this amount was increased to Ngultrum 540 million. With increased connectivity through North-South and East-West highways, Bhutan was able to create favourable conditions for productive investments in other sectors.<sup>9</sup> See Map 1

### Roads in Bhutan



Source: <http://mappery.com/Bhutan--map>

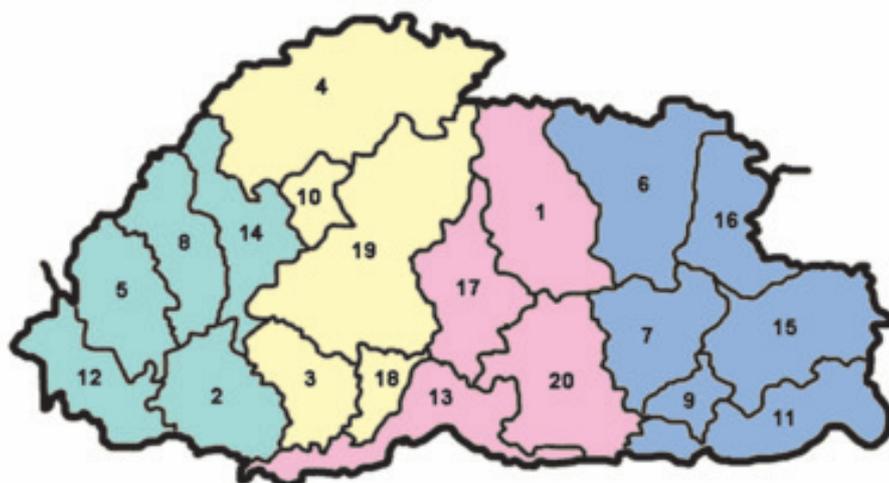
<sup>8</sup> Mansherchan, B (2000), "Hydro Power : A New Nepali Model", *Nepali Times*, 30 August - 5 September, at: [http://himalaya.socanth.cam.ac.uk/collections/journals/nepalitimes/pdf/Nepali\\_Times\\_007.pdf](http://himalaya.socanth.cam.ac.uk/collections/journals/nepalitimes/pdf/Nepali_Times_007.pdf).

<sup>9</sup> Samarasinghe, S (1990), "The Bhutanese Economy in Transition", *Asian Survey*, 30 (6): 566

### 3. Governance

In 1981, the king encouraged decentralisation through the downward shift of power. District Development Committee (DYT) was formed in each district, linking the national level with the district level. Bhutan consists of twenty districts. (See Map II)

**District Map of Bhutan**



No.	Dzongkhag (District)	Gewog	Towns
1.	Bumthang	4	5
2.	Chukha	11	6
3.	Dagana	11	4
4.	Gasa	4	1
5.	Haa	5	1
6.	Lhuntse	8	2
7.	Mongar	16	4
8.	Paro	10	2
9.	Pemagatshel	7	7
10.	Punakha	9	1
11.	Samdrup Jongkhar	11	5
12.	Samtse	16	3
13.	Sarpang	15	3
14.	Thimphu	10	1
15.	Trashigang	16	6
16.	Trashiyangste	8	2
17.	Trongsa	5	1
18.	Tsirang	12	1
19.	Wangdue Phodrang	15	3
20.	Zhemgang	8	3

Source: [http://en.wikipedia.org/wiki/Districts\\_of\\_Bhutan](http://en.wikipedia.org/wiki/Districts_of_Bhutan)

The district is governed by the administrator, responsible for civil administration and development activities. The administrator is a civil servant responsible to the Ministry of Home Affairs. With the introduction of DYT, spaces were provided for effective exchange of ideas, whereby they became forums for discussing and deciding issues of concern to the people at the district level. A decade later in 1991 Geog (Block) Development Committees (GYT) were formed, linking the district level to the block level. The members of the District Development Committees and Block Development Committees are all elected by the people. All points for discussion in the National Assembly are first discussed in the Block Development Committees. Issues which cannot be decided at the block level are then discussed at the district level by the District Development Committees, which then decide the points/issues to be forwarded for discussion in the National Assembly.<sup>10</sup> Local governance received its major thrust in 2002, when administrative and financial powers were delegated to the block level. The Local Government Act of Bhutan passed in 2007, further entrenched these powers devolving authority to the lowest tier. The Act aims to widen block grant mechanism and provide budget support to take advantage of block capital grants. It aims to improve capacity development and training for local government and enhance policy support for local government.<sup>11</sup>

Forces for broad democratisation were further unleashed, when the Monarch transferred the executive authority to the cabinet- the council of ministers. In 2001, the king drafted the first constitution and released the draft on 26 March 2005 for a nation wide consultation .On May 5, 2005 the first constitution was released and the monarch was declared as the constitutional head. The king can now be removed by a two-third vote in the parliament and is supposed to retire at the age of sixty-five. . King Jigme Singye Wangchuk as a precedent abdicated throne in favour of his son Jigme Khesar Namgyal Wangchuk in 2006.

In 2007, Bhutan conducted its first ever parliamentary elections. The National Council elections were held in December 2007 and January 2008 and twenty members to the upper house were elected. The total voter turn out in these elections was fifty-three percent.

Though democracy in Bhutan has been criticized by the refugees settled in Nepal and some minorities<sup>12</sup>, it would not be an exaggeration to state that the basic foundation of democracy in Bhutan has already been laid. The three branches of the government –the executive, legislature and judiciary are functional and one has to wait and watch to see how these institutions evolve.

<sup>10</sup> “National Assembly of Bhutan”, Bhutannica,at, [http://www.bhutannica.org/index.php?title=National\\_Assembly\\_of\\_Bhutan](http://www.bhutannica.org/index.php?title=National_Assembly_of_Bhutan).

<sup>11</sup> Royal Government of Bhutan (2008), “Local Government Support Programme”, Bhutan, May 2008.

<sup>12</sup> Dissent to democracy has been considered later the paper.

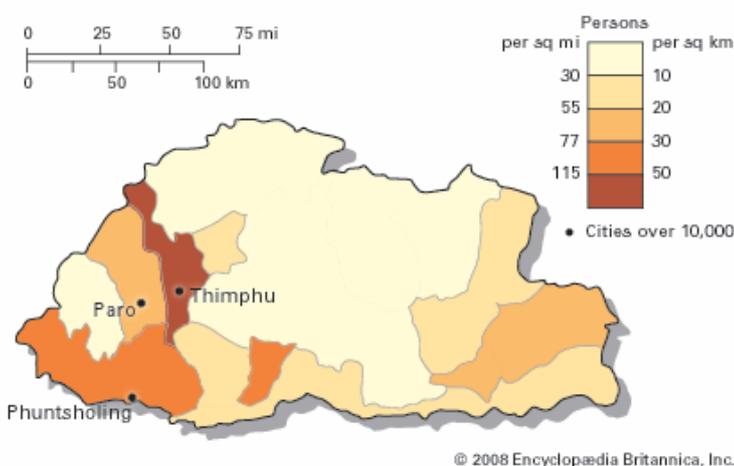
Bhutan is presently building a Supreme Court with support from the government of India. Bhutan has also established a number of autonomous institutions. Some of these are Royal Monetary Authority, Royal Audit Authority, Royal Civil Service Commission, National Environmental Commission, Anti Corruption Commission etc.

In the words of Prime Minister Thinley, “democracy has not yet been firmly established in Bhutan.” A lot therefore would depend on how Bhutan manages to fulfil its social and development goals. The role of the media, independent civil-society and equal and non-discriminatory policies against the ethnic Nepalese would determine the contours of the evolving democratic spaces in Bhutan.

### Bhutan’s Ethnic Composition, Language and Culture

The total population in Bhutan as per the Ninth Five Year Plan Official Document, 2002 is 658000. The population density according to official sources ( National Statistics Bureau, Bhutan, 2008) is 17.5 person per km square. The spatial spread is graphically reflected in Map 3 below.

#### Population Density in Bhutan



© 2008 Encyclopædia Britannica, Inc.

Source:<http://www.britannica.com/EBchecked/topic-art/64215/65623/Population-density-of-Bhutan>

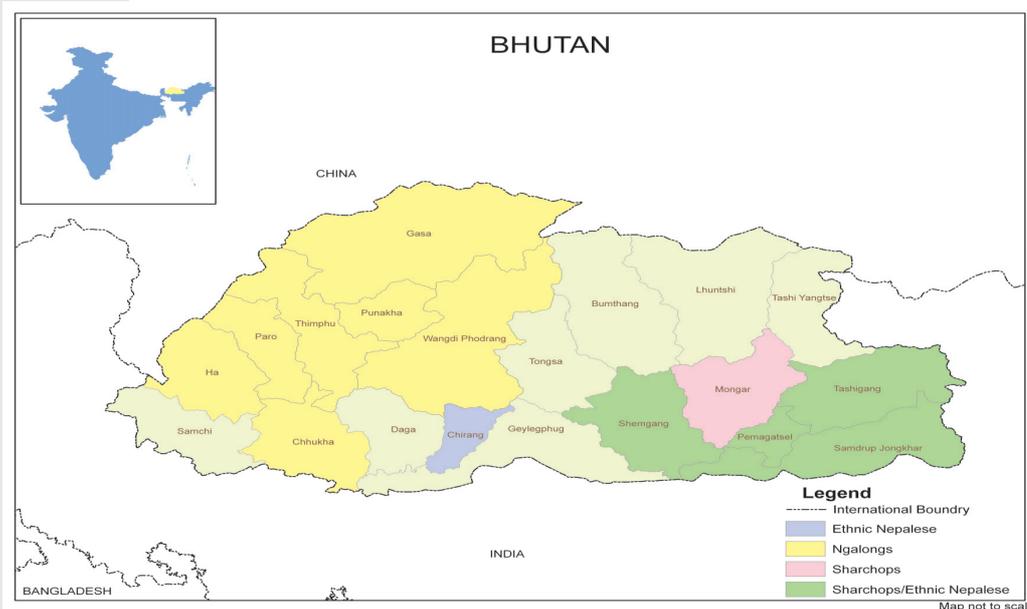
Broadly Bhutan’s population can be conveniently categorised into three groups: the Sharchops<sup>13</sup>, Lhotshampas and the Ngalungs.<sup>14</sup> While the Sharchops and the Ngalungs live in the Eastern and Western Bhutan respectively, Lhotshampas reside in the Southern region. The majority of Bhutanese belong to the Indo-Mongoloid race and the Western and Eastern inhabitants belong to

