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About Bhutan

Treaties Signed With India

MEMORANDUM OF UNDERSTANDING

Memorandum of understanding between the Government of India and the Royal Government of Bhutan regarding the Preparation of detailed project report for the Punatsangchhu Hydro-Electric Project in the Punatsangchhu Bashin, Bhutan

September 09, 2003

Background:

Cooperation in hydropower sector is an important part of economic cooperation between India and Bhutan. 336 MW Chukha and 60 MW Kurichu are successful projects and people of both countries are reaping the benefits. 1020 MW Tala will add another important milestone to this cooperation when the Project comes on stream in 2005-06. The vast potential that exists in this sector in Bhutan complements our needs in power sector. The MOU on undertaking DPR on Punatsangchhu is in continuation of GOI policies for further developing hydropower potential in Bhutan.

Brief Details of the Project:

This is a run-of-the-river scheme along the course of the Punatsangchhu river, downstream of Wangdue Phodrang town. As per the existing feasibility level studies, the scheme envisages a 141 m high diversion dam, twin 7 km long head-race tunnels conveying a total maximum discharge of 348 cumecs, an underground power house operating under a head of about 310 m, and twin tail-race tunnels about 350 m long. An installed capacity of 870 MW (6 x 145 MW) has been proposed, with an annual average energy generation of 4330 GWh.

DPR (detailed Project Report)

The DPR will be executed by M/s WAPCOS [Water and Power Consultancy Services] – a Government of India Undertaking. It will be completed in 24 months and the decision to undertake the Project will be taken thereafter. If implemented, the Project will be implemented in the Tenth-Eleventh Five Year Plan of India.

Funding

The earlier projects in Bhutan were funded by Government of India on a 60:40 Grant : Loan basis. The funding for Punatsangchhu Project will be mutually decided when decision to implement the Project is taken.

Benefits

Most of the electricity generated from the Project is expected to be exported to India at a mutually agreed tariff rate. The revenues from power exported to India constitute substantial portion of Government revenues in Bhutan. The electricity from projects in Bhutan is received in Eastern Grid and displaced to other deficient regions.

-END

BHUTAN-CHINA AGREEMENT ON MAINTENANCE OF PEACE AND TRANQUILITY ALONG THE SINO-BHUTANESE BORDER AREAS, 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 tranquillity 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 Jiaxuan
(Signed)
Representative of the
of the People's
Republic of China

Jigme Thinley
(Signed)
Representative of the of the
Government of the Kingdom of Bhutan

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 Tranquility Along the Sino-Bhutanese Border Areas(2001-11-06)

TREATY OF PERPETUAL PEACE AND FRIENDSHIP BETWEEN THE GOVERNMENT OF INDIA AND THE GOVERNMENT OF BHUTAN

Darjeeling, 8 August 1949

The Government of India on the one part, and His Highness The Druk Gyalpo's Government on the other part, equally animated by the desire to regulate in a friendly manner and upon a solid and durable basis the state of affairs caused by the termination of the British Government's authority in India, and to promote and foster the relations of friendship and neighbourliness so necessary for the well-being of their peoples, have resolved to conclude the following treaty, and have, for this purpose named their representatives, that is to say Sri Harishwar Dayal representing the Government of India, who has full powers to agree to the said treaty on behalf of the Government of India, and Deb Zimpon Sonam, Tobgye Dorji, Yang-Lop Sonam, Chho-Zim Thondup, Rin-Zim Tandin and Ha Drung Jigmie Palden Dorji, representing the Government of His Highness the Druk Gyalpo, Maharaja of Bhutan, who have full powers to agree to the same on behalf of the Government of Bhutan.

Article I

There shall be perpetual peace and friendship between the Government of India and the Government of Bhutan.

Article II

The Government of India undertakes to exercise no interference in the internal administration of Bhutan. On its part the Government of Bhutan agrees to be guided by the advice of the Government of India in regard to its external relations.

Article III

In place of the compensation granted to the Government of Bhutan under Article 4 of the Treaty of Sinchula and enhanced by the treaty of the eighth day of January 1910 and the temporary subsidy of Rupees one lakh per annum granted in 1942, the Government of India agrees to make an annual payment of Rupees five lakhs to the Government of

Bhutan. And it is further hereby agreed that the said annual payment shall be made on the tenth day of January every year, the first payment being made on the tenth day of January 1950. This payment shall continue so long as this treaty remains in force and its terms are duly observed.

