



Report on Bhutan's External Trade

**Department of Trade
Ministry of Economic Affairs**

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PREFACE

The Department of Trade, Ministry of Economic Affairs, is entrusted with the mandates of strengthening long-term trade relations with principal trading partners and negotiating favorable trading arrangements with potential trading partners. In order to keep abreast of the developments in Bhutan's foreign trade relations and overall trade performance in the economy, the Department is pleased to come up with this brief Report on Bhutan's External Trade.

This document attempts to portray an overview of Bhutan's engagement with the existing bilateral trading partners and also provide a summary of new developments in its actual trade with the rest of the world considering both export and import, based on the data published by the Department of Revenue and Customs, Ministry of Finance.

The Department is hopeful that this document serves to convey the desired objective of providing a fair understanding of the current trade scenario and likely future prospects and as a repository of information that will be useful for all relevant stakeholders.

1. EXTERNAL TRADE

The economy started witnessing forewarnings of a possible downturn following the detection of the first positive case of Covid-19 in March 2020. The early signs of adverse impact surfaced through the second quarter of the year, with the pandemic causing severe disruption to the operation of almost all the sectors in the economy. The year experienced an unprecedented economic contraction with -6.3% GDP growth, and is projected to bounce back to 4.2% growth in FY 2021-2022.

1.1 Balance of Trade

With limited domestic production capacity, the overall economy has largely been driven by the usual sectors and contingent on imports. The impact of the pandemic on trade sector has been severe resulting in sharp decline in international trade. Exports, excluding electricity, fell drastically, while decline in imports has not been uniform in all goods with induced demand for few commodities including essential edible items and electronic items. The pandemic has further deteriorated the already weak position of trade balance.

Figure 1: Balance of trade including electricity, 2020



Data Source: Bhutan Trade Statistics 2020, DRC, Ministry of Finance

As shown in **Figure 1**, the overall trade during the year touched Nu. 114.89 billion, of which Nu. 66.63 billion accounted for imports and Nu. 48.25 billion, exports. Total trade registered 1.46% decrease from Nu. 116.59 billion in 2019. Considering both import and export of electricity, trade in electricity alone accounted for 24% of the overall trade. The trade deficit including trade in electricity, in 2020, was recorded at Nu. 18.38 billion which translates to 9.8% of nominal GDP, and without trade in electricity, the figure touched Nu. 45.72 billion which translates to 24% of

nominal GDP. The increasing trade imbalance remain a concern in mitigating current account deficit in the economy.

Table 1: Balance of Trade excluding electricity (*Value in million Nu.*)

Year	Import	Export	Total Trade	Trade Balance
2015	67,787.67	23,104.82	90,892.49	(44,682.85)
2016	67,186.91	22,226.06	89,412.97	(44,960.85)
2017	66,921.00	25,314.00	92,235.00	(41,607.00)
2018	71,345.00	30,835.00	102,180.00	(40,510.00)
2019	68,906.11	31,249.94	100,156.05	(37,656.17)
2020	66,456.11	20,732.24	87,188.35	(45,723.87)

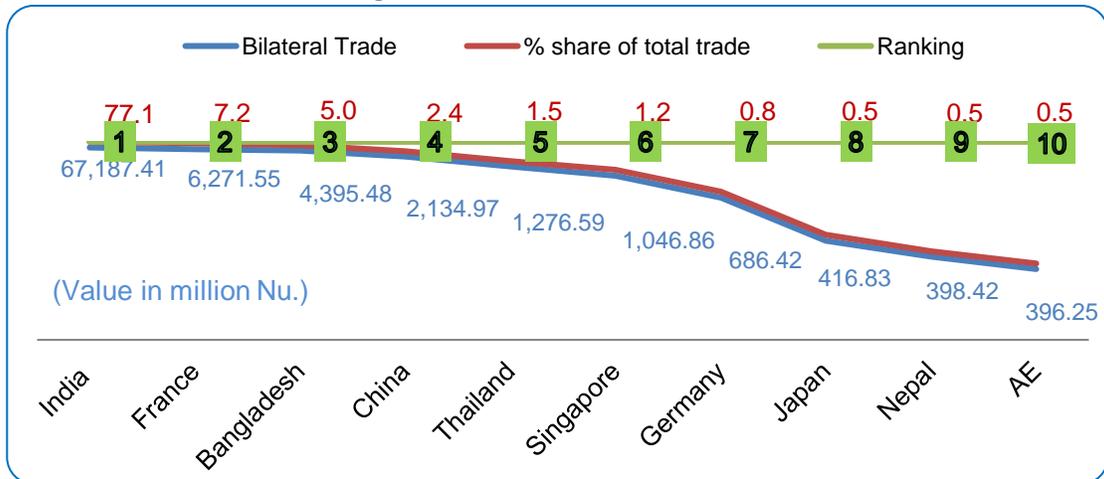
Data Source: Bhutan Trade Statistics 2020, DRC, Ministry of Finance

The increase in trade deficit by 21% at Nu. 45.72 billion (**Table 1**) correlates highly with the drastic fall in exports and sustained imports which has been inflated by one time import of an aircraft in the first quarter of the year. In Fiscal Year 2016-2017, the trade deficit baseline was 22.8% of GDP and that was projected to reach 12% within the 12 FYP. Given the pandemic situation, the possibility of realizing the projection continues to remains a challenge.

1.2 Trade Direction

In 2020, Bhutan recorded international trade with 105 countries, among which, top ten trading partners have more or less remained the same as in past years, with the exception of France. As evident from **Figure 2** below, Bhutan's trade has always been concentrated with the two neighboring countries of India and Bangladesh, which jointly accounted for 82% share of the total trade. The trend is expected to continue into near future, primarily due to their geographical proximity backed by close bilateral ties with both countries. Moreover, formal trading arrangements through Free Trade Agreement (FTA) with India and Bilateral Trade Agreement (BTA) with Bangladesh has always been instrumental in facilitating and promoting trade with these two countries.

