

**AGREEMENT
ON
TRADE, COMMERCE AND TRANSIT
BETWEEN
THE GOVERNMENT OF THE REPUBLIC OF INDIA
AND
THE ROYAL GOVERNMENT OF BHUTAN**

The Government of the Republic of India and the Royal Government of Bhutan,

Conscious of the age-old ties between India and Bhutan and with a 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 objectives, agreed as follows:

ARTICLE - I

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

ARTICLE - II

Notwithstanding Article - I, the Royal Government 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 - III

Notwithstanding Article – I, 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 - IV

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 – V

All exports and imports 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 - VI

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 - VII

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

ARTICLE - VIII

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 - IX

Merchant ships sailing under the flag of Bhutan shall be accorded treatment no less favourable 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 harbour 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 - X

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 - XI

This Agreement shall come into force with effect from the **29TH July 2006** and shall remain in force for a period of ten years.

This Agreement may be renewed by mutual consent to such changes and modifications as may be agreed upon between the two countries.

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

Done in two originals at **New Delhi** on the **Twenty Eighth Day of July Two Thousand Six** in the Hindi, Dzongkha and English languages. In case of conflict the English text shall prevail.

**FOR THE GOVERNMENT OF THE
REPUBLIC OF INDIA**

**FOR THE ROYAL
GOVERNMENT OF BHUTAN**

**(KAMAL NATH)
MINISTER OF COMMERCE AND
INDUSTRY**

**(LYONPO YESHEY ZIMBA)
MINISTER FOR TRADE AND
INDUSTRY**

**PROTOCOL TO THE AGREEMENT ON
TRADE, COMMERCE AND TRANSIT
BETWEEN THE GOVERNMENT OF THE REPUBLIC OF INDIA
AND
THE ROYAL GOVERNMENT OF BHUTAN**

WITH REFERENCE TO ARTICLE I OF THE AGREEMENT

For the purpose of this Agreement, the term 'free trade and commerce' in Article I 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 territories of the Kingdom of Bhutan and India, as the case may be.

WITH REFERENCE TO ARTICLE V 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. Chamurchi | - | road route |
| 3. Ulta Pani | - | road route |
| 4. Hathisar (Gelephu) | - | road route |
| 5. Darranga | - | road route |
| 6. Kolkata | - | air & sea route |
| 7. Haldia | - | sea route |
| 8. Dhubri | - | riverine route |
| 9. Raxaul | - | road & rail route |
| 10. Panitanki | - | road route |
| 11. Changrabandh | - | road route |
| 12. New Delhi | - | air route |
| 13. Mumbai | - | sea & air route |
| 14. Chennai | - | sea & air route |
| 15. Phulbari | - | road route |
| 16. Dawki | - | road 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 Royal Government 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 Letter of Guarantee issued by the Royal Bhutan Customs/ Representative of the Royal Government of Bhutan.
- b). At the Customs House, the importer or his agent (hereinafter referred to as the “Importer”) shall present the Letter of Guarantee in the prescribed form (Annexure I) in five copies. The last two columns pertaining to classification of goods and duty shall be completed by the Indian Customs.
- c). The Customs House shall ensure that the seals are intact in case of containerised goods and in case of non-containerised goods, after percentage check if necessary, goods may be sealed individually or the transport in which they are being carried be so sealed.
- d). The Customs House, after having satisfied with the procedures in Para C above, shall endorse all the copies of the Letter of Guarantee. The fourth copy shall be handed over to the importer. The fifth shall be sealed and handed over to the importer for passing on to the Indian Customs Officer at the exit point in 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 the Letter of Guarantee and the sealed copy for the Customs Officer. The Customs Officer shall compare the two copies and allow movement of goods into Bhutan after checking the seal. The fourth copy shall be returned to the importer after due endorsement and fifth copy sent to the Customs House.
- f). In case of imports not reaching their destination, the Customs officials of the two countries shall get in contact so as to trace the movement of the goods. In case the goods are found to have been diverted intentionally or purposely into India, the Indian Authorities would invoke the guarantee and get in touch with the Transit & Liaison Office/ Representative of the Royal Government of Bhutan in Kolkata to realize the Customs duties and other dues of the Government of the Republic of India.

NOTE:

Any cargo consigned to Bhutan arriving in Kolkata, Delhi, Mumbai and Chennai airports 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 for Bhutan's exports to third countries.

MOVEMENT OF GOODS FROM ONE PART OF BHUTAN TO ANOTHER THROUGH THE INDIAN TERRITORY

For the movement of goods including forestry products from one part of Bhutan to another through the Indian territories, the following procedure shall be observed:-

- a) The Bhutan Customs will issue a Transit Declaration in the prescribed form (Annexure II) to the owner of the goods or his agent. In the case of third country goods, the transit declaration would also carry an undertaking from the Customs authorities of Bhutan that the goods are meant for consumption in Bhutan only, and in cases of deflection, the laws of both Indian and Bhutan Customs would be applicable. Movement of goods through India accompanied by the Transit Declaration shall not be subject to any sample checking by the Indian authorities except in cases where a specific information is made available to the Indian Customs authorities about consignment(s) carrying goods which are contraband in nature or contrary to the importability of those in any manner. These goods will be examined by Indian customs while transiting through India.
- b) At the entry point in India, the Transit Declaration pertaining to goods of third country origin shall be presented to the Indian customs who shall endorse and return it to the owner or his agent and allow movement of goods.
- c) The Transit Declaration shall be deposited with the Bhutan Customs Officials at the point of re-entry into Bhutan who shall release the goods after inspecting the same.

LETTER OF GUARANTEE

On behalf of the Royal Government of Bhutan, we confirm that the goods imported by M/s.....with the following details are imports of Bhutan and shall not be diverted en route or retained in India.

Bill of Lading Number	Marks and no. of packages	Qty. and brief description of goods	CIF or transacted value	Classification of *major goods under the Indian Customs Tariff (CTC)	Duty involved

In the event of loss of goods or goods not crossing the Indian border due to intentional diversion, we undertake to realise the customs duties and other dues leviable on the goods when imported into India.

If, however, goods are delayed or lost in India due to reasons such as accidents, hijacking, robbery, dacoity, breakdown of the carrier, strikes and natural calamities, we undertake to notify the Indian Customs promptly and seek necessary extension of time period or exemption of customs duty as the case may be.

Signature

Place:

On behalf of the Royal Government of Bhutan

Date:

Name & designation:

Seal

Endorsement by the Customs House

Endorsement by the Indian Customs Officer at the exit point in India

* in case of importation of more than five items, only the major items may be classified

Annexure II

Department of Revenue & Customs
Royal Government of Bhutan
Transit Declaration

(for movement of goods including forestry products from Bhutan to Bhutan through Indian territories)

Agent: Declaration No.:
Exit point: Date of exit: Entry point: Date of entry:
Transporter: Vehicle No :
Challan No.: Date: No of packages: Gross weight (kg):

Consignor's name & code	Consignee's name & code	Invoice No.	Date	Brief description of goods	Value in Nu/Rs.

I/we declare that information given on this declaration and attached documents are true and correct. In case the declaration is found to be incorrect, I/we shall be liable for fines, penalties & prosecution as per the Sales Tax, Customs & Excise Act 2000.

Signature of consignor/driver: _____ Date:-

Physical verification (at exit point in Bhutan):

Physical verification (at entry point in Bhutan):

(Undertaking to be signed by the Royal Bhutan Customs in case of goods of third country origin):

The consignment consists of goods of third country origin meant for consumption in Bhutan.

Signature