Article IV

Further to mark the friendship existing and continuing between the said Governments, the Government of India shall, within one year from the date of signature of this treaty, return to the Government of Bhutan about thirty-two square miles of territory in the area known as Dewangiri. The Government of India shall appoint a competent officer or officers to mark out the area so returned to the Government of Bhutan.

Article V

There shall, as heretofore, be free trade and commerce between the territories of the Government of India and of the Government of Bhutan; and the Government of India agrees to grant the Government of Bhutan every facility for the carriage, by land and water, of its produce throughout the territory of the Government of India, including the right to use such forest roads as may be specified by mutual agreement from time to time.

Article VI

The Government of India agrees that the Government of Bhutan shall be free to import with the assistance and approval of the Government of India, from or through India into Bhutan, whatever arms, ammunition, machinery, warlike material or stores 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, on the other hand, agrees that there shall be no export of such arms, ammunition, etc., across the frontier of Bhutan either by the Government of Bhutan or by private individuals.

Article VII

The Government of India and the Government of Bhutan 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 VIII

1) The Government of India shall, on demand being duly made in writing by the Government of Bhutan, take proceedings in accordance with the provisions of the Indian Extradition Act, 1903 (of which a copy shall be furnished to the Government of Bhutan), for the surrender of all Bhutanese subjects accused of any of the crimes specified in the first schedule of the said Act who may take refuge in Indian territory.

2) The Government of Bhutan shall, on requisition being duly made by the Government of India, or by any officer authorised by the Government of India in this behalf, surrender any Indian subjects, or subjects of a foreign power, whose extradition may be required in

pursuance of any agreement or arrangements made by the Government of India with the said power, accused of any of the crimes, specified in the first schedule of Act XV of 1903, who may take refuge in the territory under the jurisdiction of the Government of Bhutan, and also any Bhutanese subjects who, after committing any of the crimes referred to in Indian territory, shall flee into Bhutan, on such evidence of their guilt being produced as shall satisfy the local court of the district in which the offence may have been committed.

Article IX

Any differences and disputes arising in the application or interpretation of this treaty shall in the first instance be settled by negotiation. If within three months of the start of negotiations no settlement is arrived at, then the matter shall be referred to the Arbitration of three arbitrators, who shall be nationals of either India or Bhutan, chosen in the following manner:

- (1) One person nominated by the Government of India;
- (2) One person nominated by the Government of Bhutan;
- (3) A Judge of the Federal Court, or of a High Court in India, to be chosen by the Government of Bhutan, who shall be Chairman. The judgement of this Tribunal shall be final and executed without delay by either party.

Article X

This treaty shall continue in force in perpetuity unless terminated or modified by mutual consent.

DONE in duplicate at Darjeeling this eighth day of August, one thousand nine hundred and forty-nine, corresponding with the Bhutanese date the fifteenth day of the sixth month of the Earth-Bull year.

Sd/-

Harishwar Dayal Political Officer in Sikkim.

Deb Zimpon Sonam
Tobgye Dorji
Yang-Lop Sonam
Chho-Zim Thondup
Rin-Zim Tandin
Ha Drung Jigmie Palden Dorji

Instruments of Ratification

WHEREAS a Treaty relating to the promotion of, and fostering the relations of friendship and neighbourliness was signed at Darjeeling on the 8th day of August 1949 by representatives of the Government of India and of the Government of His Holiness the Druk Gyalpo, Maharaja of Bhutan, which Treaty is, word for word, as follows:

* * * * *

The Government of India, having considered the treaty aforesaid, hereby confirm and ratify the same and undertake faithfully to perform and carry out all the stipulations therein contained.

IN WITNESS WHEREOF this instrument of ratification is signed and sealed by the Governor-General of India.

DONE at New Delhi, the 22nd day of September, 1949.

C. RAJAGOPALACHARI,
Governor-General of India.

WHEREAS a Treaty relating to the promotion of, and fostering, relations of friendship and neighbourliness was signed at Darjeeling on the eighth day of August, 1949 by Representatives of my Government and of the Government of India, which Treaty is, word for word, as follows:

* * * * *

My Government, having considered the treaty aforesaid, hereby confirm and ratify the same and undertake faithfully to perform and carry out all the stipulations therein contained.

IN WITNESS WHEREOF I have signed this instrument of ratification and affixed hereto my seal.

DONE at Tongsa the fifteenth day of September, 1949.