Figure 2: Trade Direction, 2020



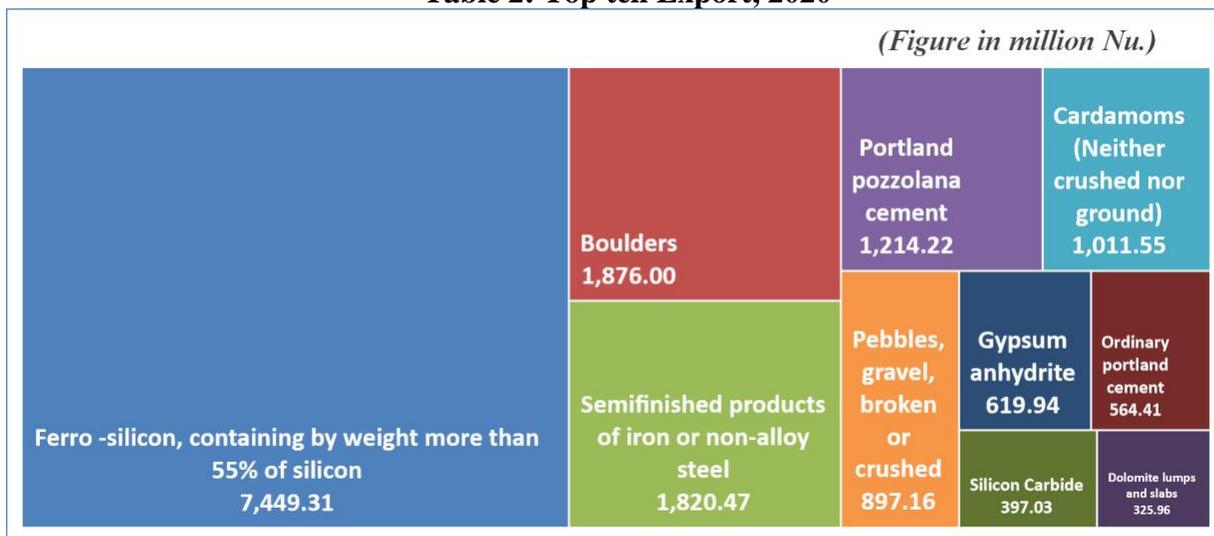
Data source: Bhutan Trade Statistics 2020, Dept. of Revenue and Customs, Ministry of Finance.

Over the years, record indicate gradual improvement in diversification and expansion of trading partners both in terms of source of import as well as export destination. Bhutan’s import source has now increased to 61 countries from 43 countries, and export market expanded to 44 countries from 16 countries within a decade.

1.3 Export Trend

Bhutan’s overall export dropped sharply by 33.65%, from Nu. 31.25 billion in 2019 to Nu. 20.73 billion in 2020. After successive years of experiencing improvement in export performance, the pandemic has exposed the vulnerabilities of the export sector given the small basket of export commodities and their limited market outside.

Table 2: Top ten Export, 2020



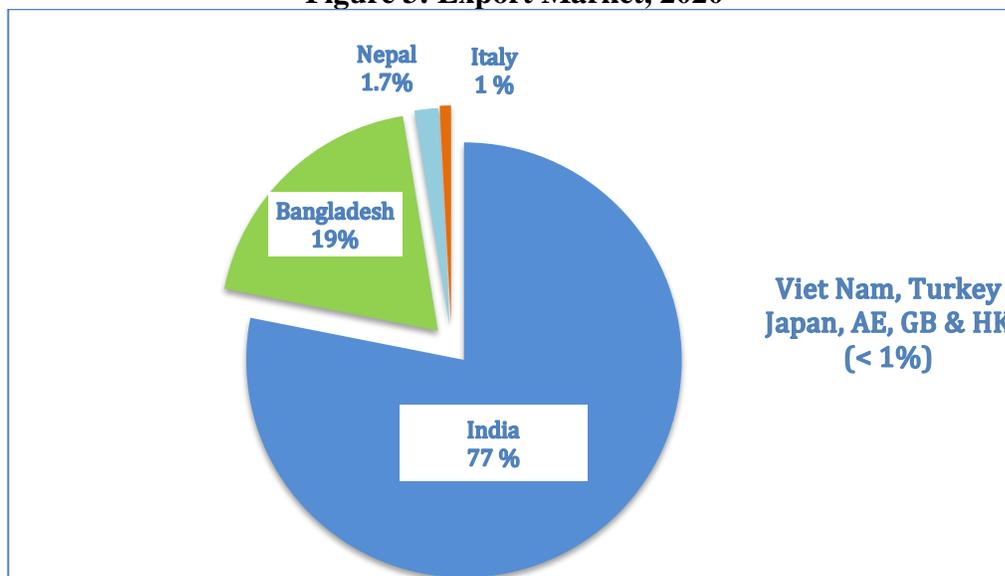
Data Source: Bhutan Trade Statistics 2020, DRC, Ministry of Finance.

Without discounting the possible impact of the pandemic on all exportable products, notably the majority of top export commodities were the hardest hit due to the frequent disruptions in both market demand and domestic production. The drop in overall export figure largely corresponds to the collective decline in export of the following major products:

- Export of boulders and pebbles fell by 62% and 50% respectively, accounting for a decrease in export value of Nu. 4 billion collectively.
- Ferro-silicon export decreased by 24% with drop in value from Nu. 9.78 billion in 2019 to Nu. 7.44 billion.
- Export of dolomite chips fell by 60% recording a decrease of Nu. 804 million from Nu. 1,331 billion in 2019.
- Ordinary portland cement dropped by 26% from Nu. 822 million in 2019 to Nu. 564 million in 2020.
- Silicon carbide dropped by 42%, from Nu. 687 million in 2019 to Nu. 397 million.

The only goods among the top ten exports that showed resilience are Portland pozzolana cement and cardamom with insignificant changes in export figures. Exports continue to be dominated by a handful of commodities, mainly comprising of ferro-silicon, boulders, cement, steel, cardamom and few other mineral products, as highlighted in **Table 2**.