<sup>13</sup> The Sharchop are part of the Tibeto-Burman culture that penetrated Bhutan from the East. They refer to themselves as Bhutanese and are racially Mongoloid, like the northern Bhutanese. However, their distinctive cultural traits clearly link them with the peoples of Tibet, Burma, and Yunnan, China. Their language is called Tsangla and is part of the Sino-Tibetan language family. Inhabiting in eastern and central region, they practice Nyingmapa sect of Mahayana Buddhism, introduced by Guru Padsambhava. They speak Tsangla, Kurteop, Kheng and Brokpa dialects. They have supposedly migrated from North-East India. Please see <http://www.joshuaproject.net/peopctry.php?rop3=102831&rog3=BT>

<sup>14</sup> The Ngalung - often called Drukpas - are the ruling group who control the monarchy and the government and dominate the economy. King and all the high Government Officials belong to this politically and economically dominant ethnic group. They live in the north-western region, speak Dzonkha language and wear robe like dresses. They migrated from Tibet. They are called Drukpas as they follow the Drukpa Kargyupa school of Mahayana Buddhism. Please see <http://www.geocities.com/bhutanese-refugees/demography>

this race. The Northern Himalayan Zone, over 3,000 meters (9,000 feet), is the abode of semi nomadic yak herdsman.<sup>15</sup> Southern Bhutan is inhabited mainly by Nepalese migrants who arrived in the country at the end of the 19th century. They are known to Bhutanese as the 'Lhotshampas' which means 'people of the southern region' and are found in the central and region of Chirang. Also since 1959 there have been 3,000 Tibetans who had sought refuge and rehabilitation in Bhutan. These Tibetans inhabit a small village of Hongtsho in central Bhutan.<sup>16</sup> The ethnic composition of the groups is: Sharchops and Ngalungs 50% ethnic Nepalese 35%, indigenous or migrant tribes 15%. See Map 4 below.

### Ethnic Composition in Bhutan



The national language of Bhutan is Dzongkha. However the Sharchops speak Tsangla. Lhotshapas is the Nepali speaking population. English and Nepali are also spoken.

Bhutan has been declared as one

of the ten global hotspots of biological diversity.<sup>17</sup> Known as Shangri La or Land of Thunder Dragon, Bhutan was opened to tourists for the first time in 1974. While the architecture is a mix of both old and new, the roots go back to Tibet, where architecture itself in has been influenced from China and Persia.<sup>18</sup> Due to plentiful supply of timber, wood plays a major role and shingle roofs and half-timbering are commonplace, as the raw materials are easy to find. Most of the monasteries in Bhutan were built between 13<sup>th</sup> to 17<sup>th</sup> centuries.

Music is greatly influenced by Drupka Buddhism as most of the folk songs and chants are derived by Drupka sect. Religion has played an influential role in informing folk lore and dance. Instruments dating to this time include the lingm (flute), dramnyen (lute) and chiwang (fiddle). Bhutanese popular music history began with the Bhutan Broadcasting Service, which was followed by the band

<sup>15</sup> People of Bhutan, at <http://www.world66.com/asia/southasia/bhutan/people>

<sup>16</sup> Denyor. S (2008), "In Bhutan, Tibetan refugees yearn to join protests", *Reuters*, April 1, 2008, at <http://www.reuters.com/article/latestCrisis/idUSDEL251885>

<sup>17</sup> Government of India (2005), "India and Bhutan along the friendship Trail", Minister of State for External Affairs, 2005

<sup>18</sup> Architecture of Bhutan, at <http://www.bootan.com/bhutan/articles/architecture1.htm>

Tashi Nyencha, who established the first recording studio in Thimpu in 1991. Prior to this period, Bhutanese people primarily listened to Indian pop music. Rigsar (traditional guitar in Bhutan) is the dominant style of Bhutanese popular music, and dates back to the late 1960s.<sup>19</sup>

Bhutan's national sport is archery and competitions are held regularly in most villages. Another traditional sport is digor, which is generally describes as shortput combined with horseshoe throwing. Football is another popular sport.<sup>20</sup>

## Dissent to Democratic Initiatives

Though internally democratic changes have not witnessed any resistance, some groups outside Bhutan have expressed opposition. Opposition to Bhutan stems from two groups. The first are the exiled refugees and second category includes exiled minorities. Exiled refugees consist of ethnic Nepalese, and are settled in the Eastern Camps of Nepal. The minorities include the monks of Ngyingmapa sect, who according to some sources were exiled by the government in early 1990s. Shri Lhomon Ngagyur Nyingma Buddhist Association is one such collective formed in 1997 to protect and voice the views of minorities against the government. Druk National Congress, Bhutan Women and Children Organisation (BWCO), National Democratic Front of Bhutan to name a few are some other organisation which brings the Bhutanese refugees in exile together.

## Role of Media and Civil Society

Bhutan has a fledging civil society. As per Bhutan's constitution, free associations can be formed. Though a Cooperatives Act was passed in 2001, the final Civil Society Act was passed in 2007. The CSO authority responsible for implementing the Act announced that the registration of non governmental organisation would start from December 2009.<sup>21</sup> Several NGOs are formed under Royal Charter.<sup>22</sup> Informal groups have always existed in the form of the self-help groups, self-regulating and closely-knit communities etc.

As far as media organisations are concerned, Bhutan now has a diverse media. Some of the media organisations are the Kuensel, Bhutan Observer, Bhutan Times, Bhutan Broadcasting Service etc. However not much can be said about it as recently the Bhutan Broadcasting Service Corporation was penalized by the Bhutan Infocomm and Media authority (BICMA) for violating the journalistic code of ethics and defaming government officials in air.<sup>23</sup>

<sup>19</sup> Music of Bhutan, at [http://www.statemaster.com/encyclopedia/Music-of-Bhutan#\\_ref-3](http://www.statemaster.com/encyclopedia/Music-of-Bhutan#_ref-3)  
<sup>20</sup> South Asia Defence and Strategic Year Book (2008), *Bhutan*, New Delhi: Pentagon Press, 2008: 65.

<sup>21</sup> "CSO registration end of this month", *Bhutan Observer*, 31 December 2009, at <http://www.bhutanobserver.bt/2009/bhutanestown/12/cso-registration-end-of-this-month.html>

<sup>22</sup> United Nations (2006), *Bhutan Common Country Assessment*, United Nations, Bhutan.

<sup>23</sup> "BICMA fines BBS", *The Kuensel*, January 17, 2009, at <http://www.kuenselonline.com/modules.php?name=News&file=print&sid=11827>

## 4. Bhutan's Foreign Policy

Any analyses of Bhutan's foreign policy cannot be divorced from the treaty signed between independent India and Bhutan in 1949, as it lays out the basic framework for Indo-Bhutan cooperation. Article II of this treaty was particularly significant as it pointed out that while Bhutan would continue to be "advised" by India on matters of its foreign policy, India on its part would not interfere in the internal affairs of Bhutan. Though sceptics have raised this Article as an indicator of India's dictatorial attitude, one has to acknowledge that India has

### Bhutan and Neighbouring States in India



never interfered in the internal affairs of Bhutan neither shaped its foreign policy choices. A glaring example of this statement is the issue of Bhutanese refugees in Nepal. India has restrained from commenting on Bhutan's decisions, officially stating that the issue should be solved bilaterally between both the countries. The Sino-Bhutan border talks are also symptomatic of Bhutan independence in handling its external affairs.

A definite policy shift in Bhutan's external engagement at the international level can be gauged from 1971, when it obtained membership of the United Nations. Subsequently Bhutan supported China's seat in the United Nations, which was symbolic of supporting "One China" policy. As already noted bilateral negotiations with China on border issues are another manifest example of Bhutan's independent foreign policy engagement.

India and Bhutan over a period of time have recognised the obsolescence inherent in Article –II of the treaty and this recognition was translated into action in 2007, when the 1949 Treaty of Peace and Friendship was renewed. While other Articles concerning trade, commerce and development cooperation remain the same, Article –II was dropped from the Treaty, thus officially paving a new era of understanding in Indo-Bhutan relations. Political observers state that this development holds particular significance for Bhutan’s foreign policy trajectory in future. Infact some point out that China had particularly delayed any final settlement on border issues, primarily because of Article II of the 1949 Treaty.<sup>24</sup> With the growing Chinese inroads into Bhutan, both through road construction activities and economic cooperation, China could over a period of time increase its bargaining power and employ linkages to achieve its desired goals of obtaining Western parts of Bhutanese territory, an issue which could be of great concern to India.

#### 4.1 Bhutan-India Relations

*Indo-Bhutan relationship is a shining example of how a large and powerful country like India and a small landlocked nation like Bhutan can live together as good neighbours in perfect peace with our relations based on perfect trust, understanding and friendship.*<sup>25</sup>

Singye Wangchuk , the Fourth King of Bhutan

The relationship between Bhutan and India goes back to early times when Buddhism first entered into Bhutan from the North-West of the continent through Guru Padsambhava. Bhutan was never colonised by British India and post independence Bhutan and India signed the 1949 Treaty which was the continuation of the Treaty of Punakha signed in 1910. In 1958, Pandit Jawaharlal Nehru along with Indira Gandhi visited Bhutan for a week, thus establishing the basic foundation of Indo-Bhutan relations.