J. WANGCHUK Druk Gyalpo
Seal.

EXTRADITION AGREEMENT

THE GAZETTE OF INDIA: EXTRAORDINARY [PART 11—SEC 3(i)]

MINISTRY OF EXTERNAL AFFAIRS

ORDER

New Delhi, the 21st May, 1997

G.S.R. 268 (E).—Whereas the new Extradition Agreement between the Republic of India and the kingdom of Bhutan was signed in Thimphu on 28th December, 1996 and the instruments of ratification exchanged at New Delhi on 20th May, 1997 and which Treaty provides as follows:

**EXTRADITION AGREEMENT
BETWEEN
THE REPUBLIC OF INDIA
AND
THE KINGDOM OF BHUTAN**

“Preamble:

The Government of the Republic of India and the Government of the Kingdom of Bhutan, hereinafter called the Parties:

Being fully committed to safeguarding each other’s security and stability:
Taking cognizance of the rising trend in terrorist, secessionist, criminal and other unlawful activities affecting peace and stability in their territories:

Desirous of cooperating effectively to prevent and suppress such terrorist, secessionist, criminal and other unlawful activities affecting their security and stability:

Have agreed, in keeping with the spirit of abiding friendship and close co-operation between them, to enter into a new extradition agreement with each other which is as follows:

Article 1: Duty to Extradite

Each Contracting Party agrees to extradite to the other subject to the conditions of this Agreement, any person who being accused of charged with or convicted of extraditable offence in the territory of one Party, is found in the territory of the other Party, whether or not such offence was committed before or after the coming into force of this Agreement.

Article 2: Extraditable Offences

An offence shall be an extraditable offence if it is punishable under the laws in either Contracting State by deprivation of liberty including imprisonment for a period of more than one year or by a more severe penalty.

Extradition shall also be granted for acts committed outside the requesting State and the Requested State which under the law of the Requesting State are deemed to be an offence liable for prosecution within that State.

Article 3: Composite Offences

Extradition shall be available in respect of an extraditable offence whenever an act or conduct of a person occurred wholly or in part in the Requested State but the consequences of which as intended by the offender occurred within the Requesting State or by the nature of the commission of which, the consequence resulting there from should occur within the Requesting State or it could be foreseen that the consequence would occur within the Requesting State, deeming that such offence is committed within the Requested State.

Preparation or attempt to commit a composite offence as defined in paragraph 1 or the acts of a co-principal, a supporter or an instigator in the commission of such a composite offence shall be deemed to be extraditable offences liable for prosecution within the Requested State.

Extradition shall also be available in respect of individuals belonging to an organization engaging in activities declared to be unlawful by the law of the Requesting state and in respect of persons aiding abetting or promoting such unlawful activities or objectives of the organization or association.

Article 4: Mutual Assistance

The two Parties shall render the greatest measure of mutual assistance to each other through consultations between appropriate channels exchange of information intelligence and expertise and such other cooperative measures as may be appropriate with a view to prevent and suppress activities in each other's territories affecting their security by persons belonging to:

- the Requesting State but found in the territory of the Requested State:
- the Requested State: and
- third countries but found in the Requested State.

With a view to promote and facilitate cooperation on an ongoing basis in respect of matters referred to above in this Article, the Parties shall establish appropriate joint mechanism.

Article 5: Grounds for Refusal

Extradition shall not take place if the person whose extradition is sought by the Requesting State has already been tried and discharged or punished or is still under trial in the territory of the Requested State for the offence for which his extradition is requested.

Article 6: Extradition Procedure

A request for extradition and/or mutual assistance under this Agreement shall be available at the request of either party to the other party or by any officer(s) authorized by them respectively in this regard. The request for extradition shall be in writing and shall be processed in accordance with the law of the Requested State. For this purpose, a warrant of arrest issued by a court of law or any other agency authorized by the

Requesting State shall be sufficient. The Parties thereby agree to dispense with the requirement of the prima facie case.

Article 7: Provisional Arrest

In case of urgency, either Contracting Party may apply for the provisional arrest of the person sought before the request for extradition has been submitted to the Requested State through the diplomatic channel. The request for provisional arrest shall be made through diplomatic channels and shall be processed in accordance with the law of the Requested State.

Article 8: Surrender

If the extradition request has been granted, surrender of the persons sought shall take place within such time and at such place as may be mutually agreed between the Parties.

Article 9: Expenses

The expenses of any apprehension, detention or surrender made in pursuance of this Agreement shall be borne and defrayed by the Requested State.

Article 10: Ratification and Termination

This Agreement is subject to ratification and the instruments of ratification shall be exchanged at Thimphu/Delhi as soon as possible. It shall come into force upon the exchange of instruments of ratification.

Either of the Contracting Parties may terminate this Agreement by giving six months' notice thereof through diplomatic channels. Upon the expiry of such notice, the Agreement shall cease to have any force or effect.