Figure 3: Export Market, 2020



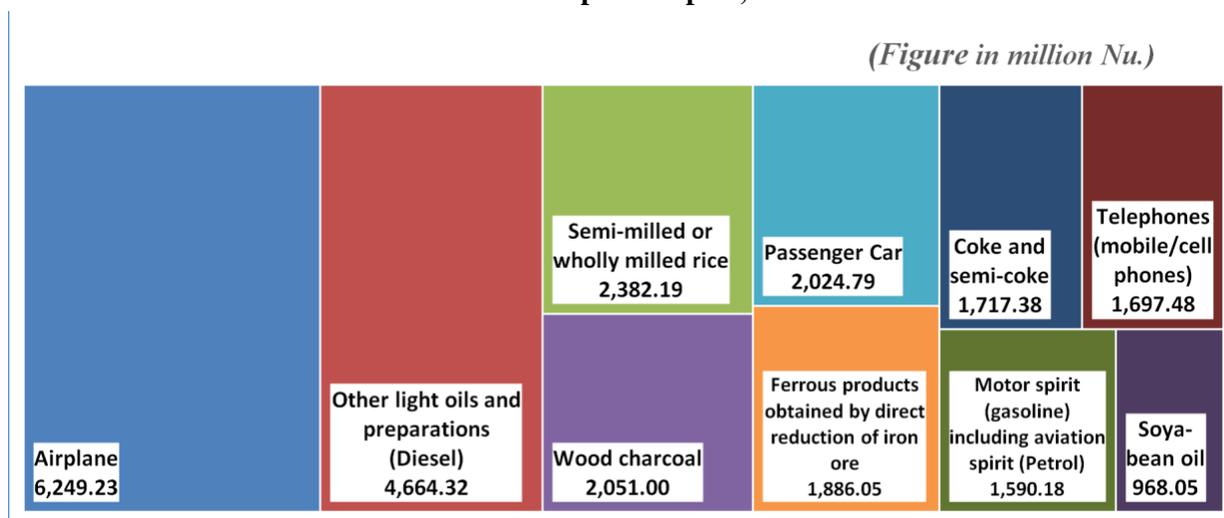
Data Source: Bhutan Trade Statistics 2020, DRC, Ministry of Finance.

Figure 3 depicts major export markets of Bhutan. India accounted for 77% of Bhutan’s total exports while Bangladesh accounted for 19% share, followed by Nepal at a distant third with 1.7% share of Bhutan’s total exports. The rest of the top export markets accounted for less than 1% share individually.

1.4 Import Trend

On the import front, the year recorded a decrease of Nu. 2.47 billion which translates to 3.5% decrease from Nu. 68.90 billion in 2019. With exclusion of a single aircraft imported by Druk-Air costing Nu. 6.24 billion, the total import value stands at Nu. 60.20 billion recording a decrease in overall import by 12.26% as compared to 2019.

Table 3: Top ten Import, 2020



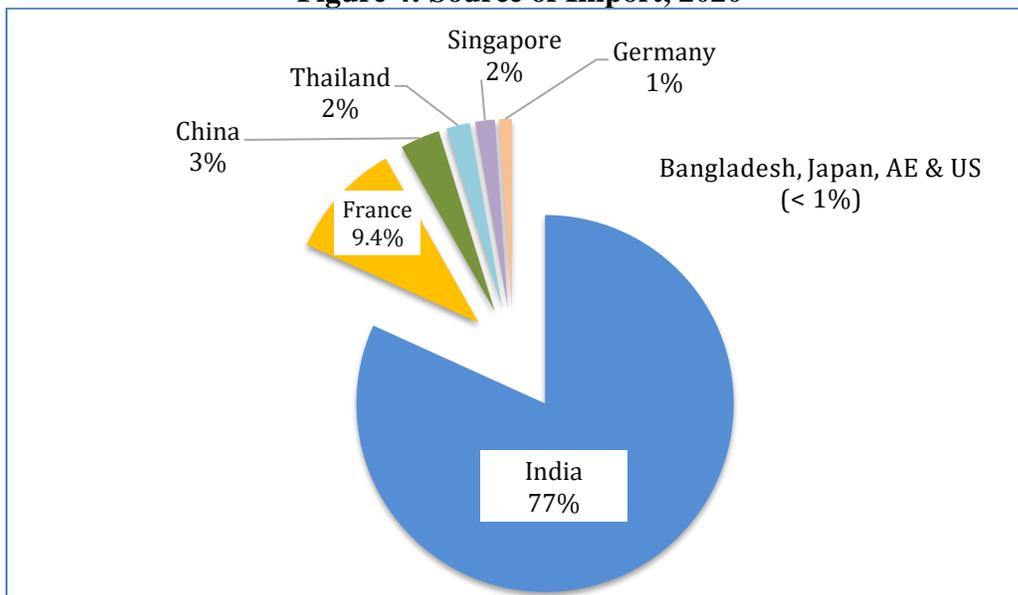
Data Source: Bhutan Trade Statistics 2020, DRC, Ministry of Finance.

The decline in overall import clearly substantiates the impact the pandemic had on the economy, resulting in closure of service industries including tourism and hotels, negative growth in construction and transport sector, minimal operation in manufacturing industries and decrease in other economic activities. The decrease in import value, therefore, corresponds to the fall in import of following goods associated with these major economic activities:

- Import of diesel decreased from Nu. 7.76 billion in 2019 to Nu. 4.66 billion, recording a decrease by 42.82%. Similarly, petrol decreased by 36%, translating to a fall in import value by Nu. 918 million.
- Import of sponge iron and cast iron, a raw material for the iron and steel industry dropped to Nu. 2.19 billion recording a decrease by 41% as compared to Nu. 3.74 billion in 2019.
- Import of electrical items such as electrical board, console and insulated conductors also showed a decrease by 68.5% with reduction of import bill by Nu. 824.75 million.
- The overall import of vehicle during the year recorded a decrease by Nu. 1.03 billion with major decrease in import of dumpers and utility vehicle, while passenger vehicle recorded reduction of 7% during the year.
- Import of meat recorded a decrease of 40% with Nu. 680.02 million against Nu. 1,148.87 million in 2019.

The pandemic also brought about change in the way of living and working, with alternate adjustments for safer functioning of public institutions and the education system. The introduction of new normal policies has generated more demand for electronic items, in particular, mobile phones, LED TV and laptop which increased the import value by Nu. 1,103.67 million, Nu. 110.53 million and Nu. 106.12 million respectively. In addition, import of edible essential items such as rice, edible oil and dairy products have also shown an increase of 22.4%, 12.3% and 10.01% respectively as compared to the previous year due to the stockpiling efforts of the Royal Government.

Figure 4: Source of Import, 2020



Data Source: Bhutan Trade Statistics 2020, DRC, Ministry of Finance.