India and Bhutan have specifically cooperated on the educational front , whereby India provides fifty scholarships annually to Bhutanese students to study in the institutes of higher learning in India. Another fifty scholarships are provided under the Colombo Plan. Until 2004, Indian teachers from Delhi University were sent to Sherubtse College in Eastern Bhutan. Technical and specialist training is also provided to Bhutanese people working in many fields.<sup>26</sup>

In the field of Defence, Indian Military Training Team (IMTRAT) trains the Royal Bhutan Army in the field of training. The Royal Bhutan Army is Bhutan’s military service and includes Royal Body Guards and Royal Bhutan Police. Membership

<sup>24</sup> Bhutan Gazette (2007), “Growing China-Bhutan Relations and the Changing Strategic Equations In South Asia”, *Journal of Bhutan Affairs*, June 7, 2007 at : [http://bhutangazette.com/2007/06/07/growing-china-bhutan-relations-and-the-changing-strategic-equations-in-south-asia/..](http://bhutangazette.com/2007/06/07/growing-china-bhutan-relations-and-the-changing-strategic-equations-in-south-asia/)

<sup>25</sup> Government of India (2005), “India and Bhutan along the friendship Trail”, Minister of State for External Affairs, India.

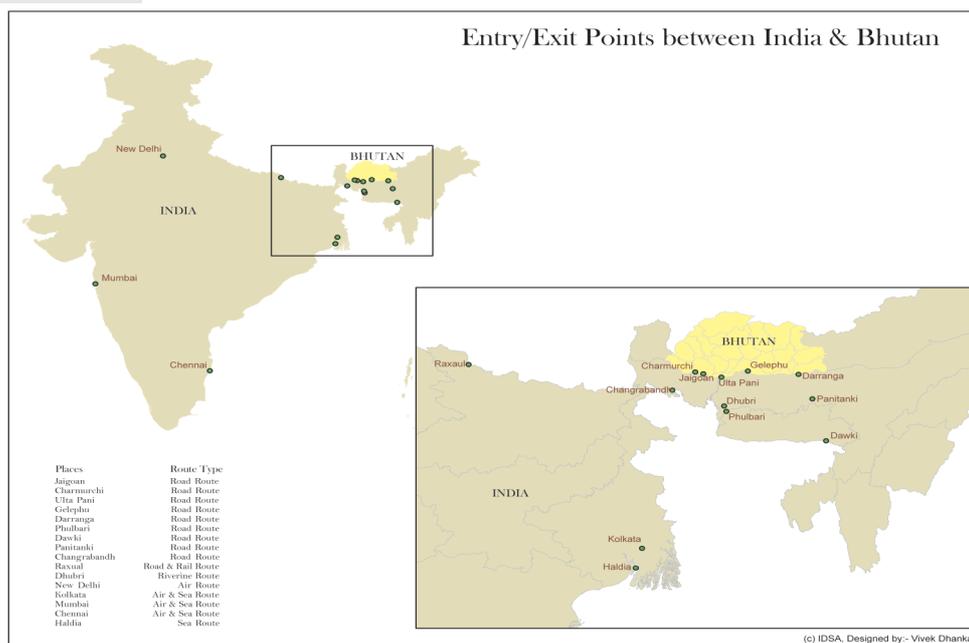
<sup>26</sup> Government of India (2005), “India and Bhutan along the friendship Trail”, Minister of State for External Affairs, India.

is voluntary and the minimum age for recruitment is eighteen. The standing army numbers to about 6,000. Annual budget is about USD 13.7 million-1.8 percent of GDP.<sup>27</sup>

Nearly ninety-five percent of Bhutan's exports are to India comprising electricity, timber, wood products, cement, mineral cardamom, potatoes, oranges, raw silk, alcohol. Over eighty-eight percent of total imports are from India, which includes products like petroleum products, rice, automobile and spares, machinery and fabric.<sup>28</sup> According to the latest available estimates, in 2008, exports from India were Rs 1734 crores and constituted 73.8 percent of Bhutan's total imports. Bhutan's exports to India in 2008 amounted to Rs 2148 crores and constituted 99.4 percent of its total exports. India is the leading trade partner of Bhutan and a free trade regime exists between the two countries.<sup>29</sup> The Agreement on Trade and Commerce signed between two countries in 2006 establishes the right of duty free transit for Bhutanese merchandise for trade with a third country.<sup>30</sup> Sixteen exit/entry points in India have been identified in the Agreement for Bhutan's country trade. (See Map 5)

### Entry/Exit Points between Bhutan and India

Entry/Exit Points between India & Bhutan



Sectoral priority is considered an important aspect of development planning and Bhutan is no exception. Important sectors in Bhutan are forestry, agriculture, industry, manufacturing and services. Terrain, which is mountainous, is the prime determinant in sectoral development

in Bhutan. Agriculture forms the subsistence base for seventy five percent of the population. As 72.5 percent of land is under forest cover only 7.7 percent of land is used for agriculture. The total contribution of agriculture to the country's

<sup>27</sup> South Asia Defence and Strategic Year Book (2008), *Bhutan*, New Delhi: Pentagon Press, pp. 166.

<sup>28</sup> Government of India (2005), "India and Bhutan along the friendship Trail", Minister of State for External Affairs, India.

<sup>29</sup> Government of India (2009), "Brief On Basic Facts about Bhutan", Ministry of External Affairs, at: <http://meaindia.nic.in/foreignrelation/bhutan.pdf>

<sup>30</sup> Government of India (2006), "India-Bhutan Agreement On Trade And Transit Signed", July 28, 2006, at <http://commerce.nic.in/bhutan.pdf>

GDP (2003)<sup>31</sup> is 32.7 percent. Industry contributes around 39 percent to the GDP and the main components include construction-19.9 percent electricity-9.6 percent, manufacturing-7.6 percent and mining-1.9 percent. Services account for 38.1 percent.<sup>32</sup> Tourism had been the most significant contributor to the service sector. In 2007, tourism remained strong with visitors up by 21.6 percent and income by 24.2 percent. This resulted in an increase from deficit to surplus of 10.5 percent of GDP.<sup>33</sup> Meanwhile industrial sector has grown due to energy, construction and manufacturing. The industrial sector has been substantively influenced by hydropower, which of late has generated significant government revenues through export of power to India. Figures suggest that GDP growth rate in Ninth Five Year Plan, doubled to 17.0 percent due to commissioning of Tala hydropower station, which tripled Bhutan's total power generation capacity to 1,480 MW from the combined 460MW of the three previous power stations<sup>34</sup>. However a major flaw of hydropower industry in Bhutan is that it is not a major employment generator. Being more capital intensive than labour intensive, the power sector provides only 0.5% of total employment of the country. Agriculture, on the other hand, which contributes around one-quarter of the GDP absorbs as much as 63% of the labour force.<sup>35</sup> Based on this sectoral analysis one can say that the economy would pose employment distress for the youth. Again if one goes by figures, the national unemployment rate increased from 1.8 percent to 2003 to 3.2 percent in 2006.<sup>36</sup> This can have social consequences festering dissatisfaction in the years to come.

Some of the major projects in Bhutan carried out with Indian assistance are Paro Airport, Bhutan Broadcasting Station, Major Highways, Electricity Distribution System for Thimphu & Paro; Indo-Bhutan Microwave Link, Exploration of Mineral Resources, and Survey and Mapping and Chukha and Kurichu Hydropower Projects, Penden Cement Plant. Some of the important projects envisaged in future include establishment of railway linkages between border towns of India and Bhutan, cooperation in agriculture and allied sectors and construction of two major hospitals in Bhutan.<sup>37</sup> Information technology, cooperation on educational scholarship meant for capacity building are other areas which are opening up between the two countries.<sup>38</sup> Prime Minister Thinley

<sup>31</sup> Main cereal crops in Bhutan are maize, paddy, wheat, barley, buck-wheat and millet. Main cash crops are oranges, apples, potato, oranges, chillies and cardamom.

<sup>32</sup> United States Central Intelligence Agency (2008), *Bhutan*, World Fact Book.

<sup>33</sup> Hayashi, T, (2008), *Bhutan*, Asian Development Outlook. Available at: <http://www.adb.org/documents/books/ADO/2008/BHU.pdf>

<sup>34</sup> Ibid.

<sup>35</sup> United Nations (2006), "Bhutan Common Country Assessment", United Nations Bhutan.

<sup>36</sup> Royal Government of Bhutan (2007), "Statistical Yearbook of Bhutan 2007", National Statistics Bureau.

<sup>37</sup> Government of India (2009), "Brief On Basic Facts about Bhutan", Ministry of External Affairs, at: <http://meaindia.nic.in/foreignrelation/bhutan.pdf>

<sup>38</sup> This information is based on the MEA Brief On Basic Facts about Bhutan, 2009, at: <http://meaindia.nic.in/foreignrelation/bhutan.pdf>

in his visit to India from June 29 to July 2, 2009, announced that India would be providing an additional Nu 227.9 billion, of which Nu 214.9 billion would be for hydropower for the 10th plan.<sup>39</sup> Prime Minister also announced that Bhutan has drafted its New Economic Policy, whereby it has liberalised its FDI laws to attract Indian investors and stated that seventy percent FDI would be allowed in sectors like hydel power, information and communication technology, hospitality, agriculture and infrastructure.<sup>40</sup> To augment bilateral cooperation on hydro power resources, India and Bhutan signed an agreement finalizing a list of ten hydropower projects with a total capacity of 11, 576 MW, to be constructed in Bhutan by 2020.<sup>41</sup>

Jigme Khesar Namgyel Wangchuck, the fifth King of Bhutan visited India from 21-26 December 2009. The visit garnered considerable media attention in India and Bhutan and can be marked as significant because it is the King's first visit abroad after his formal coronation which took place on November 2008. The visit reflects the culmination of bilateral exchanges, which India has had with Bhutan in recent past. Between 2008-09 regular visits have been taking place between both countries at the highest level. In 2009 alone the Indian EAM and Home Minister visited Bhutan in June and August respectively to discuss issues of mutual interest and concern. Infact this was first-ever visit of any Indian Home Minister to Bhutan. Foreign Secretary, Nirupama Rao visited Bhutan on September 2009 (first official of Foreign Secretary abroad after assuming office). National Security Advisor, M. K. Narayanan visited Bhutan in November 2009. Special Envoy to PM on Climate Change, Shyam Saran, Chief Election Commissioner, Navin Chawla and Comptroller and Auditor General Vinod Rai visited Bhutan in July, October and September 2009 respectively. The spate of these visits somewhere reflect the importance India has started giving to Bhutan in its strategic roadmap map in recent years.