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

Done at Tashichho Dzong, Thimphu on the Twenty-eighth day of December, Nineteen Hundred and Ninety six, in the originals each in Hindi, Dzongkha and English languages, each text being equally authentic. However, in case of difference, the "English text shall prevail."

Now therefore, in exercise of the power conferred by sub-section (2) of Section 12 of the Extradition Act, 1962, (34 of 1962) and in super session of the notification of the Government of India in the Ministry of External Affairs number G. S. R. 2093 dated the 26th August, 1969, the Central Government hereby directs that the provisions of the said Act, other than Chapter 11, shall apply to the Kingdom of Bhutan with effect from the date of publication of this notification.

[No. T-413/01/97]

SHRI K. C. SINGH. Jt. Secy.

1254GI/97

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INDO-BHUTAN TRADE TREATY 1972

AGREEMENT¹ BETWEEN THE GOVERNMENT OF INDIA AND THE ROYAL GOVERNMENT OF BHUTAN REGARDING TRADE AND COMMERCE

Thimphu, 17 January 1972

The government of INDIA
And
The royal Government of Bhutan,

CONSCIOUS of the age-old ties between India and Bhutan and animated by desire to strengthen them,
RECALLING Article V of the treaty² of Perpetual Peace and Friendship between India and Bhutan, 1949, which provides for free trade and commerce between their territories,
CONVINCED of the benefits which can accrue to their people from the expansion of trade and from collaboration in economic development,
HAVE in furtherance of the said Article of the Treaty,
AGREED as follows:

Article I

There shall, as therefore, be free trade and commerce between the territories of the Government of India and of the Royal Government of Bhutan.

Article II

The two Governments will, in agreement with each other, identify the areas of co-operation and complementarity in their agricultural, industrial and commercial plans, with a view to further the economic development of Bhutan.

Article III

The Government of India agree to provide, as appropriate, technical and financial assistance to the Royal Government of Bhutan for the development and diversification of Bhutan's economy.

Article IV

(1) The king of Bhutan will continue to enjoy freedom from import duties on goods imported from third countries on same basis as heretofore.

(2) The Royal Government of Bhutan will continue to enjoy as heretofore freedom from import duties in respect of goods imported on official account from third countries for consumption in Bhutan or from export duties in respect of goods of Bhutanese origin exported on official account to third countries.

Article V

Except as provided in Article IV, exports to and imports from third countries shall continue to be regulated in accordance with the laws, rules and regulations relating to imports, exports and foreign exchange applicable in India.

Article VI

The government of India agrees to provide foreign exchange to the extent possible for import into Bhutan of such items as are essential for the diversification and growth of Bhutan's economy.

Article VII

The subjects of Bhutan and the citizens of India will have the right to carry on trade in each other's country, subject to such exceptions as may be mutually agreed upon.

Article VIII

To ensure the effective and harmonious implementation of this Agreement, the two Governments undertake to consult each other periodically so that such difficulties as may arise in its implementation are resolved satisfactorily and speedily. The Royal Government of Bhutan also agrees to consult the Government of India in regard to its commercial, economic and trade relations with foreign countries.

Article IX

The Agreement shall come into force upon signature. It shall remain in force for a period of 10 years. It shall continue to be in force thereafter for a further period of 10 years unless terminated by either Party by giving notice in writing of not less than one year.

DONE at Thimphu on the Seventeenth day of January 1972, in two originals in the English language, both texts being equally authentic.

Sd/-

B.S. DAS

Representative of India

in Bhutan, (Ambassador extraordinary
and plenipotentiary)

For the Government of India

Sd/-

NAMGYAL WANGCHUK,

His Royal Highness

Minister for Trade and Industry

Royal Government of Bhutan
For the Royal Government of Bhutan

EXCHANGE OF LETTERS

NANGYAL WANGCHUK
Minister for Trade & Industry
January 17, 1972, Thimphu

Your Excellency,

I have received your letter dated January 17, 1972, which reads as follows:

“Article I of the Agreement on the trade and Commerce provides for free trade within the territories of the Government of India and the Government of Bhutan. In pursuance of this provision, goods imported from India will already have paid the excise duties levied by the Central Government and will not, therefore, be liable to further taxes on consumption in Bhutan. Having regard to this position and the development needs of Bhutan, the Governments of India and Bhutan agree that the former shall pay to the latter an annual sum of Rupees on crore for each year for the duration of the Agreement.

I should be grateful if your Royal Highness will kindly confirm that the above sets out the understanding reached between us”.