Bhutan imported goods from 61 countries as compared to 64 in 2019. Though the number of import sources decreased, the top ten exporting countries with the exception of India, recorded an increased share of their exports to Bhutan. India continue to remain the largest source for import but with a decreased share by 5% compared to 2019 import value. Among the top ten import commodities, only passenger car and raw material (coke & semi-coke) had shared sources with countries like Japan, Thailand, Indonesia, Korea and Singapore, the rest were all imported from India alone.

2. BILATERAL TRADE

2.1. Trade with India

2.1.1. Background

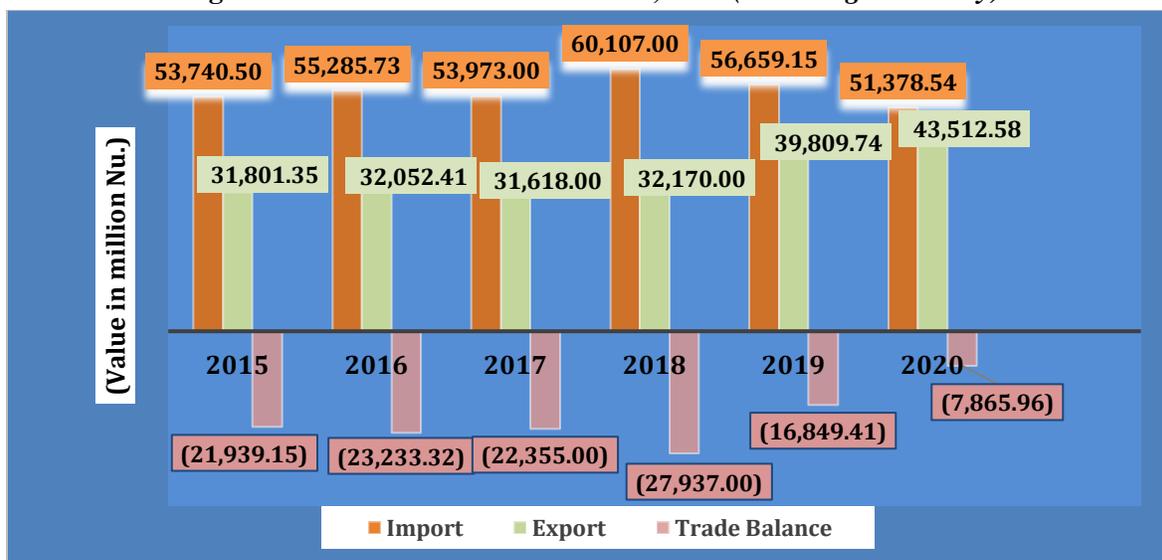
Bhutan enjoys free trade and commerce with India since the signing of the Treaty between the Government of India and the Royal Government of Bhutan in 1947. However, the first formal

Agreement on Trade and Commerce between the two countries was signed in 1972, which has undergone five revisions till date (1983, 1990, 1995, 2006 and 2016). The current *Agreement on Trade, Commerce and Transit between the Royal Government of Bhutan and the Government of the Republic of India* shall remain valid till 2026.

The Free Trade Agreement (FTA) aims to further strengthen the age-old ties and enhance bilateral trade and economic cooperation for mutual benefit and development of the two countries. The key features of the Free Trade Agreement are the provision for free trade between the two countries and transit right for Bhutan’s trade with third countries. The rapid growth of trade between the two countries is attributed to the free trade arrangement which allows free flow of goods into each other’s territory without any import duty. In addition, the transit right granted through the FTA enables Bhutan to trade with the rest of the world. Bhutan has been able to improve upon these provisions through the successive renewals of the Agreement with addition of new entry and exit points in India for Bhutan’s external trade. The progressive changes made in the scope of the Agreement is reflective of the economic progress Bhutan has achieved over the years. The FTA has been very instrumental not just in expanding trade with India but also in facilitating Bhutan’s trade diversification with other trading partners.

2.1.2 Trade Performance

Figure 5: Balance of trade with India, 2020 (Including Electricity)



Data source: Bhutan Trade Statistics 2020, DRC, Ministry of Finance.

India has been the largest trading partner for Bhutan since the start of the development plans. In 2020, trade with India was recorded at Nu. 94.89 billion with inclusion of trade in electricity. India accounted for 82% of Bhutan’s total trade with the outside world and without including electricity, share of total trade would be 77% translating to Nu. 67.18 billion. The overall import from India

accounted for 77% of the total import value even without considering trade in electricity, while export to India accounted for 90% of total exports including electricity and 77% without electricity.

The overall trade with India including electricity recorded a decrease by 1.6% as compared to 2019, and 16% drop without electricity. Non-hydro exports to India decreased by 32% with a similar trend in import by 9%.

Table 4: Balance of trade with India, 2020 (Excluding Electricity)

(Value in million Nu.)

YEAR	IMPORT	EXPORT	TOTAL TRADE	TRADE BALANCE
2015	53,490.85	19,676.86	73,167.71	(33,813.99)
2016	55,112.78	19,020.36	74,133.14	(36,092.42)
2017	53,898.00	19,635.00	73,533.00	(34,263.00)
2018	59,812.00	21,592.00	81,404.00	(38,220.00)
2019	56,452.98	23,572.54	80,025.52	(32,880.44)
2020	51,197.86	15,989.55	67,187.41	(35,208.31)

2.1.3 Export

Bhutan's major export to India in 2020 besides electricity, includes Ferro -silicon, Boulders, Semi-finished products of iron or non-alloy steel, Dolomite lumps, Portland pozzolana cement, Pebbles & gravel, Ordinary portland cement, Silicon Carbide, Cardamoms (Neither crushed nor ground), etc. Total export value including electricity recorded Nu. 43.51 billion, and export of electricity alone accounts for Nu. 27.52 billion. The top ten exports to India are highlighted in **Table 5**.

