

India–Bhutan Strategic Partnership under Modi’s 2025 Visit: Deepening Cooperation in Energy, Defence, and Connectivity

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Abstract: Prime Minister Narendra Modi’s two-day state visit to Bhutan (11–12 November 2025) marked a significant milestone in the India–Bhutan strategic partnership, focusing on three key areas energy, defence, and connectivity. The visit witnessed the inauguration of the 1,020 MW Punatsangchhu-II Hydropower Project, symbolizing deeper energy cooperation and clean power collaboration. India announced a ₹4,000 crore concessional Line of Credit to support Bhutan’s energy and infrastructure projects, while both nations committed to advancing rail connectivity, including proposed routes like Kokrajhar–Gelephu. Defence ties were further strengthened through capacity building, joint training, and renewed strategic dialogue. This article analyses these developments, highlights their economic and geopolitical implications, and outlines policy recommendations for sustainable growth and regional stability.

Keywords: India–Bhutan relations, Punatsangchhu-II project, hydropower, connectivity, Line of Credit, South Asia.



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1. Introduction

India and Bhutan share a special relationship built on mutual trust, cultural ties, and strong cooperation. This friendship, formalized through the Treaty of Friendship in 1949 and later updated in 2007, has grown steadily over the decades. India has consistently played a key role in Bhutan’s development journey by supporting major hydropower projects, infrastructure development, education, and human resource training.

Prime Minister Narendra Modi’s two-day State Visit to Bhutan in November 2025 aimed to further strengthen these unique ties as part of India’s ‘Neighbourhood First’ Policy a policy that

prioritizes strong, stable, and cooperative relationships with India's immediate neighbours. The visit highlighted the deep bond between the two countries and reaffirmed India's commitment to Bhutan's growth and regional stability.

This visit marked Prime Minister Modi's second meeting with Bhutanese Prime Minister Tshering Tobgay in the same month. Just a week earlier, Prime Minister Tobgay had paid an official visit to New Delhi, which was his first foreign trip after assuming office in January 2025. The two consecutive high-level interactions underline the close political coordination and strong mutual confidence between the two neighbours.

As a gesture of deep respect and friendship, His Majesty King Jigme Khesar Namgyel Wangchuck conferred the Order of the Druk Gyalpo Bhutan's highest civilian honour on Prime Minister Modi at a public ceremony in Tendrelthang, Thimphu. This prestigious award symbolizes the trust and goodwill that form the foundation of the India Bhutan partnership, highlighting the enduring bond between the two Himalayan neighbours.

Modi's visit focused on three major areas of cooperation energy, defence, and connectivity which together form the foundation of the India-Bhutan strategic partnership. The inauguration of the 1,020 MW Punatsangchhu-II Hydroelectric Project stood out as a landmark achievement, symbolizing the shared vision for clean and sustainable energy.

Along with working together on energy projects, India and Bhutan also focused on defence cooperation during the visit. Both countries agreed to continue training programs, capacity building, and joint efforts to strengthen border security. The Indian Military Training Team (IMTRAT) continues to play an important role in helping Bhutan improve its defence skills and preparedness.

In terms of connectivity, the two sides discussed new railway links, especially the proposed Kokrajhar-Gelephu route, which will make travel and trade between the two countries easier. They also agreed to improve digital networks and road infrastructure to promote better trade, communication, and people-to-people connections.

This paper examines the key outcomes of Prime Minister Modi's 2025 visit to Bhutan, focusing on how the new initiatives in energy, defence, and connectivity are deepening cooperation between the two nations. It also explores the broader economic, environmental, and strategic implications of these developments for regional peace, sustainability, and prosperity.

2.Methodology

This study uses a qualitative descriptive approach, based on official statements, government reports, and media releases from the Ministry of External Affairs (India) and the Royal Government of Bhutan. Additional insights were gathered from reputed news and policy sources to analyse the outcomes and implications of Prime Minister Modi's 2025 visit to Bhutan.

