

Embassy of India
Thimphu

Press Release

Boosting Trade and Bringing Prosperity: Bhutan - India Trade Initiatives



In a Globalised World, Trade and Economic relations are key to bringing nations closer, increasing people to people linkages and ushering in prosperity through economic synergy for a win-win cooperation. The increase in quality and value of exports has a direct bearing on the Gross Domestic Production (GDP) Growth Rate, Employment Generation and Human Development Index of a country.

Bhutan and India enjoy a free-trade regime since the signing of the India-Bhutan Trade and Transit Agreement of 1972. Both the countries have also agreed to provide duty-free transit of Bhutanese exports to third countries. The major items of Exports from Bhutan are Electricity, Ferrosilicates, Construction Materials, Carbides, Timber and Wood products, and Agriculture Products. At a time when Covid - 19 has affected global supply chains, Bhutan's Hydro Exports to India have increased, providing a cushion to Bhutan's economy.

For Bhutan's 12th Five Year Plan, India has committed a transitional **“Trade Support Facility” (TSF)** of Nu./Rs. 4 billion, which is over and above the development assistance of Nu./Rs. 45 billion committed by Government of India for the same period. This facility will be utilised for promoting bilateral trade and strengthening economic linkages. Following are the sub-programs under the Transitional Trade Support Facility :

1. **Trade Infrastructure and Export Promotion** : Trade infrastructure like packaging and warehousing facilities, cold storage facilities, capacity building of exporters and compliance with international standards are essential to increase the quality and market value of Bhutanese exports. For improvement of Trade Infrastructure, Nu./Rs. 1.7 billion has been allocated for the development of Pasakha Dry Port in Phuentsholing. This port will contain facilities for exports processing and will benefit the exporters in western and central Bhutan. To develop Dry Ports in Nganglam and Gelephu, feasibility studies are being undertaken through this program. For improving Agri-exports, Capacity Building Initiatives for Farmers such as strengthening of Farm Cooperatives and Entrepreneurship Trainings are being implemented. The program also envisages creation of warehousing and cold storage facilities and development of three Cottage and Small Industry Estates in Bhutan.
2. **Support to Private Sector for Export Development and Promotion** : This program enables creation of private sector capabilities and knowledge for providing market information and access to Bhutanese exporters. Under this program, access to the markets in the North-Eastern States of India is being provided to the Bhutan Chamber of Commerce & Industries (BCCI). In 2019, a Bhutanese Cottage and Small Industries delegation participated in 'India International Mega Trade Fair' in Kolkata. A Private Sector Development Dialogue has also been initiated under this Program. In 2020, three startups in Statue Making, Buckwheat Noodle manufacturing and Yathra Slippers and Boots were established in Bumthang.
3. **Export Financing Fund Facility** : An Export Financing Facility fund of Nu./Rs. 500 million would be utilised to create an Export Financing Window for Cottage and Small Scale Industries of Bhutan.
4. **Strengthening Trade Facilitation and Automation** : A transparent, equitable and user-friendly regulatory mechanism is essential to improve ease of doing business for exporters and traders of Bhutan. With an aim to modernise, simplify and broaden the tax base, the Goods and Services Tax has been enacted in Bhutan in 2019. For providing automation in GST, Bhutan Integrated Taxation System (BITS) is being implemented which will provide taxpayer registration, filing, refund, assessment and documentation. For providing ease of filing taxes, a National Single Window System (NSWS) for streamlining procedures between traders and government agencies is being developed. To improve Public Service Delivery and providing Government - to - Business services, an Integrated Business Licensing System is also being developed.

New Trade Routes between Bhutan and India : In keeping with the high trade traffic in Phuentsholing - Jaigaon land route, there was a need to open new trade routes for the benefit of Industries in other parts of Bhutan. In 2020, Government of India notified the **Torsha Tea Garden (India) - Allay (Bhutan)** as a formal Trade Route between Bhutan and India. This new land route for movement of industrial raw materials and goods destined for Pasakha Industrial Estate will boost bilateral trade & commerce and lead to decongestion of vehicular traffic along the Jaigaon-Phuentsholing route.

The **Nagarkata (India) - Jitti (Bhutan)** trading point has been converted from a temporary to a permanent Land Customs Station without any commodity restrictions. Bhutanese traders

can now use this point for exporting all commodities including boulders and river bed materials.

To facilitate Bhutan's exports of mineral, boulders, aggregate products to Bangladesh, the **Agartala (India) - Akhaura (Bangladesh)** rail route will be opened to serve the traders of Bhutan.

The **Jogighopa riverine port (India)**, located on the National Waterway-2 of India along the Brahmaputra River will facilitate trade via Gelephu (Bhutan). Similarly, the **Pandu riverine port (India)**, located on National Waterway-2 along the Brahmaputra River will facilitate trade via Samdrup Jongkhar (Bhutan).

In line with India's special relation with the Kingdom of Bhutan, Government of India stands resolutely committed to the development and well-being of the People and Government of Bhutan.

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