

## **Modi Visits Bhutan to Strengthen Bilateral Ties**

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### **Summary**

*Indian Prime Minister Narendra Modi's bilateral visit to Bhutan from 17 to 18 August 2019 was largely to emphasise India's 'Neighbourhood First' policy. During the visit, 10 memoranda of understanding were signed, including in new areas such as space, aviation, digital technology, power and education. The two countries not only agreed to cooperate in digital payments, but also strengthened their existing cooperation in hydropower. This paper examines India-Bhutan bilateral engagements in the context of Modi's second visit.*

### **Modi's Two-Day Visit**

Dubbed as a natural partner, the Narendra Modi government has continued to build on India's existing relations with Bhutan. Among the 10 memoranda of understanding [signed](#) during Modi's visit to Bhutan on 17 and 18 August 2019, there were new aspects of cooperation between the two countries such as in digital and emerging technologies, as well as in education and space technology.

To ease digital payments for Indian tourists in Bhutan, India launched the RuPay Card which can be used instead of cash payments. Indian Foreign Secretary Vijay Gokhale at a press conference [said](#), "...in the first phase, Indian banks will issue RuPay cards which can be used by Indian travellers in Bhutan. The next phase will be where the banks of Bhutan will be empowered to issue RuPay cards to Bhutanese citizens to use in India." In addition, both countries discussed the feasibility of Bharat Interface for Money app in Bhutan to promote cashless payments for travellers. Bhutan is the second country to get RuPay after Singapore. However, the Bhutanese think that too much tourism is detrimental to the country's [environment](#).

Boosting India's South Asia satellite, Modi also inaugurated the Ground Earth Station, supported by Indian Space Research Organisation, to improve Bhutan's broadcasting services and enhance disaster management capabilities. This is considered a major milestone in taking India-Bhutan relations into new realms such as space. Besides the launch of the station, both sides agreed to have a joint working group to develop a [small satellite](#) for Bhutan that would provide services in meteorological data, tele-education and health care.

One of Modi's successful domestic policies has been to provide liquefied petroleum gas (LPG) to rural areas of India. Upon request, India announced the enhancement of subsidised LPG to Bhutan from the current 700 metric tons to 1,000 metric tons per month to facilitate increased penetration of LPG into rural areas. There were several agreements signed between India's National Knowledge Network and Bhutan's Research and Education Network to connect universities, research institutions, libraries, laboratories, the healthcare

and agricultural institutions of the two countries. While addressing the students of the Royal University of Bhutan, Modi said that [deep spirituality and youthful vigour](#) are the strengths of the India-Bhutan bilateral relationship.

The Modi government has largely built on the existing good relations with Bhutan. In the last one year, there were several high-level visits between the two countries since the military stand-off between India and China at Doklam in Bhutan in 2017. These included the visit of Indian External Affairs Minister S Jaishankar to Bhutan on 7 and 8 June 2019. The Prime Minister of Bhutan Lotay Tshering was invited, as a member of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, to Modi's swearing-in ceremony for his second term as Prime Minister in May 2019. One of the reasons for such visits is that India is wary about the growing interests of China in Bhutan. Post-Doklam crisis, China's Assistant Foreign Minister, Kong Xuanyou, visited Bhutan from 22 to 24 July 2018. He was accompanied by Luo Zhaohui, the Chinese Ambassador to India. Even a small but strong minority in Bhutan regards China as its "natural" [partner](#).

Strengthening cultural ties, Modi visited the Semtokha Dzong in Thimphu, which hosts the statue of Zhabdrung Ngawang Namgyal – the founder of Bhutan. India has agreed to extend its loan of the unique statue to Bhutan by another five years. Recently, Bhutan extended its support for India's bid for a permanent seat at the United Nations Security Council.

## **Hydropower Cooperation**

If one overviews their relations, the two countries cooperate largely on energy and hydropower. Given that Bhutan is rich in natural resources, India has supported several hydropower projects in Bhutan and provided financial aid and loans. As such, Modi inaugurated the Mangdechhu hydroelectric plant – to generate 10,000 megawatts (MW) of electricity by 2020 – marking 50 years of bilateral [hydropower cooperation](#).

The visit also kicked off official discussions on the next big hydropower plant, Sunkosh, which has the potential to generate 2,500MW of electricity and is currently of high priority for the Bhutanese government. The Sunkosh hydropower project is part of the inter-governmental (IG) agreement framework [signed](#) by the two countries in 2014. This framework of IG projects works best for both countries, as it provides clean electricity for India and benefits Bhutan economically.

However, India's assistance in the hydropower sector is also a cause for concern for the Bhutanese because of increasing hydro debt and lower tariff rates. In April 2019, the two countries signed a protocol to formalise the tariff at Mangdechhu to ₹2.4 (S\$0.046) per unit kilowatt hour for a period of 35 years. It will be increased by 10 percent after every five years until the loan is repaid and 5 percent [thereafter](#).

From Bhutan's [perspective](#), there are expectations to transform the economic relationship with India from grants and loans to trade and investment. Earlier, in December 2018, Tshering visited India to discuss the budget for Bhutan's 12<sup>th</sup> Five Year Plan and India's assistance in the plan. India increased the [budget](#) allocation to Bhutan from ₹2,801.79 crore

(S\$54 million), gaining substantially from the previous allocation of ₹2,510 crore (S\$46 million). Bhutan is [currently](#) the largest recipient of India's foreign aid.

## Conclusion

Over the last few decades, India and Bhutan relations strengthened, mainly, in energy and hydropower cooperation. The fact that the bilateral cooperation is expanding into new areas such as space, aviation and digital technology indicates a stronger trust in the relationship going forward. However, India needs to pay more attention to Bhutan's economic and environmental concerns with regard to some of the Indian hydropower projects so as to sustain a long-standing friendship.

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