I confirm that the foregoing correctly sets out the understanding reached between us.

Accept Your Excellency the assurances of my highest consideration.

Yours sincerely,

Sd/-
NAMGYAL WANGCHUK

His Excellency Shri B.S. DAS,
Representative of India in Bhutan,
Thimphu

Agreement on Trade and Commerce Between the Government of the Republic of India and the Government of the Kingdom of Bhutan

February 28, 1995

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

Conscious of the age-old ties between India and Bhutan and animated by the desire to strengthen them.

Convinced of the benefits which accrue to their people from the free trade and commerce between the two countries, expansion of the bilateral trade and collaboration in economic development?

Have, in furtherance of the aforementioned, agreed as follows:

Article 1

There shall, as heretofore, be free trade and commerce between the territories of the Government of the Republic of India and the Government of the Kingdom of Bhutan.

Article 2

Notwithstanding Article-1, the Government of the Kingdom of Bhutan may, henceforth, impose such non-tariff restrictions on the entry into Bhutan of certain goods of Indian origin as may be necessary for the protection of industries in Bhutan. Such restrictions, however, will not be stricter than those applied to goods of third country origin.

Article 3

Notwithstanding Article-1, the Governments of the two countries may impose such non-tariff restrictions on entry into their respective territories of goods of third country origin as may be necessary.

Article 4

In view of the free movement of goods flowing between the two countries and of the possibility of the flow from one to the other of goods of third country origin, the Governments of the two countries shall have annual consultations.

Article 5

All exports of Bhutan to and from countries other than India will be free from and not subject to customs duties and trade restrictions of the Government of the Republic of India. The procedure for such exports and imports and the documentation which are detailed in the Protocol to this Agreement, may be modified by mutual agreement from time to time.

Article 6

Notwithstanding the foregoing provisions, either contracting party may maintain or introduce such measures or restrictions as are necessary for the purpose of:

- i. protecting public morals;
- ii. Protecting human, animal and plant life;
- iii. Implementing laws, relating to import and export of gold and silver bullion;
- iv. Safeguarding national treasures; and
- v. Safeguarding such other interests as may be mutually agreed upon.

Article 7

Trade between India and Bhutan will continue to be transacted in Indian Rupees and Bhutanese Ngultrums.

Article 8

Each of the Governments agrees to provide appropriate refund to be mutually decided annually in respect of excise duties on goods of its origin exported to the other.

Article 9

Merchant ships sailing, under the flag of Bhutan shall be accorded treatment not less favorable than that accorded to ships of any other foreign country in respect of matters relating to navigation, entry into and departure from the Indian ports, use of ports and the harbor facilities in India, as well as loading and unloading dues, taxes and other levies, except that the provision of this Article shall not extend to coastal trade.

Article 10

The two Governments agree to enter into immediate consultations with each other at the request of either side in order to overcome such difficulties as may arise in the implementation of this Agreement satisfactorily and speedily.

Article 11

This Agreement shall come into force with effect from 2 March, 1995 and shall remain in force for a period of ten years. This Agreement may be renewed by mutual consent subject to such changes and modifications as may be agreed upon between the two countries.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto have signed the present Agreement.

Done in two originals at Thimphu on the Twenty Eighth day of February, Nineteen Hundred and Ninety Five in the Dzongkha, Hindi and English languages. In case of conflict the English text shall prevail

For the Government of the Republic of India
PUSHKAR JOHARI
Ambassador of India to Bhutan

For the Government of the Kingdom of Bhutan
LYONPO OM PRADAN
Minister for Trade & Industry

Protocol to the Agreement on Trade and Commerce between the Government of the Republic of India and the Government of the Kingdom of Bhutan

With Reference to Article-1 of the Agreement

For the purpose of this Agreement, the term "free trade and commerce" in Article 1 shall be understood to include within its scope sale of Bhutan lottery tickets in India and the sale of Indian Government or State lottery tickets in Bhutan, subject to the relevant laws which may be in force in the territory of India and the Kingdom of Bhutan, as the case may be. With Reference to Article-5 of the Agreement. The following shall be exit/entry points in India for the imports into and exports from Bhutan for the duration of the Agreement:-

1. Jaigaon - (road route)
2. Charmurchi - (road route)
3. Utlia Pani - (road route)
4. Hathisar (Gaylegphug) - (road route)
5. Darranga - (road route)
6. Calcutta (air & sea port)
7. Haldia (sea port)
8. Dhubri - (riverine route)
9. Raxaul - (road/rail route)
10. Panitanki - (road route)
11. Changrabandh - (road route)
12. New Delhi- (air route)

I. These routes may be discontinued or new ones added by mutual agreement.

II. All exports and imports of Bhutan to and from countries other than India shall be effectively monitored and supervised by the Government of the Kingdom of Bhutan.