3. Energy: scale, finance and private participation

3.1 Operational Impact of the Punatsangchhu-II Hydroelectric Project

Energy has always been a central pillar of the India-Bhutan partnership, and Prime Minister Modi's 2025 visit gave this cooperation a fresh boost. One of the major highlights of the visit was the inauguration of the 1,020 MW Punatsangchhu-II Hydroelectric Project, a symbol of the two countries' long-standing collaboration in clean energy generation. This project not only strengthens Bhutan's hydropower capacity but also supports India's goal of promoting renewable energy and regional energy security.

On 11 November 2025, India and Bhutan jointly inaugurated the 1,020 MW Punatsangchhu-II hydroelectric project a step the governments described as raising Bhutan's installed generation

capacity materially and enabling exports of surplus power to India. This project is central to the visit's energy narrative.



During the visit, both sides also signed a Memorandum of Understanding (MoU) on Cooperation in Energy Efficiency and Conservation. The agreement aims to help Bhutan enhance energy efficiency in the household sector by introducing a star labelling programme an initiative developed by India's Bureau of Energy Efficiency (BEE). This programme will enable Bhutanese consumers to make informed choices about energy-saving appliances and reduce power consumption at the domestic level.

Another key development was the signing of an MoU on the General Supply of Petroleum, Oil, and Lubricants (POL) and related products from India to Bhutan. This agreement covers a detailed list of petroleum and lubricant items that India will supply to Bhutan through mutually agreed entry and exit points. The initiative will ensure a steady and secure supply of energy resources, supporting Bhutan's transportation, industrial, and economic growth.

3.2 Concessional finance and pipeline projects

India announced a ₹4,000 (~US\$450–455 million) crore concessional Line of Credit to finance future energy and infrastructure projects in Bhutan. Together, these initiatives reflect the two nations shared vision of sustainable energy development, carbon reduction, and regional cooperation under India's 'Neighbourhood First' Policy. The LOC aims to accelerate ongoing and planned projects (including steps to progress Punatsangchhu-I).

3.3 Private-sector engagement

Media reporting indicates Indian private energy firms (named in press reports) signed MoUs with Bhutanese counterparts to participate in developing future hydropower capacity marking a shift toward mixed public-private financing models for Bhutan's energy expansion.

Implications: more export revenue and fiscal space for Bhutan, deeper energy interdependence for India, and the need to strengthen environmental, contractual and regulatory safeguards around large hydro projects.

4. Defence cooperation: continuity and consolidation

The visit reiterated long-standing defence ties: training assistance (IMTRAT), military exchanges, and operational cooperation for border security and disaster response. While the visit did not announce large new hardware transfers publicly, it consolidated frameworks for training, technical assistance, and closer coordination—maintaining India's role in Bhutan's capacity building.

Strategic reading: steady defence cooperation complements India’s neighbourhood policy goals and contributes to stability in the eastern Himalaya amid shifting regional dynamics.

5. Connectivity and Cooperations

5.1 Rail connectivity commitments

The visit reaffirmed earlier plans and political support for India–Bhutan rail connectivity (routes such as Kokrajhar–Gelephu and Banarhat–Samtse have been advanced in recent months), with the visit used to formally endorse and accelerate implementation steps. These rail links aim to cut transit times, lower logistics costs, and integrate Bhutan more closely with Indian transport corridors.



5.2 Trade cooperation

A significant development in trade facilitation was the signing of an Agreement for the Recognition of Official Control exercised by the Bhutan Food and Drug Authority (BFDA) by the Food Safety and Standards Authority of India (FSSAI). This agreement will help simplify trade procedures between the two countries by promoting ease of doing business and reducing compliance costs for exporters and importers. It also enhances regulatory cooperation and ensures mutual trust in food safety and quality standards, making it easier for Bhutanese and Indian products to enter each other’s markets.

Another key agreement was the signing of an MoU on Cooperation in the Sharing of Reference Standards, Pharmacopoeia, Vigilance, and Testing of Medicinal Products. This MoU strengthens cooperation in the regulation of medicines and pharmaceutical quality control between India and Bhutan. It allows both countries to share technical knowledge, best practices, and laboratory standards, ensuring that medicines produced or traded between the two nations meet high safety and quality standards. This collaboration also supports the harmonization of regulatory frameworks under the respective national laws of both sides.