During the visit twelve agreements (MoUs) were signed between both the countries. They range from issues like health, prevention of illicit trafficking of narcotic drugs, civil aviation, information technology, agricultural research, cooperation on search and rescue operations and technical cooperation on environment related issues. Energy sector received utmost priority. Four standalone agreements were devoted to this and Detailed Project Reports for four hydro-electric project would be prepared in the coming years. India would also help Bhutan towards preparation of its National Transmission Grid Master

<sup>39</sup> "Bhutan to come out with economic development policy", *The Hindu*, June 6, 2009, at <http://www.hindu.com/thehindu/holnus/003200906291021.htm>

<sup>40</sup> "Bhutanese PM meets Manmohan Singh and other leaders in Delhi", *Littleabout News*, July 1, 2009, at <http://www.littleabout.com/news/21204,bhutanese-pm-meets-manmohan-singh-leaders-delhi.html>

<sup>41</sup> "Indo-Bhutan hydropower initiative increase installation capacity", *Economic Times*, March 26, 2009, at: <http://economictimes.indiatimes.com/News/News-By-Industry/Indo-Bhutan-hydropower-initiative-increase-installation-capacity/articleshow/4320446.cms>

Plan. Apart from this, India has promised full support for the SAARC Summit which would be hosted by Bhutan in April 2010. Economic commitment to Bhutan towards creating a generation capacity of 10,000 MW of electricity by year 2020 has been assured from India. India has also promised to provide assistance of Rs. 25 crores to Bhutan towards rehabilitation and reconstruction works. Leaders of both countries expressed desire for more people to people contacts and emphasised that interactions between the parliamentarians of two countries should become a regular feature in Indo-Bhutan relations.

The recent visit conveys certain insights which could be the defining elements between India-Bhutan relations in the coming years. The first element of import is the announcement by Bhutan on December 2009 that Sino-Bhutan boundary talks would be held in January 2010. So far both the countries have had eighteen rounds of negotiations and would be meeting each other after a gap of almost three years. New Delhi is concerned about the nature of talks as any development on the change of claim lines would adversely impact Indian security concerns. A statement by the King of Bhutan in his recent visit is quite indicative of taking Indian sensitivities on board. According to the King, Bhutan would always be “protective of India-Bhutan friendship and would be mindful of India’s interest.” The second element which underlines the significance of the visit is the assurance of economic commitment to Bhutan. It is no exaggeration to state that Bhutan’s economic growth in the coming years would critically depend on India assistance. The key question confronting India would therefore be the sustainability of this economic commitment. According to some estimates, India will have to make an investment of Rs. 50,000 crore in Bhutan till 2020. This means an investment of Rs 4,500 crore per year. Infact the power ministry pointed out in November 2009 that investing such an amount could have an adverse impact on India’s annual budgetary provisions. The third significant element which conveys the complementarity of Indo-Bhutan partnership is the internal security dimension which has resurfaced in recent past. According to some reports ULFA and NDFB have been training the Communist Party of Bhutan (MLM), Bhutan Tiger Force and Revolutionary Youth of Bhutan. Also the militant groups are using the southern jungles of Bhutan as a transit route to enter Arunachal Pradesh.<sup>42</sup>

Security issues have been an integral part of relations between both the countries. In 2003, Bhutan launched ‘Operation All Clear’ to flush out Indian militants operating inside Bhutan. The Bhutanese Army aided by Indian forces, completed the operation in January 2004. Since then the Bhutanese territory has been bereft of any militant groups. However in 2008-09 there were reports

<sup>42</sup> “Bhutan denies Assam rebel camps on soil”, *The Telegraph*, August 25 , 2009, at [http://www.telegraphindia.com/1090825/jsp/northeast/story\\_11403316.jsp](http://www.telegraphindia.com/1090825/jsp/northeast/story_11403316.jsp)

on the alleged linkage between Bhutan Communist Party and militant groups like ULFA and NDFB. According to a media reports, NDFB and ULFA are forging ties with the Nepal-based anti-monarchy groups of Bhutanese origin and want to use this linkage to create pressure on the Bhutan government. The main aim of the insurgent outfits is to get their cadres released who were caught in 2003 operations.<sup>43</sup> The recent theft/plunder in villages in Southern Bhutan in Sarpang district is the second such incident in 2009. The attack has raised fears of a resurgence of militant activity in Bhutan, which is an issue for Indian concern.<sup>44</sup>

Bhutan Maoists is another outfit posing a threat to Bhutan security. According to some reports, the Communist Party of Bhutan-MLM was formed in the United Nations Refugee Camps in Eastern Nepal and comprises of Bhutanese refugees of Nepali origin.<sup>45</sup> CPB-MLM aims to overthrow the regime in Bhutan, and has opposed the democratic elections in Bhutan. The twin bomb blasts on June 5, 2008 and June 28, 2008 were claimed by the CPB-MLM.

The non-violent movement of Gorkha Jana Mukti Morcha, of late has been linked to the Communist Party of Bhutan and reports state that the movement is being supported by the Bhutan's Maoists. Though the General Secretary Roshan Giri has negated such claims, the issue needs further exploration. However considering the strategic location of the Gorkhaland Movement in Darjeeling, with Nepal on one side and Bhutan and China on the other one ought to be cautious of the unfolding developments which could potentially destabilise the region in future..<sup>46</sup> This linkage has also been highlighted in the district border meetings between both countries.<sup>47</sup>

## 4.2 Bhutan-China Relations

Though Bhutan and China do not have diplomatic relations, China has been successful in constructively engaging Bhutan for more than two decades. As already noted, Bhutan has provided full support to “One –China” policy. Also both the countries have maintained amicable relations with each other whereby they have engaged in economic and cultural diplomacy.<sup>48</sup>

<sup>43</sup> “ULFA, NDFB hunt leads to Bhutan”, *The Telegraph*, November 26 , 2008, at [http://www.telegraphindia.com/1081126/jsp/northeast/story\\_10163430.jsp](http://www.telegraphindia.com/1081126/jsp/northeast/story_10163430.jsp)

<sup>44</sup> “Assam’s Bodo militants loot houses in Bhutan, spread terror”, *Samay Live*, July 22, 2009, at <http://www.samaylive.com/news/assams-bodo-militants-loot-houses-in-bhutan-spread-terror/639995.html>

<sup>45</sup> Bhutan Assessment 2008, <http://www.satp.org/satporctp/countries/bhutan/index.html>.

<sup>46</sup> “Bhutan’s Maoists aiding Gorkha Stir”, *Times of India*, January 25, 2009, at [http://timesofindia.indiatimes.com/Kolkata\\_/Bhutan\\_Maoists\\_aiding\\_Gorkha\\_stir/articleshow/4028499.cms](http://timesofindia.indiatimes.com/Kolkata_/Bhutan_Maoists_aiding_Gorkha_stir/articleshow/4028499.cms) <http://beacononline.wordpress.com/2009/02/05/bhutan-cross-border-nexus-confirmed/#more-20713>

<sup>47</sup> “Bhutan: Cross-Border Nexus Confirmed”, *The Himalayan Beacon*, February 5, 2009, at <http://beacononline.wordpress.com/2009/02/05/bhutan-cross-border-nexus-confirmed/#more-20713>

<sup>48</sup> “A Chinese show”, *The Kuensel*, April 20, 2005, at: <http://www.kuenselonline.com/modules.php?name=News&file=article&sid=5323>

The formal engagement between the two countries can be traced to 1984, when Chinese Foreign Minister Wu Xueqian and Bhutanese Foreign Minister Dawa Tsering held consultations on developing bilateral relations in New York.<sup>49</sup> The talks officially started in 1984, on the issue of disputed borders and eighteen rounds have taken place between both countries. The last round of border talks took place in 2006. The primary reason for dispute between the two countries is the undemarcated border line, which follows natural features. The dispute revolves around (a) watershed of the Chumbi Valley in the North West of Bhutan and (b) crest of the great Himalayan range of mountains in the North of Bhutan. Chumbi Valley, a vital tri-junction between Bhutan, India and China, is a strategic choke point, and an area of concern for India. Meanwhile Chumbi Valley is of geo-strategic importance to China because of its shared borderline with Tibet and Sikkim. The valley is 500 km from Siliguri corridor. In the eighteenth round of border talks both sides agreed to discuss the boundary issue at the technical level with the help of experts and then discuss the Chinese and Bhutanese territories on maps. The nineteenth round of border negotiations would start in January 2010.

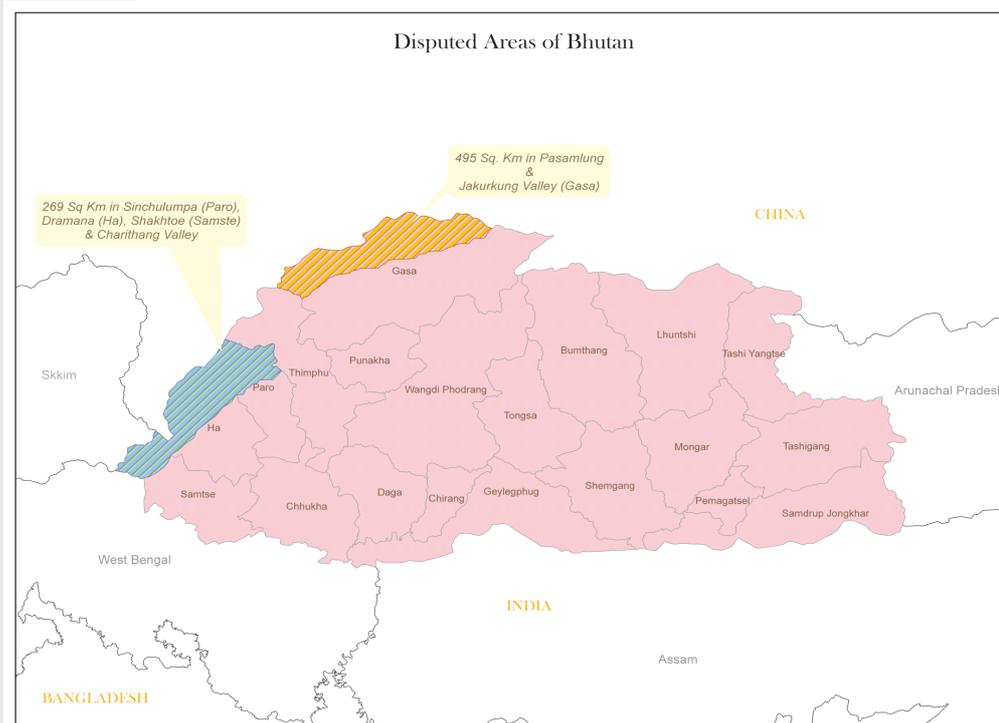
China, as seen in the backdrop has slowly nurtured diplomatic ties with Bhutan, as prior to 1971 Bhutan perceived China through the prism of suspicion and distrust and was increasingly alarmed by Chinese interventions in Tibet. The Chinese occupation of Tibet in 1951 and the subsequent anti-Chinese revolts in Tibet between 1954 and 1958 were influential in shaping up this guarded posture. In 1959, the presence of Chinese forces on ill defined frontiers alerted Bhutan, leading to a withdrawal of its representative from Tibet. On its part as already noted in 1961, China published a map which showed alteration of traditional Sino-Bhutanese border as a result of which Bhutan severed ties with Tibet.