Import Procedure:

When goods are imported from third countries for Bhutan through India, the following procedure shall be observed at the Indian place of entry (hereinafter referred to as "Customs House")

a. Clearance of goods imported for Bhutan shall be against Import Licenses issued by the Ministry of Finance, Government of the Kingdom of Bhutan.

The Government of the Kingdom of Bhutan will arrange to supply one copy each of the import license issued by it for such goods to the Collector of Customs concerned within four weeks from the date of issue of the Licenses.

b. At the Customs House, the importer or his agent (hereinafter referred to as the "Importer") shall present the Bill of Entry for Bhutan in the prescribed form (Annexure I) in quintuplicate.

c. The Customs House shall make a minimum percentage examination of the goods to check whether the goods are in accordance with the Bill of Entry for Bhutan and conform to the Bhutanese import License. The goods may at the discretion of the Customs House, be sealed individually or the transport in which they are being carried may be so sealed.

d. After the Customs House is satisfied as regards checks contemplated in the preceding paragraph, it shall endorse all the copies of the Bill of Entry for Bhutan. The fourth copy shall be handed over to the importer. Quintuplicate shall be sealed and handed over to the importer for passing on to the Indian Customs Officer at the exit point of India.

- e. On arrival of the goods at the Indo-Bhutan border, the importer shall present to the Indian Customs Officer, the goods as well as his copy of Bill of entry for Bhutan and the sealed copy for the Customs Officer. The Customs officer shall compare the two Bills .of Entry for Bhutan copies and allow movement of goods into Bhutan subject to percentage checks, if considered necessary. The fourth copy, with due endorsement, shall be returned to the importer and quintuplicate sent to the Customs House.
- f. The private traders of Bhutan shall furnish to the Indian Customs authorities a declaration and undertaking, supported by a guarantee by the Government of the Kingdom of Bhutan, in the prescribed proforma (Annexure II) to ensure that the imported goods have crossed the Indian border and entered Bhutanese territory.
- g. In case of imports by private parties, if the importer, within a period of 60 days of clearance of goods from Indian Custom House/Check posts, does not produce his copy of Bill of Entry for Bhutan, duly certified by the border Customs Officer both at exit point of India and entry point in Bhutan, he becomes liable, in terms of the undertaking, for payment of Indian Customs duty and other dues leviable on such imports. In such an event, the Indian authorities would invoke the guarantee and get in touch with the Transit & Laision Officer of the Government of the Kingdom of Bhutan in Calcutta to realize the customs duties and other dues of the Government of the Republic of India.
- h. In case of imports of the Government of the Kingdom of Bhutan not reaching their destination, the Customs officials of the two countries shall get in touch with each other with a view to tracing their movement.

Note:

Any cargo consigned to Bhutan arriving in Calcutta airport which has to move by surface transport through the territory of the. Republic of India shall follow the import procedure as outlined in this protocol.

Export Procedure:

The import procedure detailed above shall apply mutatis mutandis to Bhutan's 'export trade to third. countries.

ANNEXURE - I

BILL OF ENTRY FOR BHUTAN

Agent's [Name and Address]
Verification

"I have verified that the goods specified in this declaration and the quantity and value specified herein have been permitted to the imported by the Government of the Kingdom of Bhutan under License No. date indicated below"

Importer's [Name and Address]:	Notify or Delivery Address
Country of origin:	Country of consignment
Statement as to transportation:	Import Licence No. and Date
Vessel's Name: Rotation No.	Line No. B/L No & Date

Route of Transit:

Marks and Serial No, of pkgs.: No. and description of pkgs. description of goods.

Quantity: CIF Value: Classification under the Indian customs traffic.

Endorsement by Customs House on entry

Declaration:

" I/we declare that the goods entered herein are for Bhutan in transit through India and shall not be diverted en-route or retained in India."

"I/we declare that all the entries made herein above are true and correct to best of my/our knowledge and belief"

Endorsement by Indian Border Customs Officer on exit.