Table 5: Top Ten Commodities Exported to India, 2020

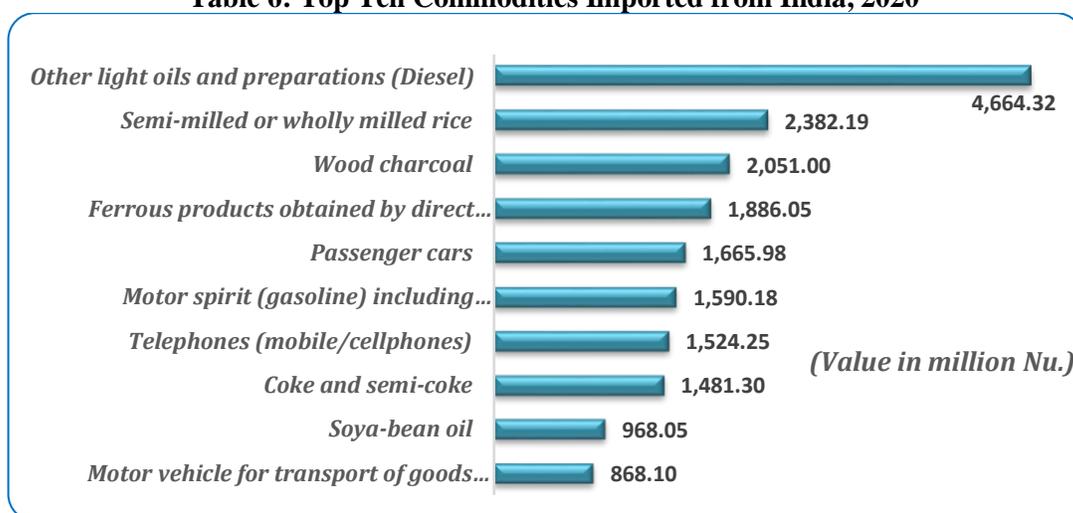
Sl. No.	BTC Code	Commodity Description	Value in million Nu.
1	2716.00.00	Electricity	27,523.03
2	7202.21.00	Ferro -silicon	7,232.17
3	7207.19.00	Semi-finished products of iron or non-alloy steel	1,820.47
4	2523.29.30	Portland pozzolana cement	1,214.22
5	0908.31.00	Cardamoms (Neither crushed nor ground)	354.00
6	2517.10.00	Pebbles, gravel, broken or crushed	113.49
7	2520.10.00	Gypsum, anhydrite	271.61
8	2523.29.10	Ordinary portland cement	564.41
9	2849.20.00	Silicon Carbide	397.03
10	2518.10.30	Dolomite lumps and slabs	322.29
		Other commodities	3,699.86
		Total	43,512.58

Among the top ten commodities exported to India, ferro-silicon, portland pozzalana cement, dolomite (chips), semi-finished product of iron of rectangular cross-section and silicon carbide has always been recorded as major exports to India since 2013.

2.1.4 Import

Major imports from India in 2020 comprised of petroleum fuel (petrol & diesel), passenger cars, rice, wood charcoal, Ferrous products, cellphones, Coke and semi-coke, soya-bean oil, electric generators & motors, parts for turbines, transport vehicle, bitumen, etc. The total imports from India including electricity was Nu. 51.37 billion and import of electricity alone accounted for Nu. 180.68 million.

Table 6: Top Ten Commodities Imported from India, 2020



Data source: Bhutan Trade Statistics 2020, DRC, Ministry of Finance.

Imports from India remain dominated by petroleum fuel and industrial raw materials besides rice and motor vehicle of all types.

2.1.5 Future prospects

With a liberal trading arrangement accorded by the FTA, India will continue to remain the dominant trading partner for Bhutan. The government, therefore, remains steadfast to maintain continued bilateral trade talks to build upon the existing trade relation.

The annual bilateral meeting on Trade, Commerce and Transit between GoI and RGoB at Commerce Secretary level (CSLM) has not only been effective in resolving trade and transit issues hindering bilateral trade, but also provided a dedicated forum to explore new avenues for expanding trade and commerce between the two countries.

Given the close ties of friendship between the two Governments and its people, bilateral trade with India is envisaged to be very instrumental in elevating socio-economic relations to greater heights.

2.2. Trade with Bangladesh

2.2.1 Background

The first step towards promoting trade between Bhutan and Bangladesh was initiated in 1978 by the Royal Government of Bhutan. The Government of the People's Republic of Bangladesh welcomed the initiative with keen interest to promote special economic relations with Bhutan and conveyed assurances to provide free transit facility and Most Favored Nation (MFN) treatment to Bhutan's trade.

Shortly in 1980, Bhutan and Bangladesh entered into a Trade Agreement and Protocol to the Trade Agreement was later signed in February 1984. However, actual trade with Bangladesh did not start due to the lack of viable transit facilities through the Indian territory and that was made possible after signing of the Indo-Bhutan Agreement on Trade and Commerce and signed in 1983. Subsequently, a Memorandum of Understanding (MoU) was signed between India and Bangladesh in December, 1983 to facilitate the movement of goods between Bhutan and Bangladesh through the Indian territory.

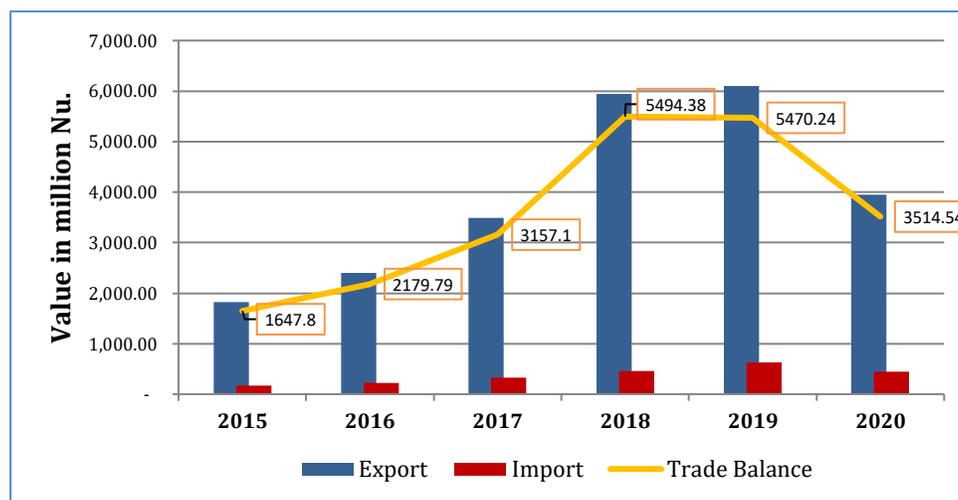
The Agreement on Trade between the Royal Government of Bhutan and the Government of the People's Republic of Bangladesh signed in 1980 underwent successive renewals in 1984, 2003, 2009, and the last was done on 6th December 2014 in Dhaka, Bangladesh. The *Agreement has a* validity of five years with provisions for automatic extension for successive five years.