This policy of isolation however was discontinued in 1984, when the two countries started formal talks. The talks are significant for understanding Chinese intentions and priorities. In November 1996, China proposed a package deal, i.e. to exchange 495 sq. km. area of Central Bhutan in lieu of 269 sq. km. of West Bhutan, where Chumbi Valley is located.<sup>50</sup> According to Dasho Pema Wangchuk, Secretary of International Boundaries, there are four disputed areas in the western Bhutan: Doklam, Charithang, Sinchulumpa and Dramana. China as part of the package deal has offered exchange of Pasamlung and Jakarlung valleys of Central Bhutan. (See Map 6).

<sup>49</sup> “Bhutan-China Relations”, *Bhutan News*, July 5, 2004. at: [http://www.bhutannewsonline.com/bhutan\\_china.html](http://www.bhutannewsonline.com/bhutan_china.html)

<sup>50</sup> Bisht, M (2008), “India and the Predicament of Bhutanese Refugees”, *IPCS*, July 1, 2008, at [http://www.ipcs.org/article\\_details.php?articleNo=2609](http://www.ipcs.org/article_details.php?articleNo=2609)

## Sino-Bhutan Border Dispute



In the past two years India has been increasingly concerned about Chinese foray into the Bhutanese territory, especially areas which are close to India's chicken's neck-the Siliguri Corridor. According to various sources, in November 2007, Chinese forces dismantled several unmanned posts. This, as analysts

put it has "distorted the Sino-Bhutanese border at Sikkim", with Chinese forces only a few km away from the Siliguri-Corridor.

Though the two countries signed a Bhutan-China Agreement on Maintenance of Peace and Tranquillity along the Sino-Bhutanese border areas in 1998, China intrusions into Bhutanese territory have continued to occupy national debates in Bhutan. According to some sources, there is visible Chinese presence through the construction of six roads right next to Bhutan's border town in the North and the North West. Dasho Pema Wangchuk, the Secretary of International Boundaries, informed the National Assembly on December 7, 2009, that in 2008 Chinese soldiers had intruded deep inside Bhutanese territory right up to the Royal Bhutan Army (RBA) outpost at Lharigang in the Charithang valley. In 2009, he pointed out that the Chinese soldiers had come seventeen times to the RBA outpost at Lharigang.<sup>51</sup>

Another point which needs to be mentioned is that despite having no formal diplomatic relations, China has been successful in making inroads into the economic sector of Bhutan. For instance, a Chinese company, Aerosun Corporation, was given a contract to construct Buddha's statue in Thimpu. The total project cost was USD 20 million and was being constructed to commemorate hundred years of monarchy in 2007.<sup>52</sup> The statue is supposed to be the tallest in the world. Cultural exchanges between the two countries have

<sup>51</sup> "Border talks proposed for Jan.," *The Kuensel*, December 7, 2009, at <http://www.kuenselonline.com/modules.php?name=News&file=article&sid=14160>

<sup>52</sup> "Bhutan to have the tallest statue", *Rao Online*, at [http://www.raonline.ch/pages/bt/visin2/bttour\\_cent01a.html](http://www.raonline.ch/pages/bt/visin2/bttour_cent01a.html) of Lord Buddha

also paced up. In 2005, for the first time Chinese cultural troupe visited Bhutan. The Director of the Ministry of Culture, Mr Sun Jianhua said that the aim of the cultural programme was to “build stronger ties between Bhutan and China.”<sup>53</sup> China has also been contributing to Bhutan’s modernisation process by exporting farming and telecommunication equipments.<sup>54</sup>

A statement by Assistant Foreign Minister Mr Hu Zhengyue made in 2008 is insightful in reflecting Chinese interest in Bhutan. The Minister said that border issues have been a “major platform for mutual cooperation between the two countries”.<sup>55</sup>

### 4.3 Bhutan-Nepal Relations

Bhutan-Nepal relations are inevitably tied to the issue of unresolved refugee crises. Bhutan’s policy on the issue of ethnic Nepalese can be gauged from the state ideology mentioned in the Sixth five year Plan of Bhutan (1987-1992). The Sixth five year plan clearly enunciates “One Nation, One People” policy, which was aimed at creating a unified code of conduct for Bhutan. It could be said that this policy would have been considered as necessary considering the devolution process being initiated by the fourth King. Though Bhutanese of Nepali origin were recognized by Bhutan’s first Nationality Law Act of 1958, things started changing post 1970, when many Nepalese started questioning the integration policies of the King. The bone of contention were the revised citizenship Acts.

Two new Citizenship Acts were passed in 1977 and 1985, which categorically defined the status of ethnic Nepalese. The 1977 Citizenship Act repealed the provisions of the 1958 Nationality Act and mandated that women who married Bhutanese men had to apply for Bhutanese citizenship like any other foreigner. Similarly, some of the provisions of the 1985 Act were: residence in Bhutan of 15 years for government employees and for children with one Bhutanese parent, and 20 years for all others; the period of residence had to be registered in the government records; proficiency in Dzongkha, good knowledge of the culture, customs, traditions, and history of Bhutan, good moral character; no record of imprisonment for criminal offences and no record of having spoken against the king and country. The 1985 Act also granted the Government of Bhutan the right to reject any application for naturalization without giving reasons. According to the Bhutanese perspective these policies were misperceived.

<sup>53</sup> “A Chinese show”, *The Kuensel*, April 20, 2005, at: <http://www.kuenselonline.com/modules.php?name=News&file=article&sid=5323>

<sup>54</sup> “The power-tiller: An agent of change in agriculture”, *The Kuensel*, February 23, 2008, at: <http://www.kuenselonline.com/modules.php?name=News&file=article&sid=9898> And “Optical fibre based transmission for Thimphu, Paro and Phuentsholing,” *The Kuensel*, February 24, 2004, at: <http://www.kuenselonline.com/modules.php?name=News&file=article&sid=3775>

<sup>55</sup> “Border issue can be resolved”, *The Kuensel*, June 5, 2009, at <http://www.kuenselonline.com/modules.php?name=News&file=article&sid=12665>

According to one analysis important elements constituting integration policy were: (i) introduction of the word Lhotshampa to describe people of the South, (ii) restrictions against the entry and travel of Southern Bhutanese and acquisition of land which was lifted in 1975, (iii) from 1976, infrastructure development in the South was accelerated, (iv) introduction of a merit based civil service in 1982 eliminated discrimination on ethnic grounds (v) Bhutanese army allotted half of its slots for officer training to candidates from the South.<sup>56</sup> On the other side these changes were interpreted and perceived by the ethnic Nepalese as a deliberate measure to distinguish Bhutanese and Nepalese. Also monetary incentive for Drupka Neplai inter-ethnic marriage was considered as the government's plan to subsume the Nepali identity.<sup>57</sup> These developments culminated in strong protests and in October 1990 participants in these demonstrations were termed as anti-national elements and have been subsequently subjected to ill-treatment and torture by the Bhutanese government.<sup>58</sup>

On July 1993, King Jigme of Bhutan and Prime Minister Koirala of Nepal exchanged views on the refugee issue during the SAARC meeting in Dhaka. The outcome of the talks was the establishment of a Ministerial Joint Committee. The Committee's mandate revolved around three objectives. First, to identify the different categories of people claiming to have come from Bhutan in the refugee camps in eastern Nepal; second, to specify the positions of the two governments on each of these categories and third, to arrive at a mutually acceptable agreement on each of these categories which would provide the basis for the resolution of the problem.<sup>59</sup>

In the subsequent talks between Nepal and Bhutan, a categorization and verification scheme was devised. The camp population was categorized into four groups: (a) Bonafide Bhutanese refugees who were forcibly evicted; (b) Bhutanese who had voluntarily migrated; (c) non-Bhutanese; and (d) Bhutanese who have committed crimes. In 2000, a Joint Verification Team was established, which accorded to the refugees belonging to "category one" the right to repatriate. Certain conditions were placed on the other three categories of refugees and since then, "who constitutes a Bhutanese national" has become a contentious issue. Though till date there have been seventeen rounds of ministerial talks between Bhutan and Nepal, all of them have been unsuccessful in reaching an amicable solution.