Date & Signature

Name of Clearing Agent & signature on behalf of Importer

ANNEXURE-II

UNDERTAKING

(To be filled by private importers of Bhutan)

In consideration of the Collector of Customs_____ having allowed clearance of the goods _____ (Description) under bill of entry for Bhutan No_____ Dated _____ without payment of Customs duties and other dues for transit to Bhutan through _____ (route of transit), I/We _____ hereby declare and undertake to produce documentary evidence (Bill of Entry for Bhutan) duly certified by the border Customs Officers both at the exit point in India and entry point in Bhutan within 60 (sixty) days from the date of clearance of the goods from the Indian Customs House. In case I/We _____ fail to produce documentary evidence within the stipulate time or in the event of goods duties and other dues leviable on the goods when imported into India. However due to reasons beyond our control viz. strike, floods, accident, land slides, fire, etc. the goods may not reach their destination within the stipulated time. In the even of such an eventuality, I/We ___ request the required extension of the period.

Place

date:

Signature of the Importer

Name and Address

GUARANTEE BY THE GOVERNMENT OF THE KINGDOM OF BHUTAN

Certified that the importer who has signed the undertaking is known to me, I undertake the responsibility of realization of customs duties and other dues which may become due to the Government of the Republic of India in the event of the imported goods lost in transit or not proved to have crossed the Indian border.

Signature

On behalf of the Government of the Kingdom of Bhutan

Name and Designation

Place

Date

Agreement Between The Government Of India And The Royal Government Of Bhutan Regarding The Chukha Hydro-Electric Project

New Delhi, 23 March 1974

The Government of INDIA
AND
The Royal Government of BHUTAN,

BEARING in mind the friendly relations subsisting between the two Governments and their peoples and wishing to strengthen the same,

NOTING the desire of the Royal Government of Bhutan to develop the hydro-electric potential in their country and their request to the Government of India for assistance in this regard,

NOTING FURTHER the Government of India's willingness to co operate with and assist the Royal Government of Bhutan in attaining this objective,

HAVE, with respect to the Chukha Hydro-Electric Project in Bhutan, agreed as follows:

Article 1

The Chukha Hydro-electric Project in Bhutan (hereinafter called "the Project") envisages the construction of the following:

A 40 m (130 ft.) high diversion dam, located about 1.60 km upstream of the point of confluence of Ti-Chu with Wong Chuk where the river bed lies at + 1689 m, having maximum pond level of + 1716.20 m,

a 6560 m (21517 ft.) long head race tunnel, 71.5 cumecs (250 cusecs) capacity, taking off on the left bank and conveying the waters to an underground power house,

A power house having an installation of 4 units of 84 MW each (including stand by) operating under an average gross head of 466.34 m (1530 ft.),

220 KV transmission systems from Chukha to Phuntsholing (Bhutan-India border) for bulk supply of power to India,

66 KV transmission Link from Chukha to Thimpu and Chukha to Phuntsholing together with sub-stations at Thimpu and Phuntsholing and colonies for staff in charge of the sub-stations,

Any other works that may become necessary and are agreed upon between the two Governments.

Article 2

The project will be owned solely by the Royal Government of Bhutan.

Article 3

The Government of India agree to provide funds for the financing of the project. For this purpose the Government of India will make available to the Royal Government of Bhutan a sum equivalent to 60% of the estimated total cost of Rs. 83.00 crores for the project as a grant and a sum equivalent to 40% of the estimated total cost as a loan. The loan shall carry an interest of 5% per annum and be repayable in 15 years in equated annual instalments, the first repayment commencing 3 years after each drawal of the loan.

The Government of India agree to provide additional funds, as mutually determined, for the completion of the project; in the same proportion and on the same terms.

Article 4

For the construction of the project, the Royal Government of Bhutan and the Government of India agree to the setting up of "The Chukha Project Authority". The Authority will be constituted as an autonomous body. Her Royal Highness Ashi D.W. Wangchuk, Representative of His Majesty in the Ministry of Development, will be the Chairman of this Authority. All the powers of the Authority will be vested in the chairman, H.R.H. Ashi D.W. Wangchuk, as Representative of His Majesty the King of Bhutan. The Chairman will be assisted by the Directors of the Authority in the administrative, technical, financial and organisational matters connected with the execution of the project. The Authority will frame its own rules of business.

There will be four Directors to be nominated by the Royal Government of Bhutan who will be Bhutanese nationals and three Directors to be nominated by the Government of India who will be Indian nationals. The General Manager, CHUKHA Project, to be appointed by the Authority with the approval of the two Governments, will be the ex-officio Director-Secretary of the Authority.

The Chief Engineer, Chukha Project, and the Financial Adviser & Chief Accounts officer, Chukha Project, will be the permanent observers at the meetings of the Authority. The General Manager will be in overall charge of the Project under the supervision and guidance of the Chairman of the Authority. He will be vested with sufficient powers to enable him to function in an effective manner and implement the Project as per schedule. There will be a suitable organisation under the General Manager to assist him.