Under the current trading regime, Bhutan grants duty free access to 90 products listed in the Schedule B (i.e. Exportables of Bangladesh to Bhutan) of the existing Trade Agreement between the two countries. On the other hand, Bangladesh provides duty free access to 18 products from Bhutan and the remaining products listed in Schedule A (i.e. Exportables from Bhutan to Bangladesh) enjoy MFN treatment. On the 18 products from Bhutan, besides the waiver of customs duty, other domestic taxes are also exempted by Bangladesh.

2.2.2 Trade performance

Total trade between Bhutan and Bangladesh recorded substantial increase over the last 15 years, and for the first time, the trend plummeted in 2020 with decline in both import and export value as a result of the prolonged pandemic. The overall trade value dropped from Nu. 6,720 million in 2019 to Nu. 4,395 million, showing decreased trade by 35%. Despite the adverse impact of the pandemic, Bhutan has been able to maintain a favorable position of trade balance with Bangladesh.

Figure 6: Balance of trade with Bangladesh, 2020



Data source: Bhutan Trade Statistics 2020, DRC, Ministry of Finance.

2.2.3 Export

Exports to Bangladesh mainly consisted of boulders, pebbles & gravels, cardamom, oranges, limestone, dolomite, calcium carbonate, fruit juice, gypsum, etc. Total value of exports to Bangladesh recorded Nu. 3,955 million, of which boulders alone accounted for 47%, followed by pebbles & gravels and cardamom with 20% and 17% share respectively. The top ten commodities exported to Bangladesh are listed in **Table 7**:

Table 7: Top ten commodities exported to Bangladesh, 2020

Sl. No.	BTC Code	Commodity Description	Value in million Nu.
1	2516.90.10	Boulders	1,848.56
2	2517.10.00	Pebbles and gravels	783.67
3	0908.31.00	Cardamom	657.55
4	0805.10.00	Oranges	279.85
5	2521.00.00	Limestone flux & calcareous stone	253.88
6	2518.10.10	Dolomite (powdered)	63.94
7	2836.50.00	Calcium carbonate	20.08
8	2009.00.00	Fruit juice	10.57
9	2520.20.00	Gypsum anhydrite plaster	6.97
10	2202.99.90	Mineral water	8.32
Other commodities			21.63
Total			3,955.02

Data source: Bhutan Trade Statistics 2020, DRC, Ministry of Finance.

2.2.4 Import

Table 8. highlights major items imported from Bangladesh, consisting of slag & dross of iron, readymade garments, biscuits, juice, pharmaceutical products, kitchen and table wares, furniture, soaps, aluminum structures and tea. The total import value in 2020 recorded Nu. 440.46 which dropped by 29% from 2019. Import of slag and dross accounted for 26% of total imports, followed by garments and sweet biscuits with 16% and 14% share respectively.

Table 8: Top ten commodities imported from Bangladesh, 2020

Sl. No.	BTC Code	Commodity Description	Value in million Nu.
1	2619.00.00	Slag, dross, scaling, etc, from manufacture of iron	115.84
2	6100 to 6200	Readymade Garments	73.85
3	1905.00.00	Sweet biscuits, cakes & pastry	64.83
4	2009.00.00	Fruit Juices (mango & litchi)	38.14
5	3003 to 3004	Medicaments	30.44
6	3924.10.00	Tableware and kitchenware of plastic	19.48
7	9403.00.00	Other furniture (wood & plastic)	19.07
8	7615.10.00	Tableware and kitchenware of aluminum	14.71
9	3401.11.00	Soaps (for toilet use)	12.71
10	1704.90.00	Sugar confectionery (sweets)	8.59
Other commodities			42.80
Total			440.46

Data source: Bhutan Trade Statistics 2020, DRC, Ministry of Finance.

Unlike Bhutan's concentrated exports to Bangladesh, the variety of items imported from Bangladesh has increased considerably in the recent past. Import is expected to pick up in both volume and diversity of goods with further developments in bilateral trading arrangements between the two countries.

2.2.5 Future prospects

For the past few decades, Bangladesh has been the second largest trading partner for Bhutan. While imports from Bangladesh is not substantial, Bhutan's total export to Bangladesh has consistently accounted for 20% share of the overall exports.

The bilateral trade relation has been spearheaded by the institution of annual bilateral meetings at Commerce Secretary level (CSLM) that focus on strengthening trade and also explore new areas of economic cooperation for further expansion of bilateral and international trade through the development of institutional linkages and collaboration between the chambers of commerce, tourism authorities, and other associated trade sectors.

Under the ambit of the CSLM, the following are some of the important achievements made, thus far, to help foster Bhutan's external trade:

- The two governments have been able to finalize Preferential Trade Agreement (PTA) within a short span of time and was signed in December 2020. The PTA envisions to promote and enhance trade between the two countries while taking into consideration international best trade practices. The PTA also underscores the existing trade arrangements and benefits as well as the commitments conveyed by the Head of the two governments to grant duty free market access to additional 16 products from Bhutan and 10 products from Bangladesh.
- Bhutan has been able to gain access to use inland water transport routes in Bangladesh for bilateral trade and transit cargoes going to and coming from Chittagong and Mongla Ports in Bangladesh. For that, a Memorandum of Understanding (MoU) was signed in April 2017 and a Standard Operating procedure (SOP) to implement the MoU in April 2019, during the exchange of visits by the two Prime Ministers in Bhutan and Bangladesh, respectively. Following implementation experiences, the SOP is currently under amendment.
- The two governments are in the process of finalizing a Transit Agreement and its Protocol after the expiry of the last one, to facilitate Bhutan's bilateral as well as third country trade through Bangladesh.

With the timely conclusion and implementation of all these bilateral instruments supported by continued high-level interactions among the leaders of the two countries, trade and economic relations between the two countries continue to thrive and is expected to become even more prominent in the near future.

2.3 Trade with Thailand

2.3.1 Background

The formal diplomatic relations with Thailand was established in November 1989 following the introduction of Druk Air flight services in 1988. Since then, business relations started developing among the business firms of the two countries. Despite having no formal trading arrangements, trading activities between the two countries picked up gradually over the years.