<sup>56</sup> Winderal, Thomas (2004), "Bhutan-The Making of A Modern State", *EURAC Research*, at: <http://www.eurac.edu/NR/rdonlyres/14052251-40EC-4F80-9DA5-6CAB978E19C1/0/BhutanTowardsaModernState.pdf>

<sup>57</sup> Winderal, Thomas (2004), "Bhutan-The Making of A Modern State", *EURAC Research*, at: <http://www.eurac.edu/NR/rdonlyres/14052251-40EC-4F80-9DA5-6CAB978E19C1/0/BhutanTowardsaModernState.pdf>

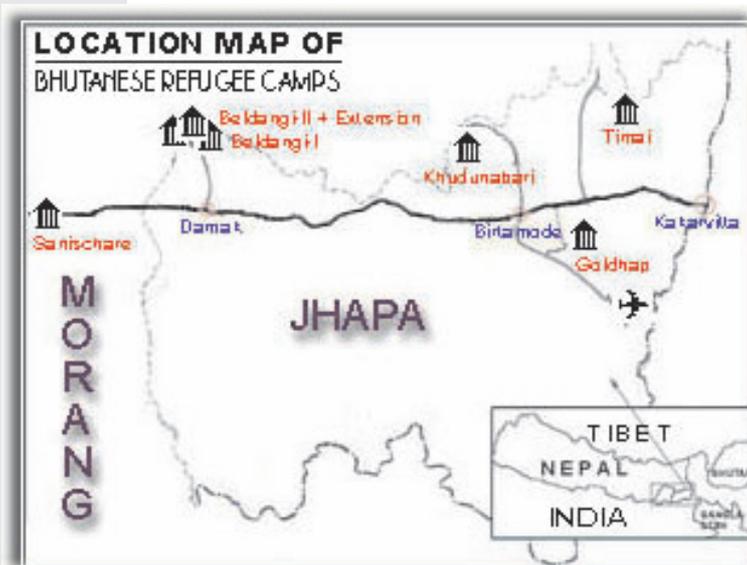
<sup>58</sup> Bisht, Medha (2008), "Backgrounder on Bhutanese Refugees", Institute for Defence Studies and Analyses, available at <http://www.idsa.in/MedhaBishtBackgrounderBhutaneseRefugees070708.pdf>

<sup>59</sup> Human Rights Solidarity (1996), "Bhutan: A Plea for Justice," 6(3), at: <http://www.hrsolidarity.net/mainfile.php/1996vol06no03/178/>.

Following these developments, in 2003, UNHCR announced that it would encourage and promote local integration in Nepal as the preferred solution for Bhutanese refugees and that it would provide support for resettlement initiatives. But many still view repatriation as the only durable solution. In fact, the Communist Party of Bhutan (CPB)–MLM has declared repatriation as the only acceptable solution and towards that end has been conducting armed struggle against the Bhutanese government. The DPT government in the coming years will have to address the issue of Bhutanese refugees. There are nine Nepali members of the DPT elected to the parliament, though this is far less considering the total population size of the Nepalese in Bhutan.<sup>60</sup>

Resettlement of Bhutanese refugees to United States, Canada, Australia, New Zealand, Denmark, the Netherlands and Norway has already started. The United States has offered to resettle 60,000 of the estimated 107,000 Bhutanese refugees from Nepali camps, and Australia, Canada, Norway, Netherlands, New Zealand and Denmark have offered to resettle 10,000 each.<sup>61</sup> On account of the growing violence on Bhutanese refugees, this “core group of countries,” as it is called, passed a statement that the continued attacks on refugees opting for third country settlement was endangering the provision of aid to refugees in Nepal. It also stated that “third country resettlement should not bar refugees from returning to Bhutan in the future.”<sup>62</sup> Officially Bhutan has not been

### Refugee Camps in Nepal



Source: [http://ahurabht.tripod.com/refugee\\_camps.htm](http://ahurabht.tripod.com/refugee_camps.htm)

supportive of such programmes and had urged the U.S. to mediate the talks between Nepal, Bhutan and India for the refugee repatriation before moving ahead with its plan for a third-country resettlement.<sup>63</sup> Though the offer of resettling refugees in the core countries had political and financial reasons, it can be said that the refugee issue in a long-term perspective could be used by these countries for fulfilling diplomatic ends. For refugee camps in Nepal see Map 7.

<sup>60</sup> Muni, S.D (2008), “Bhutan: Marching towards Democracy”, *ISAS Brief*, April 3, 2008.

<sup>61</sup> Refugee Resettlement Watch (2008), “The Bhutanese Have Landed”, at <http://refugeeresettlementwatch.wordpress.com/2008/03/26/the-bhutanese-have-landed/>,

<sup>62</sup> Nepal News (2008), “Core Group concerned over increasing violence in refugee camps,” *Nepal News*, June 06, 2008, at <http://www.nepalnews.com/archive/2008/jun/jun06/news11.php>.

<sup>63</sup> “U.S. to urge India, Bhutan to resolve refugee issue”, *China Economic Net*, November 3, 2007, at: [http://en.ce.cn/World/Asia-Pacific/200711/03/t20071103\\_13466430.shtml](http://en.ce.cn/World/Asia-Pacific/200711/03/t20071103_13466430.shtml)

#### 4.4 Bhutan Bangladesh Relations

Bangladesh is the second largest trading partner of Bhutan. Bhutan's main exports to Bangladesh are apples, oranges, minerals like limestone, dolomite, talc and gypsum while its imports include ready-made garments, tableware, melamine, car batteries, cooking oil and confectionaries, which were most popular among Bhutanese consumers. Bangladesh also provides opportunities for Bhutanese students to pursue higher education, particularly in the field of medical sciences. In 2006 around twenty-five Bhutanese doctors in the country were educated and trained in Bangladesh and approximately thirty eight Bhutanese medical students were studying in Bangladesh.<sup>64</sup> Recently on November 8, 2009, Bhutan signed a New Trade Agreement with Bangladesh. The number of trade commodities has been increased to ninety. Bhutan had been proposing that the two sides should agree on duty free treatment to various products in the proposed Free Trade Agreement. In the recently signed agreement Bangladesh has agreed to provide duty free access to eighteen commodities from Bhutan.<sup>65</sup>

The signing of November 2009 Free Trade Agreement (FTA) would further promote trade and economic cooperation between the two countries. Bangladesh on May 2009 had expressed interest in importing power from Bhutan. This was evident in one of the statement made by the President of Bangladesh, Zillur Rehman. Rehman, who noted that Bhutan would be a potential supplier in overcoming the power needs of his country.<sup>66</sup> Prime Minister of Bangladesh, Sheikh Hasina, has also reiterated these concerns stating that the import of power to Bangladesh from Bhutan would be considered under the broader ambit of regional cooperation.<sup>67</sup> Thus hydro-power is one of the issues which would occupy a central place in Bhutan-Bangladesh bilateral relations. Bangladesh has also linked the tri-nation gas pipeline project between Myanmar, India and Bangladesh as a trade off to persuade India to open trade routes via West Bengal to Nepal and Bhutan.

#### 4.5 Bhutan and International Organisations

Bhutan is a member of the United Nations. Bhutan joined SAARC as a founding member in 1985. An issue confronting Bhutan in the coming years would be

<sup>64</sup> "Bhutan and Bangladesh could expand trade relations", *The Kuensel*, March 13, 2006, at <http://www.kuenselonline.com/modules.php?name=News&file=article&sid=6650>

<sup>65</sup> "Renewal of trade agreement between Bhutan and Bangladesh", *Bhutan Broadcasting Service*, November 8, 2009, at: <http://www.bhutantour.bt/bhutan-news/renewal-of-trade-agreement-between-bhutan-and-bangladesh.html>

<sup>66</sup> "Bhutan can export hydropower to Bangladesh: President", *The New Nation*, May 21, 2009, at <http://nation.ittefaq.com/issues/2009/05/21/news0827.htm>

<sup>67</sup> "Plans for power from Nepal, Bhutan: PM", *Bangladesh News* March 4, 2009, at: <http://www.bdnews24.com/details.php?id=77898&cid=268> C Raja Mohan, "India, Bhutan's big question: China in SAARC", *Indian Express*, January 27, 2005, at <http://www.indianexpress.com/oldStory/63499/>

China's membership of SAARC. Pakistan and Bangladesh have already expressed support for including China of SAARC.<sup>68</sup> In the fifteenth SAARC Summit in Colombo on August 4, 2008, Bhutan's Prime Minister, supported the thematic focus on partnership for growth for our people and envisaged that the idea of Multimodal Transport Study including the sub regional and regional projects that have been identifies, should be implemented. Thinley asserted that tourism could play an important role in South Asia for generating employment and foreign exchange.<sup>69</sup> Bhutan would be hosting the Sixteenth SAARC Summit in 2010. This is the first time that Bhutan would hold the Summit and is a significant development at the regional level.

Bhutan joined Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) in 2004. Bhutan looks upto BIMSTEC as a valuable opportunity for its socio-economic development. In the words of Bhutan's trade and industry minister in 2005, "Promotion of investment and trade among the member countries would not only help accelerate socio-economic growth in the region but also bring harmony among the member states."<sup>70</sup> Considering the political stalemate between India and Pakistan, which often impedes effective action in SAARC, Bhutan would move towards enhancing effective ties with BIMSTEC countries. In 2004, Bhutan became a member of Asian Cooperation Dialogue. Asian Cooperation Dialogue was created in 2002 to promote cooperation at a continental level. It aims towards creation of an Asian Union, and brings together thirty one states from Asia. Participation in the ACD meetings would enable Bhutan to interact with other member states, thus broadening its diplomatic interaction at the international level.

## 5. Conclusion

Thus based on the aforementioned analyses it can be said that relations between India and Bhutan are strategically and economically indispensable to each other's interest. Though at the outset, the countries share a non-conflictual relationship, given the outstanding issues which Bhutan has with China and Nepal, India needs to frame its policy choices, which is in the mutual interest of both countries. It is no exaggeration to state that Bhutan and India relations in the coming years would be facing common challenges. While on the external front India would be affected by Sino-Bhutan border negotiations, it would also need to take a policy stand on the issue of refugee repatriation to Bhutan. Bhutan would also need to resolve the refugee crises in order to satiate restive elements who want a due share in Bhutanese politics. Meanwhile both countries

<sup>68</sup> C Raja Mohan, "India, Bhutan's big question: China in SAARC, *Indian Express*, January 27, 2005, at <http://www.indianexpress.com/oldStory/63499/>

<sup>69</sup> Statement by Mr Lyonchen Jigmi Y Thinley, Prime Minister of the Kingdom in Bhutan, April 4, 2008.  
<sup>70</sup> "BIMSTEC FTA set to kick off on schedule", *The Kuensel*, December 24, 2005, at [http://www.bilaterals.org/article.php3?id\\_article=3360](http://www.bilaterals.org/article.php3?id_article=3360)

need to exchange intelligence on the presence and linkages between armed groups like ULFA, NDFB, KLO and Communist Party of Bhutan, which in the past months are being cited as having established transit camps in Bhutan.