5.3 Science and Space Cooperation

Science and technology have emerged as new frontiers in the India–Bhutan partnership, with both countries recognizing their potential to drive innovation and sustainable development. During Prime Minister Modi’s 2025 visit, the two nations adopted a Joint Plan of Action (JPOA) on Space Cooperation, providing a clear roadmap for expanding collaboration in the field of space technology.

The JPOA outlines initiatives such as technical training, exchange programmes, and capacity-building activities that will enable Bhutan to strengthen its expertise in satellite applications, remote sensing, and data analysis. These efforts build on the successful launch of the BhutanSat-1 (also known as the Bhutanese satellite) in collaboration with the Indian Space Research Organisation (ISRO) in 2022.

Through this agreement, India continues to support Bhutan in using space-based technologies for national development, particularly in areas such as agriculture, disaster management, environmental monitoring, and digital connectivity. The JPOA represents a forward-looking step in deepening cooperation in science, technology, and innovation, aligning with the broader goals of regional progress and sustainable development.

Another important development was the renewal of the Memorandum of Understanding (MoU) on the Peering Arrangement between India's National Knowledge Network (NKN) and Bhutan's Druk Research and Education Network (DrukREN). This agreement enhances digital connectivity and academic collaboration between the two nations by providing high-speed data exchange between universities, research institutions, and scholars. It will allow students and researchers in Bhutan to access India's advanced digital and knowledge infrastructure, promoting innovation, education, and cross-border academic partnerships.

Together, these initiatives in space technology and digital education mark a new chapter in the India–Bhutan relationship, expanding cooperation beyond traditional sectors like energy and trade to include science, research, and technology-driven development.

5.4 Health and Social Sector Cooperation

Health and social development have always been important dimensions of the India–Bhutan partnership, reflecting their shared commitment to improving the quality of life of people in the Himalayan region. During Prime Minister Modi's 2025 visit, both sides reaffirmed their cooperation in public health and social infrastructure.

A major highlight was the inauguration of the Gyaltshuen Jetsun Pema Mother and Child Hospital in Thimphu by Prime Minister Modi. The state-of-the-art hospital, built with financial and technical assistance from India, marks a significant milestone in bilateral cooperation in the healthcare sector. It will enhance access to quality maternal and child healthcare services in Bhutan and contribute to strengthening the country's overall public health system.

This initiative reflects India's continued support for Bhutan's human development and social welfare goals, extending cooperation beyond traditional sectors like energy and connectivity to areas that directly improve the well-being of Bhutanese citizens.

Economic effects: improved connectivity should boost trade, tourism and supply-chain efficiency, but will require careful environmental planning for corridor construction.

6. Governance, environmental and social considerations

Large hydro and new transport corridors in the Himalaya carry ecological and social risks: biodiversity impacts, sedimentation and river flow changes, community displacement, and infrastructure fragility. The scale-up of private investment increases the urgency for robust environmental impact assessments, transparent procurement, and strengthened Bhutanese institutional capacity for contract oversight and benefit sharing.

7. Policy recommendations

- 1. Joint environmental monitoring:** Establish a bilateral India–Bhutan commission to monitor hydrological impacts, sedimentation and biodiversity around major projects.
- 2. Capacity building for procurement and PPPs:** Provide technical assistance to Bhutan's regulators to negotiate complex public-private energy contracts and ensure local benefit-sharing.
- 3. Phased rail implementation:** Implement rail links in modular phases with independent social and environmental audits at each stage.

4. **Local content and skills:** Include local employment and supplier development clauses in project contracts to maximize Bhutanese economic gains.
5. **Regular high-level dialogue:** Institutionalize annual Energy and Security Dialogues to track project performance and manage strategic sensitivities.

8. Conclusion

Prime Minister Modi's 2025 state visit to Bhutan blended ceremonial diplomacy with tangible, high-impact outcomes: inauguration of a major hydropower plant, a significant concessional credit line, private-sector engagement in energy, and renewed commitment to cross-border connectivity and defence cooperation. These measures deepen bilateral interdependence and offer economic opportunities, but they also impose governance and environmental obligations that both capitals must manage proactively.

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