Article 5

Except in regard to lower categories of staff and the labour force, the recruitment of technical, administrative and other personnel of the Authority will be confined to the nationals of either country.

The Water and Power Development Consultancy Services (India) Ltd., New Delhi will be the consultants for the Chukha Project Authority.

Article 6

After the completion of the project, the Royal Bhutan Government will continue to avail itself of the technical and managerial expertise available in India, through such arrangements as may be worked out from time to time.

Article 7

The requirement of funds for the execution of the Project will be worked out by the Authority in accordance with the programme and progress of construction. The release of funds on the basis of the recommendations of the Authority will be mutually decided by the two Governments from time to time.

Article 8

The Royal Government of Bhutan agree that surplus power from the project, that is, all the power over and above that required for use in Bhutan, shall be sold to the Government of India.

The Government of India agree to purchase all surplus power from the project at the agreed rate.

The initial rate at which this power will be sold by Bhutan to India at Phuntsholing shall be determined at the time of the commissioning of the Project on the basis of the formula forming an Annexure to this agreement.

This rate of power will thereafter be reviewed by the two Governments at the end of each 4-year period. The review would be guided by the following criteria:

Increases, if any, in the operation and maintenance charges of the Chukha Project,
The average percentage increase in the cost of generation of Hydro-electric power during the previous four years in the Eastern-North Eastern Region of India,
Any other factor relevant that time.

Article 9

The Royal Government of Bhutan agrees to make available, free of cost, land required for the project. Timber required for the Project would be provided free of royalty.

Article 10

No customs duty, royalty, sales tax or any other tax will be levied by the Royal Government of Bhutan on construction materials and equipment for the Project.

Article 11

The Government of India agree to supply up to 5,000 KW of power from the Eastern Region Power Grid to meet the construction requirements. The 66 KV Chukha-Phuntsholing line referred to in (v) of Article I can be used for transmitting this power from the India-Bhutan border to the project site.

Payment for this power will be as mutually agreed upon.

Article 12

The Government of India and the Royal Government of Bhutan agree to provide full facilities for the installation of telephone, telegraph, telex and radio communications that are required for the construction and operation of the Project.

Article 13

Any difference regarding the interpretation or application of any provision of this Agreement shall be resolved by mutual consultations between the two Governments.

Article 14

This Agreement shall enter into force upon signature and shall be valid for 99 years. It may be amended or modified at any time by agreement between the two Governments.

IN WITNESS WHEREOF, the Parties have caused to be subscribed thereto the signatures of their duly authorised representatives.

DONE in the English language and signed at New Delhi on the 23rd day of March, 1974.

On behalf of the Government of India

Sd /-

K.C. PANT

Minister for Irrigation and Power

On behalf of the Royal Government of Bhutan

Sd /-

H.R.H. ASHI D.W. WANGCHUK

Representative of H. M. the King in the Ministry of Development

ANNEXURE

BASIS FOR ARRIVING AT THE RATE OF SALE OF POWER BY BHUTAN TO INDIA FROM THE CHUKHA PROJECT

(Reference: Article 8 of the Agreement)

Total cost of Project; = Rs. C crores

Grant component (G) would be = Rs. C x 60/100

Loan component (L) would be = Rs. C x 40/100

Cost of generation of power

Annual interest charges = Rs. L/2 x 5/100 x 15/12 = Rs. L/32 crores

Operation and Maintenance Charges @ 1% of C = Rs. C/100 crores

Special Maintenance @ Rs. 20 lakhs per year

Total Cost = Rs. (L/32 + C/100 + 0.20) crores

Gross return on capital employed by Bhutan @ 10% = Rs. G/100 crores

(The grant component of the Project is being taken as the capital invested by Bhutan on the Project)

Total revenues from sale of power = Rs $(L/32 + C/100 + 0.20 + G/10)$ crores

The units to be generated per annum by the project are 900 million units of firm power and 810 million units of secondary seasonal power. The rate for seasonal power would be 50% that of firm power. Thus, total firm power of the project would be equivalent to 900 million + 405 million units = 1305 million units. Power generated above the firm power would thus be paid at half the rate of firm power.

Sale price of firm power would thus be = Rs. $(L/32 + C/100 + G/10 + 0.20) \times 10^9 + (1305 \times 10^6)$ Paisa

**POLICY PLANNING AND RESEARCH DIVISION
MINISTRY OF EXTERNAL AFFAIRS**