Though economically the relations between the two countries are favourable, domestic developments in Bhutan, financial needs to sustain a growing population and economy can trigger changes in shaping Bhutan's foreign policy in future. India would play a critical role in Bhutan's economic development as most of the investments come from India. Notwithstanding these concerns Bhutan and India relations is a model relationship for bilateral cooperation for other countries in the sub-continent.

## 5.1 Select Reading

### Documents

Ministry of Finance, Bhutan, (2007), *Bhutan Statistical Yearbook*, Department of Revenue and Customs, Ministry of Finance, Royal Government of Bhutan.

Planning Commission (1999), *Bhutan 2020: A Vision for Peace, Prosperity and Happiness*, Planning Commission, Royal Government of Bhutan.

Royal Government of Bhutan (2003), *Bhutan's Water Policy*, Bhutan Water Partnership, Royal Government of Bhutan.

### Books

(2008), South Asia Defence and Strategic Year Book, New Delhi: Pentagon Press, 2008.pp.165.

(2008), Bhutan World Fact Book., United States Central Intelligence Agency.

Aris, Michael (1980), *Bhutan: The early history of a Himalayan Kingdom*, New Delhi:Vikas Publications.

Pokharel, Shakya and Dahal (2009), *Different Dimensions of Bhutanese Refugees Problem: Its Implications and its Lasting Solutions*, Institute for Foreign Affairs.

Savada, A, M, (ed) (1991), *Bhutan: A Country Study*. Washington: GPO for the Library of Congress.

Singh, Nagendra (1972), *Bhutan: A Kingdom in the Himalayas*, New Delhi: Thompson Press.

Sood, Shubhi (2008), *Bhutan: 100 Years of Wangchuck Vision*, New Delhi: SDA Publishers.

### Articles

Ahsan and Chakma (1993), "Bhutan's Foreign Policy Choices: Cautious Self Assertion," *Asian Survey*, 33 (11), November, pp 1043-1054.

Brassard, Caroline (2008), "Decentralisation, Democratization and Development In Bhutan," *Working Paper*, at: <[http://www.spp.nus.edu.sg/wp/WP\\_C\\_Brassard\\_Feb\\_2008.pdf](http://www.spp.nus.edu.sg/wp/WP_C_Brassard_Feb_2008.pdf)>

Mathau, T. (2001), "Bhutan in 2000: Challenges Ahead", *Asian Survey*, 41 (!) January-February , 131-137.

Muni, S. D (2008), "Bhutan: Marching towards Democracy", *ISAS Brief*, April.

Rose Leo (1999), " Nepal and Bhutan in 1998: Two Himalayan Kingdoms," *Asian Survey*, 39(1), January-February, pp 155-162.

Samarasinghe, S (1990), "The Bhutanese Economy in Transition", *Asian Survey*, 30 (6).

Shaw, Brian. C. (1992) , "Refugees and Ngolpos," *Asian Survey*, 32 (2), February, pp 184-188.

Sinha, A.C. (1995), "Bhutan in 1994: Will the Ethnic Conflict be Resolved," *Asian Survey*, 35(2), February, pp. 166-170.

Ramachandran K. N (1979), "Bhutan in Focus", *Strategic Analysis*, 32 (5), September 2008 pp 927-30.

Thiery Mathoau (2008), "How to Reform A rational Buddhist Monarchy", Centre for Bhutan Studies, 2008.

Wangchuk, Tashi (2004), "The Middle Path of Democracy in the Kingdom of Bhutan", *Asian Survey*, 44(6), November-December, pp 836-855

### Reports

Asian Development Outlook (2007), *South Asia: Bhutan* , at: <<http://www.adb.org/documents/books/ADO/2007/BHU.asp>>

Bhutan, Country Studies, Library of Congress, 1993, available at: <[http://lcweb2.loc.gov/cgi-bin/query/r?frd/cstdy:@field\(DOCID+bt0079\)](http://lcweb2.loc.gov/cgi-bin/query/r?frd/cstdy:@field(DOCID+bt0079))>

Brief On Basic Facts about Bhutan, 2009, at: <<http://meaindia.nic.in/foreignrelation/bhutan.pdf>>

Choden,T.(2007), Bhutan: *Balancing Growth and Environment Conservation through Hydropower*, at: <<http://www.adb.org/annualmeeting/2007/essay-competition/winning-entries/thinley-choden.pdf>>

Hayashi Tadateru (2008), *Bhutan*, South Asia Department, Asian Development Outlook, at:< <http://www.adb.org/documents/books/ADO/2008/BHU.pdf>>

Minister of State for External Affairs (2005), *India and Bhutan Along the Friendship Trail*, Government of India.

United Nations (2006), *Bhutan Common Country Assessment*, United Nations Bhutan.

### News Papers

- The Kuensel
- Bhutan Times
- Bhutan Observer
- Bhutan Broadcasting Service
- Bhutan News Service

# Appendix-I

## India-Bhutan Friendship Treaty

**March 5, 2007**

*The Government of India and the Kingdom of Bhutan, signed the India-Bhutan Friendship Treaty in March 2007. While both countries agreed to refrain from allowing the use of their territory from anti-national activities against each other, free trade and commerce was identified as one of the primary areas of cooperation.*

The Government of the Republic of India and the Government of the Kingdom of Bhutan:

Reaffirming their respect for each other's independence, sovereignty and territorial integrity;

Recalling the historical relations that have existed between our two countries;

Recognizing with deep satisfaction the manner in which these relations have evolved and matured over the years into a model of good neighbourly relations;

Being fully committed to further strengthening this enduring and mutually beneficial relationship based on genuine goodwill and friendship, shared interests, and close understanding and cooperation;

Desiring to clearly reflect this exemplary relationship as it stands today;

And having decided, through mutual consent, to update the 1949 Treaty relating to the promotion of, and fostering the relations of friendship and neighbourliness between India and Bhutan;

Have agreed as follows:

### **Article 1**

There shall be perpetual peace and friendship between India and Bhutan.

### **Article 2**

In keeping with the abiding ties of close friendship and cooperation between Bhutan and India, the Government of the Kingdom of Bhutan and the Government of the Republic of India shall cooperate closely with each other on issues relating to their national interests. Neither Government shall allow the use of its territory for activities harmful to the national security and interest of the other.

The Government of Bhutan and the Government of India agree to continue to consolidate and expand their economic cooperation for mutual and long term benefit.

### **Article 3**

There shall, as heretofore, be free trade and commerce between the territories of the Government of Bhutan and the Government of India. Both the Governments shall provide full cooperation and assistance to each other in the matter of trade and commerce.

### **Article 4**

The Government of India agrees that the Government of Bhutan shall be free to import, from or through India into Bhutan, whatever arms, ammunition, machinery, warlike material or stores as may be required or desired for the strength and welfare of Bhutan, and that this arrangement shall hold good for all time as long as the Government of India is satisfied that the intentions of the Government of Bhutan are friendly and that there is no danger to India from such importations. The Government of Bhutan agrees that there shall be no export of such arms, ammunition and materials outside Bhutan either by the Government of Bhutan or by private individuals.

### **Article 5**

The Government of Bhutan and the Government of India agree that Bhutanese subjects residing in Indian territories shall have equal justice with Indian subjects, and that Indian subjects residing in Bhutan shall have equal justice with the subjects of the Government of Bhutan.

### **Article 6**

The extradition of persons wanted by either state for crimes and for unlawful activities affecting their security shall be in keeping with the extradition agreements between the two countries.

### **Article 7**

The Government of Bhutan and the Government of India agree to promote cultural exchanges and cooperation between the two countries. These shall be extended to such areas as education, health, sports, science and technology.

### **Article 8**

The Government of Bhutan and the Government of India agree to continue to consolidate and expand their economic cooperation for mutual and long Term benefit.

## Article 9

Any differences and disputes arising in the interpretation and application of this Treaty shall be settled bilaterally by negotiations in a spirit of trust and understanding in consonance with the historically close ties of friendship and mutually beneficial cooperation that form the bedrock of Bhutan-India relations.

## Article 10

This Treaty shall come into force upon the exchange of Instruments of Ratification by the two Governments which shall take place in Thimphu within onemonth of the signing of this Treaty. The Treaty shall continue in force in perpetuity unless terminated or modified by mutual consent.

In witness whereof, the undersigned being duly authorized thereto by their respective Governments, have signed this Treaty.

Done at New Delhi on the Eighth Day of February Two Thousand and Seven, in two originals each in Hindi, Dzongkha and English languages, each text being equally authentic. However, in case of difference, the English text shall prevail.

*(Source: [www.indianembassythimphu.bt/India-Bhutan%20Friendship%20Treaty.pdf](http://www.indianembassythimphu.bt/India-Bhutan%20Friendship%20Treaty.pdf))*

## Appendix II

### **Bhutan-China Agreement On Maintenance Of Peace And Tranquility Along The Sino-Bhutanese Border Areas, 1998**

**December 8, 1998**

Agreement between the Government of the people's Republic of China and the Government of the Kingdom of Bhutan on the Maintenance of Peace and Tranquillity Along the Sino-Bhutanese Border Areas

The Government of the People's Republic of China and the Government of the Kingdom of Bhutan, in accordance with the five principles of mutual respect for each other's sovereignty and territorial integrity, mutual non-aggression, mutual non-interference in each other's internal affairs and peaceful co-existence and for the purpose of maintaining peace and tranquility along the Sino-Bhutanese border, have reached the following agreements:

#### **Article 1**

Both sides hold the view that all countries big or small, strong or weak are equal and should respect one another. The Chinese side reaffirmed that it completely respects the independence, sovereignty and territorial integrity of Bhutan. Both sides stand ready to develop their good-neighborly and friendly cooperative relations on the basis of the Five Principles of Peaceful Co-Existence.