After the signing of the Comprehensive Framework Agreement for Cooperation between the Royal Government of Bhutan and the Kingdom of Thailand in July 2004, several high-level meetings were initiated to establish bilateral Trade Agreement between the two countries. Subsequently two rounds of Bhutan-Thailand Consultation Meetings on Bilateral Trade Agreement held in 2013 finalized the *Trade and Economic Cooperation Agreement (TECA)*, and was signed in November 2013. Given the broad objective of TECA with wide coverage of sectors, the provisions of TECA have limited scope to enable either country to accord favorable or preferential treatment

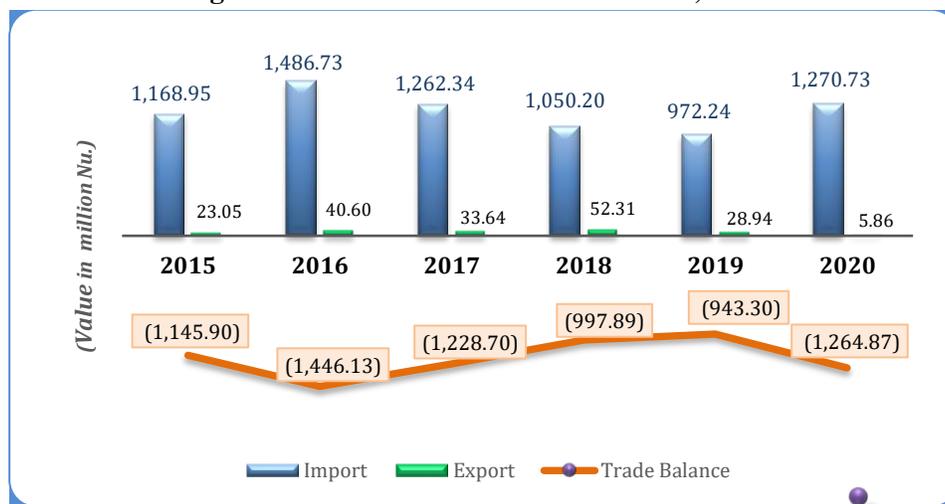
on imports from each other. The current bilateral trade is being conducted based on MFN treatment without any exemptions on import duty.

The overall trade with Thailand in 2020 recorded Nu. 1,276 million, which is entirely on account of imports making up 99.95% and a very negligible share of export trade. Since 2017, overall trade has been on the decline with an average drop by 12% each year, however in 2020, record indicated 22% growth which could be attributed to the increased import of goods associated with the pandemic.

2.3.2 Trade performance

Thailand has been one of the important trading partners and was recorded as the 5th largest trading partner for Bhutan in 2020. The overall trade of Nu. 1,276.59 million with Thailand accounts for 1.5% of Bhutan’s total trade and 6.3% of Bhutan’s trade with third countries. As highlighted in **Figure 7**, Bhutan has been experiencing negative trade balance with Thailand since 2005 which has improved over the years with diversification in sources of import. However, in 2020, trade balance has increased to Nu. 1,264.87 million owing to the surge in imports whereas exports slumped drastically.

Figure 7: Balance of trade with Thailand, 2020



Data source: Bhutan Trade Statistics 2020, DRC, Ministry of Finance

2.3.3 Export

Exports to Thailand remain confined to very few goods and that too, largely dominated by cordyceps sinensis. The export value dropped by 80% in 2020 recording steep decline from Nu. 28.94 in 2019 to Nu. 5.86 million. In 2019, cordyceps valuing Nu. 26.74 million accounted for 92% of total exports to Thailand, and the value has come down to Nu. 5.27 million in 2020.

2.3.4 Import

Bhutan imported goods worth Nu. 1,270.73 million recording an increase by 31% from Nu. 972 million in 2019. Though the total import value accounts for only 2% of Bhutan's overall import, Thailand has proven to be one of the important sources of import for the Bhutanese economy and has always been among the top five import sources for over a decade, regardless of the share of trade volume.

Table 9: Top ten imports from Thailand, 2020

Sl. No.	BTC Code	Commodity Description	Value in million Nu.
1	3822.00.00	Diagnostic or laboratory reagents	381.12
2	8703.00.00	Motor vehicles (light & medium)	111.13
3	8516.60.00	Ovens (rice/curry cooker, griller, roasters, etc.)	98.62
4	3002.20.00	Vaccines for human medicine	60.80
5	8517.62.00	Video conferencing equipment	49.89
6	7108.13.00	Gold	37.03
7	8471.30.00	Laptops	18.75
8	9403.00.00	Furniture (RAF)	16.18
9	8708.00.00	Spare parts for motor vehicle	14.64
10	9015.00.00	Survey instruments	14.59
		Other commodities	849.10
		Total	1,270.73

Data source: Bhutan Trade Statistics 2020, DRC, Ministry of Finance

Import from Thailand in 2020, consisted of both capital and consumer goods and the major ones are reflected in **Table 9**. Besides regular goods, few goods such as medical equipment and essentials, medicaments, video conferencing set and laptops had significant contribution to the import value. As evident, the spike in import of these specific goods are attributed to the national demand to cope with the pandemic situation.

2.3.5 Future Prospects

The Trade and Economic Co-operation Agreement signed between the two countries envisions collaboration in wide range of areas including trade, investment, tourism, construction, health & medical care, education, energy, logistics services, and development of small and medium-sized enterprises. In order to implement the Agreement, a Joint Trade Committee (JTC) was instituted to spearhead the collaborations in areas of mutual interest to both the countries.

The three rounds of JTC meetings since 2016 had initiated and deliberated on numerous areas of cooperation to facilitate and promote trade, tourism and investment between the two countries.

With the government's commitment to reinforce the process of further deepening our relations in trade and economic cooperation, it is envisaged that the successive JTC meetings would open up new avenues of trade interest and help to further strengthen bilateral ties as well as expand trade relations between the people of the two countries.