#### **Article 2**

Both sides are of the view that during the ten rounds of talks that have been held so far, they have reached consensus on the guiding principles on the settlement of the boundary issues and narrowed their differences on the boundary issues in the spirit of mutual accommodation, mutual trust and cooperation and through friendly consultations. The mutual understanding and traditional friendship between the two countries have been deepened. Both sides stand ready to adhere to the above-mentioned spirit and make joint efforts for an early and fair solution of the boundary issues between the two countries.

#### **Article 3**

Both sides agreed that prior to the ultimate solution of the boundary issues, peace and tranquillity along the border should be maintained and the status quo of the boundary prior to March 1959 should be upheld, and not to resort to unilateral action to alter the status quo of the border.

#### **Article 4**

Both sides reviewed the progress made after ten rounds of border talks. As

both sides have already expounded each other's stand on the disputed areas, both sides agreed to settle this issue through friendly consultations.

### **Article 5**

This agreement will come into force on the date of signing.

This agreement was signed on December 8, 1998 in Beijing, done in two copies in the Chinese, Bhutanese and English languages, all three languages are authentic. If differences arise, the English text will be the standard text.

Tang Jiakuan

Jigme Thinley

(Signed)

(Signed)

Representative of the  
of the People's

Representative of the of the  
Government of the Kingdom of Bhutan

Republic of China

Source:<http://www.fmprc.gov.cn/eng/wjb/zzjg/yzs/gjlb/2686/2687/t15852.htm>

## Appendix III

### Bhutan Fact Sheet -2009

<b>Demography</b>	
Total Population	6,71,083 (2008)
Population Growth Rate	2.3% ( World Bank, 2007)
Age structure	0-14 years: 210855 (2008) 15-64 years: 428300 (2008) 65 years and over: 31,928 (2008)
Population Density (person per sq km)	17.5
Life Expectancy	Total Population: 65.7 Years (2007) HDR,2009
Ethnicity	Sharchops and Ngalungs (50 %); Lhotsampas (35 %); Indigenous and Mi grant Tribes (15 %)
Languages	Dzongkha (official), Nepalese, Sharchopkha, Tsangla(Bumthangka)
Religion	Lamaistic Buddhist 75 % Indian and Nepalese influenced Buddhism: 15 %
<b>Geography</b>	
Geographical Area	38,394 sq km
Land Boundaries	1,075 km China 470 km India 605 km
Arable Land	3.09%
Irrigated Land	400 sq km (1998 est.)
<b>Economy</b>	
Natural Resources	timber, hydropower, gypsum, calcium carbide
GDP (PPP)	\$3.359 billion (2007)
GDP (OER)	\$ 1.308 billion (2007)
GDP Growth Rate	6.5 % (2008)
GDP Per Capita	\$ 4,800 (2008)
GDP Sectoral Composition	Agriculture (25%); Industry (37%) Services (38 %), (2005) MHHDC, 2007
Inflation Rate	7.21 % (2009)
Import Items	fuel and lubricants, grain, machinery and parts, vehicles, fabrics, rice
Export Items	electricity (to India), cardamom, gypsum, timber, handicrafts, cement, fruit, precious stones, spices.
External Debt	US \$ 694.74 million (2009)
Foreign Direct Investment	US\$ 6 million (World Bank 2006)

Major Trading Partners	India ,Hong Kong, Thailand, Singapore Japan, Denmark, Bangladesh, Nepal.
Total Revenues	US \$272 million (2005)
Total Expenditure	US \$350 million (2005)
Tax Revenues % of GDP	9 % (2005) , MHHDC, 2007
Total Expenditure	\$350 million (2005)
Hydel Power	34,000 MW (Total Capacity); 430 MW (Harnessed)
<b>Social Indicators: Poverty, Education ,Unemployment and Health</b>	
Pop. Below Poverty Line	31.7 % (2005) , MHHDC, 2007
Literacy	52.8 % (2007), HDR, 2009Adult (female as % male: 59.5 %,2004) HDR,2009
Teachers	7,321 (2008)
Unemployment Rate	9.7 % (2005) Bhutan Labor Force Survey,2006
Infant morality rate	40 percent (2005)
Hospitals	29 (2007)
Doctors	157 (2007)
Doctors per 10,000 persons	2.4 (2007)
Rural Drinking water supply	69 %(2009)
Access to safe drinking water	82.3 % (2007)
<b>Connectivity</b>	
Landlines used	29,900 (2009)
Cell phones Used	149,400 (2009)
TV Stations (Major ones)	1 , Bhutan Broadcasting Service
Major Newspapers	The Kuensel, Bhutan Observer, Bhutan Times89
Internet Users	30,000 (2007)
Roads	49467 km (Total Length)(2007)
Bridges	260 (2007)
Airports	One
<b>Energy</b>	
Energy Generation (MW)	4520.3 (2007)
Electricity Consumption(MW)	7641.1 (2007)
Villages Electrified	1,761 (2007)
Towns Electrified	71 (2007)

Source: Bhutan Statistical Yearbook, 2008Mehbub ul Haq , South Asia Human Development Report, 2007.World BankMinistry of External Affairs, India National Portal of Bhutan\

## Appendix IV

### List of Agreements/MoUs signed during visit of His Majesty, King of Bhutan to India (21-26 December 2009) December 22, 2009

S.No.	Name of the MoU/Agreement	Synopsis of the MoU	Signed by
1.	MoU on Bhutan Institute of Medical Sciences	GOI and RGoB shall cooperate in the setting up of a 50 seat undergraduate medical college through establishment of the Bhutan Institute of Medical Sciences in Thimphu. GOI shall provide assistance not exceeding Rs. 25 crores as grant-in-aid.	India: Shri S.M. Krishna, Hon'ble External Affairs Minister Bhutan: Lyonpo Ugyen Tshering, Hon'ble Foreign Minister
2.	MoU on Drug Demand Reduction and Prevention of Illicit Trafficking in Narcotic Drugs, Psychotropic Substances and Precursor Chemicals and Related Matters.	Cooperation to prevent illicit trafficking of narcotic drugs, psychotropic substances and precursor chemicals, prevent money laundering, seize properties derived from illicit drug trafficking, combat illicit cultivation of narcotic drugs and psychotropic substances and comply with the guidelines laid down by the International Narcotics Control Board.	India: Shri S.M. Krishna, Hon'ble External Affairs Minister Bhutan: Lyonpo Ugyen Tshering, Hon'ble Foreign Minister
3.	Air Services Agreement	To facilitate the expansion of international air services opportunities, promote an international aviation system based on competition among airlines; and ensure the highest degree of safety and security in international air services.	India: Shri S.M. Krishna, Hon'ble External Affairs Minister Bhutan: Lyonpo Khandu Wangchuk, Hon'ble Minister of Economic Affairs
4.	MoU for Development of ICT in Bhutan	To establish a framework for cooperation for ICT program. Envisages that GoI would continue to provide financial support for implementing the ICT projects under Bhutan's 10th FYP and expedite the implementation of the 'Total Solutions Project' to be undertaken by RGoB through NIIT. RGoB will encourage the Indian ICT firms to invest in Bhutan.	India: H.E. Smt. Nirupama Rao, Foreign Secretary Bhutan: H.E. Mr. Daw Penjo, Foreign Secretary.
5.	Harmonization of Seed Quality Testing and Standards for SAARC countries	Developing a project on "Harmonization of Seed Quality Testing and Standards for SAARC countries", with IARI, New Delhi, India, as the Lead Centre and suitable organizations in the Member States as cooperating centres.	India: H.E. Smt. Nirupama Rao, Foreign Secretary Bhutan: H.E. Mr. Daw Penjo, Foreign Secretary.

6.	MOU for Cooperation of Search & Rescue Operations	Seeks to promptly exchange Search and Rescue (SAR) information concerning an actual distress or a potential distress situation and assist each other in the conduct of SAR missions in their respective regions and across their common SAR boundaries.	India: Shri M. Madhavan Nambiar, Secretary, Ministry of Civil Aviation Bhutan: H.E. Maj Gen V. Namgyel, Ambassador of Bhutan.
7.	MoU on Technical Assistance to the National Environment Commission Secretariat of Bhutan	Provides technical assistance for developing strategy for monitoring and management of air and water quality in Bhutan and training of Bhutanese officials for air and water quality monitoring and assessment.	India: Shri S.P. Gautam, Chairman, Central Pollution Control Board. Bhutan: H.E. Maj Gen V. Namgyel, Ambassador of Bhutan.
8.	MoU regarding Consultancy Services for Preparation of National Transmission Grid Master Plan for Bhutan	Formulates the terms & conditions for provision of consultancy services by the Central Electricity Authority, GoI, to the Department of Energy, RGoB, for preparation of the National Transmission Grid Master Plan.	India: Shri Gurdial Singh, Member, Central Electricity Authority. Bhutan: H.E. Maj Gen V. Namgyel, Ambassador of Bhutan.
9.	Agreement for Preparation of DPR of Amochu Reservoir	Defines the modalities etc. of preparation of DPR of Amochu Reservoir project (620 MW)	India: Shri R.S. Sharma, CMD, NTPC Ltd. Bhutan: H.E. Maj Gen V. Namgyel, Ambassador of Bhutan
10.	Agreement for Preparation/ updation of DPR of Kuri Gongri HEP.	Defines the modalities etc. of preparation of DPR of Kuri Gongri HEP (1800 MW).	India: Shri S.K. Garg, CMD, NHPC Ltd. Bhutan: H.E. Maj Gen V. Namgyel, Ambassador of Bhutan
11.	Agreement for Preparation of DPR of Chamkharchhu-I HEP.	Defines the modalities etc. of preparation of DPR of Chamkharchhu-I HEP (670 MW).	India: Shri S.K. Garg, CMD, NHPC Ltd. Bhutan: H.E. Maj Gen V. Namgyel, Ambassador of Bhutan
12.	Agreement for Preparation/ updation of DPR of Kholongchhu HEP.	Defines the modalities etc. of preparation of DPR of Kholongchhu HEP (486 MW).	India: Shri H.K. Sharma, CMD, SJVNL Ltd. Bhutan: H.E. Maj Gen V. Namgyel, Ambassador of Bhutan

Source: <http://meaindia.nic.in/>