2.4 Trade with Nepal

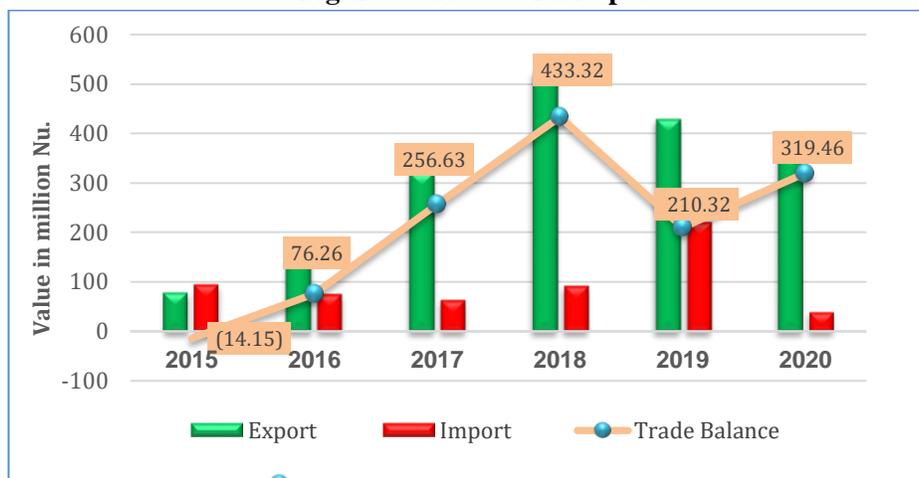
2.4.1 Background

The first official trade delegation from Bhutan visited Nepal in January 1985 to build formal trade relation with Nepal. During the visit, bilateral discussion was held and list of tradable items from both sides were exchanged. The meeting had also identified two places, namely Kakarvita and Raxaul in Nepal, as transit points for trade between the two countries. However, there was no successive discussions to take forward the bilateral engagement. Later in 1992, Bhutan started exporting gypsum and coal to Nepal and bilateral trade picked up since then. In absence of a formal trading arrangement for the conduct of trade between the two countries, both have so far, been applying general rate of custom duties on imports originating from the territory of each other.

In 2000, the then Commerce Ministers met during the course of UNCTAD X meeting in Bangkok and exchanged views to strength bilateral trade between the two countries. Subsequently, Nepal had sent a proposal for entering into a Bilateral Trade and Payment Agreement with Bhutan. In August 2002, Nepal forwarded the draft Bilateral Trade and Payment Agreement for consideration of the Royal Government of Bhutan. The draft Agreement provides for a general framework for accord of MFN treatment on the movement of goods between the two countries. Based on the proposal, the first Bhutan-Nepal Bilateral Trade Talk was convened in March 2010 in Katmandu, Nepal where the draft Agreement was discussed. That was followed by the second Bhutan-Nepal Bilateral Trade Talk held in May 2011 in Thimphu, Bhutan, where deliberations focused on the draft Agreement, draft Protocol to the Agreement and the draft Rules of Origin. The 3rd Bhutan-Nepal Bilateral Trade Talk was held in August 2019, at Kathmandu, Nepal and the meeting finalized the draft Texts of the Trade Agreement and the Protocol to the Trade Agreement.

2.4.2 Trade performance

Over the decade, total trade with Nepal saw an increase by more than 200% with total value touching Nu. 645.34 million in 2019. The increased trade performance could not be sustained in 2020 due to the impact of the pandemic on both import and export trade. In 2020, the total trade fell by 38% and the value recorded Nu. 398.42 million only. Nepal accounts for less than 1% of Bhutan's overall trade, and has been ranked among the top ten trading partners in 2020.

Figure 8: Trade with Nepal

Data source: Bhutan Trade Statistics 2020, DRC, Ministry of Finance.

As evident from **Figure 8**, Bhutan has been able to maintain a positive trade balance with Nepal since 2016 with an increasing export trend each year. Despite the non-existence of formal trading arrangement, trade record has been progressive with huge potential for further expansion between the two countries.

2.4.3 Export

Nepal recorded the 3th largest export destination accounting for 1.73% of Bhutan's overall exports. Major exports to Nepal consisted of gypsum anhydrite and plaster of gypsum, collectively accounting for 97% of the total export. Compared to 2019, bituminous coal dropped by 94 % from Nu. 52 million to Nu. 3 million in 2020 and similarly, gypsum plaster dropped by 42% accounting for Nu. 5.72 million. Other goods comprised of wall fillings (glaziers' putty), tableware and kitchenware of wood, incense stick, jewelry cases, etc.

Table 10: Major exports to Nepal, 2020

BTC Code	Commodity	Value in million Nu.
2520.10.00	Gypsum anhydrite	343.22
2520.20.00	Plasters of gypsum	5.72
3214.10.00	Glaziers' putty, wall fillings	3.14
2701.00.00	Bituminous coal	3.10
4419.90.00	Tableware & kitchenware of wood	1.66
3307.41.10	Incense 'Poe'	1.53
Other commodities		0.57
Total		358.94

Data source: Bhutan Trade Statistics 2020, DRC, Ministry of Finance

2.4.4 Import

Imports from Nepal dropped significantly in 2020, recording a fall by 81% as compared to 2019. Bhutan imported goods worth Nu. 39.48 million, comprising of readymade garments, statues, pasta & noodles, gas stove, silk garments, tent, soap, footwear, and other commodities as highlighted in Table 11 below.

Table 11: Major imports from Nepal, 2020

Sl. No.	BTC Code	Commodity Description	Value in million Nu.
1	6100- 6200	Readymade garments	12.58
2	8306.00.00	Bells, gongs, statuettes of base metal (plated with precious metal)	7.34
3	1902.00.00	Pasta & noodles	3.54
4	7321.81.00	Gas stove	2.80
5	5007.90.30	Silk Tego	1.89
6	7419.99.00	Other articles of copper	1.32
7	6306.22.00	Tents	1.09
8	6404.00.00	Footwear	0.73
9	3401.00.00	Soap	0.65
10	4202.00.00	Trunks, suitcase, bags, etc	0.56
		Other commodities	19.56
		Total	39.48

Data source: Bhutan Trade Statistics 2020, DRC, Ministry of Finance

2.4.5 Future prospect

The government remains committed to establishing a formal trading arrangement with Nepal to promote and strengthen trade and commerce between the two countries. The draft Agreement provides for accord of preferential treatment to imports originating from the other country and such arrangement will prove instrumental in boosting export of not only mineral products but all export potential goods from Bhutan.